

**CHENG SHIN RUBBER IND. CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
SEPTEMBER 30, 2019 AND 2018**

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 19001690

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries as at September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated 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(6), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$29,096,450 thousand and NT\$26,933,007 thousand, constituting 17% and 16% of the consolidated total assets, and total liabilities of NT\$21,695,887 thousand and NT\$18,308,321 thousand, constituting 25% and 20% of the consolidated total liabilities as at September 30, 2019 and 2018, respectively, and total comprehensive loss of

NT\$549,662 thousand, NT\$525,554 thousand, NT\$723,683 thousand and NT\$1,031,022 thousand, constituting 32%, 41%, 35% and 60% of the consolidated total comprehensive income (loss) for the three-month and nine-month periods then ended, respectively.

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, 2019 and 2018, 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

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

November 11, 2019

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, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

Assets		Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 24,493,756	15	\$ 27,809,496	16	\$ 27,360,660	16
1110	Financial assets at fair value	6(2)						
	through profit or loss – current		2,100	-	3,243	-	-	-
1120	Current financial assets at fair	6(3)						
	value through other							
	comprehensive income		21,323	-	22,885	-	21,009	-
1150	Notes receivable, net	6(4)	2,935,216	2	2,673,543	1	2,527,244	2
1170	Accounts receivable, net	6(4)	10,334,274	6	9,861,931	6	10,422,592	6
1180	Accounts receivable – related	7						
	parties		44,883	-	47,976	-	117,950	-
130X	Inventories	6(5)	17,608,241	10	19,362,229	11	17,469,488	10
1410	Prepayments		1,696,913	1	1,474,843	1	1,827,092	1
1470	Other current assets	8	1,422,702	1	1,767,304	1	1,719,674	1
11XX	Current Assets		58,559,408	35	63,023,450	36	61,465,709	36
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		58,187	-	58,187	-	58,187	-
1550	Investments accounted for	6(6)						
	under equity method		153,814	-	152,614	-	163,014	-
1600	Property, plant and equipment	6(7)	99,018,243	60	103,254,578	59	102,813,155	60
1755	Right-of-use assets	6(8)	5,566,634	3	-	-	-	-
1760	Investment property – net	6(9)	558,715	-	584,244	-	587,832	-
1840	Deferred income tax assets	6(26)	1,734,436	1	1,526,629	1	1,592,656	1
1900	Other non-current assets	6(10)	947,639	1	6,163,066	4	5,950,494	3
15XX	Non-current assets		108,037,668	65	111,739,318	64	111,165,338	64
1XXX	Total assets		\$ 166,597,076	100	\$ 174,762,768	100	\$ 172,631,047	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2019		December 31, 2018		September 30, 2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11)	\$ 18,562,642	11	\$ 15,569,136	9	\$ 18,586,512	11
2130	Current contract liabilities	6(21)	2,471,481	2	747,071	-	806,610	-
2150	Notes payable		967,866	1	623,415	-	493,453	-
2170	Accounts payable		7,425,121	4	8,953,202	5	7,161,375	4
2200	Other payables	6(12)	5,459,466	3	6,200,869	4	6,156,527	4
2230	Current income tax liabilities	6(26)	631,647	-	775,306	-	1,156,547	1
2280	Current lease liabilities		135,047	-	-	-	-	-
2300	Other current liabilities	6(13)(14)(15) and 7	9,142,019	6	11,618,185	7	10,581,420	6
21XX	Current Liabilities		<u>44,795,289</u>	<u>27</u>	<u>44,487,184</u>	<u>25</u>	<u>44,942,444</u>	<u>26</u>
	Non-current liabilities							
2530	Corporate bonds payable	6(14)	14,500,000	9	17,000,000	10	17,000,000	10
2540	Long-term borrowings	6(15) and 7	24,126,175	14	28,965,884	16	27,682,358	16
2550	Provisions for liabilities - noncurrent		145,058	-	134,287	-	129,298	-
2570	Deferred income tax liabilities	6(26)	1,353,305	1	1,341,768	1	1,112,231	-
2580	Non-current lease liabilities		492,253	-	-	-	-	-
2600	Other non-current liabilities	6(16)	2,848,760	2	3,015,639	2	2,998,267	2
25XX	Non-current liabilities		<u>43,465,551</u>	<u>26</u>	<u>50,457,578</u>	<u>29</u>	<u>48,922,154</u>	<u>28</u>
2XXX	Total Liabilities		<u>88,260,840</u>	<u>53</u>	<u>94,944,762</u>	<u>54</u>	<u>93,864,598</u>	<u>54</u>
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Share capital - common stock		32,414,155	20	32,414,155	19	32,414,155	19
	Capital surplus	6(18)						
3200	Capital surplus		52,576	-	52,576	-	52,576	-
	Retained earnings	6(19)						
3310	Legal reserve		15,186,978	9	14,834,946	8	14,834,946	8
3320	Special reserve		5,200,298	3	4,430,061	3	4,430,061	2
3350	Unappropriated retained earnings		31,004,996	19	32,662,342	19	32,128,785	19
	Other equity interest	6(20)						
3400	Other equity interest		(6,090,484)	(4)	(5,200,298)	(3)	(5,701,290)	(3)
31XX	Equity attributable to owners of the parent		<u>77,768,519</u>	<u>47</u>	<u>79,193,782</u>	<u>46</u>	<u>78,159,233</u>	<u>45</u>
36XX	Non-controlling interest		<u>567,717</u>	<u>-</u>	<u>624,224</u>	<u>-</u>	<u>607,216</u>	<u>1</u>
3XXX	Total equity		<u>78,336,236</u>	<u>47</u>	<u>79,818,006</u>	<u>46</u>	<u>78,766,449</u>	<u>46</u>
	Significant contingent liabilities 9 and unrecognised contract commitments							
	Significant events after the balance sheet date							
3X2X	Total liabilities and equity		<u>\$ 166,597,076</u>	<u>100</u>	<u>\$ 174,762,768</u>	<u>100</u>	<u>\$ 172,631,047</u>	<u>100</u>

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(Reviewed, not audited)

	Items	Notes	Three-month periods ended September 30			Nine-month periods ended September 30		
			2019		2018	2019		2018
			AMOUNT	%	AMOUNT	AMOUNT	%	AMOUNT
4000	Sales revenue	6(21) and 7	\$ 27,631,531	100	\$ 27,543,701	\$ 82,887,311	100	\$ 83,440,038
5000	Operating costs	6(5)	(21,779,155)	(79)	(21,642,055)	(64,582,614)	(78)	(64,414,633)
5900	Net operating margin		5,852,376	21	5,901,646	18,304,697	22	19,025,405
	Operating expenses	7						
6100	Selling expenses		(2,244,742)	(8)	(2,028,152)	(6,171,391)	(7)	(6,040,792)
6200	General and administrative expenses		(888,709)	(3)	(875,968)	(2,725,921)	(3)	(2,575,499)
6300	Research and development expenses		(1,229,326)	(5)	(1,249,603)	(3,754,368)	(5)	(3,993,688)
6000	Total operating expenses		(4,362,777)	(16)	(4,153,723)	(12,651,680)	(15)	(12,609,979)
6900	Operating profit		1,489,599	5	1,747,923	5,653,017	7	6,415,426
	Non-operating income and expenses							
7010	Other income	6(22)	207,265	1	309,717	614,026	1	858,689
7020	Other gains and losses	6(23)	(386,153)	(1)	(617,394)	72,599	-	(981,006)
7050	Finance costs	6(24)	(432,510)	(2)	(477,362)	(1,309,098)	(2)	(1,338,051)
7060	Share of profit (loss) of associates and joint ventures accounted for under equity method	6(6)						
			249	-	(73)	3,700	-	(2,965)
7000	Total non-operating income and expenses		(611,149)	(2)	(785,112)	(618,773)	(1)	(1,463,333)
7900	Profit before income tax		878,450	3	962,811	5,034,244	6	4,952,093
7950	Income tax expense	6(26)	(580,296)	(2)	(519,856)	(1,968,312)	(2)	(1,898,599)
8200	Profit for the period		\$ 298,154	1	\$ 442,955	\$ 3,065,932	4	\$ 3,053,494

