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

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2018 AND 2017

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18000296

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT$26,296,988 thousand and NT$24,248,685 thousand, constituting 15% and 14% of the consolidated total assets, and total liabilities of NT$16,192,131 thousand and NT$13,355,164 thousand, constituting 17% and 16% of the consolidated total liabilities as at March 31, 2018 and 2017, and total comprehensive income of NT$365,199 thousand and NT$17,861 thousand, constituting 17% and 1% of the consolidated total comprehensive income for the three-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hung, Shu-Hua   Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

May 10, 2018

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Assets	Notes	March 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	March 31, 2017 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 29,553,195	16	$ 30,918,463	17	$ 30,578,697	18
1110	Financial assets at fair value through profit or loss - current	6(2)	315	-	-	-	-	-
1120	Financial assets at fair value through other comprehensive income - current	6(3)	21,435	-	-	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	69,188	-	150,760	-
1150	Notes receivable, net	6(4)	2,699,560	2	2,298,485	1	1,217,198	1
1170	Accounts receivable, net	6(4) and 12(4)	11,381,124	6	9,852,585	6	10,812,065	6
1180	Accounts receivable - related parties	7	99,843	-	119,288	-	141,130	-
130X	Inventories, net	6(5)	19,375,594	11	19,184,340	11	15,558,765	9
1410	Prepayments		1,857,112	1	2,400,926	1	2,690,029	2
1470	Other current assets	8	1,552,423	1	1,820,349	1	1,626,162	1
11XX	**Current Assets**		66,540,601	37	66,663,624	37	62,774,806	37
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	58,187	-	-	-	-	-
1523	Available-for-sale financial assets - noncurrent	12(4)	-	-	58,187	-	58,187	-
1550	Investments accounted for under equity method	6(6)	167,771	-	171,020	-	179,025	-
1600	Property, plant and equipment, net	6(7)	105,771,583	59	105,007,683	59	100,706,952	59
1760	Investment property, net	6(8)	613,565	-	612,656	-	291,632	-
1840	Deferred income tax assets		1,109,728	1	1,076,959	1	1,541,801	1
1900	Other non-current assets	6(9) and 8	6,117,923	3	5,494,126	3	5,258,270	3
15XX	**Non-current assets**		113,838,757	63	112,420,631	63	108,035,867	63
1XXX	**Total assets**		$ 180,379,358	100	$ 179,084,255	100	$ 170,810,673	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

	Liabilities and Equity	Notes	March 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%	March 31, 2017 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)(28)	$ 19,197,377	11	$ 18,508,493	10	$ 15,685,137	9
2120	Financial liabilities at fair value through profit or loss - current	12(4)	-	-	408	-	-	-
2130	Contract liabilities - current	6(20)	568,786	-	-	-	-	-
2150	Notes payable		817,784	-	822,160	1	314,544	-
2170	Accounts payable		7,859,432	4	8,511,030	5	9,227,979	6
2200	Other payables	6(11)	6,062,529	3	7,022,033	4	6,394,260	4
2230	Current income tax liabilities	6(25)	1,261,967	1	1,277,640	1	1,484,276	1
2300	Other current liabilities	6(12)(13)(14)(28) and 7	6,285,260	4	5,936,600	3	9,148,554	5
21XX	**Current Liabilities**		42,053,135	23	42,078,364	24	42,254,750	25
	Non-current liabilities							
2530	Corporate bonds payable	6(13)(28)	16,800,000	9	16,800,000	9	11,700,000	7
2540	Long-term borrowings	6(14)(28) and 7	31,484,022	18	32,659,178	18	24,282,344	14
2550	Provisions for liabilities - noncurrent		118,550	-	122,071	-	115,659	-
2570	Deferred income tax liabilities	6(25)	1,723,003	1	1,348,631	1	2,117,558	1
2600	Other non-current liabilities	6(15)	3,176,801	2	3,184,708	2	3,396,096	2
25XX	**Non-current liabilities**		53,302,376	30	54,114,588	30	41,611,657	24
2XXX	**Total Liabilities**		95,355,511	53	96,192,952	54	83,866,407	49
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(16)						
3110	Share capital - common stock		32,414,155	18	32,414,155	18	32,414,155	19
	Capital surplus	6(17)						
3200	Capital surplus		52,576	-	52,576	-	52,576	-
	Retained earnings	6(18)						
3310	Legal reserve		14,280,767	8	14,280,767	8	12,955,677	8
3320	Special reserve		3,307,822	2	3,307,822	2	2,604,163	2
3350	Unappropriated retained earnings		37,843,457	21	36,580,033	20	44,695,058	26
	Other equity interest	6(19)						
3400	Other equity interest		(3,510,108)	(2)	(4,430,061)	(2)	(6,538,228)	(4)
31XX	**Equity attributable to owners of the parent**		84,388,669	47	82,205,292	46	86,183,401	51
36XX	**Non-controlling interest**		635,178	-	686,011	-	760,865	-
3XXX	**Total equity**		85,023,847	47	82,891,303	46	86,944,266	51
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 180,379,358	100	$ 179,084,255	100	$ 170,810,673	100

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

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

			Three months ended March 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(20) and 7	$ 27,687,137	100	$ 28,641,252	100
5000	**Operating costs**	6(5)	(21,123,018)	(76)	(21,290,672)	(74)
5900	**Net operating margin**		6,564,119	24	7,350,580	26
	Operating expenses	7				
6100	Selling expenses		(1,966,024)	(7)	(2,158,146)	(8)
6200	General and administrative expenses		(798,156)	(3)	(812,383)	(3)
6300	Research and development expenses		(1,341,926)	(5)	(1,188,097)	(4)
6000	**Total operating expenses**		(4,106,106)	(15)	(4,158,626)	(15)
6900	**Operating profit**		2,458,013	9	3,191,954	11
	Non-operating income and expenses					
7010	Other income	6(21)	192,898	1	259,434	1
7020	Other gains and losses	6(22)	(295,787)	(1)	(544,081)	(2)
7050	Finance costs	6(23)	(424,455)	(2)	(229,491)	(1)
7060	Share of (loss)/profit of associates and joint ventures accounted for under equity method	6(6)	(3,388)	-	2,246	-
7000	**Total non-operating income and expenses**		(530,732)	(2)	(511,892)	(2)
7900	**Profit before income tax**		1,927,281	7	2,680,062	9
7950	Income tax expense	6(25)	(704,815)	(2)	(735,785)	(2)
8200	**Profit for the period**		$ 1,222,466	5	$ 1,944,277	7

(Continued)

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

	Items	Notes	Three months ended March 31 2018 AMOUNT	%	2017 AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized loss on valuation of equity instruments at fair value through profit or loss		($ 6,083)	-	$ -	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	25,893	-	-	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		19,810	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19) and 12(4)	925,290	3	(3,941,755)	(14)
8362	Unrealized gain on valuation of available-for-sale financial assets		-	-	9,356	-
8370	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	6(19)	139	-	(534)	-
8399	Income tax relating to the components of other comprehensive income	6(19)(25)	(35,161)	-	663,534	2
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**		890,268	3	(3,269,399)	(12)
8300	**Other comprehensive income (loss) for the period**		$ 910,078	3	($ 3,269,399)	(12)
8500	**Total comprehensive income (loss) for the period**		$ 2,132,544	8	($ 1,325,122)	(5)
	Profit, attributable to:					
8610	Owners of the parent		$ 1,214,791	5	$ 1,920,556	7
8620	Non-controlling interest		7,675	-	23,721	-
			$ 1,222,466	5	$ 1,944,277	7
	Comprehensive income loss, attributable to:					
8710	Owners of the parent		$ 2,183,377	8	($ 1,309,850)	(5)
8720	Non-controlling interest		(50,833)	-	(15,272)	-
			$ 2,132,544	8	($ 1,325,122)	(5)
	Earnings per share (in dollars)	6(26)				
9750	**Basic earnings per share**		$ 0.37		$ 0.59	
9850	**Diluted earnings per share**	6(26)	$ 0.37		$ 0.59	

