CHENG SHIN RUBBER IND. CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying balance sheets of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2017 and 2016, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

Basis for opinion

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

Key audit matters

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

Cut-off on sales revenue

<u>Description</u>

For the accounting policy on revenue recognition, please refer to Note 4(29). For the year ended December 31, 2017, the sales revenue was NT$19,437,442 thousand. The operating income for the consolidated financial statements amounted to NT$112,309,166 thousand.

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

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

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

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

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

<u>Description</u>

For the accounting policy on property, plant and equipment, please refer to Note 4(14). For the details of property, plant and equipment, please refer to Note 6(7). As of December 31, 2017, the unfinished construction and equipment under acceptance was NT$829,999 thousand. Unfinished construction and uninspected equipment amounted to NT$11,133,630 thousand.

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

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

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

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

Changes of ERP system

<u>Description</u>

The ERP system of the Company changed from a self-developed system to the SAP system in 2017. This changed the Company's operating platform and involved changes in information environment of primary activity, thus we listed the change of ERP system as a key audit matter.

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

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

1. Interviewed with management to discuss about the operating process which affected the new system,

internal controls and introduction plan to assess the effectivity of the change in the system.

2. Obtained an understanding of control of data transfer when the system changed, and checked the accuracy of account balances at the beginning date.

3. Obtained an understanding and tested the internal controls of primary operation and the system which was relied upon by the financial reporting to assess the effectiveness of internal controls after the data was transferred.

Other matter – Scope of the audit

As described in Note 6(6), we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The balances of investments accounted for using equity method were NT$2,569,911 thousand and NT$2,804,969 thousand, both representing 2% of the total assets as of December 31, 2017 and 2016, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT$679,796 thousand and NT$1,043,489 thousand, representing 14% and 13% of the total comprehensive income for the years then ended, respectively. These financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Hung, Shu-Hua

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2018

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

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 12,002,673	10	$ 11,754,387	10
1125	Available-for-sale financial assets - current	6(2)	69,188	-	66,147	-
1150	Notes receivable, net	6(3) and 7	23,503	-	22,314	-
1170	Accounts receivable, net	6(4)	1,181,128	1	1,369,219	1
1180	Accounts receivable - related parties, net	7	1,648,216	1	1,318,036	1
130X	Inventories, net	6(5)	3,446,903	3	1,717,092	1
1410	Prepayments		416,157	-	438,764	-
1470	Other current assets	7 and 8	646,276	1	644,523	1
11XX	**Total current assets**		19,434,044	16	17,330,482	14
	Non-current assets					
1523	Available-for-sale financial assets non - current	6(2)	58,187	-	58,187	-
1550	Investments accounted for using equity method	6(6)	84,129,266	70	88,625,721	72
1600	Property, plant and equipment, net	6(7)(26)	15,747,604	13	16,052,715	13
1760	Investment property, net	6(8)	291,173	-	291,785	-
1780	Intangible assets		94,890	-	-	-
1840	Deferred income tax assets	6(24)	726,996	1	458,853	1
1900	Other non-current assets		1,515	-	1,251	-
15XX	**Total non-current assets**		101,049,631	84	105,488,512	86
1XXX	**Total assets**		$ 120,483,675	100	$ 122,818,994	100

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CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ -	-	$ 450,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(10)	408	-	-	-
2170	Accounts payable		1,313,171	1	957,958	1
2180	Accounts payable - related parties	7	34,919	-	19,683	-
2200	Other payables	6(11) and 7	2,316,803	2	2,561,326	2
2230	Current income tax liabilities	6(24)	971,856	1	971,551	1
2300	Other current liabilities	6(13)(14)	3,141,719	3	4,447,598	4
21XX	**Total current Liabilities**		7,778,876	7	9,408,116	8
	Non-current liabilities					
2530	Bonds payable	6(13)	16,800,000	14	11,700,000	10
2540	Long-term borrowings	6(14)	11,548,000	9	11,548,998	9
2570	Deferred income tax liabilities	6(24)	1,348,631	1	1,836,061	1
2600	Other non-current liabilities	6(15)	802,876	1	832,568	1
25XX	**Total non-current liabilities**		30,499,507	25	25,917,627	21
2XXX	**Total liabilities**		38,278,383	32	35,325,743	29
	Equity					
	Share capital					
3110	Ordinary shares	6(16)	32,414,155	27	32,414,155	26
	Capital surplus					
3200	Capital surplus	6(17)	52,576	-	52,576	-
	Retained earnings	6(18)(25)				
3310	Legal reserve		14,280,767	12	12,955,677	11
3320	Special reserve		3,307,822	3	2,604,163	2
3350	Unappropriated retained earnings		36,580,033	30	42,774,502	35
	Other equity interest	6(19)				
3400	Other equity interest		(4,430,061)	(4)	(3,307,822)	(3)
3XXX	**Total equity**		82,205,292	68	87,493,251	71
	Significant contigent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 120,483,675	100	$ 122,818,994	100

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	7	$ 19,437,442	100	$ 20,637,507	100
5000	**Operating costs**	6(5)	(14,399,280)	(74)	(13,889,311)	(67)
5900	**Net operating margin**		5,038,162	26	6,748,196	33
5910	Unrealized (profit) loss from sales		(86,835)	-	62,625	-
5950	**Gross profit from operation**		4,951,327	26	6,810,821	33
	Operating expenses					
6100	Selling expenses		(1,848,802)	(10)	(2,229,808)	(11)
6200	General and administrative expenses		(649,194)	(3)	(751,999)	(3)
6300	Research and development expenses		(1,114,556)	(6)	(983,970)	(5)
6000	**Total operating expenses**	6(23)	(3,612,552)	(19)	(3,965,777)	(19)
6900	**Operating profit**		1,338,775	7	2,845,044	14
	Non-operating income and expenses					
7010	Other income	6(20) and 7	1,444,222	8	1,491,751	7
7020	Other gains and losses	6(21)	(531,557)	(3)	(127,257)	-
7050	Finance costs	6(22)	(338,104)	(2)	(359,095)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(6)	5,089,259	26	11,790,290	57
7000	**Total non-operating income and expenses**		5,663,820	29	12,795,689	62
7900	**Profit before income tax**		7,002,595	36	15,640,733	76
7950	Income tax expense	6(24)	(1,460,810)	(7)	(2,389,830)	(12)
8200	**Profit for the year**		$ 5,541,785	29	$ 13,250,903	64
	Other comprehensive income	6(19)(24)				
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(15)	$ 19,804	-	($ 80,322)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		304	-	(1,035)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	(3,367)	-	13,655	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		16,741	-	(67,702)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation		(1,341,422)	(7)	(6,147,703)	(30)
8362	Other comprehensive income, before tax, available-for-sale financial assets		3,041	-	(31,974)	-
8380	Total share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(11,900)	-	7,726	-
8399	Income tax relating to the components of other comprehensive income	6(24)	228,042	1	1,045,110	5
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(1,122,239)	(6)	(5,126,841)	(25)
8300	**Other comprehensive loss for the year**		($ 1,105,498)	(6)	($ 5,194,543)	(25)
8500	**Total comprehensive income for the year**		$ 4,436,287	23	$ 8,056,360	39
9750	**Basic earnings per share**	6(25)	$	1.71	$	4.09
9850	**Diluted earnings per share**	6(25)	$	1.71	$	4.08