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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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(Reviewed, not audited)

	Items	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
			2019	2018	2019	2018
			AMOUNT	AMOUNT	AMOUNT	AMOUNT
			%	%	%	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	6(3)(20)	\$ 1,546	- (\$ 3,340)	- (\$ 1,562)	- (\$ 6,509)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	-	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss					
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	1,546	(3,340)	(1,562)	(19,384)
8370	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(20)	(2,485,112)	(9)(2,157,029)	(8)(1,202,739)	(1)(1,880,511)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(26)	-	37	-	4,800
8360	Components of other comprehensive income that will be reclassified to profit or loss					
8300	Other comprehensive loss for the period		492,509	2 420,401	2 222,156	- 512,527
8500	Total comprehensive income for the period		(1,992,603)	(7)(1,736,591)	(6)(980,583)	(1)(1,363,184)
	Profit, attributable to:					
8610	Owners of the parent		\$ 1,991,057	(7)(\$ 1,739,931)	(6)(\$ 982,145)	(1)(\$ 1,343,800)
8620	Non-controlling interest		(\$ 1,692,903)	(6)(\$ 1,296,976)	(5)(\$ 2,083,787)	(2)(\$ 1,709,694)
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		\$ 286,173	1 \$ 422,574	1 \$ 3,030,480	4 \$ 3,011,085
8720	Non-controlling interest		11,981	20,381	35,452	42,409
			\$ 298,154	1 \$ 442,955	1 \$ 3,065,932	4 \$ 3,053,494
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		(\$ 1,682,317)	(6)(\$ 1,262,372)	(5)(\$ 2,140,294)	3 \$ 1,788,489
8720	Non-controlling interest		(10,586)	(34,604)	(56,507)	(78,795)
			(\$ 1,692,903)	(6)(\$ 1,296,976)	(5)(\$ 2,083,787)	(2)(\$ 1,709,694)
9750	Earnings per share (in dollars)	6(27)				
	Basic earnings per share		\$ 0.09	\$ 0.13	\$ 0.93	\$ 0.93
9850	Diluted earnings per share	6(27)	\$ 0.09	\$ 0.13	\$ 0.93	\$ 0.93

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
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Rewritten, not audited)

	Equity attributable to owners of the parent										Non-controlling interest	Total equity	
	Capital surplus					Retained earnings							
	Notes	Share capital – common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			Total
Nine-month period ended September 30, 2018													
		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,280,767	\$ 3,307,822	\$ 36,580,033	(\$ 4,471,654)	\$ -	\$ 41,593	\$ 82,205,292	\$ 686,011	\$ 82,891,303
Effect of retrospective application and retrospective restatement		-	-	-	-	-	22,740	-	18,853	(41,593)	-	-	-
Balance after restatement on January 1, 2018		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292	686,011	82,891,303
Profit for the period		-	-	-	-	-	3,011,085	-	-	-	3,011,085	42,409	3,053,494
Other comprehensive income (loss) for the period	6(20)	-	-	-	-	-	25,893	(1,241,980)	(6,509)	-	(1,222,596)	(121,204)	(1,343,800)
Total comprehensive income (loss)		-	-	-	-	-	3,036,978	(1,241,980)	(6,509)	-	1,788,489	(78,795)	1,709,694
Appropriation and distribution of 2017 earnings:													
Legal reserve		-	-	-	554,179	-	(554,179)	-	-	-	-	-	-
Special reserve		-	-	-	-	1,122,239	(1,122,239)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)	-	(5,834,548)
Balance at September 30, 2018		32,414,155	9,772	42,804	14,834,946	4,430,061	32,128,785	(\$ 5,713,634)	12,344	\$ -	78,159,233	607,216	78,766,449
Nine-month period ended September 30, 2019													
Balance at January 1, 2019		32,414,155	9,772	42,804	14,834,946	4,430,061	32,662,342	(\$ 5,214,518)	14,220	\$ -	79,193,782	624,224	79,818,006
Profit for the period		-	-	-	-	-	3,030,480	-	-	-	3,030,480	35,452	3,065,932
Other comprehensive loss for the period		-	-	-	-	-	-	(888,624)	(1,562)	-	(890,186)	(91,959)	(982,145)
Total comprehensive income (loss)	6(20)	-	-	-	-	-	3,030,480	(888,624)	(1,562)	-	2,140,294	(56,507)	2,083,787
Appropriation and distribution of 2018 earnings:													
Legal reserve		-	-	-	352,032	-	(352,032)	-	-	-	-	-	-
Special reserve		-	-	-	-	770,237	(770,237)	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	-	-	(3,565,557)	-	-	-	(3,565,557)	-	(3,565,557)
Balance at September 30, 2019		32,414,155	9,772	42,804	15,186,978	5,200,298	31,004,996	(\$ 6,103,142)	12,658	\$ -	77,768,519	567,717	78,336,236

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, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine-month periods ended September 30	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,034,244	\$ 4,952,093
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(25)	9,306,935	8,983,002
Depreciation expense on right-of-use assets	6(8)(25)	187,854	-
Depreciation on investment property	6(9)(25)	18,185	18,413
Amortization expense	6(10)(25)	76,782	35,548
Rental expenses for land use right	6(10)	-	64,661
Reversal of expected credit loss	12(2)	(621)	(778)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(6)	(3,700)	2,965
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(23)	(5,360)	(436)
Loss on disposal of property, plant and equipment	6(7)(23)	38,311	45,674
Interest expense	6(7)(24)	1,309,098	1,338,051
Interest income	6(22)	(210,933)	(234,665)
Deferred government grants revenue		(103,706)	(104,110)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets mandatorily measured at fair value through profit or loss		-	41,698
Notes receivable, net	(	261,673)	(228,759)
Accounts receivable	(	471,760)	(569,363)
Accounts receivable - related parties		3,093	1,338
Inventories		1,753,988	1,714,852
Prepayments	(	144,171)	(129,477)
Other current assets		193,786	93,530
Other non-current assets		172,668	(98,050)
Changes in operating liabilities			
Contract liabilities - current		1,724,410	(56,336)
Notes payable		344,451	(328,707)
Accounts payable	(	1,528,081)	(1,349,655)
Other payables	(	157,829)	(399,731)
Other current liabilities		116,863	123,394
Accrued pension liabilities		5,607	(12,360)
Other non-current liabilities		23,319	(11,247)
Cash inflow generated from operations		17,421,760	13,891,545
Interest received		200,295	241,810
Dividends received		2,500	9,841
Interest paid	(	1,375,443)	(1,366,037)
Income tax paid	(	2,189,492)	(2,438,021)
Income tax refund received		206,898	-
Net cash flows from operating activities		14,266,518	10,339,138

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Nine-month periods ended September 30	
	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets at fair value through profit or loss		\$ 6,503	\$ -
Acquisition of property, plant and equipment	6(7)(28)	(6,228,300)	(9,832,913)
Payment for capitalized interests	6(7)(24)	(15,575)	(63,734)
Proceeds from disposal of property, plant and equipment		127,645	216,550
Acquisition of investment properties	6(9)	-	(1,225)
Acquisition of intangible assets	6(10)	(44,587)	(10,751)
Decrease in refundable deposits		34,838	91,118
Net cash flows used in investing activities		(6,119,476)	(9,600,955)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(11)(29)	17,138,764	21,236,576
Decrease in short-term loans	6(11)(29)	(14,131,150)	(21,133,090)
Proceeds from issuing bonds	6(14)(29)	-	5,000,000
Repayments of bonds	6(14)(29)	(4,800,000)	(1,900,000)
Proceeds from long-term loans	6(15)(29)	9,350,759	2,731,006
Repayments of long-term loans	6(15)(29)	(14,815,686)	(4,978,775)
Decrease in guarantee deposits received	6(29)	(5,765)	(1,953)
Principal repayments of lease	6(8)(29)	(91,641)	-
Decrease in other non-current liabilities	6(29)	-	(1,351)
Cash dividends paid	6(19)(29)	(3,565,557)	(5,834,548)
Net cash flows used in financing activities		(10,920,276)	(4,882,135)
Effect of exchange rate changes on cash and cash equivalents		(542,506)	586,149
Net decrease in cash and cash equivalents		(3,315,740)	(3,557,803)
Cash and cash equivalents at beginning of period	6(1)	27,809,496	30,918,463
Cash and cash equivalents at end of period	6(1)	\$ 24,493,756	\$ 27,360,660

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, 2019 AND 2018

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

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 AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 11, 2019.