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

		Equity attributable to owners of the parent											
			Capital Reserves		Retained Earnings			Other equity interest					
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Three-month period ended March 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	$ 776,137	$ 88,269,388
Profit for the period		-	-	-	-	-	1,920,556	-	-	-	1,920,556	23,721	1,944,277
Other comprehensive loss for the period		-	-	-	-	-	-	(3,239,605)	-	9,199	(3,230,406)	(38,993)	(3,269,399)
Total comprehensive income		-	-	-	-	-	1,920,556	(3,239,605)	-	9,199	(1,309,850)	(15,272)	(1,325,122)
Balance at March 31, 2017		$ 32,414,155	$ 9,772	$ 42,804	$12,955,677	$2,604,163	$ 44,695,058	($ 6,597,879)	$ -	$ 59,651	$ 86,183,401	$ 760,865	$ 86,944,266
Three-month period ended March 31, 2018													
Balance at January 1, 2018		$ 32,414,155	$ 9,772	$ 42,804	$14,280,767	$3,307,822	$ 36,580,033	($ 4,471,654)	$ -	$ 41,593	$ 82,205,292	$ 686,011	$ 82,891,303
Effect of retrospective application and retrospective restatement		-	-	-	-	-	22,740	-	18,853	(41,593)	-	-	-
Balance after restatement on January 1, 2018		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292	686,011	82,891,303
Profit for the period		-	-	-	-	-	1,214,791	-	-	-	1,214,791	7,675	1,222,466
Other comprehensive income (loss) for the period	6(19)	-	-	-	-	-	25,893	948,776	(6,083)	-	968,586	(58,508)	910,078
Total comprehensive income		-	-	-	-	-	1,240,684	948,776	(6,083)	-	2,183,377	(50,833)	2,132,544
Balance at March 31, 2018		$ 32,414,155	$ 9,772	$ 42,804	$14,280,767	$3,307,822	$ 37,843,457	($ 3,522,878)	$ 12,770	$ -	$ 84,388,669	$ 635,178	$ 85,023,847

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

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

	Notes	Three-month periods ended March 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,927,281	$ 2,680,062
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(24)	2,974,143	2,892,680
Depreciation on investment property	6(8)(24)	6,137	153
Amortization expense	6(24)	10,982	1,408
Rental expenses for land use right	6(9)	21,637	21,368
Expected reversal of credit impairment loss recognised in profit or loss		(762)	-
Provision for bad debt expense	12(4)	-	93
Share of profit of associates and joint ventures accounted for using equity method	6(6)	3,388	(2,246)
Net gain on financial assets or liabilities at fair value through profit or loss	6(22)	(750)	-
Loss on disposal of property, plant and equipment	6(7)(22)	23,218	5,044
Interest expense	6(7)(23)	424,455	229,491
Interest income	6(21)	(82,248)	(80,329)
Deferred government grants revenue		(34,833)	(36,782)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		41,698	-
Notes receivable, net		(401,075)	228,141
Accounts receivable		(1,527,654)	(481,697)
Accounts receivable - related parties		19,445	(11,397)
Inventories		(191,254)	(1,598,559)
Prepayments		(159,497)	(789,940)
Other current assets		275,865	(168,509)
Other non-current assets		4,780	(7,442)
Changes in operating liabilities			
Contract liabilities- current		(294,160)	-
Notes payable		(4,376)	(169,101)
Accounts payable		(651,598)	967,587
Other payables		(480,306)	(672,019)
Other current liabilities		58,883	43,904
Accrued pension liabilities		(579)	(2,014)
Other current liabilities		(11,732)	-
Cash inflow generated from operations		1,951,088	3,049,896
Interest received		74,309	85,819
Interest paid		(342,551)	(198,806)
Income tax paid		(555,687)	(452,543)
Net cash flows from operating activities		1,127,159	2,484,366

(Continued)

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

	Notes	Three-month periods ended March 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		$ 36,758	$ 16,359
Payment for capitalized interests	6(7)(23)	(19,703)	(3,846)
Acquisition of property, plant and equipment	6(7)(27)	(3,599,896)	(3,647,138)
Acquisition of investment properties	6(8)	(400)	-
Acquisition of intangible assets		(3,379)	(1,896)
Decrease in refundable deposits		73,513	11,974
Net cash flows used in investing activities		(3,513,107)	(3,624,547)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans		7,262,206	12,146,052
Decrease in short-term loans		(6,795,844)	(8,502,615)
Increase in long-term loans		982,494	2,416,490
Decrease in long-term loans		(650,412)	(1,133,275)
Increase (decrease) in guarantee deposits received		2,689	(17,563)
Increase in other payables to related parties	7	-	47,556
Decrease in other non-current liabilities		(79)	(2,432)
Net cash flows from financing activities		801,054	4,954,213
Effect of exchange rate changes on cash and cash equivalents		219,626	(2,128,881)
Net (decrease) increase in cash and cash equivalents		(1,365,268)	1,685,151
Cash and cash equivalents at beginning of period	6(1)	30,918,463	28,893,546
Cash and cash equivalents at end of period	6(1)	$ 29,553,195	$ 30,578,697

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan Dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in: (a) Processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products; and (b) Manufacturing and trading of various rubber products and relevant rubber machinery. The Company has been listed on the Taiwan Stock Exchange starting December 1987.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on May 10, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 ‘Financial instruments’ with IFRS 4‘Insurance contracts’ (amendments to IFRS 4)	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018
Clarifications to IFRS 15, ‘Revenue from contracts with customers’ (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact 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 amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

C. Amendments to 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 Group 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 Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets, in the amount of $85,705, respectively, 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 amount of $85,705.

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

C. Please refer to Note 12(4) for disclosure in relation to the first application of IFRS 9.

D. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

(a) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as contract liabilities (shown as other current liabilities), but were previously presented as other payables in the balance sheet. As of January 1, 2018, the balance amounted to $84,699.

(b) Under IFRS 15, liabilities in relation to the customer loyalty programme are recognised as contract liabilities, but were previously presented as deferred revenue (shown as other current liabilities) in the balance sheet. As of January 1, 2018, the balance would amount to $51,432.

(c) Under IFRS 15, the recognition of contract liabilities were previously presented as advance sales receipts (shown as ‘other current liabilities’) in the balance sheet. The balances would amount to $811,514 on January 1, 2018.

E. Please refer to Note 12(5) for disclosures in relation to the first application of IFRS 15.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation described below, the other significant accounting policies of the Group are in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2017. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2017.

(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) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and for the first quarter of 2017 was not restated. The financial statements for the year ended December 31, 2017 and for the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of investor	Name of subsidiary	Main business activities	March 31, 2018	December 31, 2017	March 31, 2017	Description
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	100	Note 7
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	-	-	97	Notes 5 , 8

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2018	December 31, 2017	March 31, 2017	Description
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 7
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 7
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Notes 7
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Note 7
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS (Taiwan) Trading CO., LTD.	Wholesale and retail of tires	100	100	100	Note 8
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS Trading INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	-	Notes 6 , 9
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2018	Ownership (%) December 31, 2017	Ownership (%) March 31, 2017	Description
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	30	30	30	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	70	70	70	Note 1
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Retail of accessories for rubber tires	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) March 31, 2018	December 31, 2017	March 31, 2017	Description
MAXXIS Trading Ltd.	MAXXIS Holding (BVI) Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	40	Note 3
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	49	49	49	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	75	75	75	Note 2
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	-	-	50	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holding (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	
MAXXIS Holding (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	100	Note 7

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

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

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

Note 4: On January 1, 2016, the shareholders during their meeting resolved for the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of September, 2017, the liquidation was completed.

Note 5: On December 21, 2016, the shareholders during their meeting resolved the liquidation of the Group's subsidiary, CIAO SHIN CO., LTD. As of September, 2017, the liquidation was completed.

Note 6: In May 2017, the Group established subsidiary, PT. MAXXIS TRADING INDONESIA, in Indonesia, remitted out investment in the amount of USD 1,000 in October 2017, and acquired 100% equity interest. The subsidiary was included in the consolidated entities in 2017.

Note 7: The financial statements of the entity as of March 31, 2018 and 2017, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

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

Note 9: The financial statements of the entity as of March 31, 2018, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

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

None.

(4) <u>Financial assets at fair value through profit or loss</u>

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(5) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

The Group measured the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component on every balance sheet dates.

