

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2018 AND 2017**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18001814

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 September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the statements of changes in equity and of cash flows for the nine-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(5), 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\$26,933,007 thousand and NT\$26,430,088 thousand, constituting 16% and 15% of the consolidated total assets, and total liabilities of NT\$18,308,321 thousand and NT\$16,037,554 thousand, constituting 20% and 18% of the consolidated total liabilities as at September 30, 2018 and 2017, and total comprehensive (loss) income of NT(\$525,554) thousand and NT(\$20,631) thousand, NT(\$1,031,022) thousand and NT\$109,952

thousand, constituting 41%, 1%, 60% and 3% of the consolidated total comprehensive income (loss) for the three-month and nine-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 September 30, 2018 and 2017, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-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

November 8, 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
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Assets		Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 27,360,660	16	\$ 30,918,463	17	\$ 26,543,940	15
1110	Financial assets at fair value through profit or loss - current	12(4)	-	-	-	-	2,490	-
1120	Financial assets at fair value through other comprehensive income - current	6(2)	21,009	-	-	-	-	-
1125	Available-for-sale financial assets - current	12(4)	-	-	69,188	-	65,867	-
1150	Notes receivable, net	6(3)	2,527,244	2	2,298,485	1	2,526,753	2
1170	Accounts receivable, net	6(3) and 12(4)	10,422,592	6	9,852,585	6	9,984,350	6
1180	Accounts receivable - related parties	7	117,950	-	119,288	-	92,961	-
130X	Inventories, net	6(4)	17,469,488	10	19,184,340	11	17,736,556	10
1410	Prepayments		1,827,092	1	2,400,926	1	2,431,448	1
1470	Other current assets	8	1,719,674	1	1,820,349	1	1,974,460	1
11XX	Current Assets		61,465,709	36	66,663,624	37	61,358,825	35
Non-current assets								
1517	Financial assets at fair value through other comprehensive income - noncurrent	6(2)	58,187	-	-	-	-	-
1523	Available-for-sale financial assets - noncurrent	12(4)	-	-	58,187	-	58,187	-
1550	Investments accounted for under equity method	6(5)	163,014	-	171,020	-	168,377	-
1600	Property, plant and equipment, net	6(6)	102,813,155	60	105,007,683	59	104,625,417	60
1760	Investment property, net	6(7)	587,832	-	612,656	-	617,728	1
1840	Deferred income tax assets	6(24)	1,592,656	1	1,076,959	1	1,095,274	1
1900	Other non-current assets	6(8) and 8	5,950,494	3	5,494,126	3	5,516,611	3
15XX	Non-current assets		111,165,338	64	112,420,631	63	112,081,594	65
1XXX	Total assets		\$ 172,631,047	100	\$ 179,084,255	100	\$ 173,440,419	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
2100 Short-term borrowings	6(9)(27)	\$ 18,586,512	11	\$ 18,508,493	10	\$ 20,902,132	12
2120 Financial liabilities at fair value through profit or loss - current	12(4)	-	-	408	-	-	-
2130 Contract liabilities - current	6(19) and 12(5)	806,610	-	-	-	-	-
2150 Notes payable		493,453	-	822,160	1	490,173	-
2170 Accounts payable		7,161,375	4	8,511,030	5	8,570,146	5
2200 Other payables	6(10)	6,156,527	4	7,022,033	4	6,833,562	4
2230 Current income tax liabilities	6(24)	1,156,547	1	1,277,640	1	1,146,477	1
2300 Other current liabilities	6(11)(12)(13)(27), 7 and 12(5)	10,581,420	6	5,936,600	3	7,259,136	4
21XX Current Liabilities		44,942,444	26	42,078,364	24	45,201,626	26
Non-current liabilities							
2530 Corporate bonds payable	6(12)(27)	17,000,000	10	16,800,000	9	16,800,000	10
2540 Long-term borrowings	6(13)(27) and 7	27,682,358	16	32,659,178	18	25,084,683	14
2550 Provisions for liabilities - noncurrent		129,298	-	122,071	-	121,301	-
2570 Deferred income tax liabilities	6(24)	1,112,231	-	1,348,631	1	951,420	1
2600 Other non-current liabilities	6(14)	2,998,267	2	3,184,708	2	3,410,734	2
25XX Non-current liabilities		48,922,154	28	54,114,588	30	46,368,138	27
2XXX Total Liabilities		93,864,598	54	96,192,952	54	91,569,764	53
Equity							
Equity attributable to owners of parent							
Share capital	6(15)						
3110 Share capital - common stock		32,414,155	19	32,414,155	18	32,414,155	19
Capital surplus	6(16)						
3200 Capital surplus		52,576	-	52,576	-	52,576	-
Retained earnings	6(17)						
3310 Legal reserve		14,834,946	8	14,280,767	8	14,280,767	8
3320 Special reserve		4,430,061	2	3,307,822	2	3,307,822	2
3350 Unappropriated retained earnings		32,128,785	19	36,580,033	20	35,715,988	21
Other equity interest	6(18)						
3400 Other equity interest		(5,701,290)	(3)	(4,430,061)	(2)	(4,568,858)	(3)
31XX Equity attributable to owners of the parent		78,159,233	45	82,205,292	46	81,202,450	47
36XX Non-controlling interest		607,216	1	686,011	-	668,205	-
3XXX Total equity		78,766,449	46	82,891,303	46	81,870,655	47
Significant contingent liabilities and unrecognised contract commitments	9						
Significant events after the balance sheet date	11						
3X2X Total liabilities and equity		\$ 172,631,047	100	\$ 179,084,255	100	\$ 173,440,419	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
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19) and 7	\$ 27,543,701	100	\$ 28,179,613	100	\$ 83,440,038	100	\$ 85,189,740	100
5000 Operating costs	6(4)	(21,642,055)	(79)	(22,416,855)	(80)	(64,414,633)	(77)	(65,638,279)	(77)
5900 Net operating margin		<u>5,901,646</u>	<u>21</u>	<u>5,762,758</u>	<u>20</u>	<u>19,025,405</u>	<u>23</u>	<u>19,551,461</u>	<u>23</u>
Operating expenses	7								
6100 Selling expenses		(2,028,152)	(7)	(2,218,381)	(8)	(6,040,792)	(7)	(6,482,977)	(8)
6200 General and administrative expenses		(875,968)	(3)	(927,097)	(3)	(2,575,499)	(3)	(2,647,587)	(3)
6300 Research and development expenses		(1,249,603)	(5)	(1,344,042)	(5)	(3,993,688)	(5)	(3,798,977)	(4)
6000 Total operating expenses		<u>(4,153,723)</u>	<u>(15)</u>	<u>(4,489,520)</u>	<u>(16)</u>	<u>(12,609,979)</u>	<u>(15)</u>	<u>(12,929,541)</u>	<u>(15)</u>
6900 Operating profit		<u>1,747,923</u>	<u>6</u>	<u>1,273,238</u>	<u>4</u>	<u>6,415,426</u>	<u>8</u>	<u>6,621,920</u>	<u>8</u>
Non-operating income and expenses									
7010 Other income	6(20)	309,717	1	459,465	2	858,689	1	1,333,020	1
7020 Other gains and losses	6(21)	(617,394)	(2)	67,087	-	(981,006)	(1)	(373,785)	-
7050 Finance costs	6(22)	(477,362)	(2)	(324,131)	(1)	(1,338,051)	(2)	(842,232)	(1)
7060 Share of (loss)/profit of associates and joint ventures accounted for under equity method	6(5)	(73)	-	3,290	-	(2,965)	-	5,393	-
7000 Total non-operating income and expenses		<u>(785,112)</u>	<u>(3)</u>	<u>205,711</u>	<u>1</u>	<u>(1,463,333)</u>	<u>(2)</u>	<u>122,396</u>	<u>-</u>
7900 Profit before income tax		<u>962,811</u>	<u>3</u>	<u>1,478,949</u>	<u>5</u>	<u>4,952,093</u>	<u>6</u>	<u>6,744,316</u>	<u>8</u>
7950 Income tax expense	6(24)	(519,856)	(2)	(424,861)	(1)	(1,898,599)	(2)	(2,005,256)	(2)
8200 Profit for the period		<u>\$ 442,955</u>	<u>1</u>	<u>\$ 1,054,088</u>	<u>4</u>	<u>\$ 3,053,494</u>	<u>4</u>	<u>\$ 4,739,060</u>	<u>6</u>