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

			Capital Surplus		Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2016										
Balance at January 1, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 11,678,012	$ 2,604,163	$ 40,593,212	$ 1,744,319	$ 74,700	$ 89,161,137
Appropriations of 2015 earnings (Note 1):										
Legal reserve		-	-	-	1,277,665	-	(1,277,665)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	13,250,903	-	-	13,250,903
Other comprehensive loss for the year	6(19)	-	-	-	-	-	(67,702)	(5,102,593)	(24,248)	(5,194,543)
Balance at December 31, 2016		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ 50,452	$ 87,493,251
Year ended December 31, 2017										
Balance at January 1, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 12,955,677	$ 2,604,163	$ 42,774,502	($ 3,358,274)	$ 50,452	$ 87,493,251
Appropriations of 2016 earnings (Note 2):										
Legal reserve		-	-	-	1,325,090	-	(1,325,090)	-	-	-
Special reserve		-	-	-	-	703,659	(703,659)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	5,541,785	-	-	5,541,785
Other comprehensive loss for the year	6(19)	-	-	-	-	-	16,741	(1,113,380)	(8,859)	(1,105,498)
Balance at December 31, 2017		$ 32,414,155	$ 9,772	$ 42,804	$ 14,280,767	$ 3,307,822	$ 36,580,033	($ 4,471,654)	$ 41,593	$ 82,205,292

Note 1:The directors' and supervisor' remuneration of $255,117 thousand and employees' compensation of $321,913 thousand for the year ended December 31, 2015 have been eliminated from parent company only financial statements.
Note 2:The directors' and supervisor' remuneration of $264,748 thousand and employees' compensation of $324,446 thousand for the year ended December 31, 2016 have been eliminated from parent company only financial statements.

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 7,002,595	$ 15,640,733
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (gain) loss on inter-company transaction		60,927	(35,944)
Depreciation	6(7)	1,591,687	1,624,454
Amortization expense	6(23)	18,165	-
Depreciation on investment property	6(8)	612	727
Net gain on financial assets or liabilities at fair value through profit or loss	6(10)(21)	(2,538)	(7,415)
Loss on disposal of investments accounted for using equity method		1,946	-
Gain on disposal of investments		-	(475)
Gain on disposal of property, plant and equipment		(161,814)	(206,811)
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(5,089,259)	(11,790,290)
Interest income	6(20)	(154,215)	(104,899)
Interest expense	6(22)	338,104	368,259
Effect of exchange rate changes on cash and cash equivalents		(549,719)	(359,834)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(1,189)	2,895
Accounts receivable		188,091	37,034
Accounts receivable - related parties		(330,180)	(383,446)
Inventories		(1,729,811)	360,794
Other current assets		(84,396)	(141,507)
Other non-current assets		(38)	-
Changes in operating liabilities			
Accounts payable		355,213	(6,410)
Accounts payable - related parties		15,236	4,738
Other payables		(697,732)	79,568
Accrued pension liabilities		(12,334)	(164,341)
Other current liabilities		21,454	(2,347)
Cash inflow generated from operations		780,805	4,915,483
Interest received		156,860	86,879
Dividends received		8,912,898	7,781,595
Interest paid		(327,623)	(350,801)
Income tax paid		(1,991,403)	(2,523,708)
Net cash flows from operating activities		7,531,537	9,909,448

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CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Net changes in financial instruments at fair value through profit or loss	6(2)(10)	$ 2,946	$ -
Proceeds from capital reduction of available-for-sale financial assets		-	2,408
Acquisition of investments accounted for using equity method		(878,101)	(44,502)
Proceed returned from liquidation of investee accounted for using equity method		97,000	-
Proceeds from disposal of property, plant and equipment		218,839	766,139
Acquisition of property, plant and equipment	6(7)(26)	(859,902)	(1,530,309)
Acquisition of intangible assets		(10,453)	-
Payment for capitalized interests	6(7)(26)	-	(9,141)
(Increase) decrease in refundable deposits		(226)	50
Net cash flows used in investing activities		(1,429,897)	(815,355)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		2,440,000	450,000
Decrease in short-term loans		(2,890,000)	-
Proceeds from issuing bonds	6(13)	7,000,000	5,000,000
Repayments of bonds		(1,900,000)	-
Increase in long-term loans		5,700,000	2,000,000
Decrease in long-term loans	6(14)	(7,028,331)	(4,358,002)
Decrease in guarantee deposits received		(496)	(340)
Cash dividends paid	6(18)	(9,724,246)	(9,724,246)
Net cash flows used in financing activities		(6,403,073)	(6,632,588)
		549,719	359,834
Net increase in cash and cash equivalents		248,286	2,821,339
Cash and cash equivalents at beginning of year	6(1)	11,754,387	8,933,048
Cash and cash equivalents at end of year	6(1)	$ 12,002,673	$ 11,754,387

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

CHENG SHIN RUBBER IND. CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

1. HISTORY AND ORGANIZATION

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

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

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

The parent company only financial statements have been authorized for issuance by the Board of Directors on March 20, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

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

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

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

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

C. Amendments to IAS 7, 'Disclosure initiative'

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

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amounts of $85,705 thousand, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income in the amounts of $85,705 thousand.

B. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets in the amounts of $41,670 thousand, by increasing financial assets at fair value through profit or loss, increasing retained earnings and decreasing other equity interest in the amounts of $41,670 thousand, $22,740 thousand and $22,740 thousand, respectively.

(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
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(b) Available-for-sale financial assets measured at fair value.

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

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

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

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

B. Translation of foreign operations

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

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

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

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

(7) Available-for-sale financial assets

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

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

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

(8) Receivables

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

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

(9) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

(11) Lease receivables/ leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.

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

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

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

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

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

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

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

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

(14) Property, plant and equipment

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

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

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

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

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

(15) Investment property

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

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

(19) Notes and accounts payable

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

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

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

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

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

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

(23) Financial liabilities and equity instruments

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

(24) Financial guarantee contracts

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

(25) Derivative financial instruments

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

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

C. Employees', directors' and supervisors' remuneration

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

(27) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

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

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

(28) Dividends

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

(29) Revenue recognition

Sales of goods

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

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. There are no critical accounting judgement, estimates and assumptions uncertainty for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash	$ 550	$ 550
Checking accounts	3,420	3,916
Demand deposits	1,076,622	2,506,718
Foreign currency deposit	3,776,691	2,770,724
Time deposits	7,145,390	6,472,479
Total	$ 12,002,673	$ 11,754,387
Interest rate range		
Time deposits	1.60%~4.58%	0.95%~5.38%

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

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

(2) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Listed stocks	$ 8,665	$ 8,665
Funds	18,930	18,930
	27,595	27,595
Available-for-sale financial assets Valuation adjustment	41,593	38,552
	$ 69,188	$ 66,147
Non-current items:		
Non-listed stocks	$ 58,187	$ 58,187

The Company recognized gain (loss) $3,041 thousand and ($18,254) thousand in other comprehensive income for fair value change and reclassified loss of $0 thousand and $13,720 thousand from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.