(8) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(9) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(11) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(12) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(13) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(14) Employee benefits

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

(15) Income taxes

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

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(16) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells various tire and rubber products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales revenue that the Group sells various tire and rubber products was recognised based on the contract price net of sales discount and price break. Accumulated experience is used to estimate and provide for the sales discounts and allowances and price break, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognised for expected sales discounts and allowances and price break payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 ~90 days, which is consistent with market practice.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

There have been no significant changes as of March 31, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand and petty cash (revolving funds)	$ 3,222	$ 3,104	$ 3,197
Checking deposit	1,320,189	1,776,577	2,031,499
Demand deposits	17,216,963	17,646,021	18,017,347
Time deposits	11,012,821	11,492,761	10,279,212
Bonds sold under repurchase agreement	-	-	247,442
	$ 29,553,195	$ 30,918,463	$ 30,578,697
Interest rate range			
Time deposits	1.60%~4.58%	0.01%~4.58%	0.60%~4.28%
Bonds sold under repurchase agreement	$ -	$ -	1.15%~1.25%

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

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

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

Items	March 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Derivative instruments	$ 315

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	2018
Financial assets mandatorily measured at fair value through profit or loss	
Equity instruments	$ 27
Derivative instruments	723
Total	$ 750

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative instruments	March 31, 2018 Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD $3,000 Thousand	2018.3.16~2018.4.26

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

C. Information relating to credit risk is provided in Note 12(2).

D. The information on the effects of initial application of IFRS 9, 'Financial instruments' and the adoption of IAS 39 for the three-month period ended March 31, 2017 is provided in Note 12(4).

(3) Financial assets at fair value through other comprehensive income

Items	March 31, 2018
Current items:	
Equity instruments	
Listed stocks	8,665
Valuation adjustment	12,770
Total	$ 21,435
Non-current items:	
Equity instruments	
Unlisted stocks	$ 58,187

A. The Group has elected to classify equity instruments investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $79,622 thousand as at March 31, 2018.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 6,083)

C. Information relating to credit risk is provided in Note 12(2).

D. The information on the effects of initial application of IFRS 9, 'Financial instruments' and the adoption of IAS 39 for the three-month period ended March 31, 2017 is provided in Note 12(4).

(4) Notes and accounts receivables

	March 31, 2018	December 31, 2017	March 31, 2017
Notes receivable	$ 2,708,837	$ 2,307,762	$ 1,226,475
Less: Loss allowance	(9,277)	(9,277)	(9,277)
	$ 2,699,560	$ 2,298,485	$ 1,217,198

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	$ 11,397,790	$ 9,870,136	$ 10,825,026
Less: Loss allowance	(16,666)	(17,551)	(12,961)
	$ 11,381,124	$ 9,852,585	$ 10,812,065

A. The Group's notes receivable are not past due nor impaired.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Without past due	$ 9,293,647	$ 8,050,196	$ 9,540,785
Up to 30 days	1,225,713	1,297,167	803,433
31 -90 days	462,410	377,313	331,541
91 -180 days	347,579	102,816	134,335
Over 181 days	68,441	42,644	14,932
	$ 11,397,790	$ 9,870,136	$ 10,825,026

The above ageing analysis was based on past due date.

C. Information relating to credit risk is provided in Note 12(2).

(5) Inventories

	March 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw material	$ 6,451,978	$ -	$ 6,451,978
Work in progress	3,358,903	-	3,358,903
Finished goods	6,326,272	(30,668)	6,295,604
Land in progress	835,445	-	835,445
Construction in progress	1,758,550	-	1,758,550
Inventory in transit	675,114	-	675,114
	$ 19,406,262	($ 30,668)	$ 19,375,594

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 6,434,449	$ -	$ 6,434,449
Work in process	2,852,070	-	2,852,070
Finished goods	6,452,472	(33,555)	6,418,917
Land in progress	820,703	-	820,703
Construction in progress	1,388,861	-	1,388,861
Inventory in transit	1,269,340	-	1,269,340
	$ 19,217,895	($ 33,555)	$ 19,184,340

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

The cost of inventories recognized as expense for the period:

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Cost of goods sold	$ 21,161,997	$ 21,331,029
Loss on inventory retirement	1,463	2
Loss gain on physical inventory	723	(753)
Revenue from sale of scraps	(38,278)	(38,433)
Gain on reversal of decline in market value	(2,887)	(1,173)
	$ 21,123,018	$ 21,290,672

For the three months ended March 31, 2018 and 2017, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using equity method

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

As of March 31, 2018, December 31, 2017 and March 31, 2017 the carrying amount of the Group's individually immaterial joint ventures amounted to $167,771, $171,020 and $179,025, respectively.

	Three-month period ended March 31, 2018
Share of profit of associates and joint ventures accounted for using equity method	($ 3,388)
Other comprehensive income (loss) - net of tax	111
Total comprehensive income (loss)	($ 3,277)

B. The recognition of gain (loss) on investments accounted for using equity method was based on financial statements prepared by associates and were not reviewed by independent accountants.

(7) Property, plant and equipment, net

	Three-month period ended March 31, 2018					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,560,522	$ -	$ -	$ -	$ 8,535	$ 4,569,057
Buildings and structures	45,743,921	126,684	-	250,651	511,053	46,632,309
Machinery	97,101,451	153,292	(96,210)	(160,091)	1,543,364	98,541,806
Testing equipment	3,387,921	10,531	(981)	101,687	39,872	3,539,030
Transportation equipment	1,295,811	23,093	(7,355)	7,863	17,491	1,336,903
Office equipment	847,265	21,608	(742)	35,499	5,931	909,561
Other facilities	28,122,833	488,348	(805,743)	1,133,713	439,553	29,378,704
Unfinished construction and equipment under acceptance	11,133,630	2,238,480	-	(1,456,858)	(223,388)	11,691,864
	$ 192,193,354	$ 3,062,036	($ 911,031)	($ 87,536)	$ 2,342,411	$ 196,599,234
Accumulated depreciation						
Buildings	($ 15,419,937)	($ 479,885)	$ -	$ -	($ 220,975)	($ 16,120,797)
Machinery	(47,988,247)	(1,503,060)	52,382	-	(866,050)	(50,304,975)
Testing equipment	(2,363,170)	(82,875)	401	-	(37,520)	(2,483,164)
Transportation equipment	(936,982)	(28,091)	6,272	-	(13,041)	(971,842)
Office equipment	(485,027)	(32,544)	677	-	(4,036)	(520,930)
Other facilities	(19,977,731)	(847,688)	791,323	-	(377,270)	(20,411,366)
	($ 87,171,094)	($ 2,974,143)	$ 851,055	$ -	($ 1,518,892)	($ 90,813,074)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 105,007,683					$ 105,771,583

	Three-month period ended March 31, 2017					
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	$ 4,563,758	$ -	$ -	$ -	($ 17,963)	$ 4,545,795
Buildings and structures	43,974,977	19,551	-	(26,221)	(1,668,771)	42,299,536
Machinery	92,000,594	178,015	(30,954)	1,651,377	(2,748,511)	91,050,521
Testing equipment	3,376,518	4,523	(5,505)	80,590	(104,189)	3,351,937
Transportation equipment	1,230,488	23,540	(5,909)	4,578	(48,908)	1,203,789
Office equipment	658,072	6,492	(864)	33,636	(27,165)	670,171
Other facilities	24,829,823	458,151	(57,298)	302,591	(928,154)	24,605,113
Unfinished construction and equipment under acceptance	9,590,929	2,997,573	-	(2,156,753)	(326,314)	10,105,435
	$ 180,225,159	$ 3,687,845	($ 100,530)	($ 110,202)	($ 5,869,975)	$ 177,832,297
Accumulated depreciation						
Buildings	($ 13,721,288)	($ 489,224)	$ -	$ -	$ 538,562	($ 13,671,950)
Machinery	(42,652,343)	(1,481,704)	24,241	-	1,439,555	(42,670,251)
Testing equipment	(2,331,843)	(75,529)	4,875	-	72,259	(2,330,238)
Transportation equipment	(846,860)	(29,018)	4,724	-	34,354	(836,800)
Office equipment	(402,920)	(20,152)	742	-	16,984	(405,346)
Other facilities	(17,099,044)	(797,053)	44,545	-	655,369	(17,196,183)
	($ 77,054,298)	($ 2,892,680)	$ 79,127	$ -	$ 2,757,083	($ 77,110,768)
Accumulated impairment						
Machinery	($ 12,651)	$ -	$ -	$ -	$ -	($ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	($ 14,577)	$ -	$ -	$ -	$ -	($ 14,577)
	$ 103,156,284					$ 100,706,952