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 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 cycle	January 1, 2019

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.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided

by lessors.

- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by \$5,376,225 thousand, increased 'lease liability' by \$339,938 thousand and decreased other non-current assets and prepayments by \$5,020,043 thousand and \$16,244 thousand, respectively, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$22,531 thousand was recognised in the third quarter of 2019.
 - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate range from 0.92% to 5.96%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	371,285
Less: Short-term leases	(	11,047)
Less: Low-value assets	(	3,735)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>356,503</u>
Incremental borrowing interest rate at the date of initial application		0.92%~5.96%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>339,938</u>

(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 2020 are as

follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	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, 2018. 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, 2018.

(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.
- (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.

(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, 2018.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	100	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Import and export of tires	100	100	100	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	100	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	100	Note 5

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	100	100	Note 5
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	100	Note 5
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Europe B.V.	Import and export of tires	100	100	-	Notes 4 and 6
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after-sales service centre	100	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	60	Note 3
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Research, development, testing and exhibition of tires and automobile accessory products and related products. and	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
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	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI)	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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2019	December 31, 2018	September 30, 2018	
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.	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 5

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

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

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

Note 4: In May 2018, the Group established a subsidiary, Maxxis Europe B.V, in the Netherlands, remitted out investment in the amount of EUR 500 thousand in October 2018, and acquired 100% equity interest. The subsidiary was included in the consolidated entity in 2018.

Note 5: The financial statements of the entity as of September 30, 2019 and 2018, were not reviewed by the independent accountants as the entity did not meet the definition of significant subsidiary.

Note 6: The financial statements of the entity as of September 30, 2019, 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) Leasing arrangements (lessee) - right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(5) Employee benefits

Pensions

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.

(6) Income taxes

- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(7) Revenue recognition

Property development and resale

- A. The Group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.
- B. The revenue is measured at an agreed upon amount under the contract. The consideration is due when legal title has been transferred.

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

There have been no significant changes as of September 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand and revolving funds	\$ 4,214	\$ 3,127	\$ 2,919
Checking deposit	1,477,854	1,546,296	1,385,848
Demand deposits	16,994,464	18,982,403	18,596,948
Time deposits	6,017,224	7,277,670	7,374,945
	<u>\$ 24,493,756</u>	<u>\$ 27,809,496</u>	<u>\$ 27,360,660</u>
Interest rate range			
Time deposits	<u>1.76%~4.10%</u>	<u>1.76%~4.20%</u>	<u>1.76%~4.00%</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'. Please refer to Note 8 for details.

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

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivative instruments	\$ 2,100	\$ 3,243	\$ -

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

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ -	\$ -
Derivative instruments	3,884	-
Total	\$ 3,884	\$ -

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ -	\$ 27
Derivative instruments	5,360	409
Total	\$ 5,360	\$ 436

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

	September 30, 2019	
Derivative instruments	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2019/9/12~
USD exchange to NTD	USD 12,000 thousand	2019/11/25
	December 31, 2018	
Derivative instruments	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts		2018/11/2~
USD exchange to NTD	USD 18,000 thousand	2019/2/12

The Group has no derivative instruments transaction on September 30, 2018.

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.

- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Equity instruments			
Listed stocks	\$ 8,665	\$ 8,665	\$ 8,665
Valuation adjustment	12,658	14,220	12,344
Total	<u>\$ 21,323</u>	<u>\$ 22,885</u>	<u>\$ 21,009</u>
Non-current items:			
Equity instruments			
Unlisted stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>	<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 \$79,510 thousand, \$81,072 thousand and \$79,196 thousand as at September 30, 2019, December 31, 2018 and September 30, 2018, respectively.
- B. Amounts recognized 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, 2019	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>\$ 1,546</u>	<u>(\$ 3,340)</u>
	Nine-month period ended September 30, 2019	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>(\$ 1,562)</u>	<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).

(4) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 2,944,493	\$ 2,682,820	\$ 2,536,521
Less: Loss allowance	(9,277)	(9,277)	(9,277)
	<u>\$ 2,935,216</u>	<u>\$ 2,673,543</u>	<u>\$ 2,527,244</u>
Accounts receivable	\$ 10,349,034	\$ 9,877,274	\$ 10,439,499
Less: Loss allowance	(14,760)	(15,343)	(16,907)
	<u>\$ 10,334,274</u>	<u>\$ 9,861,931</u>	<u>\$ 10,422,592</u>

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

	September 30, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Without past due	\$ 8,351,865	\$ 2,944,493	\$ 8,267,534	\$ 2,682,820
Up to 30 days	1,170,338	-	920,577	-
31 to 90 days	445,395	-	348,616	-
91 to 180 days	157,451	-	191,749	-
Over 180 days	223,985	-	148,798	-
	<u>\$ 10,349,034</u>	<u>\$ 2,944,493</u>	<u>\$ 9,877,274</u>	<u>\$ 2,682,820</u>
	September 30, 2018			
	Accounts receivable	Notes receivable		
Without past due	\$ 8,451,946	\$ 2,536,521		
Up to 30 days	1,232,756	-		
31 to 90 days	466,847	-		
91 to 180 days	118,218	-		
Over 180 days	169,732	-		
	<u>\$ 10,439,499</u>	<u>\$ 2,536,521</u>		

The above ageing analysis was based on past due date.

- B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$12,297,186 thousand.
- C. As at September 30, 2019, December 31, 2018 and September 30, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was \$2,944,493 thousand and \$10,349,034 thousand, \$2,682,820 thousand and \$9,877,274 thousand, \$2,536,521 thousand and \$10,439,499 thousand, respectively.

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

(5) Inventories

	September 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,219,786	\$ -	\$ 5,219,786
Work in progress	2,653,640	-	2,653,640
Finished goods	6,306,315	(89,462)	6,216,853
Land in progress	782,050	-	782,050
Construction in progress	2,020,855	-	2,020,855
Inventory in transit	715,057	-	715,057
	<u>\$ 17,697,703</u>	<u>(\$ 89,462)</u>	<u>\$ 17,608,241</u>

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 5,912,129	\$ -	\$ 5,912,129
Work in progress	2,742,468	-	2,742,468
Finished goods	6,674,590	(30,936)	6,643,654
Land in progress	803,983	-	803,983
Construction in progress	1,924,454	-	1,924,454
Inventory in transit	1,335,541	-	1,335,541
	<u>\$ 19,393,165</u>	<u>(\$ 30,936)</u>	<u>\$ 19,362,229</u>

	September 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 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>

The cost of inventories recognized as expense for the period:

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Cost of goods sold	\$ 21,810,962	\$ 21,681,467
Loss on inventory retirement	8,312	1,683
Loss (gain) on physical inventory	21 (	7)
Revenue from sale of scraps	(40,135) (	( 41,379)
(Gain on reversal of) loss on decline in market value	(5)	291
	<u>\$ 21,779,155</u>	<u>\$ 21,642,055</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Cost of goods sold	\$ 64,623,988	\$ 64,535,570
Loss on inventory retirement	18,393	5,173
(Gain) loss on physical inventory	(3,239)	706
Revenue from sale of scraps	(115,054) (	( 124,641)
Loss on (gain on reversal of) decline in market value	58,526 (	2,175)
	<u>\$ 64,582,614</u>	<u>\$ 64,414,633</u>

For the three-month period end September 30, 2019 and nine-month period ended September 30, 2018, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using equity method

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, the carrying amount of the Group's individually immaterial joint ventures amounted to \$153,814 thousand, \$152,614 thousand and \$163,014 thousand, respectively.