(3) Notes receivable, net

	December 31, 2017	December 31, 2016
Notes receivable	$ 32,780	$ 31,591
Less: Allowance for bad debts	(9,277)	(9,277)
	$ 23,503	$ 22,314

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

	December 31, 2017	December 31, 2016
Vehicle assembly factory	$ 22,634	$ 18,577
Dealer	773	-
Others	9,373	13,014
	$ 32,780	$ 31,591

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

(a) As of December 31, 2017 and 2016, the Company had no notes receivable that were impaired.

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

	2017		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 9,277	$ 9,277

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

(4) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 1,192,846	$ 1,380,937
Less: Allowance for bad debts	(11,718)	(11,718)
	$ 1,181,128	$ 1,369,219

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

	December 31, 2016	December 31, 2016
Vehicle assembly factory	$ 488,004	$ 566,617
Dealer	339,445	474,896
Others	114,815	103,219
	$ 942,264	$ 1,144,732

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

	December 31, 2017	December 31, 2016
Up to 30 days	$ 194,639	$ 176,844
31 to 90 days	40,979	51,019
91 to 180 days	14,107	6,968
More than 180 days	857	1,374
	$ 250,582	$ 236,205

The above ageing analysis was based on past due date.

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

(a) As of December 31, 2017 and 2016, the Company had no accounts receivable that were impaired.

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

	2017		
	Individual provision	Group provision	Total
At January 1 and December 31	$ -	$ 11,718	$ 11,718

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

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

(5) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,532,737	$ -	$ 1,532,737
Work in process	1,188,302	-	1,188,302
Finished goods	723,770	(13,904)	709,866
Merchandise	15,998	-	15,998
Total	$ 3,460,807	($ 13,904)	$ 3,446,903

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

The cost of inventories recognized as expense for the period:

	2017	2016
Cost of goods sold	$ 14,414,459	$ 13,890,724
Loss on investory retirement	897	-
Loss on physical inventory	7,499	17,901
Revenue from sale of scraps	(23,575)	(19,314)
	$ 14,399,280	$ 13,889,311

(6) Investments accounted for using equity method

	December 31, 2017	December 31, 2016
Subsidiaries:		
MAXXIS International Co., Ltd.	$ 41,446,874	$ 43,421,844
CST Trading Ltd.	25,175,906	26,373,039
MAXXIS Trading Ltd.	9,890,087	10,878,314
CHENG SHIN RUBBER USA, INC.	2,433,930	2,580,312
MAXXIS Rubber India Private Limited	2,049,105	1,695,356
PT MAXXIS International Indonesia	1,720,489	2,347,361
CHENG SHIN RUBBER CANADA, INC.	726,855	624,408
MAXXIS (Taiwan) Trading CO., LTD	424,875	298,139
MAXXIS Tech Center Europe B.V.	60,157	53,470
PT MAXXIS TRADING INDONESIA	29,968	-
CIAO SHIN CO., LTD.	-	176,165
Associates:		
NEW PACIFIC INDUSTRY COMPANY	154,347	164,767
Cheng Shin Holland B.V.	16,673	12,546
	$ 84,129,266	$ 88,625,721

A. Subsidiary

(a) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2017.

B. Associates

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

	Assets	Liabilities	Revenue	Profit or loss	Shareholding ratio
2017/12/31	$ 656,848	$ 304,162	$ 881,156	$ 19,881	30%~49.99%
2016/12/31	$ 668,098	$ 308,980	$ 1,043,043	$ 57,372	30%~49.99%

(7) Property, plant and equipment

	Year ended December 31, 2017				
	Beginning of Period	Addition	Disposals	Transfers	End of Period
Cost					
Land	$ 3,925,468	$ -	$ -	$ -	$ 3,925,468
Buildings	6,037,632	29,500	-	22,630	6,089,762
Machinery	11,202,257	74,196	(73,673)	316,658	11,519,438
Testing equipment	619,626	6,741	-	91,270	717,637
Transportation	134,390	9,976	(2,780)	-	141,586
Office equipment	79,452	24,717	-	37,046	141,215
Other facilities	2,473,154	376,230	(15,602)	83,345	2,917,127
Unfinished construction and equipment under acceptance	596,738	784,210	-	(550,949)	829,999
	$ 25,068,717	$ 1,305,570	($ 92,055)	$ -	$ 26,282,232
Accumulated depreciation					
Buildings	($ 1,804,209)	($ 176,975)	$ -	$ -	($ 1,981,184)
Machinery	(5,147,674)	(826,917)	67,049	-	(5,907,542)
Testing equipment	(453,283)	(99,726)	-	-	(553,009)
Transportation	(86,033)	(15,957)	1,429	-	(100,561)
Office equipment	(40,107)	(17,499)	-	-	(57,606)
Other facilities	(1,484,696)	(454,613)	4,583	-	(1,934,726)
	($ 9,016,002)	($ 1,591,687)	$ 73,061	$ -	($ 10,534,628)
	$ 16,052,715				$ 15,747,604

	Year ended December 31, 2016				
	Beginning of Period	Addition	Disposals	Transfers	End of Period
Cost					
Land	$ 3,925,073	$ 395	$ -	$ -	$ 3,925,468
Buildings	5,899,713	49,078	(39,985)	128,826	6,037,632
Machinery	11,268,990	114,526	(758,360)	577,101	11,202,257
Testing equipment	704,080	3,023	(125,863)	38,386	619,626
Transportation	146,357	16,327	(29,250)	956	134,390
Office equipment	66,670	29,944	(17,162)	-	79,452
Other facilities	2,586,992	379,682	(507,606)	14,086	2,473,154
Unfinished construction and equipment under acceptance	1,016,734	909,595	(564,000)	(765,591)	596,738
	$ 25,614,609	$ 1,502,570	($ 2,042,226)	($ 6,236)	$ 25,068,717
Accumulated depreciation					
Buildings	($ 1,665,915)	($ 178,280)	$ 39,986	$ -	($ 1,804,209)
Machinery	(5,057,667)	(847,207)	757,200	-	(5,147,674)
Testing equipment	(494,219)	(83,413)	124,349	-	(453,283)
Transportation	(81,827)	(17,738)	13,532	-	(86,033)
Office equipment	(43,083)	(14,186)	17,162	-	(40,107)
Other facilities	(1,510,453)	(483,630)	503,151	6,236	(1,484,696)
	($ 8,853,164)	($ 1,624,454)	$ 1,455,380	$ 6,236	($ 9,016,002)
	$ 16,761,445				$ 16,052,715

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:

	2017	2016
Amount capitalised	$ -	$ 9,141
capitalisation	0.00%~0.00%	1.20%~1.42%

(8) Investment property, net

	2017			
	At January 1, 2017	Additions	Transfer	At December 31, 2017
Cost				
Land	$ 336,339	$ -	$ -	$ 336,339
Buildings	27,766	-	-	27,766
	$ 364,105	$ -	$ -	$ 364,105
Accumulated depreciation				
Buildings	($ 21,282)	($ 612)	$ -	($ 21,894)
Accumulated impairment				
Land	($ 51,038)	$ -	$ -	($ 51,038)
	$ 291,785			$ 291,173

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

A. Rental income from investment property is shown below:

	2017	2016
Rental income from investment property	$ 8,725	$ 8,725

B. The fair value of the investment property held by the Company as at December 31, 2017 and 2016 were $529,829 thousand and $529,829 thousand, respectively, which was valued by independent valuers. Valuations were made using the item by item approach which is categorised within Level 3 in the fair value hierarchy.