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	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(2)	(\$ 3,340)	-	\$ -	-	(\$ 6,509)	-	\$ -	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)	-	-	-	-	25,893	-	-	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(3,340)	-	-	-	19,384	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations	6(18)	(2,157,029)	(8)	951,762	3	(1,880,511)	(2)	(1,657,462)	(2)
8362 Unrealized gain (loss) on valuation of available-for-sale financial assets		-	-	3,778	-	-	-	(12,547)	-
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(18)	37	-	374	-	4,800	-	672	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(18)(24)	420,401	2	(161,199)	-	512,527	-	255,790	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss		(1,736,591)	(6)	794,715	3	(1,363,184)	(2)	(1,413,547)	(2)
8300 Other comprehensive income (loss) for the period		(\$ 1,739,931)	(6)	\$ 794,715	3	(\$ 1,343,800)	(2)	(\$ 1,413,547)	(2)
8500 Total comprehensive income for the period		(\$ 1,296,976)	(5)	\$ 1,848,803	7	\$ 1,709,694	2	\$ 3,325,513	4
Profit (loss), attributable to:									
8610 Owners of the parent		\$ 422,574	1	\$ 1,051,536	4	\$ 3,011,085	4	\$ 4,694,481	6
8620 Non-controlling interest		20,381	-	2,552	-	42,409	-	44,579	-
		<u>\$ 442,955</u>	<u>1</u>	<u>\$ 1,054,088</u>	<u>4</u>	<u>\$ 3,053,494</u>	<u>4</u>	<u>\$ 4,739,060</u>	<u>6</u>
Comprehensive income (loss) attributable to:									
8710 Owners of the parent		(\$ 1,262,372)	(5)	\$ 1,842,349	7	\$ 1,788,489	2	\$ 3,433,445	4
8720 Non-controlling interest		(34,604)	-	6,454	-	(78,795)	-	(107,932)	-
		<u>(\$ 1,296,976)</u>	<u>(5)</u>	<u>\$ 1,848,803</u>	<u>7</u>	<u>\$ 1,709,694</u>	<u>2</u>	<u>\$ 3,325,513</u>	<u>4</u>
Earnings per share (in dollars)	6(25)								
9750 Basic earnings per share		<u>\$ 0.13</u>		<u>\$ 0.33</u>		<u>\$ 0.93</u>		<u>\$ 1.45</u>	
9850 Diluted earnings per share	6(25)	<u>\$ 0.13</u>		<u>\$ 0.33</u>		<u>\$ 0.93</u>		<u>\$ 1.45</u>	

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

Equity attributable to owners of the parent												

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
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	<u>Nine-month periods ended September 30</u>	
		<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,952,093	\$ 6,744,316
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(23)	8,983,002	8,544,007
Depreciation on investment property	6(7)(23)	18,413	6,287
Amortization expense	6(23)	35,548	13,121
Rental expenses for land use right	6(8)	64,661	65,132
Expected reversal of credit impairment loss recognised in profit or loss		(778)	-
Provision for bad debt expense	12(4)	-	122
Share of loss (profit) of associates and joint ventures accounted for using equity method	6(5)	2,965	(5,393)
Net gain on financial assets or liabilities at fair value through profit or loss	6(21)	(436)	(2,490)
Loss on disposal of property, plant and equipment	6(6)(21)	45,674	14,321
Interest expense	6(6)(22)	1,338,051	842,232
Interest income	6(20)	(234,665)	(202,298)
Gain on disposal of investments	6(21)	-	(19,828)
Deferred government grants revenue		(104,110)	(109,438)
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		(228,759)	(1,081,414)
Accounts receivable		(569,363)	345,990
Accounts receivable - related parties		1,338	36,772
Inventories		1,714,852	(3,781,071)
Prepayments		(129,477)	(633,961)
Other current assets		93,530	(540,225)
Other non-current assets		(98,050)	(7,766)
Changes in operating liabilities			
Contract liabilities-current		(56,336)	-
Notes payable		(328,707)	6,528
Accounts payable		(1,349,655)	309,754
Other payables		(399,731)	(1,304,357)
Other current liabilities		123,394	146,098
Accrued pension liabilities		(12,360)	2,553
Other non-current liabilities		(11,247)	-
Cash inflow generated from operations		13,891,545	9,388,992
Interest received		241,810	216,676
Dividends received		9,841	15,000
Interest paid		(1,366,037)	(859,459)
Income tax paid		(2,438,021)	(3,178,757)
Net cash flows from operating activities		<u>10,339,138</u>	<u>5,582,452</u>

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	<u>Notes</u>	<u>Nine-month periods ended September 30</u> <u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets		\$ -	\$ 82,818
Proceeds from disposal of property, plant and equipment		216,550	70,649
Payment for capitalized interests	6(6)(22)	(63,734)	(16,176)
Acquisition of property, plant and equipment	6(6)(26)	(9,832,913)	(10,776,773)
Acquisition of investment properties	6(7)	(1,225)	-
Acquisition of intangible assets		(10,751)	(5,390)
Decrease in refundable deposits		91,118	34,246
Increase in land use right		-	(192,971)
Net cash flows used in investing activities		(9,600,955)	(10,803,597)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(27)	21,236,576	24,468,021
Decrease in short-term loans	6(27)	(21,133,090)	(15,995,383)
Proceeds from issuing bonds	6(12)(27)	5,000,000	7,000,000
Repayments of bonds	6(12)(27)	(1,900,000)	(1,900,000)
Proceed from long-term loans	6(27)	2,731,006	8,419,652
Repayment of long-term loans	6(27)	(4,978,775)	(8,051,999)
Decrease in guarantee deposits received		(1,953)	(11,665)
Increase in other payables to related parties	7	-	168,447
(Decrease) increase in other non-current liabilities		(1,351)	2,678
Cash dividends paid	6(17)	(5,834,548)	(9,724,246)
Net cash flows (used in) from financing activities		(4,882,135)	4,375,505
Effect of exchange rate changes on cash and cash equivalents		586,149	(1,503,966)
Net decrease in cash and cash equivalents		(3,557,803)	(2,349,606)
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)	<u>\$ 27,360,660</u>	<u>\$ 26,543,940</u>

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

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

(Reviewed, not audited)

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 November 8, 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.
- (c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

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

- (a) 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.

- (b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

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

- (i) Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as other current liabilities), but were previously presented as other current liabilities in the balance sheet. As of January 1, 2018, the balance amounted to \$84,699 thousand.
- (ii) Under IFRS 15, liabilities in relation to the customer loyalty programme are recognized 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 amounted to \$51,432 thousand.
- (iii) Under IFRS 15, liabilities are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as other current liabilities) in the balance sheet. As of January 1, 2018, the balance amounted to \$811,514 thousand.

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

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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual 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.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendment to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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 third quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and for the third 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 and details of significant accounts.

(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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
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	-	-	-	Note 5
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	Note 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	
CHENG SHIN RUBBER IND. CO., LTD.	PT.MAXXIS TRADING INDONESIA	Large-amount trading of vehicles parts and accessories	100	100	-	Notes 6 , 8
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND	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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	25	Note 2
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Production, sales and maintenance of models	50	50	50	
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 (%)			Description
			September 30, 2018	December 31, 2017	September 30, 2017	
MAXXIS Trading Ltd.	MAXXIS Holdings (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	-	-	-	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO., LTD.	Construction and trading of employees' housing	100	100	100	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	100	
MAXXIS Holdings (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 thousand 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 September 30, 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 September 30, 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) Financial assets at fair value through profit or loss

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) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) 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.

(10) 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.

(11) 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.

(12) 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'.

(13) 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.

(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 tax

- 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

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. The sales are usually made with a credit term of 30 ~90 days. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (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.

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

There have been no significant changes as of September 30, 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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Cash on hand and petty cash (revolving funds)	\$ 2,919	\$ 3,104	\$ 3,212
Checking deposit	1,385,848	1,776,577	1,813,706
Demand deposits	18,596,948	17,646,021	15,960,060
Time deposits	7,374,945	11,492,761	8,766,962
	<u>\$ 27,360,660</u>	<u>\$ 30,918,463</u>	<u>\$ 26,543,940</u>
Interest rate range			
Time deposits	<u>1.76%~4.00%</u>	<u>0.01%~4.58%</u>	<u>1.10%~6.15%</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has reclassified pledged time deposits to ‘other current assets’ and ‘other non-current assets’. Please refer to Note 8 for details.

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

Items	September 30, 2018
Current items:	
Equity instruments	
Listed stocks	\$ 8,665
Valuation adjustment	12,344
Total	<u>\$ 21,009</u>
Non-current items:	
Equity instruments	
Unlisted stocks	<u>\$ 58,187</u>

- 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 \$79,196 thousand as at September 30, 2018.
- B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three-month period ended September 30, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	<u>(\$ 3,340)</u>
	Nine-month period ended September 30, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	<u>(\$ 6,509)</u>

- C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- D. Information on available-for-sale financial assets as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(3) Notes and accounts receivables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2018</u>
Notes receivable	\$ 2,536,521	\$ 2,307,762	\$ 2,536,030
Less: Loss allowance	(9,277)	(9,277)	(9,277)
	<u>\$ 2,527,244</u>	<u>\$ 2,298,485</u>	<u>\$ 2,526,753</u>
Accounts receivable	\$ 10,439,499	\$ 9,870,136	\$ 9,997,339
Less: Loss allowance	(16,907)	(17,551)	(12,989)
	<u>\$ 10,422,592</u>	<u>\$ 9,852,585</u>	<u>\$ 9,984,350</u>

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

	<u>September 30, 2018</u>		<u>December 31, 2017</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Without past due	\$ 8,451,946	\$ 2,536,521	\$ 8,050,196	\$ 2,307,762
Up to 30 days	1,232,756	-	1,297,167	-
31 -90 days	466,847	-	377,313	-
91 -180 days	118,218	-	102,816	-
Over 181 days	<u>169,732</u>	<u>-</u>	<u>42,644</u>	<u>-</u>
	<u>\$ 10,439,499</u>	<u>\$ 2,536,521</u>	<u>\$ 9,870,136</u>	<u>\$ 2,307,762</u>

	<u>September 30, 2017</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Without past due	\$ 8,241,687	\$ 2,536,030
Up to 30 days	885,319	-
31 -90 days	625,020	-
91 -180 days	175,709	-
Over 181 days	<u>69,604</u>	<u>-</u>
	<u>\$ 9,997,339</u>	<u>\$ 2,536,030</u>

The above ageing analysis was based on past due date.

B. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

September 30, 2018			
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 5,084,897	\$ -	\$ 5,084,897
Work in progress	3,067,227	-	3,067,227
Finished goods	6,095,035	(31,380)	6,063,655
Land in progress	797,511	-	797,511
Construction in progress	1,874,378	-	1,874,378
Inventory in transit	581,820	-	581,820
	<u>\$ 17,500,868</u>	<u>(\$ 31,380)</u>	<u>\$ 17,469,488</u>

December 31, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,434,449	\$ -	\$ 6,434,449
Work in progress	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
	<u>\$ 19,217,895</u>	<u>(\$ 33,555)</u>	<u>\$ 19,184,340</u>

September 30, 2017			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,192,514	\$ -	\$ 6,192,514
Work in progress	2,980,614	-	2,980,614
Finished goods	5,912,525	(35,568)	5,876,957
Land in progress	818,186	-	818,186
Construction in progress	1,162,889	-	1,162,889
Inventory in transit	705,396	-	705,396
	<u>\$ 17,772,124</u>	<u>(\$ 35,568)</u>	<u>\$ 17,736,556</u>

The cost of inventories recognized as expense for the period:

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Cost of goods sold	\$ 21,681,467	\$ 22,464,553
Loss on inventory retirement	1,683	74
Gain on physical inventory	(7)	(1,079)
Revenue from sale of scraps	(41,379)	(46,772)
Loss on decline in market value	291	79
	<u>\$ 21,642,055</u>	<u>\$ 22,416,855</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Cost of goods sold	\$ 64,535,570	\$ 65,771,379
Loss on inventory retirement	5,173	76
Loss (gain) on physical inventory	706	(2,268)
Revenue from sale of scraps	(124,641)	(128,884)
Gain on reversal of decline in market value	(2,175)	(2,024)
	<u>\$ 64,414,633</u>	<u>\$ 65,638,279</u>

For the nine-month periods ended September 30, 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.

(5) 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 September 30, 2018, December 31, 2017 and September 30, 2017, the carrying amount of the Group's individually immaterial joint ventures amounted to \$163,014 thousand, \$171,020 thousand and \$168,377 thousand, respectively.

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Share of (loss) profit of associates and joint ventures accounted for using equity method	(\$ 73)	\$ 3,290
Other comprehensive income - net of tax	30	311
Total comprehensive (loss) income	<u>(\$ 43)</u>	<u>\$ 3,601</u>

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Share of (loss) profit of associates and joint ventures accounted for using equity method	(\$ 2,965)	\$ 5,393
Other comprehensive income - net of tax	<u>3,840</u>	<u>558</u>
Total comprehensive income	<u>\$ 875</u>	<u>\$ 5,951</u>

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.

(6) Property, plant and equipment, net

Nine-month period ended September 30, 2018						
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,560,522	\$ -	\$ -	\$ -	\$ 19,659	\$ 4,580,181
Buildings and structures	45,743,921	186,105	(81,631)	685,248	(1,051,898)	45,481,745
Machinery	97,101,451	741,929	(669,326)	1,136,462	(1,451,965)	96,858,551
Testing equipment	3,387,921	32,185	(9,742)	234,310	(52,087)	3,592,587
Transportation equipment	1,295,811	71,235	(31,798)	33,766	(30,750)	1,338,264
Office equipment	847,265	48,520	(10,555)	92,363	(17,885)	959,708
Other facilities	28,122,833	1,728,997	(1,072,420)	2,028,278	(390,347)	30,417,341
Unfinished construction and equipment under acceptance	11,133,630	6,662,163	-	(4,296,614)	(591,896)	12,907,283
	<u>\$ 192,193,354</u>	<u>\$ 9,471,134</u>	<u>(\$ 1,875,472)</u>	<u>(\$ 86,187)</u>	<u>(\$ 3,567,169)</u>	<u>\$ 196,135,660</u>
Accumulated depreciation						
Buildings	(\$ 15,419,937)	(\$ 1,436,846)	\$ 74,378	\$ -	\$ 339,016	(\$ 16,443,389)
Machinery	(47,988,247)	(4,535,457)	456,768	-	660,912	(51,406,024)
Testing equipment	(2,363,170)	(244,755)	6,558	-	29,135	(2,572,232)
Transportation equipment	(936,982)	(84,852)	29,196	-	21,708	(970,930)
Office equipment	(485,027)	(98,000)	10,417	-	8,160	(564,450)
Other facilities	(19,977,731)	(2,583,092)	1,035,931	-	173,989	(21,350,903)
	<u>(\$ 87,171,094)</u>	<u>(\$ 8,983,002)</u>	<u>\$ 1,613,248</u>	<u>\$ -</u>	<u>\$ 1,232,920</u>	<u>(\$ 93,307,928)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ -	\$ -	\$ -	\$ -	(\$ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	<u>(\$ 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,577)</u>
	<u>\$ 105,007,683</u>					<u>\$ 102,813,155</u>

Nine-month period ended September 30, 2017						
	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,563,758	\$ -	\$ -	\$ -	(\$ 3,805)	\$ 4,559,953
Buildings and structures	43,974,977	110,058	-	(407,531)	(549,931)	43,127,573
Machinery	92,000,594	1,749,417	(180,113)	3,319,626	(979,581)	95,909,943
Testing equipment	3,376,518	18,139	(6,652)	266,509	(29,653)	3,624,861
Transportation equipment	1,230,488	66,791	(14,726)	11,328	(18,547)	1,275,334
Office equipment	658,072	27,196	(7,649)	47,427	(10,966)	714,080
Other facilities	24,829,823	1,762,791	(174,459)	846,113	(216,228)	27,048,040
Unfinished construction and equipment under acceptance	9,590,929	8,219,818	-	(4,632,681)	(402,292)	12,775,774
	<u>\$ 180,225,159</u>	<u>\$ 11,954,210</u>	<u>(\$ 383,599)</u>	<u>(\$ 549,209)</u>	<u>(\$ 2,211,003)</u>	<u>\$ 189,035,558</u>
Accumulated depreciation						
Buildings	(\$ 13,721,288)	(\$ 1,418,062)	\$ -	\$ 115,731	\$ 156,828	(\$ 14,866,791)
Machinery	(42,652,343)	(4,339,080)	129,865	-	432,134	(46,429,424)
Testing equipment	(2,331,843)	(232,885)	5,916	-	22,461	(2,536,351)
Transportation equipment	(846,860)	(86,193)	12,399	-	13,367	(907,287)
Office equipment	(402,920)	(63,366)	6,932	-	7,133	(452,221)
Other facilities	(17,099,044)	(2,404,421)	143,517	-	156,458	(19,203,490)
	<u>(\$ 77,054,298)</u>	<u>(\$ 8,544,007)</u>	<u>\$ 298,629</u>	<u>\$ 115,731</u>	<u>\$ 788,381</u>	<u>(\$ 84,395,564)</u>
Accumulated impairment						
Machinery	(\$ 12,651)	\$ -	\$ -	\$ -	\$ -	(\$ 12,651)
Other facilities	(1,926)	-	-	-	-	(1,926)
	<u>(\$ 14,577)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 14,577)</u>
	<u>\$ 103,156,284</u>					<u>\$ 104,625,417</u>

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

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Amount capitalized	\$ 63,734	\$ 16,176
Range of the interest rates for capitalization	0.30%~4.89%	0.16%~4.75%

(7) Investment property, net

Nine-month period ended September 30, 2018					
	Opening net book amount as at January 1	Additions	Transfer	Exhchange rate differences	Closing net book amount as at September 30
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	478,710	1,225	905	(12,816)	468,024
	<u>\$ 815,049</u>	<u>\$ 1,225</u>	<u>\$ 905</u>	<u>(\$ 12,816)</u>	<u>\$ 804,363</u>
Accumulated depreciation					
Buildings and structures	(\$ 151,355)	(\$ 18,413)	\$ -	\$ 4,275	(\$ 165,493)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 612,656</u>				<u>\$ 587,832</u>

Nine-month period ended September 30, 2017					
	Opening net book amount as at January 1	Additions	Transfer	Exchange rate differences	Closing net book amount as at September 30
Cost					
Land	\$ 336,339	\$ -	\$ -	\$ -	\$ 336,339
Buildings and structures	27,766	-	443,726	5,835	477,327
	<u>\$ 364,105</u>	<u>\$ -</u>	<u>\$ 443,726</u>	<u>\$ 5,835</u>	<u>\$ 813,666</u>
Accumulated depreciation					
Buildings and structures	(\$ 21,282)	(\$ 6,287)	(\$ 115,731)	(\$ 1,600)	(\$ 144,900)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 291,785</u>				<u>\$ 617,728</u>

A. Rental income from investment property is shown below:

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Rental income from investment property	\$ 7,540	\$ 7,847
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Rental income from investment property	\$ 22,951	\$ 12,209

- B. The fair value of the investment property held by the Group as at September 30, 2018, December 31, 2017 and September 30, 2017 was \$909,771 thousand, \$920,819 thousand and \$919,620 thousand, 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.