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Share of profit (loss) of associates and joint ventures accounted for using equity method	\$ 249	(\$ 73)
Other comprehensive income - net of tax	-	30
Total comprehensive income (loss)	<u>\$ 249</u>	<u>(\$ 43)</u>

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Share of profit (loss) of associates and joint ventures accounted for using equity method	\$ 3,700	(\$ 2,965)
Other comprehensive income - net of tax	-	3,840
Total comprehensive income	<u>\$ 3,700</u>	<u>\$ 875</u>

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

(7) Property, plant and equipment, net

Nine-month period ended September 30, 2019					
	Beginning of period	Additions	Disposals	Transfers	Exchange rate differences
Cost					End of period
Land	\$ 4,583,467	\$ -	\$ -	\$ -	\$ 37,432
Buildings and structures	49,684,022	368,900	-	452,051	(508,614)
Machinery	100,304,545	810,622	(292,888)	3,051,777	(411,997)
Testing equipment	3,729,686	48,918	(19,696)	114,098	(21,851)
Transportation equipment	1,369,500	65,464	(19,294)	38,950	(27,394)
Office equipment	954,368	67,881	(1,652)	31,444	(9,991)
Other facilities	31,361,160	1,685,452	(322,996)	882,442	(57,759)
Unfinished construction and equipment under acceptance	8,005,642	2,679,021	-	(4,620,147)	38,280
	<u>\$ 199,992,390</u>	<u>\$ 5,726,258</u>	<u>(\$ 656,526)</u>	<u>(\$ 49,385)</u>	<u>\$ 204,050,843</u>
Accumulated depreciation					
Buildings and structures	(\$ 17,052,347)	(\$ 1,627,106)	\$ -	\$ -	\$ 307,605
Machinery	(53,074,452)	(4,515,215)	175,880	(12,155)	(149,807)
Testing equipment	(2,670,049)	(223,142)	13,518	1,439	(28,352)
Transportation equipment	(998,805)	(85,333)	16,929	-	(21,561)
Office equipment	(596,140)	(103,506)	1,574	(3)	(7,256)
Other facilities	(22,331,442)	(2,752,633)	282,669	10,719	(6,996)
	<u>(\$ 96,723,235)</u>	<u>(\$ 9,306,935)</u>	<u>\$ 490,570</u>	<u>\$ -</u>	<u>\$ 521,577</u>
					<u>(\$ 105,018,023)</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>(\$ 14,577)</u>
	<u>\$ 103,254,578</u>				<u>\$ 99,018,243</u>

Nine-month period ended September 30, 2018

	Beginning of period	Additions	Disposals	Transfers	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 and structures	(\$ 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>

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, 2019	Nine-month period ended September 30, 2018
Amount capitalized	\$ 15,575	\$ 63,734
Range of the interest rates for capitalization	2.20%~6.48%	2.58%~5.52%

(8) Leasing arrangements—lessee

Effective 2019

A. The Group leases various assets including land, buildings, business vehicles, multifunction printers. Rental contracts are typically made for periods of 1 to 95 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets of land may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	September 30, 2019	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
	Book value	Depreciation expense	Depreciation expense
Land	\$ 5,004,399	\$ 27,250	\$ 89,322
Buildings and structures	411,598	24,330	52,500
Machinery	23,270	828	2,425
Transportation equipment	91,145	12,782	32,829
Office equipment	7,208	757	2,190
Other equipment	29,014	4,553	8,588
	<u>\$ 5,566,634</u>	<u>\$ 70,500</u>	<u>\$ 187,854</u>

C. For the three-month and the nine-month periods ended September 30, 2019, the additions to right-of-use assets amounted to \$321,396 thousand and \$374,361 thousand, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2019
Interest expense on lease liabilities	\$ 4,184	\$ 7,680
Expense on short-term lease contracts	8,650	22,531
Expense on leases of low-value assets	(104)	1,791
Expense on variable lease payments	36,989	159,469
	<u>\$ 49,719</u>	<u>\$ 191,471</u>

E. For the three-month and the nine-month periods ended September 30, 2019, the Group's total cash outflow for leases amounted to \$78,368 thousand and \$283,112 thousand, respectively.

F. Variable lease payments

(a) Some of the Group's lease contracts contain variable lease payment terms that are linked to

the stored amount of tires. For the aforementioned lease contracts, up to 42.04% of lease payments are on the basis of variable payment terms and are accrued based on the stored amount of tires. Variable payment terms are used for a variety of reasons. Various lease payments that depend on the stored amount of tires are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

- (b) A 1% increase in the stored amount of tires with such variable lease contracts would increase total lease payments by approximately \$1,595 thousand.

(9) Investment property, net

Nine-month period ended September 30, 2019					
	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	471,597	-	-	(12,108)	459,489
	<u>\$ 807,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 12,108)</u>	<u>\$ 795,828</u>
Accumulated depreciation					
Buildings and structures	(\$ 172,654)	(\$ 18,185)	\$ -	\$ 4,764	(\$ 186,075)
Accumulated impairment					
Land	(\$ 51,038)	\$ -	\$ -	\$ -	(\$ 51,038)
	<u>\$ 584,244</u>				<u>\$ 558,715</u>
Nine-month period ended September 30, 2018					
	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	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>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Rental income from investment property	\$ 7,603	\$ 7,540
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 5,958	\$ 6,037
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Rental income from investment property	\$ 22,822	\$ 22,951
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 18,185	\$ 18,413

- B. The fair value of the investment property held by the Group as at September 30, 2019, December 31, 2018 and September 30, 2018 was \$912,286 thousand, \$922,735 thousand and \$909,771 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.

(10) Other non-current assets

	September 30, 2019	December 31, 2018	September 30, 2018
Land-use right	\$ -	\$ 5,020,043	\$ 4,953,173
Intangible assets	256,787	237,050	101,877
Others	690,852	905,973	895,444
	\$ 947,639	\$ 6,163,066	\$ 5,950,494

- A. 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 and \$64,661 thousand for the three-month and the nine-month periods ended September 30, 2018, respectively.

B. Movements in intangible assets :

Nine-month period ended September 30, 2019						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at September 30
Cost						
Computer software	\$ 420,716	\$ 44,587	\$ -	\$ 52,873	(\$ 3,966)	\$ 514,210
Others	-	-	-	8,150	(307)	7,843
	<u>\$ 420,716</u>	<u>\$ 44,587</u>	<u>\$ -</u>	<u>\$ 61,023</u>	<u>(\$ 4,273)</u>	<u>\$ 522,053</u>
Accumulated amortisation						
Computer software	(183,666)	(76,171)	\$ -	(2,394)	(878)	(263,109)
Others	-	(611)	-	(1,630)	84	(2,157)
	<u>(\$ 183,666)</u>	<u>(\$ 76,782)</u>	<u>\$ -</u>	<u>(\$ 4,024)</u>	<u>(\$ 794)</u>	<u>(\$ 265,266)</u>
	<u>\$ 237,050</u>					<u>\$ 256,787</u>
Nine-month period ended September 30, 2018						
	Opening net book amount as at January 1	Additions	Reductions	Transfer	Exchange rate differences	Closing net book amount as at September 30
Cost						
Computer software	\$ 222,540	\$ 10,751	(\$ 120)	\$ 17,525	\$ 939	\$ 251,635
Accumulated amortisation						
Computer software	(\$ 112,307)	(\$ 35,548)	\$ 120	\$ -	(\$ 2,023)	(\$ 149,758)
	<u>\$ 110,233</u>					<u>\$ 101,877</u>

(a) Details of amortisation on intangible assets are as follows:

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Operating costs	\$ 2,725	\$ 877
Selling expenses	1,917	-
General and administrative expenses	18,504	11,659
Research and development expenses	4,001	-
	<u>\$ 27,147</u>	<u>\$ 12,536</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Operating costs	\$ 7,698	\$ 2,633
Selling expenses	4,791	-
Administrative expenses	54,471	32,915
Research and development expenses	9,822	-
	<u>\$ 76,782</u>	<u>\$ 35,548</u>

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 18,562,642	0.55%~7.95%	None
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 15,569,136	0.70%~8.55%	None
<u>Type of borrowings</u>	<u>September 30, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 18,586,512	0.56%~4.70%	None

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

(12) Other payables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Dividend payable	\$ 658	\$ 657	\$ 657
Wages and salaries payable	1,431,737	1,425,712	1,254,410
Payable on machinery and equipment	1,213,319	1,730,936	1,788,268
Employee compensation payable	200,879	261,517	244,184
Compensation due to directors	60,657	82,178	80,435
Other accrued expenses	1,631,410	1,819,861	1,506,863
Others	920,806	880,008	1,281,710
	<u>\$ 5,459,466</u>	<u>\$ 6,200,869</u>	<u>\$ 6,156,527</u>

(13) Other current liabilities

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Long-term liabilities due within one year	\$ 8,767,128	\$ 11,360,157	\$ 10,286,674
Advance receipts	2,522	25	2,348
Refund liabilities	176,406	148,150	186,190
Others	195,963	109,853	106,208
	<u>\$ 9,142,019</u>	<u>\$ 11,618,185</u>	<u>\$ 10,581,420</u>

(14) Bonds payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Bonds payable			
-issued in 2014	\$ -	\$ 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	5,000,000	5,000,000	5,000,000
	17,000,000	21,800,000	21,800,000
Less: Current portion	(2,500,000)	(4,800,000)	(4,800,000)
	<u>\$ 14,500,000</u>	<u>\$ 17,000,000</u>	<u>\$ 17,000,000</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.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2019
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until October 2026.	0.97%~4.83%	None	\$ 30,175,803
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2022 at the maturity.	6.65%	None	217,500
				30,393,303
Less: Current portion				(6,267,128)
				<u>\$ 24,126,175</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Long-term bank borrowings				
Unsecured borrowings	Principal is repayable in installment until January, 2026.	0.97%~4.99%	None	\$ 35,302,441
Other borrowings				
Unsecured borrowings	Principal is repayable in November, 2022 at the maturity.	6.65%	None	223,600
				35,526,041
Less: Current portion				(6,560,157)
				<u>\$ 28,965,884</u>

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)
				\$ 27,682,358

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 as at June 30, 2019, December 31, 2018 and June 30, 2018.

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, 2019	December 31, 2018	September 30, 2018
USD	\$ 16,770,912	\$ 17,145,052	\$ 15,552,426
RMB	2,252,219	5,178,449	4,895,935
THB	1,341,345	1,851,953	1,897,000

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law Act, 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 Act. 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 \$6,364 thousand, \$7,538 thousand, \$19,092 thousand and \$22,616 thousand for the three-month and the nine-month periods ended September 30, 2019 and 2018, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to \$34,706 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, 2019 and 2018 were \$38,442 thousand, \$35,758 thousand, \$114,659 thousand and \$107,679 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, 2019, and 2018 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, 2019 and 2018, were \$84,404 thousand, \$93,661 thousand, \$258,627 thousand and \$291,831 thousand, respectively.
- (b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc., Maxxis Tech Center Europe B.V. and Maxxis Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees' salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month and the nine-month periods ended September 30, 2019 and 2018, were \$4,016 thousand \$3,239 thousand, \$11,459 thousand and \$9,822 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, 2019, December 31, 2018 and September 30, 2018, the net liabilities recognised in the balance sheets were \$43,816 thousand, \$37,461 thousand and \$42,050 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, 2019 and 2018, were \$5,412 thousand, \$4,494 thousand, \$15,514 thousand and \$13,301 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, 2019 and 2018, the pension expense accrued in accordance to the aforementioned regulation amounted to \$1,872 thousand, \$1,455 thousand, \$5,288 thousand and \$3,788 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, 2019 and 2018, the pension cost accrued in accordance to the aforementioned regulation amounted to \$4,004 thousand, \$1,314 thousand, \$8,446 thousand and \$5,111 thousand, respectively.

(17) Share capital

As of September 30, 2019, the Company's authorized capital and paid-in capital were both \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(18) Capital surplus

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

- B. Where the Company accrues annual net income, no less than 2% of which shall be appropriated as employees' compensation and no higher than 3% of which shall be appropriated as directors' and supervisors' remuneration after offsetting accumulated deficit. The employees' compensation can be appropriated in the form of share or cash whereas the directors' and supervisors' remuneration can only be appropriated in the form of cash. The appropriations require attendance of over two thirds of Board of Directors members and approval of over the half of attendees. The resolution of Board of Directors shall be reported at the shareholders' meeting. The recipients of aforementioned employees' compensation include eligible employees of subordinate companies who meet the requirements set out by the Board of Directors.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The Company recognised dividends distributed to shareholders amounting to \$5,834,548 thousand and \$9,724,246 thousand (\$1.8 (in dollars) and \$3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively. On June 14, 2019, the shareholders during their meeting resolved that total dividends for the distribution of earnings for the year of 2018 was \$3,565,557 thousand at \$1.1 (in dollars) per share.
- F. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

2019					
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Total
At January 1	(\$ 5,214,518)	\$ 14,220			(\$ 5,200,298)
Valuation adjustment – Group	-	(1,562)			(1,562)
Currency translation differences:					
– Group	(1,110,780)	-			(1,110,780)
– Tax on Group	222,156	-			222,156
At September 30	(\$ 6,103,142)	\$ 12,658			(\$ 6,090,484)

2018					
	Currency translation	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	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)

(21) Operating revenue

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Revenue from contracts with customers	\$ 27,631,531	\$ 27,543,701
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Revenue from contracts with customers	\$ 82,887,311	\$ 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:

Three-month period ended September 30, 2019					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,580,622	\$ 13,790,302	\$ 2,151,210	\$ 10,109,397	\$ 27,631,531
Inter-segment revenue	1,010,150	1,605,527	1,524,622	654,079	4,794,378
Total segment revenue	\$ 2,590,772	\$ 15,395,829	\$ 3,675,832	\$ 10,763,476	\$ 32,425,909
Three-month period ended September 30, 2018					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 1,614,726	\$ 14,553,788	\$ 2,010,788	\$ 9,364,399	\$ 27,543,701
Inter-segment revenue	1,012,535	1,659,801	1,179,744	657,281	4,509,361
Total segment revenue	\$ 2,627,261	\$ 16,213,589	\$ 3,190,532	\$ 10,021,680	\$ 32,053,062
Nine-month period ended September 30, 2019					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 4,872,237	\$ 43,041,017	\$ 6,473,374	\$ 28,500,683	\$ 82,887,311
Inter-segment revenue	3,101,150	4,834,519	4,391,684	1,864,693	14,192,046
Total segment revenue	\$ 7,973,387	\$ 47,875,536	\$ 10,865,058	\$ 30,365,376	\$ 97,079,357
Nine-month period ended September 30, 2018					
Sale of tires based on location					
	Taiwan	China	US	Others	Total
Revenue from external customer contracts	\$ 4,903,857	\$ 45,320,398	\$ 5,978,861	\$ 27,236,922	\$ 83,440,038
Inter-segment revenue	3,052,892	4,752,641	3,545,225	1,947,262	13,298,020
Total segment revenue	\$ 7,956,749	\$ 50,073,039	\$ 9,524,086	\$ 29,184,184	\$ 96,738,058