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

(9) Short-term borrowings

As of December 31, 2017, the Company did not hold any short-term borrowings.

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

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

Items	December 31, 2017	December 31, 2016
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	$ 408	$ -

A. The Company recognized gain of $ 2,538 thousand and ($3,313) thousand on financial assets and liabilities held for trading for the years ended December 31, 2017 and 2016, respectively.

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

	December 31, 2017		December 31, 2016	
Type of goods	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	USD 6,000 thousand	2017.11.23 ~ 2018.01.29	-	-

(a) Forward foreign exchange contracts

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

(b) Interest rate swaps

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

(11) Other payables

Items	December 31, 2017	December 31, 2016
Employee benefits payable	$ 469,776	$ 646,359
Wages and salaries payable	305,568	423,738
Payable on machinery and equipment	736,136	290,468
Compensation due to directors and supevisors	118,590	257,124
Other accrued expenses	606,903	695,328
Others	79,830	248,309
	$ 2,316,803	$ 2,561,326

(12) Other current liabilities

	December 31, 2017	December 31, 2016
Long-term liabilities due within one year	$ 3,052,667	$ 4,380,000
Advance receipts	86,267	67,598
Other	2,785	-
	$ 3,141,719	$ 4,447,598

(13) Bonds payable

	December 31, 2017	December 31, 2016
Bond payable-issued on 2013	1,900,000	3,800,000
Bond payable-issued on 2014	4,800,000	4,800,000
Bond payable-issued on 2016	5,000,000	5,000,000
Bond payable-issued on 2017	7,000,000	-
Subtotal	18,700,000	13,600,000
Less: Current portion	(1,900,000)	(1,900,000)
Total	$ 16,800,000	$ 11,700,000

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by the FSC on August 1, 2017 and completed on August 10, 2017. The bonds were fully issued and total issuance amount was $7 billion with a coupon rate of 1.03%. The issuance period of the bonds is 5 years, which is from August 10, 2017 to August 10, 2022. The terms are as follows:
   (a) Interest accrued/ paid:
      The interest is accrued/ paid at a single rate annually from the issue date.
   (b) Redemption:
      The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

B. In order to fulfill its issue and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic secured bonds ("the bonds"). The bond issue has been approved by FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was $5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:
   (a) Interest accrued/ paid:
      The interest is accrued/ paid at a single rate annually from the issue date.
   (b) Redemption:
      The principal of the corporate bond will be redeemed at 50% of the total amount after four and five years from the issue date.

C. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issue has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was $4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows :
   (a) Interest accrued/ paid:
      The interest is accrued/ paid at a single rate annually from the issue date.
   (b) Redemption:
      The corporate bond will be redeemed in full amount at the maturity date.

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

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	Date("ADNormal", (
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021	0.97%～1.31%	None	$ 12,700,667
Less: Current portion				(1,152,667)
				$ 11,548,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021	0.38%～1.38%	None	$ 14,028,998
Less: Current portion				(2,480,000)
				$ 11,548,998

According to the borrowing contract, the Company shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements for the years ended December 31, 2017 and 2016.

(15) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years including commissioned managers prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The

Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 1,475,833	$ 1,535,785
Fair value of plan assets	(721,893)	(752,649)
Net defined benefit liability	$ 753,940	$ 783,136

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 1,551,557	($ 684,402)	$ 867,155
Current service cost	27,965	-	27,965
Interest expense (income)	26,376	(11,634)	14,742
	1,605,898	(696,036)	909,862
Remeasurements:			
Change in financial assumptions	50,225	-	50,225
Experience adjustments	25,117	-	25,117
Return on plan assets (excluding amounts included in interest income or expense)	-	4,980	4,980
	75,342	4,980	80,322
Pension fund contribution	-	(148,959)	(148,959)
Paid pension	(145,455)	87,366	(58,089)
Balance at December 31	$ 1,535,785	($ 752,649)	$ 783,136

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2017 and 2016, the actual return on plan assets was $7,839 thousand and $6,654 thousand, respectively.

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

	Year ended December 31, 2017	Year ended December 31, 2016
Discount rate	1.10%	1.40%
Future salary increases	3.00%	3.00%

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

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

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

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 42,022)	($ 43,760)	$ 39,325	($ 38,033)

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to $35,277 thousand.

(g) As of December 31, 2017, the weighted average duration of that retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	137,761
2-5 year(s)		246,765
Over 6 years		393,035
	$	777,561

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

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016, were $130,895 thousand and $115,996 thousand, respectively.

(16) Share capital

As of December 31, 2017, the Company's authorized capital was $32,414,155 thousand, and all proceeds from shares issued have been collected.

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of share or cash whereas the directors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed 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 recognized dividends distributed to owners both amounting to $9,724,246 thousand (cash dividend of $3 per share), to shareholders for the years ended December 31, 2017 and 2016, respectively. On March 20, 2018, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2017 was $5,834,548 thousand at $1.8 (in dollars) per share.

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

(19) Other equity items

	2017		
	Currency translation	Available-for-sale investment	Total
At January 1	($ 3,358,274)	$ 50,452	($ 3,307,822)
Company	-	3,041	3,041
Revaluation adjustment – Associates	-	(11,900)	(11,900)
Currency translation differences :			
Subsidiaries and associates – Before income tax	(1,341,422)	-	(1,341,422)
Subsidiaries and associates – Tax	228,042	-	228,042
At December 31	($ 4,471,654)	$ 41,593	($ 4,430,061)

	2016		
	Currency translation	Available-for-sale investment	Total
At January 1	$ 1,744,319	$ 74,700	$ 1,819,019
Company	-	(18,254)	(18,254)
Revaluation adjustment – Associates	-	7,726	7,726
Revaluation transfer – The Company	-	(13,720)	(13,720)
Currency translation differences:			
Subsidiaries and associates – Before income tax	(6,147,703)	-	(6,147,703)
Subsidiaries and associates –Tax	1,045,110	-	1,045,110
At December 31	($ 3,358,274)	$ 50,452	($ 3,307,822)

(20) Other income

	2017	2016
Revenue from patent royalties	$ 533,677	$ 556,672
Revenue from trademark royalties	398,046	401,572
Revenue from commission	250,371	261,362
Interest income – Endorsements/guarantees	12,153	12,293
Interest income	142,062	92,606
Income from investment	14,249	19,960
Others	93,664	147,286
Total	$ 1,444,222	$ 1,491,751