(8) Other non-current assets

	September 30, 2018	December 31, 2017	September 30, 2017
Land-use right	\$ 4,953,173	\$ 5,198,693	\$ 5,209,407
Intangible assets	101,877	110,233	105,393
Others	895,444	185,200	201,811
	<u>\$ 5,950,494</u>	<u>\$ 5,494,126</u>	<u>\$ 5,516,611</u>

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 \$21,160 thousand, \$22,867 thousand, \$64,661 thousand and \$65,132 thousand for the three-month and the nine-month periods ended September 30, 2018 and 2017, respectively.

(9) Short-term borrowings

Type of borrowings	September 30, 2018	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	<u>\$ 18,586,512</u>	0.56%~4.70%	None

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

<u>Type of borrowings</u>	<u>September 30, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	<u>\$ 20,902,132</u>	0.54%~8.10%	None

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

(10) Other payables

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Wages and salaries payable	\$ 1,254,410	\$ 1,329,008	\$ 1,221,869
Payable on machinery and equipment	1,788,268	2,213,781	2,210,648
Employee bonus payable	244,184	482,544	455,112
Compensation due to directors and supervisors	80,435	130,202	116,505
Other accrued expenses	1,506,863	1,855,874	1,859,586
Others	1,282,367	1,010,624	969,842
	<u>\$ 6,156,527</u>	<u>\$ 7,022,033</u>	<u>\$ 6,833,562</u>

(11) Other current liabilities

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Long-term liabilities due within one year	\$ 10,286,674	\$ 4,902,300	\$ 5,746,553
Advance receipts	2,348	811,749	1,136,043
Refund liabilities	186,190	-	-
Others	106,208	222,551	376,540
	<u>\$ 10,581,420</u>	<u>\$ 5,936,600</u>	<u>\$ 7,259,136</u>

(12) Bonds payable

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Bonds payable			
-issued in 2013	\$ -	\$ 1,900,000	\$ 1,900,000
Bonds payable			
-issued in 2014	4,800,000	4,800,000	4,800,000
Bonds payable			
-issued in 2016	5,000,000	5,000,000	5,000,000
Bonds payable			
-issued in 2017	7,000,000	7,000,000	7,000,000
Bonds payable			
-issued in 2018	<u>5,000,000</u>	<u>-</u>	<u>-</u>
	21,800,000	18,700,000	18,700,000
Less: Current portion	(<u>4,800,000</u>)	(<u>1,900,000</u>)	(<u>1,900,000</u>)
	<u>\$ 17,000,000</u>	<u>\$ 16,800,000</u>	<u>\$ 16,800,000</u>

A. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange on July 16, 2018 and completed on July 25, 2018. The bonds were fully issued and total issuance amount was \$5 billion with a coupon rate of 0.87%. The issuance period of the bonds is 5 years, which is from July 25, 2018 and July 25, 2023. 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 Taipei Exchange 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.

C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds (“the bonds”). The bond issuance has been approved by the Taipei Exchange 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.

D. 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 was 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.

E. 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.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2018
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until March, 2025.	0.97%~4.99%	None	\$ 32,949,450
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None	219,582
				33,169,032
Less: Current portion				(5,486,674)
				<u>\$ 27,682,358</u>
Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2017
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.97%~5.13%	None	\$ 35,435,510
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None	225,968
				35,661,478
Less: Current portion				(3,002,300)
				<u>\$ 32,659,178</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2017
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until September, 2024.	0.99%~4.75%	None	\$ 28,705,961
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2018 at the maturity.	4.75%	None	225,275
				28,931,236
Less: Current portion				(3,846,553)
				\$ 25,084,683

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 June 30, 2018, December 31, 2017 and June 30, 2017.

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	September 30, 2018	December 31, 2017	September 30, 2017
USD	\$ 15,552,426	\$ 15,347,956	\$ 14,934,238
RMB	4,895,935	5,651,239	531,568
THB	1,897,000	1,835,200	1,825,600

(14) Pensions

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

- pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$7,538 thousand, \$9,204 thousand, \$22,616 thousand and \$27,610 thousand for the three-month and the nine-month periods ended September 30, 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 thousand.
- 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 and the nine-month periods ended September 30, 2018 and 2017 were \$35,758 thousand, \$32,289 thousand, \$107,679 thousand and \$95,213 thousand, 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 nine-month periods ended September 30, 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 and the nine-month periods ended September 30, 2018 and 2017, were \$93,661 thousand, \$102,629 thousand, \$291,831 thousand and \$312,221 thousand, 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 and the nine-month periods ended September 30, 2018 and 2017, were \$3,239 thousand, \$3,135 thousand, \$9,822 thousand and \$9,640 thousand, 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 September 30, 2018, December 31, 2017 and September 30, 2017, the net liabilities recognised in the balance sheets were \$42,050 thousand, \$36,482 thousand and \$34,986 thousand, 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 and the nine-month periods ended September 30, 2018 and 2017, were \$4,494 thousand, \$4,397 thousand, \$13,301 thousand and \$10,792 thousand, respectively.

- (d) According to Indonesian local government's regulations " 2015 PP Nomor 60 " and "2015 PP Nomor 45", the Group's subsidiaries, PT MAXXIS International Indonesia and PT. MAXXIS TRADING INDONESIA, contribute monthly an amount equal to 3.7% and 2% of the employees' monthly salaries and wages to the retirement insurance; contribute monthly an amount equal to 2% and 1% to pension, respectively. For the three-month and the nine-month periods ended September 30, 2018 and 2017, the pension expense accrued in accordance to the aforementioned regulation amounted to \$1,455 thousand, \$544 thousand, \$3,788 thousand and \$1,034 thousand, respectively.
- (e) According to Indonesian local government's regulation "Employees Provident Fund and Miscellaneous Provisions Act, 1952" , 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 and the nine-month periods ended September 30, 2018 and 2017, the pension cost accrued in accordance to the aforementioned regulation amounted to \$1,314 thousand, \$87 thousand, \$5,111 thousand and \$648 thousand, respectively.

(15) Share capital

As of September 30, 2018, both of the Company's authorized capital and paid-in capital were \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(16) 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.

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors'

- and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of share or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The distributions of retained earnings for the years ended December 31, 2017 and 2016 were resolved by stockholders in their meeting on June 14, 2018 and June 15, 2017, respectively.

	Year ended December 31, 2017		Year ended December 31, 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 dividends	5,834,548	\$ 1.8	9,724,246	\$ 3.0
	<u>\$ 7,510,966</u>		<u>\$ 11,752,995</u>	

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

(18) Other equity items

	2018				
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	Unrealized gain (loss) on valuation of equity instruments at fair value through comprehensive income	Unrealized gain on available-for-sale financial assets	Total
At January 1	(\$ 4,471,654)	\$ -	\$ -	\$ 41,593	(\$ 4,430,061)
Effect of retrospective application and retrospective restatement	-	22,740	18,853	(41,593)	-
Valuation adjustment-Group	-	27	(6,509)	(	6,482)
Valuation adjustment transferred to retained earnings	-	(22,767)		-	(22,767)
Currency translation differences:					
– Group	(1,759,307)	-	-	-	(1,759,307)
– Tax on Group	513,487	-	-	-	513,487
– Associates	4,800	-	-	-	4,800
– Tax on associates	(960)	-	-	-	(960)
At September 30	(\$ 5,713,634)	\$ -	\$ 12,344	\$ -	(\$ 5,701,290)

	2017		
	Currency translation	Unrealized gain on available-for-sale financial assets	Total
At January 1	(\$ 3,358,274)	\$ 50,452	(\$ 3,307,822)
Valuation adjustment – Group	-	(12,180)	(12,180)
Currency translation differences:			
– Group	(1,505,318)	-	(1,505,318)
– Tax on Group	255,904	-	255,904
– Associates	672	-	672
– Tax on associates	(114)	-	(114)
At September 30	(\$ 4,607,130)	\$ 38,272	(\$ 4,568,858)

(19) Operating revenue

	Three-month period ended September 30, 2018	Nine-month period ended September 30, 2018
Revenue from contracts with customers	\$ 27,543,701	\$ 83,440,038

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:

	Sale of tire based on location				
Three-month period ended September 30, 2018	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,606,076	\$ 13,593,534	\$ 2,010,794	\$ 10,333,297	\$ 27,543,701
Inter-segment revenue	1,012,535	1,659,801	1,179,744	657,281	4,509,361
Total segment revenue	<u>\$ 2,618,611</u>	<u>\$ 15,253,335</u>	<u>\$ 3,190,538</u>	<u>\$ 10,990,578</u>	<u>\$ 32,053,062</u>

	Sale of tire based on location				
Nine-month period ended September 30, 2018	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 4,865,115	\$ 42,607,999	\$ 5,977,812	\$ 29,989,112	\$ 83,440,038
Inter-segment revenue	3,052,892	4,752,641	3,545,225	1,947,262	13,298,020
Total segment revenue	<u>\$ 7,918,007</u>	<u>\$ 47,360,640</u>	<u>\$ 9,523,037</u>	<u>\$ 31,936,374</u>	<u>\$ 96,738,058</u>

