

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
JUNE 30, 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 17001260

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 June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended as well as the related consolidated statements of changes in equity and of cash flows for the six-month periods 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 \$25,723,614 thousand and \$17,754,463 thousand, constituting 14% and 10% of the consolidated total assets, and total liabilities of \$15,119,438 thousand and \$7,330,967 thousand, constituting 15% and 9% of the consolidated total liabilities as of June 30, 2017 and 2016, respectively, and total comprehensive income of \$264,714 thousand, \$348,634 thousand, \$130,583 thousand and \$589,622 thousand, constituting 9%, 15%, 9% and 10% of the consolidated total comprehensive income for the three-month and six-month periods then ended. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of June 30, 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 Standard 34, “Interim Financial Reporting”, as endorsed by the Financial Supervisory Commission.


Hung, Shu-Hua


Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

August 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 June 30, 2017 and 2016 are reviewed, not audited)

Assets			June 30, 2017		December 31, 2016		June 30, 2016				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	33,825,683	19	\$	28,893,546	17	\$	31,906,381	19
1125	Available-for-sale financial	6(2)									
	assets - current			62,089	-		141,404	-		163,818	-
1150	Notes receivable, net	6(3)		1,493,888	1		1,445,339	1		2,054,234	1
1170	Accounts receivable, net	6(4)		11,405,396	6		10,330,385	6		11,218,729	6
1180	Accounts receivable - related	7									
	parties			134,367	-		129,733	-		111,202	-
130X	Inventories, net	6(5)		17,701,188	10		13,850,002	9		12,200,894	7
1410	Prepayments			2,504,365	1		1,900,089	1		1,550,236	1
1470	Other current assets	8		1,737,695	1		1,463,436	1		1,541,034	1
11XX	Total current assets			68,864,671	38		58,153,934	35		60,746,528	35
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			179,714	-		177,313	-		193,769	-
1600	Property, plant and equipment,	6(7)									
	net			103,614,726	58		103,156,284	61		104,296,128	61
1760	Investment property - net	6(8)		291,479	-		291,785	-		292,062	-
1840	Deferred income tax assets	6(25)		1,270,573	1		831,631	1		681,882	-
1900	Other non-current assets	6(9) and 8		5,269,308	3		5,495,592	3		5,917,349	4
15XX	Total non-current assets			110,683,987	62		110,010,792	65		111,439,377	65
1XXX	Total assets		\$	179,548,658	100	\$	168,164,726	100	\$	172,185,905	100

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

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2017 and 2016 are reviewed, not audited)

			June 30, 2017		December 31, 2016		June 30, 2016	
Liabilities and Equity		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 21,503,627	12	\$ 12,656,467	8	\$ 12,825,847	7
2120	Financial liabilities at fair value through profit or loss - current	6(11)	-	-	-	-	3,705	-
2150	Notes payable		253,437	-	483,645	-	51,431	-
2170	Accounts payable		9,300,993	5	8,260,392	5	8,101,705	5
2200	Other payables	6(12)	16,060,987	9	7,003,144	4	16,373,002	9
2230	Current income tax liabilities	6(25)	750,063	-	1,377,757	1	1,101,882	1
2300	Other current liabilities	6(13)(14)(15)						
		)	9,994,847	6	10,005,293	6	8,382,674	5
21XX	Total current liabilities		57,863,954	32	39,786,698	24	46,840,246	27
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	24,138,498	13	22,888,990	14	23,866,322	14
2550	Provisions - non-current		119,460	-	120,299	-	117,827	-
2570	Deferred income tax liabilities	6(25)	2,292,360	1	1,836,061	1	2,859,990	2
2600	Other non-current liabilities	6(16)	3,412,534	2	3,563,290	2	3,748,797	2
25XX	Total non-current liabilities		41,662,852	23	40,108,640	24	39,192,936	23
2XXX	Total Liabilities		99,526,806	55	79,895,338	48	86,033,182	50
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Ordinary shares	6(17)	32,414,155	18	32,414,155	19	32,414,155	19
Capital surplus								
3200	Capital surplus	6(18)	52,576	-	52,576	-	52,576	-
Retained earnings								
3310	Legal reserve	6(19)	14,280,767	8	12,955,677	8	12,955,677	8
3320	Special reserve		3,307,822	2	2,604,163	2	2,604,163	1
3350	Unappropriated retained earnings		34,664,452	19	42,774,502	25	37,615,298	22
Other equity interest								
3400	Other equity interest	6(20)	(5,359,671)	(2)	(3,307,822)	(2)	(301,199)	-
31XX	Total equity attributable to owners of the parent		79,360,101	45	87,493,251	52	85,340,670	50
36XX	Non-controlling interest		661,751	-	776,137	-	812,053	-
3XXX	Total equity		80,021,852	45	88,269,388	52	86,152,723	50
Significant contingent liabilities and unrecognised contract commitments 9								
Significant events after the balance sheet date 11								
3X2X	Total liabilities and equity		\$ 179,548,658	100	\$ 168,164,726	100	\$ 172,185,905	100

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

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

	Items	Notes	Three months ended June 30			Six months ended June 30		
			2017		%	2016		%
			AMOUNT	AMOUNT		AMOUNT	AMOUNT	
4000	Sales revenue	7	\$ 28,368,875	\$ 31,021,360	100	\$ 57,010,127	\$ 60,366,554	100
5000	Operating costs	6(5)	(21,930,752)	(20,807,913)	(67)	(43,221,424)	(40,741,248)	(67)
5900	Gross profit		6,438,123	10,213,447	33	13,788,703	19,625,306	33
	Operating expenses	7						
6100	Selling expenses		(2,106,450)	(2,375,606)	(7)	(4,264,596)	(4,488,680)	(7)
6200	General & administrative expenses		(908,107)	(914,393)	(3)	(1,720,490)	(1,658,373)	(3)
6300	Research and development expenses		(1,266,838)	(1,219,877)	(4)	(2,454,935)	(2,382,090)	(4)
6000	Total operating expenses		(4,281,395)	(4,509,876)	(14)	(8,440,021)	(8,529,143)	(14)
6900	Operating profit		2,156,728	5,703,571	19	5,348,682	11,096,163	19
	Non-operating income and expenses							
7010	Other income	6(21)	614,121	164,544	1	873,555	314,041	-
7020	Other gains and losses	6(22)	103,209	(224,353)	(1)	(440,872)	(264,865)	-
7050	Finance costs	6(23)	(288,610)	(222,159)	(1)	(518,101)	(443,680)	(1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	(143)	5,086	-	2,103	12,096	-
7000	Total non-operating income and expenses		428,577	(276,882)	(1)	(83,315)	(382,408)	(1)
7900	Profit before income tax		2,585,305	5,426,689	18	5,265,367	10,713,755	18
7950	Income tax expense	6(25)	(844,610)	(1,400,817)	(5)	(1,580,395)	(2,643,952)	(5)
8200	Profit for the period		\$ 1,740,695	\$ 4,025,872	13	\$ 3,684,972	\$ 8,069,803	13

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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 amounts)
(UNAUDITED)