(21) Other gains and losses

	2017	2016
Net currency exchange (losses)	($ 700,577)	($ 295,818)
Gains on disposal of property, plant and equipment	161,814	206,811
Net gains on financial assets and liabilities at fair value through profit or loss	2,538	7,415
(Losses) gains on investment	(1,946)	475
Miscellaneous income (disbursements)	6,614	(46,140)
Total	($ 531,557)	($ 127,257)

(22) Finance costs

	2017	2016
Interest expense:		
Bank borrowings	$ 166,961	$ 223,302
Corporate bonds	171,143	137,933
(Losses) gains on fair value change of financial instruments:		
Interest rate swaps	-	7,001
	338,104	368,236
Less: Capitalisation of qualifying assets	-	(9,141)
Finance costs	$ 338,104	$ 359,095

(23) Expenses by nature

	Year ended December 31, 2017		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,360,512	$ 1,255,096	$ 3,615,608
Labour and health insurance fees	228,169	109,963	338,132
Pension costs	111,522	56,186	167,708
Other personnel expenses	78,325	33,279	111,604
	$ 2,778,528	$ 1,454,524	$ 4,233,052
Amortisation charges on intangible assets	$ 8,767,952	$ -	$ 8,767,952
Raw materials and supplies used	$ 1,385,289	$ 206,398	$ 1,591,687
Depreciation charges on property, plant and equipment	$ -	$ 612	$ 612
Depreciation on investment property	$ 114	$ 18,051	$ 18,165

	Year ended December 31, 2016		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	$ 2,378,852	$ 1,291,503	$ 3,670,355
Labour and health insurance fees	203,651	95,135	298,786
Pension costs	107,494	51,209	158,703
Other personnel expenses	78,192	33,151	111,343
	$ 2,768,189	$ 1,470,998	$ 4,239,187
Raw materials and supplies used	$ 7,613,328	$ -	$ 7,613,328
Depreciation charges on property, plant and equipment	$ 1,470,068	$ 154,386	$ 1,624,454
Depreciation on investment property	$ -	$ 727	$ 727

As of December 31, 2017 and 2016, the Company had 6,263 and 5,716 employees, respectively.

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

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $145,330 and $324,446, respectively; while directors' and supervisors' remuneration was accrued at $118,590 and $257,124, respectively. The amounts were recognized in salary expenses.

For the years ended December 31, 2017, the employees' compensation and directors' and supervisors' remuneration was 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 at 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 2.22% of retained earnings was $357,324 for directors' and supervisors' remuneration. The difference of the directors' and supervisors' remuneration for the year ended 2016 between the two was $102,207 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2017. The employees' compensation for 2015 will be distributed in cash. For the year ended December 31, 2017, the employees' compensation for 2016 has not yet been distributed.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2017	Year ended December 31, 2016
Current tax:		
Current tax on profits for the period	$ 1,644,800	$ 1,583,640
Prior year income tax understimation	203,888	324,015
10% Tax on undistributed surplus earnings	143,020	174,783
Total current tax	1,991,708	2,082,438
Deferred tax:		
Origination and reversal of temporary differences	(530,898)	307,392
Income tax expense	$ 1,460,810	$ 2,389,830

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

	Year ended December 31, 2017	Year ended December 31, 2016
Currency translation differences	$ 228,042	$ 1,045,110
Remeasurement of defined benefit obligations	(3,367)	13,655
Income tax from other comprehensive income	$ 224,675	$ 1,058,765

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2017	Year ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 1,190,441	$ 2,658,925
Effects from items disallowed by tax regulation	79,874	68,363
Temporary difference not recognized as deferred tax liabilities	(94,548)	(740,235)
Effect from five-year tax exemption	(61,866)	(96,021)
Prior year income tax (over) underestimation	203,889	324,015
10% Tax on undistributed surplus earnings	143,020	174,783
Income tax expense	$ 1,460,810	$ 2,389,830

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

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
－Temporary differences:				
Unrealized gain on inter-affiliated accounts	$ 129,018	$ 16,823	$ -	$ 145,841
Remeasurement of defined benefit obligations	150,097	-	(3,367)	146,730
Unrealized evaluation losses on financial assets and liabilities	-	69	-	69
Exchange differences on translation of foreign financial statements	166,481	-	228,042	394,523
Unrealised exchanges gain	-	26,576	-	26,576
Others	13,257	-	-	13,257
Subtotal	$ 458,853	$ 43,468	$ 224,675	$ 726,996
－Deferred tax liabilities:				
Gain on foreign long-term investments	($ 1,287,141)	$ 469,382	$ -	($ 817,759)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	-	-	-	-
Unrealised exchange gain	(7,776)	7,776	-	-
Others	(26,411)	10,272	-	(16,139)
Subtotal	($ 1,836,061)	$ 487,430	$ -	($ 1,348,631)
Total	($ 1,377,208)	$ 530,898	$ 224,675	($ 621,635)

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

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

E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2016 and 2016 were $41,912,057 thousand and $43,481,764 thousand, respectively.

F. The Company’s income tax returns through 2015 have been assessed and approved by the Tax Authority while the income tax returns through 2014 have not been assessed and approved.

G. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of

December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

	December 31, 2016
Earnings generated in and before 1997	$ 26,215
Earnings generated in and after 1998	42,748,287
Total	$ 42,774,502

H. As of December 31, 2016, the balance of the imputation tax credit account was $3,370,734 thousand. The creditable tax rate was 9.87%. for the year ended December 31, 2016.

(25) Earnings per share

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

	2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 13,250,903	3,241,416	$ 4.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	13,250,903	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	6,845	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 13,250,903	$ 3,248,261	$ 4.08

(26) Supplemental cash flow information

Investing activities with partial cash payments

	2017	2016
Purchase of property, plant and equipment	$ 1,305,570	$ 1,502,570
Add: Opening balance of payable on	290,468	327,348
Less: Ending balance of payable on equipment	(736,136)	(290,468)
Cash paid during the period	$ 859,902	$ 1,539,450

7. RELATED PARTY TRANSACTIONS

(1) Name of related parties and relationship

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

(2) Significant related party transactions

A. Operating revenue:

	2017	2016
Sales of goods:		
-Subsidiaries		
MAXXIS (Taiwan) Trading CO., LTD.	$ 4,073,337	$ 1,485,040
CHENG SHIN RUBBER USA, INC.	3,264,383	$ 2,891,576
Others	2,178,047	$ 1,752,717
-Associates	73,125	196,986
Total	$ 9,588,892	$ 6,326,319

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

B. Purchases:

	2017	2016
Sales of goods:		
-Subsidiaries	$ 367,951	$ 156,770
-Associates	-	222
Total	$ 367,951	$ 156,992

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

C. Property transactions:

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

	2017		2016	
	Sales amount	Gain (loss) on disposal	Sales amount	Gain (loss) on disposal
Subsidiaries	$ 776,631	$ 23,575	$ 766,139	$ 201,725