B. Contract liabilities

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

	September 30, 2018
Contract liabilities:	
Contract liabilities-advance sales receipts	\$ 769,735
Contract liabilities-customer loyalty programmes	36,875
Total	<u>\$ 806,610</u>

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

(20) Other income

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Interest income	\$ 64,348	\$ 44,815
Grant revenue	171,708	309,854
Other income	73,661	104,796
	<u>\$ 309,717</u>	<u>\$ 459,465</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Interest income	\$ 234,665	\$ 202,298
Grant revenue	363,539	912,069
Other income	260,485	218,653
	<u>\$ 858,689</u>	<u>\$ 1,333,020</u>

(21) Other gains and losses

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Net currency exchange (loss) gain	(\$ 560,873)	\$ 136,450
Loss on disposal of property, plant and equipment	(4,001)	(2,672)
Net gain on financial assets and liabilities at fair value through profit or loss	-	2,490
Other expenses	(52,520)	(69,181)
	<u>(\$ 617,394)</u>	<u>\$ 67,087</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Net currency exchange loss	(\$ 718,673)	(\$ 249,032)
Loss on disposal of property, plant and equipment	(45,674)	(14,321)
Gains on disposals of investments	-	19,828
Net gain on financial assets and liabilities at fair value through profit or loss	436	2,490
Other expenses	(217,095)	(132,750)
	<u>(\$ 981,006)</u>	<u>(\$ 373,785)</u>

(22) Finance costs

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Interest expense:		
Bank borrowings	\$ 441,218	\$ 280,445
Corporate bonds	56,116	47,535
Provisions-discount	2,798	2,798
	500,132	330,778
Less: Capitalisation of qualifying assets	(22,770)	(6,647)
Finance costs	<u>\$ 477,362</u>	<u>\$ 324,131</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Interest expense:		
Bank borrowings	\$ 1,236,130	\$ 730,214
Corporate bonds	157,402	119,661
Provisions-discount	8,253	8,533
	1,401,785	858,408
Less: Capitalisation of qualifying assets	(63,734)	(16,176)
Finance costs	<u>\$ 1,338,051</u>	<u>\$ 842,232</u>

(23) Expenses by nature

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Employee benefit expense		
Wages and salaries	\$ 2,948,561	\$ 2,867,515
Labour and health insurance fees	173,799	174,757
Pension costs	147,459	152,285
Directors' remuneration	13,537	21,187
Other personnel expenses	220,837	228,824
	<u>\$ 3,504,193</u>	<u>\$ 3,444,568</u>
Raw materials and supplies used	<u>\$ 13,836,065</u>	<u>\$ 14,840,833</u>
Depreciation charges on property, plant and equipment	<u>\$ 2,994,572</u>	<u>\$ 2,863,815</u>
Depreciation charges on investment property	<u>\$ 6,037</u>	<u>\$ 5,981</u>
Amortisation charges on intangible assets	<u>\$ 12,536</u>	<u>\$ 10,229</u>

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Employee benefit expense		
Wages and salaries	\$ 8,994,716	\$ 8,520,572
Labour and health insurance fees	529,460	511,507
Pension costs	454,148	457,158
Directors' remuneration	61,525	106,236
Other personnel expenses	684,177	681,567
	<u>\$ 10,724,026</u>	<u>\$ 10,277,040</u>
Raw materials and supplies used	<u>\$ 43,640,638</u>	<u>\$ 47,370,469</u>
Depreciation charges on property, plant and equipment	<u>\$ 8,983,002</u>	<u>\$ 8,544,007</u>
Depreciation charges on investment property	<u>\$ 18,413</u>	<u>\$ 6,287</u>
Amortisation charges on intangible assets	<u>\$ 35,548</u>	<u>\$ 13,121</u>

Note: As of September 30, 2018 and 2017, the Company had 29,438 and 30,860 employees, respectively, of which 7 directors were not the Company's employee.

- 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 and the nine-month periods ended September 30, 2018 and 2017, employees' compensation was accrued at \$14,712 thousand, \$26,063 thousand, \$84,607 thousand, and \$118,631 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$10,894 thousand, \$21,268 thousand, \$62,651 thousand and \$96,803 thousand, 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 nine-month period ended September 30, 2018.

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 year ended December 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 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 November 8, 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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Current tax:		
Current tax on profits for the period	\$ 1,263,488	\$ 1,719,507
Prior year income tax underestimation	31,755	32,194
Total current tax	<u>1,295,243</u>	<u>1,751,701</u>
Deferred tax:		
Origination and reversal of temporary differences	(775,387)	(1,326,840)
Income tax expense	<u>\$ 519,856</u>	<u>\$ 424,861</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Current tax:		
Current tax on profits for the period	\$ 2,106,758	\$ 2,581,251
Additional 10% income tax imposed on unappropriated earnings	-	\$ 143,020
Prior year income tax underestimation	<u>5,518</u>	<u>173,479</u>
Total current tax	<u>2,112,276</u>	<u>2,897,750</u>
Deferred tax:		
Origination and reversal of temporary differences	(328,057)	(892,494)
Impact of change in tax rate	<u>114,380</u>	<u>-</u>
Total deferred tax	<u>(213,677)</u>	<u>(892,494)</u>
Income tax expense	<u>\$ 1,898,599</u>	<u>\$ 2,005,256</u>

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

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Currency translation differences	<u>\$ 420,401</u>	<u>(\$ 161,199)</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Generated during the period :		
Currency translation differences	<u>\$ 442,906</u>	<u>\$ 255,790</u>
Impact of change in tax rate:		
Currency translation differences	69,621	-
Remeasurement of defined benefit obligations	<u>25,893</u>	<u>-</u>
Income tax benefit from		
other comprehensive income	<u>\$ 538,420</u>	<u>\$ 255,790</u>

- 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 on February 7, 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.

(25) Earnings per share

Three-month period ended September 30, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 422,574	3,241,416	\$ 0.13
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	422,574	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	307	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 422,574	3,241,723	\$ 0.13
Three-month period ended September 30, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,051,536	3,241,416	\$ 0.33
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,051,536	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	433	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,051,536	\$ 3,241,849	\$ 0.33

Nine-month period ended September 30, 2018

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,011,085	3,241,416	\$ 0.93
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,011,085	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,663	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,011,085	\$ 3,244,079	\$ 0.93

Nine-month period ended September 30, 2017

	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,694,481	\$ 3,241,416	\$ 1.45
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	4,694,481	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	3,461	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 4,694,481	3,244,877	\$ 1.45

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Purchase of property, plant and equipment	\$ 9,471,134	\$ 11,954,210
Add: Opening balance of payable on equipment	2,213,781	1,049,387
Less: Ending balance of payable on equipment	(1,788,268)	(2,210,648)
Cash paid during the period	<u>\$ 9,896,647</u>	<u>\$ 10,792,949</u>

(27) 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	103,486	(2,247,769)	3,100,000	955,717
Impact of changes in foreign exchange rate	(25,467)	(244,677)	-	(270,144)
September 30, 2018	<u>\$ 18,586,512</u>	<u>\$ 33,169,032</u>	<u>\$ 21,800,000</u>	<u>\$ 73,555,544</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Toyo Tire & Rubber Co., Ltd.	Associate which invests in subsidiary by using equity method
Cheng Shin Holland B.V.	Investee accounted for using equity method
New Pacific IND. CD., LTD.	Investee accounted for using equity method
MERIDA INDUSTRY CO., LTD.	The Company's director is the company's chairman
Maxxis (XiaMen) Trading CO., LTD.	The Company's director is the company's representatives

(2) Significant related party transactions

A. Operating revenue

	Three-month period ended September 30, 2018	Three-month period ended September 30, 2017
Sales of goods:		
Associates	<u>\$ 144,409</u>	<u>\$ 115,177</u>
	Nine-month period ended September 30, 2018	Nine-month period ended September 30, 2017
Sales of goods:		
Associates	<u>\$ 429,337</u>	<u>\$ 419,589</u>

Prices and collection terms of abovementioned sales are the same with third parties, and the credit terms are between 30~90 days.

B. Receivables from related parties

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Accounts receivable:			
Associates	\$ 117,950	\$ 119,288	\$ 92,961

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Payables due to related parties			
-Associates	\$ 219,582	\$ 225,968	\$ 225,275

The Group obtained financing from associates and financial institutions for capital needs. Please refer to Note 6(13) for interest rates, borrowing periods and repayment methods.