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

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Amount capitalized	$ 19,703	$ 43,328
Range of the interest rates for capitalization	0.40%~4.75%	0.35%~4.60%

(8) Investment property, net

	Three-month period ended March 31, 2018				
	Opening net book amount as at January 1	Additions	Transfer	Exhchange rate differences	Closing net book amount as at March 31
Cost					
Land	$ 336,339	$ -	$ -	$ -	$ 336,339
Buildings and structures	478,710	400	908	8,110	488,128
	$ 815,049	$ 400	$ 908	$ 8,110	$ 824,467
Accumulated depreciation					
Buildings and structures	($ 151,355)	($ 6,137)	$ -	($ 2,372)	($ 159,864)
Accumulated impairment					
Land	($ 51,038)	$ -	$ -	$ -	($ 51,038)
	$ 612,656				$ 613,565

	Three-month period ended March 31, 2017				
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at March 31
Cost					
Land	$ 336,339	$ -	$ -	$ -	$ 336,339
Buildings and structures	27,766	-	-	-	27,766
	$ 364,105	$ -	$ -	$ -	$ 364,105
Accumulated depreciation					
Buildings and structures	($ 21,282)	($ 153)	$ -	$ -	($ 21,435)
Accumulated impairment					
Land	($ 51,038)	$ -	$ -	$ -	($ 51,038)
	$ 291,785				$ 291,632

A. Rental income from investment property is shown below:

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Rental income from investment property	$ 7,671	$ 2,181

B. The fair value of the investment property held by the Group as at March 31, 2018, December 31, 2017 and March 31, 2017 was $927,843, $920,819 and $529,829, respectively, which were valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

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

(9) Other non-current assets

	March 31, 2018	December 31, 2017	March 31, 2017
Land-use right	$ 5,187,670	$ 5,198,693	$ 5,038,160
Intangible assets	120,036	110,233	10,882
Others	810,217	185,200	209,228
	$ 6,117,923	$ 5,494,126	$ 5,258,270

The Group signed a contract of land-use right with a term of 34 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $21,637 and $21,368 for the three-month periods ended March 31, 2018 and 2017, respectively.

(10) Short-term borrowings

Type of borrowings	March 31, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 19,197,377	0.54%～4.70%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 18,508,493	0.70%~4.70%	None

Type of borrowings	March 31, 2017	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	$ 15,685,137	0.59%~8.10%	None

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

(11) Other payables

	March 31, 2018	December 31, 2017	March 31, 2017
Wages and salaries payable	$ 1,031,345	$ 1,329,008	$ 999,844
Payable on machinery and equipment	1,656,218	2,213,781	1,086,248
Employee bonus payable	190,528	482,544	378,289
Compensation due to directors and supervisors	157,204	130,202	314,481
Other accrued expenses	1,876,963	1,855,874	2,282,271
Others	1,150,271	1,010,624	1,333,127
	$ 6,062,529	$ 7,022,033	$ 6,394,260

(12) Other current liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Long-term liabilities due within one year	$ 6,055,024	$ 4,902,300	$ 7,738,165
Refund liabilities	2,795	811,749	1,065,921
Advance receipts	154,839	-	-
Others	72,602	222,551	344,468
	$ 6,285,260	$ 5,936,600	$ 9,148,554

(13) Bonds payable

	March 31, 2018	December 31, 2017
Bonds payable -issued on 2013	$ 1,900,000	$ 1,900,000
Bonds payable -issued on 2014	4,800,000	4,800,000
Bonds payable -issued on 2016	5,000,000	5,000,000
Bonds payable -issued on 2017	7,000,000	7,000,000
	18,700,000	18,700,000
Less: Current portion	(1,900,000)	(1,900,000)
	$ 16,800,000	$ 16,800,000

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 fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by the FSC on September 13, 2016 and completed on September 26, 2016. The bonds were fully issued and total issuance amount was $5 billion with a coupon rate of 0.71%. The issuance period of the bonds is 5 years, which is from September 26, 2016 to September 26, 2021. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

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 issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was $4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

The corporate bonds will be redeemed in full amount at the maturity date.

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 issuance 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 was 5 years, which is from August 19, 2013 to August 19, 2018. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral
Installment-repayment borrowings			
Unsecured borrowings	Principal is repayable in installment until March, 2025.	0.97%～4.75%	None
Other borrowings			
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None
Less: Current portion			

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral
Installment-repayment borrowings			
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.97%～5.13%	None
Other borrowings			
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None
Less: Current portion			

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2017
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.84%~2.85%	None	$ 30,021,351
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None	99,158
				30,120,509
Less: Current portion				(5,838,165)
				$ 24,282,344

A. Above mentioned borrowings are capital financings through financial institutions and associates.

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

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

Currency	March 31, 2018	December 31, 2017	March 31, 2017
USD	$ 14,941,498	$ 15,347,956	$ 13,897,787
RMB	6,065,727	5,651,239	99,158
THB	1,876,800	1,835,200	1,771,800
EUR	-	-	252,954

(15) Pensions

A. (a) The Company has 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 December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of $7,539 and $9,203 for the three-month periods ended March 31, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $35,277.

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 and MAXXIS (Taiwan) Trading Co., Ltd for the three-month periods ended March 31, 2018 and 2017, were $35,677 and $30,741, respectively.

C. (a) The Company's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the three-month periods ended March 31, 2018 and 2017 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2018 and 2017, were $96,598 and $101,089, respectively.

(b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc. and Maxxis Tech center Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees' salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2018 and 2017, were $3,238 and $3,338, respectively.

(c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has provision for employees' pensions based on the actuarial reports. As of March 31, 2018, December 31, 2017 and March 31, 2017, the net liabilities recognised in the balance sheets were $38,855, $36,482 and $31,038, respectively. The subsidiaries established a provident fund in accordance with the Provident Fund Act B.E. 2530 (1987) and has been approved by Ministry of Finance. The fund is contributed by Thailand subsidiaries and employees at 3%~7% of their salaries. Pension was paid from pension fund accounts based on the provident fund act when employees withdrew the fund. The pension costs under defined contribution pension plans for the three-month periods ended March 31, 2018 and 2017, were $4,522 and $3,183, respectively.

(d) According to Indonesian local government's regulations " 2015 PP Nomor 60 " and "2015 PP Nomor 45", since March 2016, the Group's subsidiary, PT MAXXIS International Indonesia and PT. MAXXIS TRADING INDONESIA, contributes monthly an amount equal to 3.7% and 2% of the employees' monthly salaries and wages to the retirement insurance; contributes monthly an amount equal to 2% and 1% to pension, respectively. For the three-month periods ended March 31, 2018 and 2017, the pension expense accrued in accordance to the aforementioned regulation amounted to $1,009 and $170, respectively.

(e) According to Indonesian local government's regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952" , since June 2015, the Group's subsidiary, Maxxis Rubber India Private Ltd., established an employees' provident fund. Employer and employees each contributed 12% of salaries and wages to the provident fund. For the three-month periods ended March 31, 2018 and 2017, the pension cost accrued in accordance to the aforementioned regulation amounted to $1,859 and $558, respectively.

(16) Share capital

As of March 31, 2018, both of the Company's authorized capital and paid-in capital was $32,414,155, 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 appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

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

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

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings.When debit balance on other equity items is reversed subsequently, the reversed amountcould 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 distributions of retained earnings for the years ended December 31, 2017 and 2016 were resolved by the Board of Directors on March 20, 2018 and by stockholders in their meeting on June 15, 2017, respectively.

	2017		2016	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 554,179		$ 1,325,090	
Special reserve	1,122,239		703,659	
Cash dividend	5,834,548	$ 1.8	9,724,246	$ 3.0
	$ 7,510,966		$ 11,752,995	

As of May 10, 2018, abovementioned retained earnings for the year ended December 31, 2017 was not resolved by stockholders in their meeting.

F. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Other equity items

	2018			
	Currency translation	Unrealized income(loss) on valuation of equity instruments at fair value through profit or loss	Unrealized income(loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized income on available-for-sale financial assets
At January 1	($ 4,471,654)	$ -	$ -	$ 41,593
Effect of retrospective application and retrospective restatement	-	22,740	18,853	(41,593)
Valuation adjustment transfered to retained earnings	-	27	(6,083)	-
Currency translation differences:	-	(22,767)	-	-
– Group	983,798	-	-	-
– Tax on group	(35,133)	-	-	-
– Associates	139	-	-	-
– Tax on associates	(28)	-	-	-
At March 31	($ 3,522,878)	$ -	$ 18,853	$ -

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

(20) Operating revenue:

	Three-month period ended March 31, 2018
Revenue from contracts with customers	$ 27,687,137

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following and geographical regions:

	Types of tire				
Three-month period ended March 31, 2018	Taiwan	China	US	Others	Total
Revenue from external customer contracts	$ 1,542,858	$ 14,326,757	$ 2,041,528	$ 9,775,994	$ 27,687,137
Inter-segment revenue	917,286	1,439,336	1,122,271	729,340	4,208,233
Total segment revenue	$ 2,460,144	$ 15,766,093	$ 3,163,799	$ 10,505,334	$ 31,895,370

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	March 31, 2018
Contract liabilities:	
Contract liabilities- advance sales receipts	$ 553,175
Contract liabilities – customer loyalty programmes	15,611
Total	$ 568,786

C. Related disclosures for 2017 operating revenue are provided in Note 12(5).

(21) Other income

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Interest income	$ 82,248	$ 80,329
Grant revenue	50,537	118,119
Other income	60,113	60,986
	$ 192,898	$ 259,434

(22) Other gains and losses

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Net currency exchange loss	($ 167,873)	($ 505,746)
Loss on disposal of property, plant and equipment	(23,218)	(5,044)
Net gain on financial assets and liabilities at fair value through profit or loss	750	-
Other expenses	(105,446)	(33,291)
	($ 295,787)	($ 544,081)

(23) Finance costs

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Interest expense:		
Bank borrowings	$ 391,091	$ 198,586
Corporate bonds	50,363	31,837
Provisions-discount	2,704	2,914
	444,158	233,337
Less: Capitalisation of qualifying assets	(19,703)	(3,846)
Finance costs	$ 424,455	$ 229,491

(24) Expenses by nature

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Employee benefit expense		
Wages and salaries	$ 2,969,610	$ 2,765,142
Labour and health insurance fees	168,549	173,983
Pension costs	150,442	148,282
Other personel expenses	230,476	232,672
	$ 3,519,077	$ 3,320,079
Raw materials and supplies used	$ 14,666,860	$ 14,738,867
Depreciation charges on property, plant and equipment	$ 2,974,143	$ 2,892,680
Depreciation charges on investment property	$ 6,137	$ 153
Amortisation charges on intangible assets	$ 10,982	$ 1,408

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

B. For the three-month periods ended March 31, 2018 and 2017, employees' compensation was accrued at $33,699 and $46,317, respectively; while directors' and supervisors' remuneration was accrued at $24,954 and $37,795, respectively. The amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.481% of distributable profit of current year for the three-month period ended March 31, 2017.

For 2017, the employees' compensation of 2017 as resolved at the meeting of Board of Directors amounting to $145,330 thousand was in agreement with those amounts recognized in the 2017 financial statements. The Board of Directors during its meeting resolved to distribute 1.481% of retained earnings as supervisors' remuneration for the three-month period ended March 31, 2017 while the amounts recognized in the financial statements based on 1.632% of retained earnings was $118,590 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for the year 2017 was $10,972 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2018. The employees' compensation for 2017 will be distributed in the form of cash. As of May 10, 2018, the employees' compensation for 2017 has not yet been distributed.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Current tax:		
Current tax on profits for the period	$ 2,939,105	$ 3,695,576
Prior year income tax underestimation	205,802	329,328
Total current tax	3,144,907	4,024,904
Deferred tax:		
Origination and reversal of temporary differences	(508,083)	348,769
Impact of change in tax rate	332,336	234,861
Total deferred tax		
Income tax expense	$ 2,636,824	$ 4,373,673

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

	Three-month period ended March 31,2018		Three-month period ended March 31,2017	
Generated during the period :				
Currency translation differences	($	104,782)	$	663,534
Impact of change in tax rate				
Remeasurement of defined benefit obligations		69,621		-
		25,893		-
Income tax (expense) benefit from other comprehensive income	($	9,268)	$	663,534

B. 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.

C. 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 was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(26) Earnings per share

	Three-month period ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,214,791	3,241,416	$ 0.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	1,214,791	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	3,341	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,214,791	3,244,757	$ 0.37

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

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Purchase of property, plant and equipment	$ 3,062,036	$ 3,687,845
Add: Opening balance of payable on equipment	2,213,781	1,049,387
Less: Ending balance of payable on equipment	(1,656,218)	(1,086,248)
Cash paid during the period	$ 3,619,599	$ 3,650,984

(28) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Bonds payable	Liabilities from financing activities-gross
January 1, 2018	$ 18,508,493	$ 35,661,478	$ 18,700,000	$ 72,869,971
Changes in cash flow from financing activities	466,362	332,082	-	798,444
Impact of changes in foreign exchange rate	222,522	(354,514)	-	(131,992)
March 31, 2018	$ 19,197,377	$ 35,639,046	$ 18,700,000	$ 73,536,423

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties
Toyo Tire & Rubber Co., Ltd.
Cheng Shin Holland B.V.
New Pacific IND. CD., LTD.
MERIDA INDUSTRY CO., LTD.
Maxxis (XiaMen) Trading CO., LTD.

(2) Significant related party transactions

A. Operating revenue

	Three-month period ended March 31, 2018
Sales of goods:	
Associates	$ 148,350

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

B. Receivables from related parties

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable:			
Associates	$ 99,843	$ 119,288	$ 141,130

C. Loans to / from related parties: shown as long-term borrowings and other current liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Payables due to related parties			
-Associates	$ 230,027	$ 225,968	$ 99,158

The Group obtained financing from associates and financial institutions for capital needs. Please refer to Note 6(14) for interest rates, borrowing periods and repayment methods.

(3) Key management compensation

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Short-term employee benefits	$ 66,034	$ 77,917
Post-employment benefits	764	965
	$ 66,798	$ 78,882

8. PLEDGED ASSETS

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

	Book value			
Pledged asset	March 31, 2018	December 31, 2017	March 31, 2017	Purpose
Time deposits (Other current assets)	$ 14,738	$ 15,070	$ 15,153	Maintenance bond and product liability insurance
Time deposits (Other non-current assets)	-	-	460	Maintenance bond and merchandise delivery guarantee
	$ 14,738	$ 15,070	$ 15,613	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	March 31, 2018	December 31, 2017	March 31, 2017
Property, plant and equipment	$ 6,432,719	$ 6,807,845	$ 9,361,168

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

	March 31, 2018	December 31, 2017	March 31, 2017
Amount of letter of credit that has been issued but not yet used	$ 174,961	$ 141,240	$ 90,494

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENT AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the three-month period ended March 31, 2018, the Group's strategy was unchanged from 2017. The gearing ratios at March 31, 2018, December 31, 2017 and March 31, 2017 were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Total liabilities	$ 95,355,511	$ 96,192,952	$ 83,866,407
Total equity	$ 85,023,847	$ 82,891,303	$ 86,944,266
Less : Intangible assets	(120,036)	(110,233)	(10,882)
Tangible equity	$ 84,903,811	$ 82,781,070	$ 86,933,384
Debt-equity Ratio	112%	116%	96%

(2) Financial instruments

A. Financial instruments by category

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets			
Financial assets at fair value through profit or loss - current	$ 315	$ -	$ -
Financial asset measured at fair value through other comprehensive income	21,435	-	-
Non-current financial assets at fair value through other comprehensive income	58,187	-	-
Available-for-sale financial assets - current	-	69,188	150,760
Available-for-sale financial assets - noncurrent	-	58,187	58,187
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	29,553,195	30,918,463	30,578,697
Notes receivable, net	2,699,560	2,298,485	1,217,198
Accounts receivable	11,480,967	9,971,873	10,953,195
Guarantee deposits paid	102,475	175,988	199,206
Other financial assets	544,106	556,045	196,356
	$ 44,460,240	$ 44,048,229	$ 43,353,599
Financial liabilities			
Financial liabilities at fair value through profit or loss - current	$ -	$ 408	$ -
Financial liabilities at amortised cost			
Short-term borrowings	19,197,377	18,508,493	15,685,137
Contract liabilities- current	568,786	-	-
Notes payable	817,784	822,160	314,544
Accounts payable	7,859,432	8,511,030	9,227,979
Other accounts payable	6,062,529	7,022,033	6,394,260
Corporate bonds payable (including current portion)	18,700,000	18,700,000	13,600,000
Long-term borrowings (including current portion)	35,639,046	35,661,478	30,120,509
Guarantee deposits received	254,300	251,611	243,683
	$ 89,099,254	$ 89,477,213	$ 75,586,112