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

	2017	2016
Subsidiaries	$ 159,912	$ 154,324

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

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

(a) Revenue from patent royalties:

	2017	2016
Subsidiaries	$ 533,677	$ 556,672

(b) Ending balance of royalty receivables from technology:

	December 31, 2017	December 31, 2016
Subsidiaries	$ 147,495	$ 152,019

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

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

(a) Interest income – endorsements/guarantees:

	2017	2016
Subsidiaries	$ 12,153	$ 12,293

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

	December 31, 2017	December 31, 2016
Subsidiaries	$ 7,031	$ 4,640

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

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

(a) Revenue from commission:

	2017	2016
Subsidiaries	$ 250,371	$ 261,362

(b) Ending balance of receivables from commission:

	December 31, 2017	December 31, 2016
Subsidiaries	$ 49,263	$ 53,407

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

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

(a) revenue from trademark royalties:

	2017	2016
Subsidiaries	$ 397,132	$ 400,740

(b) Ending balance of receivables from trademark royalties:

	December 31, 2017	December 31, 2016
Associates	$ 81,289	$ 88,639

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

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

(1) Revenue from per diem:

	2017	2016
Subsidiaries	$ 10,482	$ 25,882

(2) Ending balance of receivables from per diem:

	2017	2016
Subsidiaries	$ 2,781	$ 5,738

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

I. Accounts receivable:

	December 31, 2017	December 31, 2016
Accounts receivable		
-Subsidiaries	$ 1,621,586	$ 1,284,204
-Associates	26,630	33,832
	$ 1,648,216	$ 1,318,036

J. Notes receivable:

	December 31, 2017	December 31, 2016
Associates	$ -	$ 865

K. Accounts payable:

	December 31, 2017	December 31, 2016
Subsidiaries	$ 34,883	$ 19,683
Associates	36	-
	$ 34,919	$ 19,683

L. Other payables:

	December 31, 2017	December 31, 2016
Subsidiaries	$ 137,584	$ 78,781

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

M. Information about guarantees

As of December 31, 2017 and 2016, the Company and the financial institutions agreed that the Company's subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details is as follows:

Guarantee	Guaranteed line of credit		Used amounts as of December 31, 2017	
Subsidiaries	USD	690,800 thousand	USD	525,724 thousand
	THB	2,000,000 thousand	THB	2,000,000 thousand
	RMB	550,000 thousand	RMB	158,050 thousand
	INR	400,000 thousand	INR	11,630 thousand

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

As of December 31, 2017 and 2016, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries and other short-term employee benefits	$ 252,190	$ 395,674
Post-employment benefits	3,858	4,472
Total	$ 256,048	$ 400,146

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2017	December 31, 2016	Purpose
Time deposits (shown as Other non-current assets)	$ 14,885	$ 14,530	Product liability insurance

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 276,414	$ 59,927

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

	December 31, 2017	December 31, 2016
Amount of letter of credit that has been issued but not yet used	$ 28,706	$ -

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by $128,294 thousand and $147,158 thousand, respectively, which will be adjusted in the first quarter of 2018.

12. OTHERS

(1) Capital management

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

During year ended December 31, 2016, the Company's strategy, which was unchanged from 2015, was to maintain the debt-equity ratio under 2 times. As of December 31, 2017 and 2016, the Company's debt-equity ratios were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 38,278,383	$ 35,325,743
Total equity	$ 82,205,292	$ 87,493,251
Less : Intangible assets	94,890	-
Tangible equity	$ 82,110,402	$ 87,493,251
Debt-equity ratio	46.62%	40.38%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables (Other current assets) refundable deposits (Other non-current assets) , short-term loans, accounts payable and related parties and other payables long-term borrowings, Bonds payable and guarantee deposits received(Other non-current liabilities) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in

Note 12(3).

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

ii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: TWD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2017			Sensitivity Analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 391,426	29.760	$ 11,648,838	1%	$ 116,488	$ -
EUR:TWD	19,411	35.570	690,449	1%	6,904	-
JPY:TWD	1,611,207	0.264	42,681	1%	4,257	-
RMB:TWD	116,324	4.565	531,019	1%	5,310	-
GBP:TWD	6,409	40.110	257,065	1%	2,571	-
None-monetary items						
USD:TWD	$ 98,821	29.760	$ 2,940,913	1%	$ 5,070	$ 24,339
EUR:TWD	10,568	35.570	375,904		2,991	768
JPY:TWD	483,945	0.264	127,858		1,279	-
RMB:TWD	124,107	4.565	566,548		5,665	-
CAD:TWD	30,662	23.705	726,843	1%	-	7,268
IDR:TWD	784,958,275	0.00223	1,750,457	1%	-	17,505
INR:TWD	4,383,113	0.46750	2,049,105	1%	-	20,491
Financial liabilities						
Monetary items						
USD:TWD	$ 25,745	32.260	$ 766,171	1%	$ 7,662	$ -

(Foreign currency: functional currency)	December 31, 2016					
				Sensitivity Analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousand)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 214,030	32.260	$ 6,904,608	1%	$ 69,046	$ -
EUR:TWD	19,539	33.999	664,306	1%	6,643	-
THB:TWD	133,109	0.901	119,931	1%	1,199	-
JPY:TWD	759,802	0.275	208,946		2,089	
RMB:TWD	861,015	4.617	3,975,306	1%	39,753	-
GRP:TWD	4,582	39.706	181,933		18,189	
Non-monetary items						
USD:TWD	$ 79,985	32.260	$ 2,580,316	1%	$ -	$ 25,803
CAD:TWD	26,225	23.810	624,417	1%	-	6,244
IDR:TWD	967,983,901	0.00243	2,352,201	1%	-	23,522
INR:TWD	3,392,748	0.49970	1,695,356	1%	-	16,954
Financial liabilities						
Monetary items						
USD:TWD	$ 13,419	32.260	$ 432,897	1%	$ 4,329	$ -

F. The exchange gain (loss) (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2017 and 2016, amounted to $700,577 thousand and $295,818 thousand, respectively.

Price risk

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

The Company’s investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity would have increased/decreased by $1,274 thousand and$1,243 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

A. The Company’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. In addition, long-term ordinary corporate bonds issued at fixed rates are not influenced by variations in interest rates. During the years ended December 31, 2017 and 2016, the Company’s borrowings at variable rate were denominated in the TWD.

B. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Limit on hedge is basically one-third of the corresponding currency in borrowing positions. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

C. At December 31, 2017 and 2016, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2017 and 2016 would have been $12,701 thousand and $11,644 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

ii. For the years ended December 31, 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 as follows Note 6(3) and 6(4):

iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6(3) and 6(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. 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 head-room as determined by the above-mentioned forecasts.

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

Non-derivative financial liabilities:

December 31, 2017	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Accounts payable (including related parties)	$1,348,090	$ -	$ -	$ -	$1,348,090
Other payables	1,973,366	-	198,107	145,330	2,316,803
Guarantee deposits received	-	-	-	7,364	7,364
Long-term borrowings	36,605	36,605	1,220,917	11,715,063	13,009,190
Bonds payable	-	-	2,104,250	17,208,300	19,312,550

Non-derivative financial liabilities:

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

Derivative financial liabilities:

December 31, 2017	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Forward exchange contracts	$ 408	$ -	$ -	$ -	$ 408

(3) Fair value information

A. Details of the fair value of the Company’s financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company’s investment property measured at cost are provided in Note 6(8).