(3) Key management compensation

	<u>Three-month period ended September 30, 2018</u>	<u>Three-month period ended September 30, 2017</u>
Short-term employee benefits	\$ 51,647	\$ 61,353
Post-employment benefits	764	965
	<u>\$ 52,411</u>	<u>\$ 62,318</u>
	<u>Nine-month period ended September 30, 2018</u>	<u>Nine-month period ended September 30, 2017</u>
Short-term employee benefits	\$ 183,638	\$ 216,847
Post-employment benefits	2,292	2,895
	<u>\$ 185,930</u>	<u>\$ 219,742</u>

8. PLEDGED ASSETS

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

	<u>Book value</u>			
<u>Pledged asset</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>	<u>Purpose</u>
Time deposits (Other current assets)	\$ 15,480	\$ 15,070	\$ -	Maintenance bond and product liability insurance
Time deposits (Other non-current assets)	-	-	15,343	Maintenance bond and product liability insurance
	<u>\$ 15,480</u>	<u>\$ 15,070</u>	<u>\$ 15,343</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Property, plant and equipment	\$ <u>5,512,614</u>	\$ <u>6,807,845</u>	\$ <u>7,629,594</u>

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Amount of letter of credit that has been issued but not yet used	\$ <u>135,092</u>	\$ <u>141,240</u>	\$ <u>94,908</u>

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 nine-month period ended September 30, 2018, the Group's strategy was unchanged from 2017. The gearing ratios at September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Total liabilities	\$ <u>93,864,598</u>	\$ <u>96,192,952</u>	\$ <u>91,569,764</u>
Total equity	\$ <u>78,766,449</u>	\$ <u>82,891,303</u>	\$ <u>81,870,655</u>
Less : Intangible assets	(<u>101,877</u>)	(<u>110,233</u>)	(<u>105,393</u>)
Tangible equity	\$ <u>78,664,572</u>	\$ <u>82,781,070</u>	\$ <u>81,765,262</u>
Debt-equity ratio	<u>119%</u>	<u>116%</u>	<u>112%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss-current	\$ -	\$ -	\$ 2,490
Financial assets at fair value through other comprehensive income - current	21,009	-	-
Financial assets at fair value through other comprehensive income - noncurrent	58,187	-	-
Available-for-sale financial assets - current	-	69,188	65,867
Available-for-sale financial assets - noncurrent	-	58,187	58,187
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	27,360,660	30,918,463	26,543,940
Notes receivable, net (including related parties)	2,527,244	2,298,485	2,526,753
Accounts receivable	10,540,542	9,971,873	10,077,311
Guarantee deposits paid	84,870	175,988	176,934
Other financial assets	<u>507,295</u>	<u>556,045</u>	<u>545,032</u>
	<u>\$ 41,099,807</u>	<u>\$ 44,048,229</u>	<u>\$ 39,994,024</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss - current	\$ -	\$ 408	\$ -
Financial liabilities at amortised cost			
Short-term borrowings	18,586,512	18,508,493	20,902,132
Contract liabilities - current	806,610	-	-
Notes payable	493,453	822,160	490,173
Accounts payable	7,161,375	8,511,030	8,570,146
Other accounts payable	6,156,527	7,022,033	6,833,562
Corporate bonds payable (including current portion)	21,800,000	18,700,000	18,700,000
Long-term borrowings (including current portion)	33,169,032	35,661,478	28,931,236
Guarantee deposits received	<u>249,658</u>	<u>251,611</u>	<u>249,580</u>
	<u>\$ 88,423,167</u>	<u>\$ 89,477,213</u>	<u>\$ 84,676,829</u>

B. Financial risk management policies

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

and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from 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.
- 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:

September 30, 2018

	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 168,000	30.525	\$ 5,128,200	1%	\$ 51,282	\$ -
RMB : TWD	915,254	4.436	4,060,067	1%	40,601	-
EUR : TWD	37,497	35.480	1,330,394	1%	13,304	-
JPY : TWD	1,914,738	0.269	515,065	1%	5,151	-
GBP : TWD	9,102	39.900	363,170	1%	3,632	-
USD : RMB	84,799	6.881	2,588,415	1%	25,884	-
EUR : RMB	18,951	7.998	672,365	1%	6,724	-
GBP : RMB	6,526	8.995	260,399	1%	2,604	-
RUB : RMB	505,560	0.105	235,480	1%	2,355	-
USD : THB	86,880	32.182	2,653,378	1%	26,534	-
EUR : THB	15,372	37.406	545,680	1%	5,457	-
USD : VND	20,964	25,868.644	639,926	1%	6,399	-
USD : CAD	27,188	1.302	829,677	1%	8,297	-
USD : IDR	6,212	14,675.481	189,621	1%	1,896	-

September 30, 2018										
(Foreign currency: functional currency)	Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis						
				Degree of variation	Effect on profit or loss	Exchange rate				
	<u>Financial liabilities</u>									
	<u>Monetary items</u>									
	\$	19,871	30.525	\$	606,562	1%	\$	6,066	\$	-
		124,802	6.881		3,809,471	1%		38,095		-
		24,013	7.998		851,960	1%		8,520		-
		84,747	32.182		2,588,234	1%		25,882		-
		47,720	25,868.644		1,456,653	1%		14,567		-
		13,738	1.302		419,233	1%		4,192		-
		239,700	14,675.481		7,316,843	1%		73,168		-
		229,800	72.506		7,014,651	1%		70,147		-

December 31, 2017						
(Foreign currency: functional currency)			Sensitivity analysis			
	Foreign currency amount		Book value			Effect on other
	(In thousands)	Exchange rate	(TWD in thousands)	Degree of variation	Effect on profit or loss	comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-

December 31, 2017

(Foreign currency: functional currency)	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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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	25,008.403	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	-

September 30, 2017

(Foreign currency: functional currency)	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
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 352,468	30.260	\$ 10,665,682	1%	\$ 106,657	\$ -
RMB:TWD	91,195	4.551	415,028	1%	4,150	-
EUR:TWD	16,843	35.750	602,137	1%	6,021	-
JPY:TWD	1,217,372	0.269	327,473	1%	3,275	-
GBP:TWD	5,465	40.560	221,660	1%	2,217	-
USD:RMB	95,918	6.649	2,902,440	1%	29,024	-
EUR:RMB	16,184	7.855	578,547	1%	5,785	-
JPY:RMB	519,417	0.059	139,468	1%	1,395	-
GBP:RMB	2,967	8.912	120,337	1%	1,203	-
RUB:RMB	452,487	0.116	238,875	1%	2,389	-
USD:THB	61,649	33.151	1,865,922	1%	18,659	-
EUR:THB	11,597	39.165	414,681	1%	4,147	-
GBP:THB	4,523	44.435	183,494	1%	1,835	-
USD:VND	9,928	25,008.264	300,421	1%	3,004	-
USD:IDR	19,984	13,569.507	604,716	1%	6,047	-

September 30, 2017

(Foreign currency: functional currency)	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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 36,843	30.260	\$ 1,114,869	1%	\$ 11,149	\$ -
USD:RMB	180,738	6.649	5,469,059	1%	54,691	-
EUR:RMB	29,781	7.855	1,064,614	1%	10,646	-
USD:THB	115,678	33.151	3,501,210	1%	35,012	-
USD:VND	50,619	25,008.264	1,531,731	1%	15,317	-
USD:IDR	190,354	13,569.507	5,760,112	1%	57,601	-
USD:INR	199,800	65.286	6,045,960	1%	60,460	-

- 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 and the nine -month periods ended September 30, 2018 and 2017 amounted to (\$560,873) thousand and \$136,450 thousand, (\$718,673) thousand and (\$249,032) thousand, 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. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.
- 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 nine-month periods ended September 30, 2018 and 2017 would have increased/decreased by \$792 thousand and \$1,241 thousand, respectively.

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 nine-month periods ended September 30, 2018 and 2017, the Group's borrowings at variable rate were denominated in the TWD, 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 September 30, 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 nine-month periods ended September 30, 2018 and 2017 would have been \$40,027 thousand and \$37,241 thousand higher / lower, 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 September 30, 2018, the provision matrix is as follows:

<u>September 30, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,451,946	\$ -
Up to 30 days	0.27%	1,232,756	3,328
31 to 90 days	0.88%	466,847	4,108
91 to 180 days	1.99%	118,218	2,353
Over 181 days	4.19%	169,732	7,118
		<u>\$ 10,439,499</u>	<u>\$ 16,907</u>

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

	<u>2018</u>
At January 1_IAS 39	\$ 17,551
Adjustments under new standards	-
At January 1_IFRS 9	17,551
Reversal of impairment loss	(778)
Effect of exchange rate changes	134
At September 31	<u>\$ 16,907</u>

- 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.

September 30, 2018

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	\$ 11,106,625	\$ 3,792,498	\$ 4,170,514	\$ -	\$ 19,069,637
Notes and bills payable	7,654,783	-	-	45	7,654,828
Other payables	5,772,911	182,807	113,689	870,120	6,156,527
Guarantee deposits	88	-	-	249,570	249,658
Long-term borrowings	660,800	2,354,371	3,922,651	28,942,239	35,880,061
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

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	\$ 10,166,165	\$ 6,925,420	\$ 1,869,910	\$ -	\$ 18,961,495
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
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September 30, 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	\$ 11,140,280	\$ 6,339,055	\$ 3,930,057	\$ -	\$ 21,409,392
Notes and bills payable	9,060,269	50	-	-	9,060,319
Other payables	6,219,498	343,049	130,633	140,382	6,833,562
Guarantee deposits	733	500	-	248,347	249,580
Long-term borrowings	832,118	662,018	2,827,993	26,540,214	30,862,343
Bonds payable	-	-	2,104,250	17,208,300	19,312,550

As of September 30, 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(7).

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.