	Items	Notes	Three months ended June 30			Six months ended June 30		
			2017		2016	2017		2016
			AMOUNT	%		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		\$ 1,332,531	5	(\$ 1,971,603)	(6)(\$ 2,609,224)	(5)(\$ 2,575,391)	(4)
8362	Unrealized loss on valuation of available-for-sale financial assets	6(2)	(25,681)	-	(13,357)	- (16,325)	- (3,529)	-
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		832	-	(223)	- 298	- -	4
8399	Income tax relating to the components of other comprehensive income	6(25)	(246,545)	(1)	331,556	1 416,989	1 433,498	1
8360	Components of other comprehensive income that will be reclassified to profit or loss							
8300	Other comprehensive income (loss) for the period		1,061,137	4	(1,653,627)	(5)(2,208,262)	(4)(2,145,418)	(3)
8500	Total comprehensive income for the period		\$ 1,061,137	4	(\$ 1,653,627)	(5)(\$ 2,208,262)	(4)(\$ 2,145,418)	(3)
	Profit, attributable to:		\$ 2,801,832	10	\$ 2,372,245	8 \$ 1,476,710	3 \$ 5,924,385	10
8610	Owners of the parent		\$ 1,722,389	6	\$ 3,994,728	13 \$ 3,642,945	7 \$ 8,023,997	13
8620	Non-controlling interest		18,306	-	31,144	- 42,027	- 45,806	-
			\$ 1,740,695	6	\$ 4,025,872	13 \$ 3,684,972	7 \$ 8,069,803	13
	Comprehensive (loss) income attributable to:							
8710	Owners of the parent		\$ 2,900,946	10	\$ 2,362,427	8 \$ 1,591,096	3 \$ 5,903,779	10
8720	Non-controlling interest		(99,114)	-	9,818	- (114,386)	- 20,606	-
			\$ 2,801,832	10	\$ 2,372,245	8 \$ 1,476,710	3 \$ 5,924,385	10
9750	Earnings per share (in dollars)	6(26)	\$ 0.53		\$ 1.23	\$ 1.12	\$ 1.12	2.48
9850	Diluted earnings per share	6(26)	\$ 0.53		\$ 1.23	\$ 1.12	\$ 1.12	2.47

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

Six-month period ended June 30, 2016

Six-month period ended June 30, 2017 $\frac{7}{2}$

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

	Notes	Six-month periods ended June 30 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,265,367	\$ 10,713,755
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(24)	5,680,192	5,853,187
Depreciation on investment property	6(8)(24)	306	450
Rental expenses for land use right	6(9)	42,265	47,249
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(2,103)	(12,096)
Net gain on financial assets or liabilities at fair value through profit or loss	6(22)	-	(15,364)
Loss on disposal of property, plant and equipment	6(7)(22)	11,649	38,659
Provision (reversal of provision) for bad debt expense	6(4)	31	-
Interest expense	6(7)(23)	518,101	443,680
Interest income	6(21)	(157,483)	(61,279)
Gain on disposal of investments	6(22)	(19,828)	-
Deferred government grants revenue		(72,609)	(75,462)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(48,549)	188,702
Accounts receivable - related parties		(4,634)	50,287
Accounts receivable		(1,074,972)	(524,571)
Inventories		(3,740,982)	1,012,259
Prepayments		(604,276)	(424,190)
Other current assets		(279,834)	68,005
Other non-current assets		(5,965)	(983)
Changes in operating liabilities			
Notes payable		(230,208)	(155,580)
Accounts payable		1,040,601	1,357,073
Other payables		(909,960)	37,937
Other current liabilities		(322,818)	8,640
Accrued pension liabilities		123	(107,689)
Cash inflow generated from operations		5,084,414	18,442,669
Interest received		162,765	63,342
Interest paid		(440,242)	(384,287)
Income tax paid		(1,850,905)	(2,391,985)
Net cash flows from operating activities		2,956,032	15,729,739

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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	Six-month periods ended June 30	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from sale of available-for-sale financial assets		\$ 82,818	\$ -
Proceeds from disposal of property, plant and equipment		30,588	146,799
Payment for capitalized interests	6(7)(23)(27)	(9,529)	(20,165)
Acquisition of property, plant and equipment	6(7)(27)	(8,317,079)	(5,941,904)
Decrease in refundable deposits		34,562	(236,212)
Net cash flows used in investing activities		(8,178,640)	(6,051,482)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		19,756,109	7,169,620
Decrease in short-term loans		(10,629,116)	(9,638,771)
Increase in long-term loans		4,391,309	5,293,549
Decrease in long-term loans		(2,264,066)	(2,410,964)
Decrease in guarantee deposits received		(11,239)	(8,676)
Increase in other payables to related parties	7	60,350	45,014
Decrease in other non-current liabilities		1,464	(1,355)
Net cash flows from financing activities		11,304,811	448,417
Effect of exchange rate changes on cash and cash equivalents		(1,150,066)	(541,460)
Net increase in cash and cash equivalents		4,932,137	9,585,214
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)	<u>\$ 33,825,683</u>	<u>\$ 31,906,381</u>

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

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

JUNE 30, 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 August 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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 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
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
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance 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 recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

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 recognised 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 financial performance due to other standards and interpretations. Results of the evaluation will be disclosed once completed.

(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 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
IFRS 16, ‘Leases’	Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2021

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

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 Standard 34, “Interim financial reporting” as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 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
			June 30, 2017	December 31, 2016	June 30, 2016	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
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
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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
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	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	100	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

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			June 30, 2017	December 31, 2016	June 30, 2016	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	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	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 June, 2017, the liquidation was 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 August 10, 2017, the liquidation was not yet completed.

Note 8: The financial statements of the entity as of June 30, 2017 and 2016, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note 9: The financial statements for the six months ended June 30, 2016, were not reviewed by independent accountants.

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 June 30, 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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash on hand and petty cash (revolving funds)	\$ 2,982	\$ 2,101	\$ 5,902
Checking deposit	1,927,984	2,171,362	4,614,331
Demand deposits	23,165,456	17,717,029	22,322,886
Time deposits	8,729,261	9,003,054	2,607,325
Bonds sold under repurchase agreement	-	-	2,355,937
	<u>\$ 33,825,683</u>	<u>\$ 28,893,546</u>	<u>\$ 31,906,381</u>
Interest rate range			
Time deposits	<u>1.00%~4.50%</u>	<u>0.60%~5.38%</u>	<u>0.35%~4.00%</u>
Bonds sold under repurchase agreement	<u>-</u>	<u>-</u>	<u>0.35%~0.72%</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

<u>Items</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Current items:			
Listed stocks	\$ 8,665	\$ 71,655	\$ 73,588
Funds	18,930	18,930	18,930
	27,595	90,585	92,518
Valuation adjustment	34,494	50,819	71,300
	<u>\$ 62,089</u>	<u>\$ 141,404</u>	<u>\$ 163,818</u>
Non-current items:			
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>	<u>\$ 58,187</u>

The Group recognized loss of \$13,414, \$13,357, \$4,058 and \$3,529 in other comprehensive income for fair value change and reclassified loss of \$12,267, \$0, \$ 12,267 and \$0 from equity to profit or loss for the three-month periods ended June 30, 2017 and 2016, and the six-month periods ended June 30, 2017 and 2016, respectively.

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Notes receivable	\$ 1,503,165	\$ 1,454,616	\$ 2,063,511
Less: Allowance for bad debts	(9,277)	(9,277)	(9,277)
	<u>\$ 1,493,888</u>	<u>\$ 1,445,339</u>	<u>\$ 2,054,234</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Dealer	\$ 1,059,240	\$ 751,054	\$ 1,228,736
Vehicle assembly factory	419,127	548,403	708,507
Others	24,798	155,159	126,268
	<u>\$ 1,503,165</u>	<u>\$ 1,454,616</u>	<u>\$ 2,063,511</u>

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

As of June 30, 2017, December 31, 2016 and June 30, 2016, the Group does not hold any notes receivable that were impaired.