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

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

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

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

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

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

	December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Recurring fair value measurements			
Available-for-sale financial assets	$ 66,147	$ -	$ 58,187

D. The methods and assumptions the Company 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 used closing price as their fair values.

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

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

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’ s paid-in capital: Please refer to table 4..

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 5.

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(10), 6(21) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Ceiling on investments in Mainland China: Please refer to table10.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 12.

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2017: Please refer to table 6, 7 and 8.

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

Loans to others

For the year ended December 31, 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 year ended December 31, 2017	Balance at December 31, 2017	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 4,576,000	$ 3,549,240	$ 3,221,109	3.446%~4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,683,900	$ 7,806,499	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,830,400	1,824,000	1,573,200	4.75%	Note 4	-	Operating capital	-	None	-	4,683,900	7,806,499	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	366,080	228,000	136,800	6.65%	Note 4	-	Operating capital	-	None	-	4,683,900	7,806,499	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	1,824,000	1,824,000	1,322,400	4.75%	Note 4	-	Operating capital	-	None	-	7,493,854	1,489,756	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	916,800	912,000	232,560	4.75%	Note 4	-	Operating capital	-	None	-	7,493,854	12,486,756	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	48,400	456,000	364,800	4.75%	Note 4	-	Operating capital	-	None	-	7,493,854	12,489,756	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	3,348,600	2,736,000	1,732,800	4.75%	Note 4	-	Operating capital	-	None	-	13,748,167	222,913,611	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,512	9,120	4,560	4.35%	Note 4	-	Operating capital	-	None	-	263,282	438,803	Note 6

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

(1) The Company is ‘0’.

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

Note 2: Limit on loans granted by CHENG SHIN RUBBER (XIAMEN) IND., LTD. , CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. XIAMEN CHENG SHIN ENTERPRISE CO., LTD. and CHEN SHIN LOGISTIC (XIAMEN) CO., LTD to a single party is 60% of the net assets of CHENG SHIN RUBBER (XIAMEN) I SHIN ENTERPRISE CO., LTD.

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

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

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

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

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

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017	Outstanding endorsement/ guarantee amount at December 31, 2017	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	$ 41,102,646	$ 8,206,175	$ 5,258,750	$ 4,119,780	$ -	6.40	$ 57,543,704	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	41,102,646	1,377,860	297,700	107,172	-	0.36	57,543,704	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	41,102,646	4,384,100	2,381,600	582,996	-	2.90	57,543,704	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	41,102,646	1,409,175	1,339,650	595,400	-	1.63	57,543,704	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	41,102,646	7,455,122	7,324,826	6,846,553	-	8.91	57,543,704	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	41,102,646	6,025,980	5,983,770	5,239,520	-	7.28	57,543,704	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	18,330,889	2,521,200	2,508,000	720,710	-	10.95	22,913,611	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.	$ 57,543,704
Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets.	$ 16,441,058
Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets.	$ 41,102,646

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/gurantees provided to others is 100% of the Company's net assets.

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

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

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

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

December 31, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2017				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	$ 41,670	-	$ 41,670	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	27,518	-	27,518	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187	Note 2

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2017		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2017	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Investments accounted for using equity method	Maxxis Rubber India Private Limited	Subsidiary	369,997,000	$ 1,695,356	179,998,541	$ 847,866	-	$ -	$ -	$ -	549,995,541	$ 2,049,105

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

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: Gain and loss on investment accounted for using equity method was included in the balance as at December 31, 2017.

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

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

For the year ended December 31, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENG SHIN RUBBER (ZHANGZHOU) IND. CO., LTD.	Plant construction phase II	2017/9/25	$ 400,925	$ 151,341	Zun Yi Jian Gong (Group) CO., LTD.	Third party	-	-	-	-	Contracts	Operational needs	None

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

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

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

CHENG SHIN RUBBER IND. CO., LTD.

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

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	($ 3,264,383)	(16.79)	Collect within 90 days after shipment of goods	Same	Same	$ 789,260	27.46%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,424,286)	(7.33)	Collect within 90 days after shipment of goods	Same	Same	363,079	12.63%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(417,892)	(2.15)	Collect within 60 days after shipment of goods	Same	Same	80,389	2.80%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(165,807)	(0.85)	Collect within 60 days after shipment of goods	Same	Same	13,421	0.47%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Sub-subsidiary	(sales)	(107,567)	(0.55)	Collect within 60 days after shipment of goods	Same	Same	44,409	1.55%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(4,073,337)	(20.96)	Collect within 30 days	Same	Same	315,091	10.96%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(155,729)	(0.80)	Collect within 60~90 days after shipment of goods	Same	Same	31,624	1.42%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(751,134)	(3.88)	Collect within 60~90 days after shipment of goods	Same	Same	283,284	12.73%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(562,327)	(2.91)	Collect within 60~90 days after shipment of goods	Same	Same	138,767	6.23%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(119,543)	(0.62)	Collect within 60~90 days after shipment of goods	Same	Same	29,864	1.34%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(187,957)	(0.97)	Collect within 60~90 days after shipment of goods	Same	Same	55,437	2.49%	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent company	(sales)	(145,729)	(0.75)	Collect within 60 days after shipment of goods	Same	Same	22,174	1.00%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,818,454)	(43.61)	Collect within 60~90 days after shipment of goods	Same	Same	305,482	43.44%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(548,592)	(13.16)	Collect within 60~90 days after shipment of goods	Same	Same	104,097	14.80%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(107,016)	(2.57)	Collect within 60~90 days after shipment of goods	Same	Same	20,923	2.98%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(135,949)	(3.26)	Collect within 60~90 days after shipment of goods	Same	Same	19,641	2.79%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(219,836)	(5.27)	Collect within 60~90 days after shipment of goods	Same	Same	40,328	5.73%	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(372,172)	(4.48)	Collect within 60~90 days after shipment of goods	Same	Same	43,576	49.08%	Note 4
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	($ 188,925)	(37.25)	Collect within 60~90 days after shipment of goods	Same	Same	$ 17,658	14.35%	Note 4
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(107,465)	(21.19)	Collect within 60~90 days after shipment of goods	Same	Same	10,161	8.25%	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(362,099)	(1.59)	Collect within 60~90 days after shipment of goods	Same	Same	47,369	1.10%	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