September 30, 2018				
	<u>Carrying amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	<u>\$ 21,800,000</u>	<u>\$ -</u>	<u>\$ 21,827,789</u>	<u>\$ -</u>

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

September 30, 2017				
	<u>Carrying amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	<u>\$ 18,700,000</u>	<u>\$ -</u>	<u>\$ 18,724,729</u>	<u>\$ -</u>

(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:

	September 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income- equity securities	<u>\$ 21,009</u>	<u>-</u>	<u>\$ 58,187</u>	<u>\$ 79,196</u>

December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets	\$ 69,188	\$ -	\$ 58,187	\$ 127,375
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
- Forward exchange contracts	\$ -	\$ 408	\$ -	\$ 408
September 30, 2017				
	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss-Forward exchange contracts				
	\$ -	\$ 2,490	\$ -	\$ 2,490
Available-for-sale financial assets	\$ 65,867	\$ -	\$ 58,187	\$ 124,054

(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 nine-months periods ended September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the nine-month periods ended September 30, 2018 and 2017.

(4) Effects on initial application of IFRS 9, 'Financial instruments' and the adoption of IAS 39 for the nine-month period ended September 30, 2017

Information of IAS 39

- A. The significant accounting policies adopted in the third 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	Other equity
IAS 39	\$ -	\$ -	\$ 127,375	\$ -	\$ 41,593
Transferred into and measured at fair value through profit or loss	41,670	-	(41,670)	22,740	(22,740)
Transferred into and measured at fair value through other comprehensive income - equity	-	85,705	(85,705)	-	-
IFRS 9	<u>\$ 41,670</u>	<u>\$ 85,705</u>	<u>\$ -</u>	<u>\$ 22,740</u>	<u>\$ 18,853</u>

- (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, the Group increased retained earnings and decreased other equity in the amounts of \$22,740 thousand and \$22,740 thousand, respectively.
- C. The significant accounts for the year ended December 31, 2017 and the third quarter of 2017, are as follows:

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

<u>Items</u>	<u>December 31, 2017</u>
Current items:	
Financial liabilities held for trading	
Forward foreign exchange contracts	\$ 408
<u>Items</u>	<u>September 30, 2017</u>
Current items:	
Financial assets held for trading	
Forward foreign exchange contracts	\$ 2,490

- i. The Group recognised net profit amounting to \$2,538 thousand and 2,490 thousand, on financial assets at fair value through profit or loss for the year ended December 31, 2017 and in the third quarter of 2017.
- ii. The non-hedging derivative instruments transaction and contract information are as follows :

<u>Types of instrument</u>	<u>December 31, 2017</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	USD 6 million	2017.11.23~
USD converted to NTD		2018.1.29
<u>Types of instrument</u>	<u>September 30, 2017</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	USD 6 million	2017.9.11~
USD converted to NTD		2017.11.16

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

<u>Items</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Listed stocks	\$ 8,665	\$ 8,665
Funds	18,930	18,930
Subtotal	27,595	27,595
Available-for-sale financial assets		
Valuation adjustment	41,593	38,272
Total	\$ 69,188	\$ 65,867
Non-current items:		
Unlisted shares	\$ 58,187	\$ 58,187

The Group recognised \$3,041 thousand and (\$280) thousand in other comprehensive income for fair value change and reclassified (\$12,267) thousand and (\$12,267) thousand from equity to profit or loss for the year ended December 31, 2017 and for the third quarter of 2017, respectively.

D. Credit risk information for the year ended December 2017 and for the third 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	September 30, 2017
Distributor	\$ 3,305,277	\$ 4,926,112
Car assembly factory	4,461,585	3,025,775
Others	283,334	289,800
	<u>\$ 8,050,196</u>	<u>\$ 8,241,687</u>

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

	December 31, 2017	September 30, 2017
Up to 30 days	\$ 1,297,167	\$ 885,319
31 to 90 days	377,313	625,020
91 to 180 days	102,816	175,709
Over 181 days	42,644	69,604
	<u>\$ 1,819,940</u>	<u>\$ 1,755,652</u>

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 September 30, 2017, the Group's accounts receivable that were impaired amounted to \$17,551 thousand and \$12,989 thousand, respectively.
 - ii. Movements in the provision for impairment of accounts receivable are as follows:

	Nine-month period ended September 30, 2017		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 12,944	\$ 12,944
Provision for impairment	-	122	122
Effect of exchange rate changes	-	(77)	(77)
At September 30	\$ -	\$ 12,989	\$ 12,989

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 for the nine-month period ended September 30, 2017

- A. The significant accounting policies adopted in the third 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	September 30, 2018		
	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Contract liabilities	\$ 806,610	\$ -	\$ 806,610
Other current liabilities			
- deferred revenue	-	36,875	(36,875)
- Advance sales receipts	-	769,735	(769,735)

Note: Statement of comprehensive income was not affected.

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 (21) 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.

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

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the nine-month period ended September 30, 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.

(2) Measurement of segment information

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

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the nine-month periods ended September 30, 2018 and 2017 is as follows:

Nine-month period ended September 30, 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	\$ 11,232,349	\$ 12,349,277	\$ 28,172,125	\$ 9,014,556	\$ 15,921,163	\$ 76,689,470
Revenue from inter-segment revenue	6,610,102	1,058,170	544,591	1,600,090	3,020,720	12,833,673
Total segment revenue	\$ 17,842,451	\$ 13,407,447	\$ 28,716,716	\$ 10,614,646	\$ 18,941,883	\$ 89,523,143
Segment income	\$ 2,163,446	(\$ 105,991)	\$ 2,367,635	(\$ 130,325)	\$ 1,994,327	\$ 6,289,092

Nine-month period ended September 30, 2017

	CHENG SHIN RUBBER IND. 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	\$ 10,991,711	\$ 13,198,103	\$ 26,958,993	\$ 10,523,303	\$ 17,023,597	\$ 78,698,707
Revenue from inter-segment revenue	7,030,152	1,332,373	522,695	1,201,627	3,089,208	13,176,055
Total segment revenue	\$ 18,021,863	\$ 14,530,476	\$ 27,481,688	\$ 11,727,930	\$ 20,112,805	\$ 91,874,762
Segment income	\$ 2,170,164	\$ 793,183	\$ 1,452,532	(\$ 209,198)	\$ 2,270,543	\$ 6,477,224

(4) Reconciliation for segment income (loss)

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

	Nine-month periods ended September 30,	
	2018	2017
Adjusted revenue from reportable segments	\$ 89,523,143	\$ 91,874,762
Adjusted revenue from other operating segments	7,214,915	7,007,649
Total operating segments	96,738,058	98,882,411
Elimination of inter-segment revenue	(13,298,020)	(13,692,671)
Total consolidated operating revenue	\$ 83,440,039	\$ 85,189,740

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

	<u>Nine-month periods ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Adjusted income from reportable segments before income tax	\$ 6,289,092	\$ 6,477,224
Adjusted (loss)income from other operating segments before income tax	(1,307,894)	221,399
Total operating segments	4,981,198	6,698,623
Income from elimination of inter-segment revenue	(29,105)	45,693
Income from continuing operations before income tax	<u>\$ 4,952,093</u>	<u>\$ 6,744,316</u>

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Nine-month period ended September 30, 2018

Table 1

Expressed in thousands of NT\$

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2018	Balance at September 30, 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	\$ 3,636,360	\$ 3,479,980	\$ 2,648,108	3.446%~4.75%	Note 4	\$ -	Operating capital	\$ -	None	\$ -	\$ 4,495,663	\$ 7,492,772	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,668,200	2,668,200	1,778,800	4.75%	Note 4	-	Operating capital	-	None	-	4,495,663	7,492,772	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	289,055	289,055	226,797	6.65%	Note 4	-	Operating capital	-	None	-	4,495,663	7,492,772	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	3,557,600	3,557,600	2,734,905	4.75%	Note 4	-	Operating capital	-	None	-	7,607,846	12,679,743	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	1,121,500	1,111,750	1,022,810	4.75%	Note 4	-	Operating capital	-	None	-	7,607,846	12,679,743	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	468,000	444,700	355,760	4.75%	Note 4	-	Operating capital	-	None	-	7,607,846	12,679,743	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,763,600	1,778,800	622,580	4.75%	Note 4	-	Operating capital	-	None	-	13,105,310	21,842,184	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,360	8,894	8,894	4.35%	Note 4	-	Operating capital	-	None	-	186,540	310,899	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) IND., LTD. and XIAMEN CHENG 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) IND., LTD. and XIAMEN CHENG SHIN ENTERPRISE CO., LTD.

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2018	Outstanding endorsement/ guarantee amount at September 30, 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
		Company name	Relationship with the endorser/ guarantor											
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub- subsidiary	\$ 39,079,617	\$ 5,226,300	\$ 4,496,950	\$ 3,732,139	\$ -	5.57	\$ 54,711,463	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub- subsidiary	39,079,617	305,750	-	-	-	-	54,711,463	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub- subsidiary	39,079,617	2,338,000	-	-	-	-	54,711,463	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	39,079,617	460,125	458,850	458,850	-	0.59	54,711,463	Y	N	Y	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	Subsidiary	39,079,617	7,836,205	7,809,932	7,034,483	-	9.99	54,711,463	Y	N	N	Note 2 , Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia.	Subsidiary	39,079,617	8,435,625	8,412,250	7,332,423	-	10.76	54,711,463	Y	N	N	Note 2 , Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,473,747	2,574,000	2,445,850	1,189,054	-	11.20	21,842,184	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.

\$ 54,711,463

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

\$ 15,631,847

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

\$ 39,079,617

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 and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at September 30, 2018.