B. Contract liabilities

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:				
Advance sales receipts	\$ 2,430,547	\$ 694,413	\$ 769,735	\$ 811,514
Customer loyalty programmes	<u>40,934</u>	<u>52,658</u>	<u>36,875</u>	<u>51,432</u>
Total	<u>\$ 2,471,481</u>	<u>\$ 747,071</u>	<u>\$ 806,610</u>	<u>\$ 862,946</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three-month period ended September 30, 2019</u>	<u>Three-month period ended September 30, 2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period :		
Advance sales receipts	\$ 1,452	\$ 6,283
Customer loyalty programmes	<u>-</u>	<u>-</u>
	<u>\$ 1,452</u>	<u>\$ 6,283</u>

	<u>Nine-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period :		
Advance sales receipts	\$ 507,138	\$ 577,590
Customer loyalty programmes	<u>47,937</u>	<u>50,073</u>
	<u>\$ 555,075</u>	<u>\$ 627,663</u>

(22) Other income

	<u>Three-month period ended September 30, 2019</u>	<u>Three-month period ended September 30, 2018</u>
Interest income	\$ 68,149	\$ 64,348
Grant revenue	67,202	171,708
Other income	<u>71,914</u>	<u>73,661</u>
	<u>\$ 207,265</u>	<u>\$ 309,717</u>
	<u>Nine-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2018</u>
Interest income	\$ 210,933	\$ 234,665
Grant revenue	189,362	363,539
Other income	<u>213,731</u>	<u>260,485</u>
	<u>\$ 614,026</u>	<u>\$ 858,689</u>

(23) Other gains and losses

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Net currency exchange loss	(\$ 356,678)	(\$ 560,873)
Loss on disposal of property, plant and equipment	(11,826)	(4,001)
Net gain on financial assets and liabilities at fair value through profit or loss	3,884	-
Other expenses	(21,533)	(52,520)
	<u>(\$ 386,153)</u>	<u>(\$ 617,394)</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Net currency exchange gain (loss)	\$ 197,444	(\$ 718,673)
Loss on disposal of property, plant and equipment	(38,311)	(45,674)
Net gain on financial assets and liabilities at fair value through profit or loss	5,360	436
Other expenses	(91,894)	(217,095)
	<u>\$ 72,599</u>	<u>(\$ 981,006)</u>

(24) Finance costs

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Interest expense:		
Bank borrowings	\$ 387,914	\$ 441,218
Corporate bonds	41,215	56,116
Provisions-discount	2,868	2,798
Lease liability-interest expense	4,184	-
	<u>436,181</u>	<u>500,132</u>
Less: Capitalisation of qualifying assets	(3,671)	(22,770)
Finance costs	<u>\$ 432,510</u>	<u>\$ 477,362</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Interest expense:		
Bank borrowings	\$ 1,159,062	\$ 1,236,130
Corporate bonds	149,468	157,402
Provisions-discount	8,463	8,253
Lease liability-interest expense	7,680	-
	<u>1,324,673</u>	<u>1,401,785</u>
Add: Reversal of capitalisation of disqualifying assets	16,581	-
Less: Capitalisation of qualifying assets	(32,156)	(63,734)
Finance costs	<u>\$ 1,309,098</u>	<u>\$ 1,338,051</u>

(25) Expenses by nature

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Employee benefit expense		
Wages and salaries	\$ 3,117,967	\$ 2,948,561
Labour and health insurance fees	168,163	173,799
Pension costs	144,514	147,459
Directors' remuneration	10,371	13,537
Other personnel expenses	195,475	220,832
	<u>\$ 3,636,490</u>	<u>\$ 3,504,188</u>
Raw materials and supplies used	<u>\$ 14,009,174</u>	<u>\$ 13,836,065</u>
Depreciation expense on property, plant and equipment	<u>\$ 3,036,092</u>	<u>\$ 2,994,572</u>
Depreciation expense on right-of-use assets	<u>\$ 70,500</u>	<u>\$ -</u>
Depreciation expense on investment property	<u>\$ 5,958</u>	<u>\$ 6,037</u>
Amortisation expense on intangible assets	<u>\$ 27,147</u>	<u>\$ 12,536</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Employee benefit expense		
Wages and salaries	\$ 9,404,116	\$ 8,994,716
Labour and health insurance fees	538,629	529,460
Pension costs	433,085	454,148
Directors' remuneration	55,812	61,525
Other personnel expenses	610,568	684,610
	<u>\$ 11,042,210</u>	<u>\$ 10,724,459</u>
Raw materials and supplies used	<u>\$ 42,701,209</u>	<u>\$ 43,640,638</u>
Depreciation expense on property, plant and equipment	<u>\$ 9,306,935</u>	<u>\$ 8,983,002</u>
Depreciation expense on right-of-use assets	<u>\$ 187,854</u>	<u>\$ -</u>
Depreciation expense on investment property	<u>\$ 18,185</u>	<u>\$ 18,413</u>
Amortisation expense on intangible assets	<u>\$ 76,782</u>	<u>\$ 35,548</u>

Note: As of September 30, 2019 and 2018, the Company had 28,844 and 29,438 employees, respectively, of which 7 directors were not the Company's employees.

- 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, 2019 and 2018, employees' compensation was accrued at \$11,909 thousand, \$14,712 thousand, \$85,396 thousand and

\$84,607 thousand, respectively; while directors' and supervisors' remuneration was accrued at \$7,818 thousand, \$10,894 thousand, \$56,062 thousand and \$62,651 thousand, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 2% and 1.313% of distributable profit of current year for the nine-month period ended September 30, 2019.

For 2018, the employees' compensation of 2018, as resolved at the meeting of Board of Directors amounting to \$101,254 thousand, was in agreement with those amounts recognized in the 2018 financial statements. The Board of Directors during its meeting resolved to distribute 1.313% of retained earnings as directors' and supervisors' remuneration for 2018 while the amounts recognized in the financial statements based on 1.481% of retained earnings was \$74,978 thousand for directors' and supervisors' remuneration. The difference in the directors' and supervisors' remuneration for 2018 was \$8,505 thousand. The difference resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in the profit or loss for 2019. The employees' compensation for 2018 will be distributed in the form of cash. As of November 11, 2019, the employees' compensation for 2018 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Current tax:		
Current tax on profits for the period	\$ 1,076,200	\$ 1,263,488
Prior year income tax (over) underestimation	(14,700)	31,755
Total current tax	<u>1,061,500</u>	<u>1,295,243</u>
Deferred tax:		
Origination and reversal of temporary differences	(481,204)	(775,387)
Income tax expense	<u>\$ 580,296</u>	<u>\$ 519,856</u>

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Current tax:		
Current tax on profits for the period	\$ 2,019,285	\$ 2,106,758
Prior year income tax (over) underestimation	(76,859)	5,518
Total current tax	<u>1,942,426</u>	<u>2,112,276</u>
Deferred tax:		
Origination and reversal of temporary differences	25,886	(328,057)
Impact of change in tax rate	-	114,380
Total deferred tax	<u>25,886</u>	<u>(213,677)</u>
Income tax expense	<u>\$ 1,968,312</u>	<u>\$ 1,898,599</u>

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

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Generated during the period :		
Currency translation differences	<u>\$ 492,509</u>	<u>\$ 420,401</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Generated during the period :		
Currency translation differences	\$ 222,156	\$ 442,906
Impact of change in tax rate:		
Currency translation differences	-	69,621
Remeasurement of defined benefit obligations	-	25,893
Total impact of change in tax rate	<u>-</u>	<u>95,514</u>
Income tax from other comprehensive income	<u>\$ 222,156</u>	<u>\$ 538,420</u>

- B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.
- 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.