	<u>2017</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1 and June 30	\$ -	\$ 9,277	\$ 9,277
	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1 and June 30	\$ -	\$ 9,277	\$ 9,277

(4) Accounts receivable, net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts receivable	\$ 11,418,301	\$ 10,343,329	\$ 11,231,674
Less: Allowance for bad debts	(12,905)	(12,944)	(12,945)
	<u>\$ 11,405,396</u>	<u>\$ 10,330,385</u>	<u>\$ 11,218,729</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:

	June 30, 2017	December 31, 2016	June 30, 2016
Dealer	\$ 5,109,073	\$ 4,213,454	\$ 5,476,596
Vehicle assembly factory	4,386,056	4,214,700	4,076,205
Others	346,710	338,464	242,109
	<u>\$ 9,841,839</u>	<u>\$ 8,766,618</u>	<u>\$ 9,794,910</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 30 days	\$ 926,621	\$ 1,035,698	\$ 926,787
31 to 90 days	419,904	370,853	430,005
91 to 180 days	186,146	148,444	30,203
Over 181 days	43,791	21,716	49,769
	<u>\$ 1,576,462</u>	<u>\$ 1,576,711</u>	<u>\$ 1,436,764</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 June 30, 2017, December 31, 2016 and June 30, 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	-	31	31
Effects of foreign exchange	-	(70)	(70)
At June 30	<u>\$ -</u>	<u>\$ 12,905</u>	<u>\$ 12,905</u>
2016			
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 12,966	\$ 12,966
Effects of foreign exchange	-	(21)	(21)
At June 30	<u>\$ -</u>	<u>\$ 12,945</u>	<u>\$ 12,945</u>

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

(5) Inventories, net

June 30, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,178,642	\$ -	\$ 6,178,642
Work in process	2,980,783	-	2,980,783
Finished goods	6,349,902	(35,489)	6,314,413
Land in progress	806,500	-	806,500
Construction in progress	945,184	-	945,184
Inventory in transit	475,666	-	475,666
	<u>\$ 17,736,677</u>	<u>(\$ 35,489)</u>	<u>\$ 17,701,188</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>
June 30, 2016			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 3,869,277	\$ -	\$ 3,869,277
Work in process	1,568,891	-	1,568,891
Finished goods	5,080,312	(36,179)	5,044,133
Land in progress	871,042	-	871,042
Construction in progress	291,222	-	291,222
Inventory in transit	556,329	-	556,329
	<u>\$ 12,237,073</u>	<u>(\$ 36,179)</u>	<u>\$ 12,200,894</u>

The cost of inventories recognized as expense for the period:

Three-month periods ended June 30,			
	2017	2016	
Cost of goods sold	\$ 21,975,797	\$ 20,849,580	
(Gain) loss on physical inventory	(436)	1,860	
Revenue from sale of scraps	(43,679)	(39,651)	
Gain on reversal of decline in market value	(930)	(3,876)	
	<u>\$ 21,930,752</u>	<u>\$ 20,807,913</u>	

	Six-month periods ended June 30,	
	2017	2016
Cost of goods sold	\$ 43,306,826	\$ 40,821,401
Loss on inventory retirement	2	8
(Gain) loss on physical inventory	(1,189)	2,026
Revenue from sale of scraps	82,112	(76,621)
Gain on reversal of decline in market value	2,103	(5,566)
	<u>\$ 43,389,854</u>	<u>\$ 40,741,248</u>

For the three-month periods ended June 30, 2017 and 2016, and the six-month periods ended June 30, 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 June 30, 2017, December 31, 2016 and June 30, 2016, the carrying amount of the Group's individually immaterial joint ventures amounted to \$179,714, \$177,313 and \$193,769, respectively.

	Three-month periods ended June 30,	
	2017	2016
Share of (loss) profit of associates and joint ventures accounted for using equity method	(\$ 143)	\$ 5,086
Other comprehensive income (loss) - net of tax	690	(185)
Total comprehensive income	<u>\$ 547</u>	<u>\$ 4,901</u>

	Six-month periods ended June 30,	
	2017	2016
Share of profit of associates and joint ventures accounted for using equity method	\$ 2,103	\$ 12,096
Other comprehensive income-net of tax	247	3
Total comprehensive income	<u>\$ 2,350</u>	<u>\$ 12,099</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

Six-month period ended June 30, 2017

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,563,758	\$ -	\$ -	\$ -	\$ 9,926	\$ 4,553,832
Buildings	43,974,977	75,333	-	16,331	(1,042,463)	43,024,178
Machinery	92,000,594	1,264,961	(91,891)	2,161,104	(1,976,668)	93,358,100
Testing equipment	3,376,518	6,883	(5,425)	241,025	(62,893)	3,556,108
Transportation equipment	1,230,488	47,785	(12,897)	7,775	(31,970)	1,241,181
Office equipment	658,072	12,450	(853)	35,154	(17,383)	687,440
Other facilities	24,829,823	1,067,496	(127,054)	569,770	(542,225)	25,797,810
Unfinished construction and equipment under acceptance	9,590,929	6,023,967	-	(3,141,363)	(211,805)	12,261,728
	<u>\$ 180,225,159</u>	<u>\$ 8,498,875</u>	<u>\$ 238,120</u>	<u>\$ 110,204</u>	<u>\$ 3,895,333</u>	<u>\$ 184,480,377</u>
Accumulated depreciation						
Buildings	(\$ 13,721,288)	\$ 964,608	\$ -	\$ -	\$ 326,792	(\$ 14,359,104)
Machinery	(42,652,343)	(2,876,919)	79,977	-	897,247	(44,552,038)
Testing equipment	(2,331,843)	(152,988)	4,805	-	44,433	(2,435,593)
Transportation equipment	(846,860)	(57,513)	10,002	-	22,737	(871,634)
Office equipment	(402,920)	(41,148)	732	-	11,176	(432,160)
Other facilities	(17,099,044)	(1,587,016)	100,367	-	385,148	(18,200,545)
	<u>(\$ 77,054,298)</u>	<u>\$ 5,680,192</u>	<u>\$ 195,883</u>	<u>\$ -</u>	<u>\$ 1,687,533</u>	<u>(\$ 80,851,074)</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>\$ 103,614,726</u>

Six-month period ended June 30, 2016

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,547,849	\$ 395	\$ -	\$ 22,976	\$ 2,086	\$ 4,573,306
Buildings	43,820,285	534,356	52,349	1,556,088	(1,096,664)	44,761,716
Machinery	93,834,228	612,205	755,576	1,961,520	(1,964,008)	93,688,369
Testing equipment	3,457,987	17,004	78,517	53,726	(59,399)	3,390,801
Transportation equipment	1,247,921	29,242	8,594	8,999	(39,628)	1,237,940
Office equipment	580,037	32,588	10,404	39,591	(14,184)	627,628
Other facilities	23,493,044	976,508	676,700	1,133,966	(478,522)	24,448,296
Unfinished construction and equipment under acceptance	8,190,036	4,001,408	(451)	(4,741,126)	(160,559)	7,289,308
	<u>\$ 179,171,387</u>	<u>\$ 6,203,706</u>	<u>\$ 1,582,591</u>	<u>\$ 35,740</u>	<u>\$ 3,810,878</u>	<u>\$ 180,017,364</u>
Accumulated depreciation						
Buildings	(\$ 12,677,650)	\$ 1,007,458	\$ 47,041	\$ -	\$ 325,490	(\$ 13,312,577)
Machinery	(40,820,160)	(3,010,156)	623,022	193,824	696,158	(42,317,312)
Testing equipment	(2,283,765)	(148,903)	77,077	-	43,325	(2,312,266)
Transportation equipment	(830,507)	(56,003)	8,072	-	29,621	(848,817)
Office equipment	(367,399)	(37,611)	9,317	(1,636)	8,184	(389,145)
Other facilities	(15,700,525)	(1,593,056)	632,604	(192,188)	326,623	(16,526,542)
	<u>(\$ 72,680,006)</u>	<u>\$ 5,853,187</u>	<u>\$ 1,397,133</u>	<u>\$ -</u>	<u>\$ 1,429,401</u>	<u>(\$ 75,706,659)</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>\$ 104,296,128</u>