B. Financial risk management policies

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

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

(c) For information of operating derivative instruments to hedge financial risk, please refer to Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency. Primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

ii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 376,233	$ 29.105	$ 10,950,261	1%	$ 109,503	$ -
RMB：NTD	139,715	4.647	649,256	1%	6,493	-
EUR：NTD	28,780	35.870	1,032,339	1%	10,323	-
JPY：NTD	1,623,391	0.274	444,809	1%	4,448	-
GBP：NTD	7,023	40.790	286,468	1%	2,865	-
USD：RMB	124,530	6.263	3,624,341	1%	36,243	-
EUR：RMB	27,802	7.719	997,263	1%	9,973	-
GBP：RMB	5,445	8.778	222,109	1%	2,221	-
RUB：RMB	432,353	-	218,997	1%	2,190	-
USD：THB	64,886	31.016	1,887,729	1%	18,877	-
EUR：THB	8,940	38.225	320,544	1%	3,205	-
USD：VND	15,273	25,756.637	444,521	1%	4,445	-
USD：CAD	29,510	1.289	859,021	1%	8,590	-
USD：IDR	12,954	13,664.319	377,026	1%	3,770	-

	March 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Foreign currency amount (thousands)	Exchange rate
(Foreign currency: functional currency)						
Financial liabilities						
Monetary items						
USD：NTD	$ 20,856	$ 29.105	$ 607,014	1%	$ 6,070	$ -
USD：RMB	147,509	6.263	4,293,126	1%	42,931	-
EUR：RMB	25,172	7.719	902,924	1%	9,029	-
USD：THB	92,934	31.016	2,703,730	1%	27,037	-
USD：VND	39,927	25,756.637	1,162,075	1%	11,621	-
USD：CAD	14,983	1.289	436,147	1%	4,361	-
USD：IDR	196,000	13,664.319	5,704,580	1%	57,046	-
USD：INR	229,800	65.083	6,688,356	1%	66,884	-

(Foreign currency: functional currency)	December 31, 2017			Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	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	$ -
RMB:TWD	116,324	4.565	531,019	1%	5,310	-
EUR:TWD	19,411	35.570	690,449	1%	6,904	-
JPY:TWD	1,611,207	0.264	425,359	1%	4,254	-
GBP:TWD	6,409	40.110	257,065	1%	2,571	-
USD:RMB	125,246	6.519	3,727,225	1%	37,272	-
JPY:RMB	427,796	0.058	113,268	1%	1,133	-
EUR:RMB	16,543	7.792	588,442	1%	5,884	-
GBP:RMB	3,552	8.786	142,464	1%	1,425	-
USD:THB	60,771	32.432	1,809,309	1%	18,093	-
EUR:THB	8,501	38.764	302,511	1%	3,025	-
USD:VND	14,264	25,008.403	424,497	1%	4,245	-
USD:CAD	24,989	1.255	743,417	1%	7,434	-
USD:IDR	6,854	13,345.291	203,975	1%	2,040	-

(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	December 31, 2017			Sensitivity analysis		
Financial liabilities						
Monetary items						
USD:TWD	$ 25,745	29.760	$ 766,171	1%	$ 7,662	$ -
USD:RMB	162,212	6.519	4,827,305	1%	48,273	-
USD:THB	97,068	32.432	2,889,964	1%	28,900	-
USD:VND	46,858	2,508.403	1,394,494	1%	13,945	-
EUR:RMB	57,885	7.792	2,058,997	1%	20,590	-
USD:CAD	14,175	1.255	421,703	1%	4,217	-
USD:IDR	176,000	13,345.291	5,237,760	1%	52,378	-
USD:INR	229,800	63.658	6,838,874	1%	68,389	-

(Foreign currency: functional currency)	March 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:TWD	$ 292,933	30.330	$ 8,884,658	1%	$ 88,847	$ -
RMB:TWD	664,081	4.407	2,926,605	1%	29,266	-
EUR:TWD	13,521	32.430	438,486	1%	4,385	-
THB:TWD	167,235	0.886	148,170	1%	1,482	-
JPY:TWD	1,025,148	0.271	277,815	1%	2,778	-
GBP:TWD	3,443	37.820	130,214	1%	1,302	-
USD:RMB	115,747	6.882	3,510,488	1%	35,105	-
JPY:RMB	472,939	0.062	129,223	1%	1,292	-
GBP:RMB	3,885	8.582	146,934	1%	1,469	-
EUR:RMB	14,133	7.359	458,349	1%	4,583	-
INR:RMB	242,735	0.122	130,507		1,305	
USD:THB	61,781	34.236	1,874,009	1%	18,740	-
EUR:THB	118,873	36.607	385,087	1%	3,851	-
GBP:THB	3,209	42.691	121,378		1,214	
USD:VND	24,286	25,066.116	736,594	1%	7,366	-
USD:IDR	23,126	13,017.167	701,412	1%	7,014	-

(Foreign currency: functional currency)	March 31, 2017 Foreign currency amount (In thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial liabilities						
Monetary items						
USD:NTD	$ 36,436	30.330	$ 1,105,104	1%	$ 11,051	$ -
USD:RMB	161,177	6.882	4,888,333	1%	48,883	-
EUR:RMB	34,879	7.359	1,131,165	1%	11,312	-
USD:THB	218,988	34.236	6,642,584	1%	66,426	-
USD:VND	41,625	25,066.116	1,262,486	1%	12,625	-
USD:IDR	111,382	13,017.167	3,378,216	1%	33,782	-
USD:INR	180,000	64.988	5,459,382	1%	54,594	-

iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2018 and 2017 amounted to ($167,873) and ($505,746), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is to manage.

ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, equity investments at fair value through other comprehensive income and gain or loss on the available-for-sale equity investments for the three-month periods ended March 31, 2018 and 2017 would have increased/decreased by $214 thousand and $1,508 thousand, respectively.

(a) Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the three-month periods ended March 31, 2018 and 2017, the Group's borrowings at variable rate were denominated in the NTD, USD, THB, RMB, EUR and INR.

ii. The Group's borrowings are measured at amortised cost. The rate of borrowings are referred market interest rates and to that extent are also exposed to the risk of future changes in market interest rates.

iii. At March 31, 2018 and 2017, if interest rates on USD, THB, RMB, EUR and INR - denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2018 and 2017 would have been $41,084 and $31,432 lower / higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments at fair value through profit or loss and at fair value through other comprehensive income.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard receiving and 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.

iii. The Group adopts assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On March 31, 2018, the provision matrix is as follows:

March 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0.00%	$ 9,293,647	$ -
Up to 30 days	0.10%	1,225,713	1,226
31 to 90 days	0.79%	462,410	3,653
91 to 180 days	2.51%	347,579	8,724
Over 181 days	4.48%	68,441	3,063
		$ 11,397,790	$ 16,666

v. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2018
At January 1_IAS 39	$ 17,551
Adjustments under new standards	-
At January 1_IFRS 9	17,551
Provision for impairment	-
Reversal of impairment loss	(762)
Effect of exchange rate changes	(123)
At March 31	$ 16,666

vi. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

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

March 31, 2018

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year
Short-term borrowings	$ 13,243,013	$ 2,923,597	$ 3,466,744	$ -
Notes and bills payable	8,677,165	51	-	-
Other payables	5,573,068	265,610	161,006	62,845
Guarantee deposits	400	-	-	253,900
Long-term borrowings	486,496	1,280,936	3,492,859	32,688,837
Bonds payable	-	2,104,250	-	17,208,300

December 31, 2017

Non-derivative financial liabilities	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	$ 10,166,175	$ 6,925,431	$ 1,875,338	$ -	$ 18,966,944
Notes and bills payable	9,333,190	-	-	-	9,333,190
Other payables	6,642,583	6,755	211,817	160,878	7,022,033
Guarantee deposits	4,358	274	-	246,979	251,611
Long-term borrowings	877,266	307,323	2,564,269	34,172,374	37,921,232
Bonds payable	-	-	2,104,250	17,208,300	19,312,550
Derivative financial liabilities:					
Forward exchange contracts	$ 408	$ -	$ -	$ -	$ 408

March 31, 2017

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

As of March 31, 2018 and 2017, there were no financial derivative liabilities transaction.