(27) Earnings per share

<u>Three-month period ended September 30, 2019</u>		
<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 286,173	3,241,416
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	286,173	3,241,416
Assumed conversion of all dilutive potential ordinary shares		
Employees' compensation	-	261
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 286,173	3,241,677
<u>Three-month period ended September 30, 2018</u>		
<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 422,574	3,241,416
<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

Nine-month period ended September 30, 2019			
	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	\$ 3,030,480	3,241,416	\$ 0.93
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,030,480	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,594	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 3,030,480	3,244,010	\$ 0.93
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

(28) Supplemental cash flow information

Investing activities with partial cash payments :

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Purchase of property, plant and equipment	\$ 5,726,258	\$ 9,471,134
Add: Opening balance of payable on equipment	1,730,936	2,213,781
Less: Ending balance of payable on equipment	(1,213,319)	(1,788,268)
Cash paid during the period	\$ 6,243,875	\$ 9,896,647

(29) Changes in liabilities from financing activities

	2019						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	\$ 15,569,136	\$ 35,526,041	\$ 21,800,000	\$ 657	\$ 339,938	\$ 255,209	\$ 73,490,981
Changes in cash flow from financing activities	3,007,614	(5,464,927)	(4,800,000)	(3,565,557)	(99,321)	(5,765)	(10,927,956)
Additions	-	-	-	3,565,557	371,705	-	3,937,262
Interest expense	-	-	-	-	7,680	-	7,680
Impact of changes in foreign exchange rate	(14,108)	332,189	-	1	7,298	-	325,380
At September 30	\$ 18,562,642	\$ 30,393,303	\$ 17,000,000	\$ 658	\$ 627,300	\$ 249,444	\$ 66,833,347
	2018						
	Short-term borrowings	Long-term borrowings	Bonds payable	Dividends payable	Guarantee deposits received	Other non- current liabilities	Liabilities from financing activities-gross
At January 1	\$ 18,508,493	\$ 35,661,478	\$ 18,700,000	\$ 657	\$ 251,611	\$ 43,044	\$ 73,165,283
Changes in cash flow from financing activities	103,486	(2,247,769)	3,100,000	(5,834,548)	(1,953)	(1,351)	(4,882,135)
Additions	-	-	-	5,834,548	-	-	5,834,548
Impact of changes in foreign exchange rate	(25,467)	(244,677)	-	-	-	(953)	(271,097)
At September 30	\$ 18,586,512	\$ 33,169,032	\$ 21,800,000	\$ 657	\$ 249,658	\$ 40,740	\$ 73,846,599

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
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 (Note)
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

Note: The company was the Company's investee accounted for using equity method before October 2, 2018, and after the disposal of its equity interest, it was no longer a related party of the Company starting from October 2, 2018.

(2) Significant related party transactions

A. Operating revenue

	<u>Three-month period ended September 30, 2019</u>	<u>Three-month period ended September 30, 2018</u>
Sales of goods:		
-Associates	\$ -	\$ 54,528
-Other related parties	<u>74,243</u>	<u>89,881</u>
	<u>\$ 74,243</u>	<u>\$ 144,409</u>
	<u>Nine-month period ended September 30, 2019</u>	<u>Nine-month period ended September 30, 2018</u>
Sales of goods:		
-Associates	\$ -	\$ 167,283
-Other related parties	<u>210,837</u>	<u>262,054</u>
	<u>\$ 210,837</u>	<u>\$ 429,337</u>

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

B. Receivables from related parties

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Accounts receivable:			
-Associates	\$ -	\$ -	\$ 55,854
-Other related parties	<u>44,883</u>	<u>47,976</u>	<u>62,096</u>
	<u>\$ 44,883</u>	<u>\$ 47,976</u>	<u>\$ 117,950</u>

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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Payables due to related parties :			
-Other related parties	<u>\$ 217,500</u>	<u>\$ 223,600</u>	<u>\$ 219,582</u>

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

(3) Key management compensation

	Three-month period ended September 30, 2019	Three-month period ended September 30, 2018
Short-term employee benefits	\$ 50,878	\$ 51,647
Post-employment benefits	641	764
	<u>\$ 51,519</u>	<u>\$ 52,411</u>
	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Short-term employee benefits	\$ 179,594	\$ 183,638
Post-employment benefits	1,921	2,292
	<u>\$ 181,515</u>	<u>\$ 185,930</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2019	December 31, 2018	September 30, 2018	
Time deposits (Other current assets)	\$ -	\$ 15,395	\$ 15,480	Maintenance bond and product liability insurance

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	<u>\$ 2,696,308</u>	<u>\$ 4,777,836</u>	<u>\$ 5,512,614</u>

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

	2019	December 31, 2018	September 30, 2018
Amount of letter of credit that has been issued but not yet used	<u>\$ 24,781</u>	<u>\$ 168,162</u>	<u>\$ 135,092</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, 2019, the Group's strategy was unchanged from 2018. The gearing ratios at September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Total liabilities	\$ 88,260,840	\$ 94,944,762	\$ 93,864,598
Total equity	\$ 78,336,236	\$ 79,818,006	\$ 78,766,449
Less : Intangible assets	(256,787)	(237,050)	(101,877)
Tangible equity	\$ 78,079,449	\$ 79,580,956	\$ 78,664,572
Debt-equity ratio	113%	119%	119%

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss - current	\$ 2,100	\$ 3,243	\$ -
Financial assets at fair value through other comprehensive income - current	21,323	22,885	21,009
Financial assets at fair value through other comprehensive income - non-current	58,187	58,187	58,187
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	24,493,756	27,809,496	27,360,660
Notes receivable, net	2,935,216	2,673,543	2,527,244
Accounts receivable (including related parties)	10,379,157	9,909,907	10,540,542
Guarantee deposits paid	51,330	86,168	84,870
Other financial assets	322,831	512,470	507,295
	<u>\$ 38,263,900</u>	<u>\$ 41,075,899</u>	<u>\$ 41,099,807</u>

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 18,562,642	\$ 15,569,136	\$ 18,586,512
Notes payable	967,866	623,415	493,453
Accounts payable	7,425,121	8,953,202	7,161,375
Other accounts payable	5,459,466	6,200,869	6,156,527
Corporate bonds payable			
(including current portion)	17,000,000	21,800,000	21,800,000
Long-term borrowings			
(including current portion)	30,393,303	35,526,041	33,169,032
Guarantee deposits received	249,444	255,209	249,658
	<u>\$ 80,057,842</u>	<u>\$ 88,927,872</u>	<u>\$ 87,616,557</u>
Lease liabilities			
(including current portion)	<u>\$ 627,300</u>	<u>\$ -</u>	<u>\$ -</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, 2019

	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)						
Financial assets						
Monetary items						
USD : TWD	\$ 147,020	31.040	\$ 4,563,501	1%	\$ 45,635	\$ -
RMB : TWD	743,902	4.350	3,235,974	1%	32,360	-
EUR : TWD	30,228	33.950	1,026,241	1%	10,262	-
JPY : TWD	1,257,213	0.288	362,077	1%	3,621	-
GBP : TWD	7,414	38.200	283,215	1%	2,832	-
USD : RMB	77,675	7.136	2,411,156	1%	24,112	-
EUR : RMB	24,817	7.805	842,581	1%	8,426	-
GBP : RMB	5,719	8.782	218,476	1%	2,185	-
RUB : RMB	563,054	0.110	269,421	1%	2,694	-
USD : THB	59,582	30.416	1,850,303	1%	18,503	-
EUR : THB	17,996	33.268	611,263	1%	6,113	-
USD : VND	27,800	25,442.623	862,912	1%	8,629	-
USD : CAD	18,566	1.324	576,138	1%	5,761	-
USD : IDR	29,062	13,919.283	902,085	1%	9,021	-