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

	Six-month periods ended June 30,	
	2017	2016
Amount capitalized	\$ 9,529	\$ 20,165
Range of the interest rates for capitalization	0.35%~4.75%	0.39%~5.00%

(8) Investment property, net

Six-month period ended June 30 , 2017				
	Opening net book amount as at January 1	Additions		Closing net book amount as at June 30
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)	(\$ 306)		(\$ 21,588)
Accumulated impairment				
Land	(\$ 51,038)	\$ -		(\$ 51,038)
	<u>\$ 291,785</u>			<u>\$ 291,479</u>
Six-month period ended June 30, 2016				
	Opening net book amount as at January 1	Additions	Transfer	Closing net book amount as at June 30
Cost				
Land	\$ 359,315	\$ -	(\$ 22,976)	\$ 336,339
Buildings and structures	50,825	-	(23,059)	27,766
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>(\$ 46,035)</u>	<u>\$ 364,105</u>
Accumulated depreciation				
Buildings and structures	(\$ 30,850)	(\$ 450)	\$ 10,295	(\$ 21,005)
Accumulated impairment				
Land	(\$ 51,038)	\$ -	\$ -	(\$ 51,038)
	<u>\$ 328,252</u>			<u>\$ 292,062</u>

A. Rental income from investment property is shown below:

	Three-month periods ended June 30,	
	2017	2016
Rental income from investment property	\$ 2,182	\$ 2,181

		Six-month periods ended June 30,	
		2017	2016
Rental income from investment property	\$	4,363	\$ 4,362
B. The fair value of the investment property held by the Group as at June 30, 2017, December 31, 2016 and June 30, 2016 was \$529,829, \$529,829 and \$553,558, 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

	June 30, 2017	December 31, 2016	June 30, 2016
Land use right	\$ 5,073,321	\$ 5,271,301	\$ 5,468,277
Others	195,987	224,291	449,072
	<u>\$ 5,269,308</u>	<u>\$ 5,495,592</u>	<u>\$ 5,917,349</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 \$20,897, \$22,618, \$42,265 and \$47,249 for the three-month periods ended June 30, 2017 and 2016, and six-month periods ended June 30, 2017 and 2016, respectively.

(10) Short-term borrowings

Type of borrowings	June 30, 2017	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 21,503,627</u>	0.55%~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	June 30, 2016	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowing	<u>\$ 12,825,847</u>	0.69%~3.92%	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	June 30, 2017	December 31, 2016	June 30, 2016
Current items:			
Financial liabilities held for			
Interest rate swaps	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,705</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,705</u>

A. The Group recognized net gain (loss) of \$1,164 and (\$286) on financial liabilities held for trading for the three-month period ended June 30, 2016, and the six - month period ended June 30, 2016,

respectively.

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

As of June 30, 2017 and December 31, 2016, there were no related transactions.

<u>Types of goods</u>	<u>June 30, 2016</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		2011.07.14-
Interest rate swaps	USD 40 million	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>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Dividend payable	\$ 9,772,006	\$ -	\$ 9,724,174
Wages and salaries payable	1,076,202	1,516,360	1,196,552
Payable on machinery and equipment	1,221,654	1,049,387	1,025,829
Employee bonus payable	429,306	651,385	517,580
Compensation due to directors and supervisors	359,823	264,662	410,182
Other accrued expenses	2,078,659	1,963,569	2,147,004
Others	1,123,337	1,557,781	1,351,681
	<u>\$ 16,060,987</u>	<u>\$ 7,003,144</u>	<u>\$ 16,373,002</u>

(13) Other current liabilities

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Long-term liabilities due within one year	\$ 8,951,180	\$ 8,638,808	\$ 7,324,075
Advance receipts	637,691	999,270	829,668
Others	405,976	367,215	228,931
	<u>\$ 9,994,847</u>	<u>\$ 10,005,293</u>	<u>\$ 8,382,674</u>

(14) Bonds payable

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 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	-
	13,600,000	13,600,000	8,600,000
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 the FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.
- B. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond 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	June 30, 2017
Installment-repayment				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.84%~4.75%	None	\$ 31,075,285
Less: Current portion				<u>114,393</u>
				31,189,678
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	(7,051,180)
Installment-repayment				<u>\$ 24,138,498</u>
Unsecured borrowings	Principal is repayable in installment until December, 2023.	0.83%~2.89%	None	December 31, 2016
Other borrowings				
Unsecured borrowings	Principal is repayable in January, 2019 at the maturity.	4.75%	None	\$ 29,572,394
				<u>55,404</u>
				29,627,798
Less: Current portion				(6,738,808)
				<u>\$ 22,888,990</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	June 30, 2016
Installment-repayment				
Unsecured borrowings	Principal is repayable in installment until November, 2021.	0.85%~2.77%	None	\$ 31,146,792
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 and January, 2019 at the maturity.	4.75%	None	<u>43,605</u>
				31,190,397
Less: Current portion				(7,324,075)
				<u>\$ 23,866,322</u>

A. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-

service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements at June 30, 2017, December 31, 2016 and June 30, 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	June 30, 2017	December 31, 2016	June 30, 2016
USD	\$ 14,947,288	\$ 14,112,654	\$ 12,630,482
RMB	282,629	55,404	43,605
THB	1,800,400	1,267,000	922,600
EUR	152,768	271,200	301,476

(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, \$10,676, \$18,406 and \$21,353 for the three-month periods ended June 30, 2017 and 2016, and the six - month periods ended June 30, 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 - month periods ended June 30, 2017 and 2016, and the six - month periods ended June 30, 2017 and 2016 were \$32,183, \$28,325, \$62,924 and \$56,593, respectively.
- C. (a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. The contribution percentage for the six-month periods ended June 30, 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 June 30, 2017 and

2016 and the six - month periods ended June 30, 2017 and 2016, were \$108,034, \$107,664, \$208,623, and \$203,665, 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 June 30, 2017 and 2016 and the six - month periods ended June 30, 2017 and 2016, were \$3,167, \$3,026, \$6,505 and \$6,062, 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 June 30, 2017, December 31, 2016 and June 30, 2016, the net liabilities recognised in the balance sheets were \$33,021, \$30,216 and \$28,093, 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 June 30, 2017 and 2016 and the six - month periods ended June 30, 2017 and 2016, were \$3,212, \$3,031, \$6,395 and \$6,121, 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 June 30, 2017 and 2016, and the six - month periods ended June 30, 2017 and 2016, the pension expense accrued in accordance to the aforementioned regulation amounted to \$320, \$62, \$490 and \$76, 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 June 30, 2017 and 2016, and the six - month periods ended June 30, 2017 and 2016, the pension cost accrued in accordance to the aforementioned regulation amounted to \$3, \$34, \$561 and \$80, respectively.