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

For the year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(155,402)	(36.27)	Collect within 60~90 days after shipment of goods	Same	Same	25,640	39.42%	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	TOYO TIRE & RUBBER CO., LTD	Associates	(sales)	(117,093)	(27.33)	Collect within 60~90 days after shipment of goods	Same	Same	14,843	22.82%	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(279,482)	(3.85)	Collect within 60~90 days after shipment of goods	Same	Same	90,280	19.92%	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(209,074)	(4.02)	Collect within 60~90 days after shipment of goods	Same	Same	8,273	1.36%	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent company	(sales)	(127,057)	(2.44)	Collect within 30 days after shipment of goods	Same	Same	3,806	0.62%	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(1,103,342)	(7.69)	Collect within 60~90 days after shipment of goods	Same	Same	224,445	14.31%	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(124,214)	(0.87)	Collect within 60~90 days after shipment of goods	Same	Same	43,204	2.75%	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(195,469)	(1.36)	Collect within 60~90 days after shipment of goods	Same	Same	9,593	0.61%	Note 4

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

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

December 31, 2017

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	$ 789,260	4.87	-	-	$ 789,816	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	363,319	Note 4	-	-	214,117	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	241,985	Note 3	-	-	110,901	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	121,109	Note 3	-	-	64,601	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	316,296	Note 4	-	-	316,296	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	283,284	3.67	-	-	168,328	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent (Note 5)	202,105	Note 4	-	-	60,023	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	307,442	Note 4	-	-	290,066	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD	Same ultimate parent (Note 5)	104,097	4.34	-	-	104,097	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	224,445	5.60	-	-	221,575	-

Note 1: Subsequent collection is the amount collected as of March 16, 2018.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company.
Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated
Note 4: The amount comprises accounts receivable and other receivables and thus, the turnover rate is not calculated.
Note 5: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	$ 3,264,383	Collect within 90 days after shipment of goods	2.91%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	789,260	Collect within 90 days after shipment of goods	0.44%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,424,286	Collect within 90 days after shipment of goods	1.27%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	363,079	Collect within 90 days after shipment of goods	0.20%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	417,892	Collect within 60 days after shipment of goods	0.37%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	439,031	Collect within 90 days after sales of equipment	0.39%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	4,073,337	The term is 30 days after monthly billing.	3.63%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	315,091	The term is 30 days after monthly billing.	0.18%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	751,134	Collect within 60~90 days after shipment of goods	0.67%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	283,284	Collect within 60~90 days after shipment of goods	0.16%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	562,327	Collect within 60~90 days after shipment of goods	0.50%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,732,800	Pay interest quarterly	0.97%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,818,454	Collect within 60~90 days after shipment of goods	1.62%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	305,482	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	548,592	Collect within 60~90 days after shipment of goods	0.49%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,221,109	Pay interest quarterly	1.80%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,573,200	Pay interest quarterly	0.88%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	219,836	Collect within 60~90 days after shipment of goods	0.20%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	232,560	Pay interest quarterly	0.13%

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2017

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Note 4)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,322,400	Pay interest quarterly	0.74%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	364,800	Pay interest quarterly	0.20%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	372,172	Collect within 60~90 days after shipment of goods	0.33%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	362,099	Collect within 60~90 days after shipment of goods	0.32%
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	279,482	Collect within 60~90 days after shipment of goods	0.25%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,103,342	Collect within 60~90 days after shipment of goods	0.98%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	224,445	Collect within 60~90 days after shipment of goods	0.13%
8	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	209,074	Collect within 60~90 days after shipment of goods	0.19%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least NT$200 million.

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

Information on investees

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	$ 912,218	$ 912,218	35,050,000	100.00	$ 41,446,874	$ 1,463,847	$ 1,465,365	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	25,175,906	3,471,894	3,429,262	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	9,890,087	245,429	277,872	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	U.S.A	Import and export of tires	551,820	551,820	1,800,000	100.00	2,433,930	293,212	293,238	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	726,855	183,454	183,454	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	-	97,000	-	-	-	19,528	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	154,347	8,548	4,274	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	60,157	3,914	3,914	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	16,673	11,333	3,400	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	17,204,849	(432,183)	(432,183)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	2,673,961	1,826,095	549,995,541	100.00	2,049,105	(463,182)	(463,182)	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	424,875	305,209	305,209	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	India	Large-amount trading of vehicles parts and accessories	30,235	-	9,990	100.00	29,968	(306)	(306)	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	32,430,634	1,597,595	1,597,595	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	25,020,939	3,429,110	3,429,111	Sub-subsidiary Note 3

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

Information on investees

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income(loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
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	10,345,830	244,596	244,596	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	7,772,878	(431,892)	(402,455)	Sub-subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,569,911	676,790	679,796	Sub-subsidiary Note 3

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.
Note 2: Investee companies are accounted for under the equity method.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.

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

Information on investments in Mainland China

For the year ended December 31, 2017

Table 10 | 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 year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	$ 5,208,000	2	$ 910,834	$ -	$ -	$ 910,834	$ 1,064,405	100.00	$ 1,060,584	$ 22,913,611	$ 16,957,236	(Note 2、3、5、6、7)
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	6,696,000	2	2,385,506	-	-	2,385,506	2,925,218	100.00	2,955,143	22,996,993	17,466,059	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	252,960	2	68,602	-	-	68,602	84,640	50.00	42,320	347,061	368,346	(Note 6、8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	2,976,000	2	-	-	-	-	1,504,767	100.00	1,497,916	5,791,734	753,758	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	22,825	2	-	-	-	-	(472)	100.00	(472)	22,087	-	(Note 6、8)
TIANJIN TAFENG RUBBER IND CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	535,680	2	-	-	-	-	(213,203)	100.00	(21,203)	1,599,675	757,407	(Note 6、7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,868,800	2	-	-	-	-	145,219	100.00	145,219	12,501,351	3,597,249	(Note 2、3、6、7)

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

Information on investments in Mainland China

For the year ended December 31, 2017

Table 10

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 year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,339,200	2	$ -	$ -	$ -	$ -	$ 536,748	100.00	$ 541,490	$ 7,806,499	$ 4,707,620	(Note 2、6、7)
CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	A. Research, development and testing of tires and automobiles accessory products and display of related products B. Management of racing tracks	595,200	2	-	-	-	-	(76,160)	100.00	(76,160)	390,409	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	159,775	2	-	-	-	-	(11,332)	95.00	(10,765)	138,759	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	65,790	2	-	-	-	-	35,099	49.00	17,199	215,013	-	(Note 6、7)
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	A. Tires and tubes B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,386,150	2	-	-	-	-	288,831	100.00	288,831	5,278,807	452,779	(Note 5、6、7)

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

Information on investments in Mainland China

For the year ended December 31, 2017

Table 10

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 year ended December 31, 2017		Accumulated amount of remittance from Taiwan to Mainland China for the year ended December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,506,450	2	$ -	$ -	$ -	$ -	($ 32,055)	100.00	($ 32,055)	$ 1,451,266	$ -	(Note 6、7)

Note 1: Investment methods are classified into the following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 3: The Company and Cheng Shin Rubber (Xiamen) Ind., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrel Tire (Xiamen) Co., Ltd., respectively.

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 29.76: USD 1 and NTD 4.565: RMB 1 prevailing on December 31, 2017.

Note 7: Investment income (loss) was recognised based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 8: Investment income (loss) was recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

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

Ceiling on investments in Mainland China

For the year ended December 31, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	$ 3,657,504	$ 20,025,504	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.