CHENG SHIN RUBBER IND. CO., LTD.

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

September 30, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities		As of September 30, 2018				Footnote
				Number of shares/ units	Book value	Ownership (%)	Fair value	
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	21,009	-	21,009	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
Nine-month period ended September 30, 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 September 30, 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	\$ 1,415,288

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 September 30, 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
Nine-month period ended September 30, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 2,374,576)	(16.20)	Collect within 90 days after shipment of goods	Same	Same	\$ 527,958	17.70%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(933,909)	(6.37)	Collect within 90 days after shipment of goods	Same	Same	326,089	10.93%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(240,478)	(1.64)	Collect within 60 days after shipment of goods	Same	Same	65,038	2.18%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	(sales)	(115,133)	(0.79)	Collect within 60 days after shipment of goods	Same	Same	34,667	1.16%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Sub-subsidiary	(sales)	(120,454)	(0.82)	Collect within 60 days after shipment of goods	Same	Same	114,388	3.83%	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(2,786,743)	(19.01)	Collect within 30 days	Same	Same	310,893	1042%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(107,229)	(0.80)	Collect within 60 days after shipment of goods	Same	Same	8,366	0.45%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(558,449)	(4.17)	Collect within 60-90 days after shipment of goods	Same	Same	244,996	13.05%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER(ZHANGZHOU) IND CO., LTD	Same ultimate parent	(sales)	(175,009)	(1.31)	Collect within 60-90 days after shipment of goods	Same	Same	49,999	2.66%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(114,098)	(0.85)	Collect within 60-90 days after shipment of goods	Same	Same	12,877	0.69%	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(140,157)	(1.05)	Collect within 60-90 days after shipment of goods	Same	Same	44,872	2.39%	
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(1,329,652)	(43.87)	Collect within 60-90 days after shipment of goods	Same	Same	365,791	35.79%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(455,974)	(15.05)	Collect within 60-90 days after shipment of goods	Same	Same	129,062	12.63%	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(198,839)	(6.65)	Collect within 60-90 days after shipment of goods	Same	Same	46,565	4.56%	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(378,507)	(6.24)	Collect within 60-90 days after shipment of goods	Same	Same	130,881	65.59%	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(212,972)	(1.19)	Collect within 60-90 days after shipment of goods	Same	Same	76,811	1.86%	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Toyo Tire & Rubber Co., Ltd.	Associates	(sales)	(102,385)	(36.08)	Collect within 60-90 days after shipment of goods	Same	Same	8,944	12.99%	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(243,943)	(4.57)	Collect within 60-90 days after shipment of goods	Same	Same	51,035	7.86%	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(137,645)	(3.55)	Collect within 60-90 days after shipment of goods	Same	Same	15,612	3.23	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(985,597)	(9.29)	Collect within 60-90 days after shipment of goods	Same	Same	214,743	9.57%	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(470,015)	(4.43)	Collect within 60-90 days after shipment of goods	Same	Same	91,346	4.07%	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(114,065)	(1.07)	Collect within 60-90 days after shipment of goods	Same	Same	1,004	0.04%	Note 4

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

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

September 30, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 528,733	Note 4	-	-	\$ 290,533	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	326,304	Note 4	-	-	97,121	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Sub-subsidiary (Note 5)	142,518	Note 3	-	-	1,612	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	239,363	Note 3	-	-	27,791	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	105,911	Note 3	-	-	8,576	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	310,912	Note 4	-	-	310,912	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	244,996	2.11	-	-	52,255	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	367,779	Note 4	-	-	175,253	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent (Note 5)	129,062	3.91	-	-	67,579	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	130,881	4.34	-	-	60,595	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	214,743	4.49	-	-	101,871	-

Note 1: Subsequent collection is the amount collected as of November 2, 2018.

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

Note 3: The amount comprises accounts receivable, commission receivable, endorsements/guarantees receivable, patent royalties receivable, royalties receivable for trademark and other receivables and thus, the turnover rate is not calculated.

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Nine-month period September 30, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)		
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 2,374,576	Collect within 90 days after shipment of goods	2.85%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	527,958	Collect within 90 days after shipment of goods	0.31%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	933,909	Collect within 90 days after shipment of goods	1.12%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	326,089	Collect within 90 days after shipment of goods	0.19%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	240,478	Collect within 60 days after shipment of goods	0.29%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Sales	2,786,743	The term is 30 days after monthly billing.	3.34%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis(Taiwan) Trading Co., LTD.	1	Accounts receivable	310,893	The term is 30 days after monthly billing.	0.18%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	558,449	Collect within 60~90 days after shipment of goods	0.67%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	244,996	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	622,580	Pay interest quarterly	0.36%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,329,652	Collect within 60~90 days after shipment of goods	1.59%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	365,791	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	455,974	Collect within 60~90 days after shipment of goods	0.55%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,648,108	Pay interest quarterly	1.53%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,778,800	Pay interest quarterly	1.03%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD	3	Other receivables	226,797	Pay interest quarterly	0.13%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,022,810	Pay interest quarterly	0.59%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,734,905	Pay interest quarterly	1.58%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESTATE CO., LTD.	3	Other receivables	355,760	Pay interest quarterly	0.21%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	378,507	Collect within 60~90 days after shipment of goods	0.45%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER CANADA, INC.	3	Sales	212,972	Collect within 60~90 days after shipping of goods	0.26%
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	243,943	Collect within 60~90 days after shipment of goods	0.29%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	985,597	Collect within 60~90 days after shipment of goods	1.18%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Nine-month period September 30, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC. (CHINA)	3	Sales	470,015	Collect within 60~90 days after shipment of goods	0.56%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	214,743	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.

Information on investees

Nine-month period September 30, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2018 (Note 1)	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 39,829,038	\$ 911,543	\$ 915,882	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	23,975,261	2,116,702	2,123,922	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	10,030,254	414,630	368,147	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	2,645,991	275,764	275,768	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	653,877	77,980	77,980	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	146,383 (	5,930) (	2,965)	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	56,312 (	3,719) (	3,719)	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	16,631	-	-	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	719,521 (	894,793) (	894,793)	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	1,415,288 (	900,709) (	990,709)	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	304,864	154,659	154,659	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicles parts and accessories	30,235	30,235	9,990	100.00	28,801	874	874	Subsidiary Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	30,958,814	707,708	707,708	Sub-subsiidary Note 3
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	23,804,591	2,111,458	2,111,458	Sub-subsiidary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Nine-month period September 30, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2018			Net profit (loss) of the investee for the nine-month period ended September 30, 2018	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2018 (Note 1)	Footnote
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
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	10,521,844	414,718	414,718	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	7,902,468	(130,325)	(150,604)	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	2,616,258	544,966	518,762	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.
Information on investments in Mainland China
Nine-month period ended September 30, 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 nine- month period ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 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	\$ 5,341,875	2	\$ 910,834	\$ -	\$ -	\$ 910,834	\$ 373,771	100.00	\$ 375,782	\$ 21,842,184	\$ 17,768,971	(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	6,868,125	2	2,385,506	-	-	2,385,506	1,846,137	100.00	1,853,224	21,947,575	19,723,046	(Note 2 、 4 、 6 、 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	259,463	2	68,602	-	-	68,602	67,132	50.00	33,566	337,504	401,471	(Note 6 、 8)
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,052,500	2	-	-	-	-	741,626	100.00	750,537	5,236,264	1,097,525	(Note 2 、 4 、 6 、 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	22,180	2	-	-	-	-	1,923	100.00	1,923	23,319	-	(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	549,450	2	-	-	-	- (	203,771)	100.00 (	203,771)	1,357,706	757,407	(Note 6 、 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	3,968,250	2	-	-	-	-	673,596	100.00	673,604	12,691,338	3,663,962	(Note 2 、 3 、 6 、 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Nine-month period ended September 30, 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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine- month period ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan	September 30, 2018			September 30, 2018	September 30, 2018	September 30, 2018	
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	\$ 1,373,625	2	\$ -	\$ -	\$ -	\$ -	\$ 318,330	100.00	\$ 320,651	\$ 7,492,772	\$ 5,121,854	(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	610,500	2	-	-	-	-	(59,669)	100.00	(59,669)	321,760	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	155,260	2	-	-	-	-	(8,814)	95.00	(8,373)	126,753	-	(Note 6、7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	63,931	2	-	-	-	-	18,202	49.00	8,919	152,341	-	(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	4,214,200	2	-	-	-	-	301,283	100.00	301,283	5,206,927	508,017	(Note 5、6、7)

CHENG SHIN RUBBER IND. CO., LTD.

Information on investments in Mainland China

Nine-month period ended September 30, 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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine- month period ended September 30, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2018	Net income of investee as of September 30, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2018	Book value of investments in Mainland China as of September 30, 2018	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan							
XIAMEN ESATE CO., LTD.	Construction and trading of employees' housing	\$ 1,685,680	2	\$ -	\$ -	\$ -	\$ -	(\$ 30,268)	100.00	(\$ 30,268)	\$ 1,602,828	\$ -	(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 30.525: USD 1 and NTD 4.436: RMB 1 prevailing on September 30, 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.

Ceiling on investments in Mainland China

Nine-month period ended September 30, 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 September 30, 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.	\$	3,751,523	\$	20,540,273	\$	-

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