(17) Share capital

As of June 30, 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.
- 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	-	(15,957)	(15,957)
Currency translation differences:			
– Group	(2,453,179)	-	(2,453,179)
– Tax on group	417,040	-	417,040
– Associates	298	-	298
– Tax on associates	(51)	-	(51)
At June 30	(\$ 5,394,166)	\$ 34,495	(\$ 5,359,671)

		2016	
		Currency translation	Available-for-sale investment
		Total	
At January 1	\$	1,744,319	\$ 74,700 \$ 1,819,019
Valuation adjustment – Group		-	(3,726) (3,726)
Currency translation differences:			
– Group	(	2,549,994)	- (2,549,994)
– Tax on Group		433,499	- 433,499
– Associates		4	- 4
– Tax on associates	(	1)	- (1)
At June 30	(\$	372,173)	\$ 70,974 (\$ 301,199)
(21) <u>Other income</u>			
Three-month periods ended March 31,			
		2017	2016
Interest income	\$	77,154	\$ 35,321
Grant revenue		483,533	58,035
Other income		53,434	71,188
	\$	614,121	\$ 164,544
Six-month periods ended June 30,			
		2017	2016
Interest income	\$	157,483	\$ 61,279
Grant revenue		541,579	100,813
Other income		174,493	151,949
	\$	873,555	\$ 314,041
(22) <u>Other gains and losses</u>			
Three-month periods ended June 30,			
		2017	2016
Net currency exchange (losses) gains	\$	120,264	(\$ 164,594)
Loss on disposal of property, plant and equipment	(	6,605)	(26,124)
Gains on disposals of investments		19,828	-
Net gain on financial liabilities at fair value		-	7,554
Other expenses	(	30,278)	(41,189)
	\$	103,209	(\$ 224,353)

		Six-month periods ended June 30,	
		2017	2016
Net currency exchange loss	(\$	385,482)	(\$ 182,068)
Loss on disposal of property, plant and equipment	(	11,649)	(38,659)
Gains on disposals of investments		19,828	-
Net gain on financial liabilities at fair value		-	15,364
Other expenses	(	63,569)	(59,502)
	(\$	440,872)	(\$ 264,865)

(23) Finance costs

		Three-month periods ended June 30,	
		2017	2016
Interest expense:			
Bank borrowings	\$	251,183	\$ 189,087
Corporate bonds		40,289	31,525
Provisions-discount		2,821	3,077
Loss on fair value change of financial instruments:			
Interest rate swaps		-	6,390
		294,293	230,079
Less: Capitalisation of qualifying assets	(	5,683)	(7,920)
Finance costs	\$	288,610	\$ 222,159

		Six-month periods ended June 30,	
		2017	2016
Interest expense:			
Bank borrowings	\$	449,769	\$ 378,757
Corporate bonds		72,126	63,050
Provisions-discount		5,735	6,388
Loss on fair value change of financial instruments:			
Interest rate swaps		-	15,650
		527,630	463,845
Less: Capitalisation of qualifying assets	(	9,529)	(20,165)
Finance costs	\$	518,101	\$ 443,680

(24) Expenses by nature

	Three-month periods ended June 30,	
	2017	2016
Employee benefit expense		
Wages and salaries	\$ 2,972,964	\$ 3,112,170
Labour and health insurance fees	163,688	170,371
Pension costs	156,122	152,818
Other personnel expenses	219,619	226,948
	<u>\$ 3,512,393</u>	<u>\$ 3,662,307</u>
Raw materials and supplies used	<u>\$ 17,790,769</u>	<u>\$ 13,901,540</u>
Depreciation charges on property, plant and equipment	<u>\$ 2,787,512</u>	<u>\$ 2,954,815</u>
Depreciation charges on investment property	<u>\$ 153</u>	<u>\$ 208</u>

	Six-month periods ended June 30,	
	2017	2016
Employee benefit expense		
Wages and salaries	\$ 5,738,106	\$ 5,823,553
Labour and health insurance fees	338,648	333,483
Pension costs	303,904	293,950
Other personnel expenses	451,814	415,456
	<u>\$ 6,832,472</u>	<u>\$ 6,866,442</u>
Raw materials and supplies used	<u>\$ 32,529,636</u>	<u>\$ 25,858,612</u>
Depreciation charges on property, plant and equipment	<u>\$ 5,680,192</u>	<u>\$ 5,853,187</u>
Depreciation charges on investment property	<u>\$ 306</u>	<u>\$ 450</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 June 30, 2017 and 2016, and the six-month periods ended June 30, 2017 and 2016, employees' compensation was accrued at \$46,251, \$98,537, \$92,568 and \$195,666, respectively; while directors' and supervisors' remuneration was accrued at \$37,740, \$78,092, \$75,535 and \$155,066, respectively. The amounts were recognized in salary expenses.

For the six-month period ended June 30, 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 June 30, 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 June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 463,159	\$ 710,225
Additional 10% income tax imposed on unappropriated earnings	143,020	174,783
Prior year income tax underestimation	<u>38,946</u>	<u>85,937</u>
Total current tax	645,125	970,945
Deferred tax:		
Origination and reversal of temporary differences	<u>199,485</u>	<u>429,872</u>
Income tax expense	<u>\$ 844,610</u>	<u>\$ 1,400,817</u>

	Six-month periods ended June 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	\$ 868,682	\$ 1,406,034
Additional 10% income tax imposed on unappropriated earnings	143,020	174,783
Prior year income tax underestimation	<u>134,347</u>	<u>165,955</u>
Total current tax	1,146,049	1,746,772
Deferred tax:		
Origination and reversal of temporary differences	<u>434,346</u>	<u>897,180</u>
Income tax expense	<u>\$ 1,580,395</u>	<u>\$ 2,643,952</u>

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

	Three-month periods ended June 30,	
	2017	2016
Currency translation differences	<u>(\$ 246,545)</u>	<u>\$ 331,556</u>
	Six-month periods ended June 30,	
	2017	2016
Currency translation differences	<u>\$ 416,989</u>	<u>\$ 433,498</u>

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

C. Unappropriated retained earnings:

	June 30, 2017	December 31, 2016	June 30, 2016
Earnings generated in and before 1997	\$ 26,215	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	34,638,237	42,748,287	37,589,083
	<u>\$ 34,664,452</u>	<u>\$ 42,774,502</u>	<u>\$ 37,615,298</u>

D. As of June 30, 2017, December 31, 2016 and June 30, 2016, the balance of the imputation tax credit account was \$4,200,497, \$3,370,734 and \$4,155,831, respectively. The creditable tax rate was 10.26% for the year ended December 31, 2015 and is estimated to be 12.13% for the year ended December 31, 2016.