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(8).

C. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion) are approximate to their fair values.

	March 31, 2018			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 18,700,000	$ -	$ 18,860,092	$ -

	December 31, 2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 18,700,000	$ -	$ 18,779,641	$ -

	March 31, 2017			
		Fair value		
	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 13,600,000	$ -	$ 13,691,232	$ -

(b) The methods and assumptions of fair value estimate are as follows:

Bonds payable: They are measured at present value, which is calculated based on the cash flow expected to be paid and discounted using a market rate prevailing at balance sheet date, the interest rate of par value was equivalent to market interest rate.

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

(a) The related information of natures of assets and liabilities is as follows:

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss-derivative instruments	$ -	$ 315	$ -	$ 315
Financial assets at fair value through other comprehensive income- equity securities	21,435	-	58,187	79,622
Total	$ 21,435	$ 315	$ 58,187	$ 79,937

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	$ 69,188	$ -	$ 58,187	$ 127,375
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss - Forward exchange contracts	$ -	$ 408	$ -	$ 408

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets	$ 150,760	$ -	$ 58,187	$ 208,947

(b) The methods and assumptions the Group used to measure fair value are as follows:

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

(ii) 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.

(iii) Level 2: When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

E. For the three-months periods ended March 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the three-month periods ended March 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9, 'Financial instruments' and the adoption of IAS 39 for the three-month period ended March 31, 2017

Information of IAS 39

A. The significant accounting policies adopted in the first quarter of 2017 were in agreement with Note 4 in the 2017 financial statements.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Available-for sale-equity	Retained earnings
IAS 39	$ -	$ -	$ 127,375	$ -
Transferred into and measured at fair value through profit or loss	41,670	-	(41,670)	22,740
Transferred into and measured at fair value through other comprehensive income-equity	-	85,705	(85,705)	-
IFRS 9	$ 41,670	$ 85,705	$ -	$ 22,740

(a) Under IAS 39, because the equity instruments, which were classified as: available-for-sale financial assets amounting to $85,705 thousand, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to $85,705 thousand.

(b) Under IAS 39, the equity instruments, which were classified as: available-for-sale financial assets amounting to $41,670 thousand, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" amounting to $41,670 thousand. Additionally, in the first quarter of 2018, the Group increased retained earnings and decreased other equity in the amounts of $22,740 and $22,740, respectively.

C. The significant accounts for the year ended December 31, 2017 and for the first quarter of 2017, are as follows:

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

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

i. The Group recognised net profit amounting to $2,538 thousand on financial assets at fair value through profit or loss for the year ended December 31, 2017. However, the Group has no related transactions in the first quarter of 2017.

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

	December 31, 2017	
Types of instrument	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts USD converted to NTD	USD 6 million	2017.11.23~ 2018.1.29

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

(b) Available-for-sale financial assets

Items	December 31, 2017	March 31, 2017
Current items:		
Listed stocks	$ 8,665	$ 71,655
Funds	18,930	18,930
Subtotal	27,595	90,585
Available-for-sale financial assets		
Valuation adjustment	41,593	60,175
Total	$ 69,188	$ 150,760
Non-current items:		
Unlisted shares	$ 58,187	$ 58,187

The Group recognised $3,041 and $9,356 in other comprehensive income for fair value change and reclassified ($12,267) and $0 from equity to profit or loss for the year ended December 31, 2017 and for the first quarter of 2017, respectively.

D. Credit risk information for the year ended December 2017 and for the first quarter of 2017 are as follows :

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

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

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

	December 31, 2017		March 31, 2017	
Distributor	$	3,305,277	$	5,338,853
Car assembly factory		4,461,585		3,891,603
Others		283,334		310,329
	$	8,050,196	$	9,540,785

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017		March 31, 2017	
Up to 30 days	$	1,297,167	$	803,433
31 to 90 days		377,313		331,541
91 to 180 days		102,816		134,335
Over 181 days		42,644		14,932
	$	1,819,940	$	1,284,241

The above ageing analysis was based on past due date.

(e) Movement analysis of financial assets that were impaired is as follows:

i. As of December 31, 2017 and March 31, 2017, the Group's accounts receivable that were impaired amounted to $17,551 and $12,961, respectively.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	Three-month period ended March 31, 2017					
	Individual provision		Group provision		Total	
At January 1	$	-	$	12,944	$	12,944
Provision for impairment		-		93		93
Effect of exchange rate changes		-	(	76)	(	76)
At March 31	$	-	$	12,961	$	12,961

(5) <u>Effects of initial application of IFRS 15</u>

A. The significant accounting policies adopted in the first quarter of 2017 were in agreement with Note 4 in the 2017 financial statements.

B. The effects and description of current balance sheets items if the Group continues adopting above accounting policies are as follows:

Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
	March 31, 2018		
Contract liabilities	$ 568,786	$ -	$ 568,786
Other current liabilities			
- deferred revenue	-	15,611	(15,611)
- Advance sales receipts	-	553,175	(553,175)

Note: Statement of comprehensive income was not effected.

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 $300 million or 20% of paid-in capital or more: None.

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

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

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6(2),6(22) and 12(2),12(3), 12(4).

J. Significant inter-company transactions during the reporting periods: please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: please refer to table 9.

B. Ceiling on investments in Mainland China: please refer to table 9.

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

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the three-month period ended March 31, 2018: please refer to tables 5,6 and 7.

14. SEGMENT INFORMATION

(1) General information

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

(1) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the three-month periods ended March 31, 2018 and 2017 is as follows:

	Three-month period ended March 31, 2018					
	CHENG SHIN RUBBER IND. CO., LTD. and MAXXIS (Taiwan) Trading CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 3,550,382	$ 4,144,234	$ 9,429,169	$ 2,962,787	$ 5,456,220	$ 25,542,792
Revenue from inter -segment revenue	2,149,682	350,893	124,771	519,082	927,829	4,072,257
Total segment revenue	$ 5,700,064	$ 4,495,127	$ 9,553,940	$ 3,481,869	$ 6,384,049	$ 29,615,049
Segment income	$ 503,959	($ 26,535)	$ 844,918	($ 33,076)	$ 810,284	$ 2,099,550

	Three-month period ended March 31, 2017					
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	$ 3,105,407	$ 4,630,360	$ 8,835,840	$ 3,655,504	$ 6,257,691	$ 26,484,802
Revenue from inter -segment revenue	2,193,772	373,532	160,392	354,564	1,076,486	4,158,746
Total segment revenue	$ 5,299,179	$ 5,003,892	$ 8,996,232	$ 4,010,068	$ 7,334,177	$ 30,643,548
Segment income	$ 444,264	$ 262,952	$ 574,012	$ 107,321	$ 1,087,913	$ 2,476,462

(3) Reconciliation for segment income (loss)

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

	Three-month periods ended March 31	
	2018	2017
Adjusted revenue from reportable segments	$ 29,615,049	$ 30,643,548
Adjusted revenue from other operating segments	2,280,321	2,317,714
Total operating segments	31,895,370	32,961,262
Elimination of inter-segment revenue	(4,208,233)	(4,320,010)
Total consolidated operating revenue	$ 27,687,138	$ 28,641,252

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

	Three-month periods ended March 31	
	2018	2017
Adjusted income from reportable segments before income tax	$ 2,099,550	$ 2,476,462
Adjusted (loss)income from other operating segments before income tax	(174,773)	180,934
Total operating segments	1,924,777	2,657,396
Income from elimination of inter-segment revenue	2,504	22,666
Income from continuing operations before income tax	$ 1,927,281	$ 2,680,062