(26) Earnings per share

	Three-month period ended June 30, 2017		
	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	<u>\$ 1,722,389</u>	<u>3,241,416</u>	<u>\$ 0.53</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,722,389	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>719</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,722,389</u>	<u>3,242,135</u>	<u>\$ 0.53</u>

Three-month period ended June 30, 2016

	<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	\$ 3,994,728	3,241,416	\$ 1.23
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,994,728	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,478	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,994,728	\$ 3,242,894	\$ 1.23

Six-month period ended June 30, 2017

	<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	\$ 3,642,945	3,241,416	\$ 1.12
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,642,945	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	3,654	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,642,945	\$ 3,245,070	\$ 1.12

Six-month period ended June 30, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 8,023,997	3,241,416	\$ 2.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	8,023,997	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	5,433	
Profit attributable to ordinary shareholders of the parent plus assumed conversion	\$ 8,023,997	3,246,849	\$ 2.47
(27) <u>Supplemental cash flow information</u>			
Investing activities with partial cash payments			

Six-month periods ended June 30,			
	2017	2016	
Purchase of property, plant and equipment	\$ 8,498,875	\$ 6,203,706	
Add: Opening balance of payable on equipment	1,049,387	784,192	
Less: Ending balance of payable on equipment	(1,221,654)	(1,025,829)	
Cash paid during the period	\$ 8,326,608	\$ 5,962,069	

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 chairperson 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 June 30,	
	2017	2016
Sales of goods:		
Associates	\$ 146,606	\$ 153,248

	Six-month periods ended June 30,	
	2017	2016
Sales of goods:		
Associates	\$ 304,412	\$ 310,505

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

	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable:			
Associates	\$ 134,367	\$ 129,733	\$ 111,202

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

	June 30, 2017	December 31, 2016	June 30, 2016
Payables due to related parties			
-Associates	\$ 114,393	\$ 55,404	\$ 43,605

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 June 30,	
	2017	2016
Short-term employee benefits	\$ 77,577	\$ 134,069
Post-employment benefits	965	1,118
	\$ 78,542	\$ 135,187
	Six-month periods ended June 30,	
	2017	2016
Short-term employee benefits	\$ 155,494	\$ 253,644
Post-employment benefits	1,930	2,236
	\$ 157,424	\$ 255,880

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2017	December 31, 2016	June 30, 2016	
Time deposits (Other current assets)	\$ 15,185	\$ 14,823	\$ 532	Maintenance bond, merchandise delivery guarantee deposit and product liability insurance
Time deposits (Other non-current assets)	185	185	14,530	Maintenance bond and product liability insurance
	<u>\$ 15,370</u>	<u>\$ 15,008</u>	<u>\$ 15,062</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	June 30, 2017	December 31, 2016	June 30, 2016
Property, plant and equipment	<u>\$ 7,837,730</u>	<u>\$ 10,248,341</u>	<u>\$ 11,858,235</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Amount of letter of credit that has been issued but not yet used	<u>\$ 74,318</u>	<u>\$ 156,982</u>	<u>\$ 83,645</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors resolved to issue domestic unsecured corporate bond at the amount of NTD 7 billion for operating, repaying debt and improving financial structure. The issuance has been applied to Taipei Exchange and effected from August 18, 2017. The bond was issued at full face value with a coupon rate of 1.03%, the issuance period was from August 10, 2017 to August 10, 2022, totalling 5 years.

12. OTHERS

(1) Capital management

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

During the six-month period ended June 30, 2017, the Group's strategy was unchanged from 2016. The gearing ratios at June 30, 2017, December 31, 2016 and June 30, 2016 were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Total liabilities	\$ 99,526,806	\$ 79,895,338	\$ 86,033,182
Total equity	\$ 80,021,852	\$ 88,269,388	\$ 86,152,723
Less : Intangible assets	-	-	-
Tangible equity	\$ 80,021,852	\$ 88,269,388	\$ 86,152,723
Debt-equity Ratio	124.37%	90.51%	99.86%

(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:

June 30, 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)						
Financial assets						
Monetary items						
USD:TWD	\$ 277,627	30.420	\$ 8,445,413	1%	\$ 84,454	\$ -
RMB:TWD	50,737	4.486	227,606	1%	2,276	-
EUR:TWD	12,934	34.720	449,068	1%	4,491	-
JPY:TWD	1,069,043	0.272	290,780	1%	2,908	-
GBP:TWD	4,008	39.600	158,717	1%	1,587	-
USD:RMB	149,978	6.781	4,562,266	1%	45,623	-
EUR:RMB	17,014	7.740	590,754	1%	5,908	-
RUB:RMB	252,004	0.115	130,006	1%	1,300	-
USD:THB	69,151	33.792	2,103,076	1%	21,031	-
GBP:THB	4,704	43.990	186,236	1%	1,862	-
EUR:THB	10,797	38.569	374,787	1%	3,748	-
USD:VND	36,879	24,934.426	1,121,859	1%	11,219	-
USD:IDR	25,293	13,055.794	769,413	1%	7,694	-

June 30, 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>						
Monetary items						
USD:TWD	\$ 37,837	30.420	\$ 1,151,002	1%	\$ 11,510	\$ -
USD:RMB	187,918	6.781	5,716,384	1%	57,164	-
EUR:RMB	35,176	7.740	1,221,368	1%	12,214	-
USD:THB	128,345	33.792	3,903,331	1%	39,033	-
USD:VND	52,932	24,934.426	1,610,191	1%	16,102	-
USD:IDR	158,473	13,055.794	4,820,749	1%	48,207	-
USD:INR	190,000	64.668	5,779,767	1%	57,798	-

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 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	-

June 30, 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 assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 131,112	32.275	\$ 4,231,640	1%	\$ 42,316	\$ -
RMB:TWD	57,844	4.845	280,254	1%	2,803	-
EUR:TWD	10,761	35.890	386,212	1%	3,862	-
THB:TWD	169,842	0.923	156,764	1%	1,568	-
USD:RMB	83,234	6.662	2,686,576	1%	26,866	-
EUR:RMB	13,001	7.408	466,629	1%	4,666	-
GBP:RMB	2,367	8.970	102,869	1%	1,029	-
USD:THB	77,096	34.983	2,489,377	1%	24,894	-
EUR:THB	7,480	38.901	268,574	1%	2,686	-
USD:VND	26,317	24,266.917	849,381	1%	8,494	-
USD:IDR	3,146	13,281.893	101,537	1%	1,015	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 14,749	32.275	\$ 476,024	1%	\$ 4,760	\$ -
JPY:RMB	319,575	0.065	100,642	1%	1,006	-
USD:RMB	283,720	6.662	9,157,741	1%	91,577	-
EUR:RMB	34,840	7.408	1,250,469	1%	12,505	-
USD:THB	163,169	34.983	5,268,614	1%	52,686	-
USD:VND	47,139	24,266.917	1,521,411	1%	15,214	-
EUR:IDR	4,424	14,769.547	158,777	1%	1,588	-

- 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 June 30, 2017 and 2016, and the six-month periods ended June 30, 2017 and 2016 amounted to \$120,264, (\$164,594), (\$385,482) and (\$182,068), 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 six-month periods ended June 30, 2017 and 2016 would have increased/decreased by \$1,203 and \$2,220, 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 six-month periods ended June 30, 2017 and 2016, the Group's borrowings at variable rate were denominated in TWD , USD , 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 June 30, 2017 and 2016, if interest rates on USD , THB , RMB , EUR and INR - denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2017 and 2016 would have been \$37,249 and \$26,769 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 six-month periods ended June 30, 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:

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>June 30, 2017</u>					
Short-term borrowings	\$ 9,474,711	\$ 4,364,475	\$ 8,253,242	\$ -	\$22,092,428
Notes and bills payable	9,554,430	-	-	-	9,554,430
Other payables	15,518,459	7,614	338,839	196,075	16,060,987
Guarantee deposits	-	-	-	250,008	250,008
Long-term borrowings	3,565,926	529,842	3,351,317	24,928,791	32,375,876
Bonds payable	2,061,600	-	-	11,988,100	14,049,700

Non-derivative financial liabilities:

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>December 31, 2016</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

Non-derivative financial liabilities:

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>June 30, 2016</u>					
Short-term borrowings	\$ 7,310,878	\$ 2,597,399	\$ 3,191,914	\$ -	\$13,100,191
Notes and bills payable	8,153,088	-	48	-	8,153,136
Other payables	15,668,606	11,538	341,802	351,056	16,373,002
Guarantee deposits	-	830	-	275,518	276,348
Bonds payable	126,100	-	-	8,889,950	9,016,050

Derivative financial liabilities:

As of June 30, 2017 and December 31, 2016, there was no related transaction.