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

Loans to others

Three-month period ended March 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31, 2018	Balance at March 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	$ 3,600,060	$ 3,600,060	$ 3,266,249	3.446%~4.75%	Note 4	$ -	Operating capital	$ -	None	$ -	$ 4,829,737	$ 8,049,561	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,857,600	1,857,600	1,602,180	4.75%	Note 4	-	Operating capital	-	None	-	4,829,737	8,049,561	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	232,200	232,200	157,896	6.65%	Note 4	-	Operating capital	-	None	-	4,829,737	8,049,561	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	1,857,600	1,857,600	1,764,720	4.75%	Note 4	-	Operating capital	-	None	-	7,740,196	12,900,327	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	928,800	928,800	236,844	4.75%	Note 4	-	Operating capital	-	None	-	7,740,196	12,900,327	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	464,400	464,400	371,520	4.75%	Note 4	-	Operating capital	-	None	-	7,740,196	12,900,327	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,763,600	1,857,600	1,346,760	4.75%	Note 4	-	Operating capital	-	None	-	14,099,591	23,499,318	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,288	9,288	4,644	4.35%	Note 4	-	Operating capital	-	None	-	187,678	312,796	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) IN 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) I 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

Three-month period ended March 31, 2018

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 March 31, 2018	Outstanding endorsement/ guarantee amount at March 31, 2018	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	$ 42,194,334	$ 5,226,300	$ 4,786,100	$ 3,905,150	$ -	5.67	$ 59,072,068	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	$ 42,194,334	292,250	291,050	58,210	-	0.34	$ 59,072,068	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	$ 42,194,334	2,338,000	2,037,350	315,304	-	2.41	$ 59,072,068	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	$ 42,194,334	438,375	436,575	436,575	-	0.52	$ 59,072,068	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	$ 42,194,334	7,190,475	7,158,215	5,693,529	-	8.48	$ 59,072,068	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	$ 42,194,334	7,949,200	7,916,560	5,704,580	-	9.38	$ 59,072,068	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	18,799,454	2,554,200	2,554,200	1,046,760	-	10.87	23,499,318	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. $ 59,072,068

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 16,877,734

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 42,194,334

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 March 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)

Three-month period ended March 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of Marchr 31, 2018				
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 ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	21,435	-	21,435	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current financial assets at fair value through other comprehensive income	-	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

Three-month period ended March 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at March 31, 2018	
					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	549,995,541	$ 2,049,105	99,999,189	$ 450,690	-	$ -	$ -	$ -	649,994,730	$ 2,134,085

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 March 31, 2018.

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

Three-month period ended March 31, 2018

Table 5

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)	($ 754,588)	(15.93)	Collect within 90 days after shipment of goods	Same	Same	$ 500,658	17.11%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(348,335)	(7.36)	Collect within 90 days after shipment of goods	Same	Same	373,269	12.75%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(136,237)	(2.88)	Collect within 60 days after shipment of goods	Same	Same	109,624	3.75%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(852,108)	(17.99)	Collect within 30 days	Same	Same	380,886	13.01%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(191,395)	(4.26)	Collect within 60~90 days after shipment of goods	Same	Same	251,881	12.03%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(417,386)	(42.68)	Collect within 60~90 days after shipment of goods	Same	Same	340,831	35.71%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(139,719)	(14.29)	Collect within 60~90 days after shipment of goods	Same	Same	130,223	13.65%	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(292,202)	(8.39)	Collect within 60~90 days after shipment of goods	Same	Same	130,223	13.65%	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(160,676)	(4.61)	Collect within 60~90 days after shipment of goods	Same	Same	218,980	7.93%	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

Three-month period ended March 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2018	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)	$ 500,996	Note4	-	-	$ 213,906	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	373,515	Note 4	-	-	113,075	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	252,537	Note 3	-	-	25,860	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	187,430	Note 3	-	-	19,195	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	380,905	Note 4	-	-	380,905	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	251,881	0.72	-	-	37	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	342,827	Note 4	-	-	331,401	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD	Same ultimate parent (Note 5)	130,223	1.19	-	-	48,079	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	218,980	1.32	-	-	91,562	-
MAXXIS International (Thailand) Co.,Ltd	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	160,551	1.58	-	-	22,117	-

Note 1: Subsequent collection is the amount collected as of May 4, 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 calculatec

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

Three-month period March 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: 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	$ 754,588	Collect within 90 days after shipment of goods	2.73%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	500,658	Collect within 90 days after shipment of goods	0.28%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	348,335	Collect within 90 days after shipment of goods	1.26%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	373,269	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	852,108	The term is 30 days after monthly billing.	3.08%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	380,886	The term is 30 days after monthly billing.	0.21%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	251,881	Collect within 60~90 days after shipment of goods	0.14%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,346,760	Pay interest quarterly	0.75%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	417,386	Collect within 60~90 days after shipment of goods	1.51%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	340,831	Collect within 60~90 days after shipment of goods	0.19%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	3,266,249	Pay interest quarterly	1.81%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,602,180	Pay interest quarterly	0.89%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	236,844	Pay interest quarterly	0.13%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	1,764,720	Pay interest quarterly	0.98%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	371,520	Pay interest quarterly	0.21%
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	292,202	Collect within 60~90 days after shipment of goods	1.06%
4	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	218,980	Collect within 60~90 days after shipment of goods	0.12%

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

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

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

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

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

Information on investees

Three-month period March 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at March 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at March 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2018 (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	$ 42,547,971	$ 344,185	$ 346,956	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,484,399	845,609	851,982	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Trading Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	10,024,935	87,555	111,128	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	2,430,042	32,602	87,563	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	714,212	(6,776)	32,602	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	150,960	(10,313)	(3,388)	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000	100.00	50,392	-	(10,313)	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	16,811	(25,731)	-	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	1,606,341	(25,731)	(25,731)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	3,124,651	2,673,961	649,994,730	100.00	2,134,085	(278,308)	(278,308)	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	476,748	51,867	51,867	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	India	Large-amount trading of vehicles parts and accessories	30,235	30,235	9,990	100.00	28,710	88	88	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	33,316,750	301,235	301,235	Sub-subsidiary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,326,488	848,428	848,428	Sub-subsidiary Note 3

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

Information on investees

Three-month period March 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at March 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at March 31, 2018: Number of shares	Shares held as at March 31, 2018: Ownership (%)	Shares held as at March 31, 2018: Book value	Net profit (loss) of the investee for the three-month period ended March 31, 2018	Investment income(loss) recognised by the Company for the three-month period ended March 31, 2018 (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	10,505,743	117,369	117,369	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	7,915,814	(33,076)	(43,224)	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	2,586,956	150,513	154,473	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

Three-month period ended March 31, 2018

Table 9 | Expressed in thousands of NTD (Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	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	$ 5,093,375	2	$ 910,834	$ -	$ -	$ 910,834	$ 172,770	100.00	$ 175,438	$ 8,049,561	$ 4,707,620	(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	6,548,625	2	2,385,506	-	-	2,385,506	745,988	100.00	747,268	377,162	-	(Note 2、4、6、8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	247,393	2	68,602	-	-	68,602	10,087	50.00	5,044	138,147	-	(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	2,910,500	2	-	-	-	-	316,202	100.00	324,220	153,270	-	(Note 2、4、6、8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	23,235	2	-	-	-	-	(233)	100.00	(233)	5,561,224	452,779	(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	523,890	2	-	-	-	-	(65,991)	100.00	(65,991)	1,467,188	-	(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	3,783,650	2	-	-	-	-	184,781	100.00	184,776	23,499,318	16,957,236	(Note 2、3、6、7)

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

Information on investments in Mainland China

Three-month period ended March 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018 — Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	$ 1,309,725	2	$ -	$ -	$ -	$ -	$ 102,041	100.00	$ 102,150	$ 24,161,878	$ 17,466,059	(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	582,100	2	-	-	-	-	(20,104)	100.00	(20,104)	358,378	368,346	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	162,645	2	-	-	-	-	(3,243)	95.00	(3,081)	6,214,433	753,758	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	66,972	2	-	-	-	-	5,479	49.00	2,685	22,249	-	(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	4,414,650	2	-	-	-	-	186,145	100.00	186,145	1,561,905	757,407	(Note 5、6、7)

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

Information on investments in Mainland China

Three-month period ended March 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee as of March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2018	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	$ 1,533,510	2	$ -	$ -	$ -	$ -	($ 10,068)	100.00	($ 10,068)	$ 12,911,922	$ 3,597,249	(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 29.105: USD 1 and NTD 4.647: RMB 1 prevailing on March 31, 2018.

Note 7: Investment income (loss) was recognised based on the financial statements that are reviewed 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 reviewed and attested by R.O.C. parent company's CPA.

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

Ceiling on investments in Mainland China

Three-month period ended Marchr 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018 (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.	$ 3,577,005	$ 19,584,755	$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 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.