	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
<u>June 30, 2016</u>					
Interest rate swaps	\$ 3,705	\$ -	\$ -	\$ -	\$ 3,705

(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 June 30, 2017, December 31, 2016 and June 30, 2016 is as follows:

		June 30, 2017		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 62,089	\$ -	\$ 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
		June 30, 2016		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets		\$ 163,818	\$ -	\$ 58,187
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
-Interest rate swaps		\$ -	\$ 3,705	\$ -

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 six-month periods ended June 30, 2017 and 2016, there was no transfer between Level 1 and Level 2.

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

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

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the six-month period ended June 30, 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 six-month periods ended June 30, 2017 and 2016 is as follows:

Six-month period ended June 30, 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	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 7,270,107	\$ 8,786,008	\$ 17,823,749	\$ 7,255,200	\$ 11,570,603	\$ 52,705,667
Revenue from inter-segment revenue	<u>4,732,369</u>	<u>898,685</u>	<u>343,685</u>	<u>774,563</u>	<u>2,116,815</u>	<u>8,866,117</u>
Total segment revenue	\$ 12,002,476	\$ 9,684,693	\$ 18,167,434	\$ 8,029,763	\$ 13,687,418	\$ 61,571,784
Segment income	\$ 1,496,666	\$ 746,808	\$ 1,093,971	\$ (2,482)	\$ 1,599,132	\$ 4,934,095

Six-month period ended June 30, 2016

	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 8,165,821	\$ 10,384,288	\$ 18,888,529	\$ 7,075,528	\$ 11,571,483	\$ 56,085,649
Revenue from inter-segment revenue	<u>2,503,946</u>	<u>408,879</u>	<u>358,572</u>	<u>553,188</u>	<u>2,370,994</u>	<u>6,195,579</u>
Total segment revenue	\$ 10,669,767	\$ 10,793,167	\$ 19,247,101	\$ 7,628,716	\$ 13,942,477	\$ 62,281,228
Segment income	\$ 2,352,757	\$ 1,387,964	\$ 2,999,775	\$ 616,984	\$ 2,887,802	\$ 10,245,282

(4) Reconciliation for segment income (loss)

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

	Six-month periods ended June 30,	
	2017	2016
Adjusted revenue from reportable segments	\$ 61,571,784	\$ 62,281,228
Adjusted revenue from other operating segments	<u>4,661,219</u>	<u>4,688,172</u>
Total operating segments	66,233,003	66,969,400
Elimination of inter-segment revenue	(9,222,876)	(6,602,846)
Total consolidated operating revenue	<u>\$ 57,010,127</u>	<u>\$ 60,366,554</u>

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

	Six-month periods ended June 30,	
	2017	2016
Adjusted income from reportable segments before income tax	\$ 4,934,095	\$ 10,245,282
Adjusted income from other operating segments before income tax	<u>298,608</u>	<u>434,961</u>
Total operating segments	5,232,703	10,680,243
Income from elimination of inter-segment revenue	<u>32,664</u>	<u>33,512</u>
Income from continuing operations before income tax	<u>\$ 5,265,367</u>	<u>\$ 10,713,755</u>

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

Loans to others

Six-month period ended June 30, 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 six months ended June 30, 2017	Balance at June 30, 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 Item	Value	Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND. CO., LTD.	Other receivables	Yes	\$ 4,476,000	\$ 4,476,000	\$ 2,417,040	4.75%	Note 4	\$ -	Operating capital	\$ -	-	None	\$ 4,881,662	\$ 8,136,103	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,790,400	1,790,400	1,544,220	4.75%	Note 4	-	Operating capital	-	-	None	4,881,662	8,136,103	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	358,080	358,080	161,136	4.75%-6.65%	Note 4	-	Operating capital	-	-	None	4,881,662	8,136,103	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND. CO., LTD.	Other receivables	Yes	895,200	895,200	358,080	4.75%	Note 4	-	Operating capital	-	-	None	7,314,723	12,191,206	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	916,800	895,200	407,316	4.75%	Note 4	-	Operating capital	-	-	None	7,314,723	12,191,206	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	Other receivables	Yes	458,400	447,600	264,084	n9	Note 4	-	Operating capital	-	-	None	7,314,723	12,191,206	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND. CO., LTD.	Other receivables	Yes	3,293,000	3,293,000	2,273,935	2.88261%-4.75%	Note 4	-	Operating capital	-	-	None	14,476,550	24,127,584	Note 6
4	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	Yes	8,952	8,952	4,476	4.35%	Note 4	-	Operating capital	-	-	None	248,785	414,642	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.

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 LOGISTIC (XIAMEN) CO., LTD. to a single party is 60% of XIAMEN CHENG SHIN ENTERPRISE CO., LTD.'s net assets.

Note 3: 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.

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

Limit on loans granted by CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. to others is 100% of XIAMEN CHENG SHIN ENTERPRISE 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
Six-month period ended June 30, 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 June 30, 2017	Outstanding endorsement/ guarantee amount at June 30, 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 endorsements/ guarantees by parent company to subsidiary		Provision of endorsements/ guarantees by parent company Mainland China		Footnote
		Company name	Relationship with the endorser/ guarantor								Y	N	Y	N	
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Subsidiary	\$ 39,680,049	\$ 8,206,175	\$ 7,415,850	\$ 4,297,777	\$ -	9.34	\$ 55,552,069	Y	N	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Subsidiary	39,680,049	1,377,860	1,032,580	319,897	-	1.30	55,552,069	Y	N	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Subsidiary	39,680,049	4,384,100	4,251,800	1,138,875	-	5.36	55,552,069	Y	N	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Subsidiary	39,680,049	1,409,175	1,366,650	759,250	-	1.72	55,552,069	Y	N	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	39,680,049	7,173,340	7,173,340	5,938,052	-	9.04	55,552,069	Y	N	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	39,680,049	5,041,715	4,889,570	4,434,020	-	6.16	55,552,069	Y	N	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Note 3 (1)	19,302,067	2,521,200	2,461,800	354,067	-	10.20	24,127,584	N	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 June 30, 2017.

\$ 55,552,069
\$ 15,872,020
\$ 39,680,049

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)

Six-month period ended June 30, 2017

Table 3

		Expressed in thousands of NTD (Except as otherwise indicated)			
		As of June 30, 2017			
Securities held by	Relationship with the securities issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)
Cheng Shin Rubber Ind. Co., Ltd.	-	Current available-for-sale financial assets	-	\$ 35,807	-
Cheng Shin Rubber Ind. Co., Ltd.	-	Current available-for-sale financial assets	-	26,282	-
Cheng Shin Rubber Ind. Co., Ltd.	-	Non-current available-for-sale financial assets	-	58,187	-
				Fair value	Footnote
				\$ 35,807	Note 2
				26,282	Note 2
				58,187	Note 2

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

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

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

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Six-month period ended June 30, 2017

Table 4

Expressed in thousands of NT\$
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$ 1,442,007 (	15.42)	Collect within 90 days after shipment of goods	Same	\$ 518,533	17.49	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(755,411) (	8.08)	Collect within 90 days after shipment of goods	Same	391,304	13.20	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(242,231) (	2.59)	Collect within 90 days after shipment of goods	Same	75,191	2.54	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (Vietnam) INC. CO., Ltd.	Sub-subsidiary	(sales)	(104,481) (	1.12)	Collect within 90 days after shipment of goods	Same	53,117	1.79	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(2,131,632) (	22.79)	Collect within 30 days	Same	472,939	15.95	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(313,389) (	3.24)	Collect within 60-90 days after shipment of goods	Same	241,090	11.02	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(353,970) (	3.65)	Collect within 60-90 days after shipment of goods	Same	190,118	8.69	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(946,808) (	41.40)	Collect within 60-90 days after shipment of goods	Same	302,932	32.84	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(261,617) (	11.44)	Collect within 60-90 days after shipment of goods	Same	112,348	12.18	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(116,396) (	5.09)	Collect within 60-90 days after shipment of goods	Same	37,844	4.10	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(186,862) (	4.52)	After shipment of goods collect within 60-90 days	Same	73,435	77.32	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(205,617) (	1.81)	After shipment of goods collect within 60-90 days	Same	82,195	2.00	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(172,610) (	4.77)	Collect within 60-90 days after shipment of goods	Same	25,071	5.76	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(129,540) (	4.94)	After shipment of goods collect within 60-90 days	Same	19,316	3.12	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(489,770) (	6.10)	After shipment of goods collect within 60-90 days	Same	244,712	9.32	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(142,482) (	1.77)	After shipment of goods collect within 60-90 days	Same	10,471	0.40	Note 4

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

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

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

Six-month period ended June 30, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 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)	\$ 518,715	Note 4	-	-	\$ 191,547	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	391,685	Note 4	-	-	120,846	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	328,583	Note 3	-	-	81,291	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	118,385	Note 3	-	-	41,931	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	473,742	Note 4	-	-	473,742	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	241,090	1.71	-	-	66,035	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	369,043	Note 4	-	-	292,296	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	304,666	Note 4	-	-	149,761	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent (Note 5)	112,348	2.49	-	-	54,954	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	244,712	2.07	-	-	63,572	-

Note 1: Subsequent collection is the amount collected as of August 3, 2017.

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

Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover 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

Six-month period ended June 30, 2017

Table 6

Expressed in thousands of NT\$
(Except as otherwise indicated)

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	\$ 1,442,007	Collect within 90 days after shipment of goods	2.53%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	518,533	Collect within 90 days after shipment of goods	0.29%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	755,411	Collect within 90 days after shipment of goods	1.33%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	391,304	Collect within 90 days after shipment of goods	0.22%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	242,231	Collect within 90 days after shipment of goods	0.42%
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	0.37%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	2,131,632	Collect within 30 days	3.74%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	472,939	Collect within 30 days	0.26%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	313,380	Collect within 60-90 days after shipment of goods	0.55%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	241,090	Collect within 60-90 days after shipment of goods	0.13%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	353,970	Collect within 60-90 days after shipment of goods	0.62%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,273,935	Pay interest quarterly	1.27%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	946,808	Collect within 60-90 days after shipment of goods	1.66%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Accounts receivable	302,932	Collect within 60-90 days after shipment of goods	0.17%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	261,617	Collect within 60-90 days after shipment of goods	0.46%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,417,040	Pay interest quarterly	1.35%
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,544,220	Pay interest quarterly	0.86%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	407,316	Pay interest quarterly	0.23%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	358,080	Pay interest quarterly	0.20%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	264,084	Pay interest quarterly	0.15%
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	489,770	Collect within 60-90 days after shipment of goods	0.86%
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	244,712	Collect within 60-90 days after shipment of goods	0.14%
5	Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Other receivables	353,224	Distributed as resolution each year	0.20%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	205,617	Collect within 60-90 days after shipment of goods	0.36%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Other receivables	803,616	Distributed as resolution each year	0.45%
7	MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Other receivables	448,795	Distributed as resolution each year	0.25%

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

Six-month period ended June 30, 2017

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2017		Net profit (loss) of the investee for the six-month period ended June 30, 2017	Investment income(loss) recognised by the Company for the six-month period ended June 30, 2017		Footnote
				Balance as at June 30, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)		Book value	(Note 1)	
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 821,989	\$ 43,004,162	\$ 823,990	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	1,680,131	27,332,397	1,691,024	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	391,770	11,052,830	403,568	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	147,281	2,358,602	147,297	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	109,917	708,517	109,917	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	19,528	183,208	18,942	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	4,206	166,870	2,103	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	4,810	49,733	4,810	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	-	12,844	-	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	74,178	2,170,561	74,178	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	89,636	1,590,281	89,636	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	315,432	613,422	315,432	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	936,269	34,066,418	936,269	Subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	1,688,737	27,177,655	1,688,737	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	391,850	11,550,099	391,850	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	2,482	8,054,076	10,811	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	394,559	3,044,113	393,064	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

Six-month period ended June 30, 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 six-month period ended June 30, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017	Footnote
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,323,500	2	\$ 910,834	\$ -	\$ 910,834	\$ 639,343	100.00	\$ 636,481	\$ 24,127,584	\$ 14,924,957	(Notes 2, 3, 5, 6, 7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,844,500	2	2,385,506	-	2,385,506	1,448,565	100.00	1,463,063	25,010,828	13,617,999	(Notes 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	258,570	2	68,602	-	68,602	64,580	50.00	32,290	331,333	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	3,042,000	2	-	-	-	677,098	100.00	679,345	4,873,143	360,728	(Notes 2, 4, 6, 8)
KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	22,430	2	-	-	-	485	100.00	485	21,688	-	(Notes 6, 8)
TIANJIN 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	547,560	2	-	-	-	93,371	100.00	93,371	1,707,446	740,433	(Notes 6, 7)

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

Information on investments in Mainland China

Six-month period ended June 30, 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 six-month period ended June 30, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017	Footnote
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	\$ 3,954,600	2	\$ -	\$ -	\$ -	(\$ 58,414)	100.00	\$ 58,287	\$ 1,222,801	\$ 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	1,368,900	2	-	-	-	347,494	100.00	352,230	8,136,103	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	608,400	2	-	-	-	(41,189)	100.00	(41,189)	418,129	-	(Notes 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	157,010	2	-	-	-	(3,698)	95.00	(3,513)	143,548	-	(Notes 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	64,652	2	-	-	-	18,307	49.00	8,970	203,175	-	(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	4,261,700	2	-	-	-	42,489	100.00	42,489	5,538,339	303,610	(Notes 5, 6, 7)

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

Information on investments in Mainland China

Six-month period ended June 30, 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 six-month period ended June 30, 2017	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the six-month period ended June 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2017 (Note 2)	Book value of investments in Mainland China as of June 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2017	Footnote
XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	1,480,380	2	-	-	-	(11,694)	100.00	11,694	1,446,324	-	(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 Petrel Tire (Xiamen) Co., Ltd., respectively.

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 30.42: USD 1 and NTD 4.486: RMB 1 prevailing on June 30, 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

Six-month period ended June 30, 2017

Table 8

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2017 (Note 1)		Investment amount approved by the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)	Expressed in thousands of NTD (Except as otherwise indicated)
Cheng Shin Rubber Ind. Co., Ltd.	\$	3,738,618	\$	20,469,618	\$

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