Sensitivity analysis

**(Foreign currency:
functional currency)**

Financial liabilities

Monetary items

USD : TWD
USD : RMB
EUR : RMB
USD : THB
USD : VND
USD : CAD
USD : IDR
USD : INR

December 31, 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)						
Financial assets						
Monetary items						
USD : TWD	\$ 142,027	30.715	\$ 4,362,359	1%	\$ 43,624	\$ -
RMB : TWD	945,920	4.472	4,230,154	1%	42,302	-
EUR : TWD	42,003	35.200	1,478,506	1%	14,785	-
JPY : TWD	2,003,286	0.278	556,914	1%	5,569	-
GBP : TWD	8,063	38.880	313,489	1%	3,135	-
USD : RMB	71,565	6.868	2,198,026	1%	21,980	-
EUR : RMB	13,003	7.871	457,694	1%	4,577	-
GBP : RMB	5,331	8.694	207,267	1%	2,073	-
RUB : RMB	342,710	0.099	151,727	1%	1,517	-
USD : THB	82,571	32.223	2,535,633	1%	25,356	-
EUR : THB	13,824	36.928	486,500	1%	4,865	-
USD : VND	20,824	25,595.833	639,609	1%	6,396	-
USD : CAD	22,292	1.362	684,899	1%	6,849	-
USD : IDR	24,514	14,420.188	752,948	1%	7,529	-

December 31, 2018

Foreign currency amount (thousands)	Exchange rate	Book value (TWD in thousands)	Degree of variation	Sensitivity analysis	
				Effect on profit or loss	Effect on other comprehensive income
\$					
22,548	30.715	\$ 692,562	1%	\$ 6,926	\$ -
109,549	6.868	3,364,655	1%	33,647	-
21,500	7.871	756,781	1%	7,568	-
84,747	32.223	2,602,455	1%	26,025	-
40,782	25,595.833	1,252,619	1%	12,526	-
14,538	1.362	446,665	1%	4,467	-
284,331	14,420.188	8,733,227	1%	87,332	-
229,800	69.934	7,058,310	1%	70,583	-

(Foreign currency:
functional currency)

Financial liabilities

Monetary items

USD : TWD
 USD : RMB
 EUR : RMB
 USD : THB
 USD : VND
 USD : CAD
 USD : IDR
 USD : INR

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)						
Financial assets						
Monetary items						
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 amount (thousands)	Exchange rate	Book value (TWD in thousands)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
\$	19,871	30.525	\$ 606,562	1%	\$ 6,066	\$ -
USD : TWD	124,802	6.881	3,809,471	1%	38,095	-
USD : RMB	24,013	7.998	851,960	1%	8,520	-
EUR : RMB	84,747	32.182	2,588,234	1%	25,882	-
USD : THB	47,720	25,868.644	1,456,653	1%	14,567	-
USD : VND	13,738	1.302	419,233	1%	4,192	-
USD : CAD	239,700	14,675.481	7,316,843	1%	73,168	-
USD : IDR	229,800	72.506	7,014,651	1%	70,147	-
USD : INR						

(Foreign currency:
functional currency)

Financial liabilities

Monetary items

USD : TWD

USD : RMB

EUR : RMB

USD : THB

USD : VND

USD : CAD

USD : IDR

USD : INR

- 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, 2019 and 2018 amounted to (\$356,678) thousand, (\$560,873) thousand, \$197,444 thousand and (\$718,673) 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 and financial assets at fair value through other comprehensive income. 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 for the nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by \$795 thousand and \$792 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018 would have been \$37,020 thousand and \$40,027 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, 2019, December 31, 2018 and September 30, 2018 the provision matrix is as follows:

<u>September 30, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,351,865	\$ -
Up to 30 days	0.04%	1,170,338	445
31 to 90 days	0.71%	445,395	3,162
91 to 180 days	1.45%	157,451	2,283
Over 180 days	3.96%	223,985	8,870
		<u>\$ 10,349,034</u>	<u>\$ 14,760</u>

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Without past due	0.00%	\$ 8,267,534	\$ -
Up to 30 days	0.28%	920,577	2,578
31 to 90 days	0.91%	348,616	3,172
91 to 180 days	1.64%	191,749	3,145
Over 180 days	4.33%	148,798	6,448
		<u>\$ 9,877,274</u>	<u>\$ 15,343</u>

<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 180days	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:

	2019
At January 1	\$ 15,343
Reversal of impairment loss	(621)
Effect of exchange rate changes	38
At September 30	<u>\$ 14,760</u>
	2018
At January 1_IAS 39	\$ 17,551
Adjustment for retrospective application of IFRS 9	-
Reversal of impairment loss	(778)
Effect of exchange rate changes	134
At September 30	<u>\$ 16,907</u>

(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, 2019

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	\$ 11,242,949	\$ 5,038,118	\$ 2,522,939	\$ -	\$ 18,804,006
Notes and accounts payable	8,345,310	-	36,067	11,610	8,392,987
Other payables	5,156,678	107,057	83,196	112,535	5,459,466
Lease liability	26,569	77,049	31,429	492,253	627,300
Guarantee deposits received	3,287	-	-	246,157	249,444
Long-term borrowings	839,573	1,741,359	4,362,223	24,989,337	31,932,492
Bonds payable	-	-	2,651,100	14,734,650	17,385,750

December 31, 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	\$ 8,949,987	\$ 5,236,152	\$ 1,648,780	\$ -	\$ 15,834,919
Notes and accounts payable	9,576,572	-	-	45	9,576,617
Other payables	5,915,700	-	170,276	114,893	6,200,869
Guarantee deposits received	1,337	-	-	253,872	255,209
Long-term borrowings	2,278,532	627,249	4,571,051	30,073,164	37,549,996
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

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	\$ 10,979,052	\$ 3,785,009	\$ 4,160,631	\$ -	\$ 18,924,692
Notes and accounts payable	7,654,783	-	-	45	7,654,828
Other payables	5,772,911	182,807	113,689	87,120	6,156,527
Guarantee deposits received	88	-	-	249,570	249,658
Long-term borrowings	659,689	2,352,811	3,919,755	28,898,450	35,830,705
Bonds payable	-	-	5,018,300	17,385,750	22,404,050

(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(9).

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, long-term borrowings (including current portion) and guarantee deposits received are approximate to their fair values.

September 30, 2019				
	<u>Carrying amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial liabilities:				
Bonds payable	\$ 17,000,000	\$ -	\$ 17,015,443	\$ -

December 31, 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	\$ 21,800,000	\$ -	\$ 21,876,771	\$ -

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	\$ 21,800,000	\$ -	\$ 21,827,789	\$ -

- (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, 2019				
	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	\$ -	\$ 2,100	\$ -	\$ 2,100
Financial assets at fair value through other comprehensive income				
- Equity securities	21,323	-	58,187	79,510
Total	<u>\$ 21,323</u>	<u>\$ 2,100</u>	<u>\$ 58,187</u>	<u>\$ 81,610</u>

December 31, 2018				
	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	\$ -	\$ 3,243	\$ -	\$ 3,243
Financial assets at fair value through other comprehensive income				
- Equity securities	22,885	-	58,187	81,072
Total	<u>\$ 22,885</u>	<u>\$ 3,243</u>	<u>\$ 58,187</u>	<u>\$ 84,315</u>

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

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

- 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.
- 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-month periods ended September 30, 2019 and 2018, 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, 2019 and 2018.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

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

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6 (2), 6(23) and 12(2), 12(3).

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: please refer to table 8.

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

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

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the nine-month period ended September 30, 2019: please refer to tables 4, 5 and 6.

14. SEGMENT INFORMATION

(4) 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.

(5) 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.

(6) 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, 2019 and 2018 is as follows:

Nine-month period ended September 30, 2019						
	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	\$ 10,767,720	\$ 12,266,502	\$ 26,214,809	\$ 9,145,303	\$ 15,790,170	\$ 74,184,504
Revenue from inter -segment revenue	<u>7,271,525</u>	<u>1,130,351</u>	<u>632,701</u>	<u>1,227,146</u>	<u>3,447,800</u>	<u>13,709,523</u>
Total segment revenue	<u>\$ 18,039,245</u>	<u>\$ 13,396,853</u>	<u>\$ 26,847,510</u>	<u>\$ 10,372,449</u>	<u>\$ 19,237,970</u>	<u>\$ 87,894,027</u>
Segment income (loss)	<u>\$ 1,402,605</u>	<u>\$ 195,355</u>	<u>\$ 2,448,381</u>	<u>(\$ 142,387)</u>	<u>\$ 2,406,189</u>	<u>\$ 6,310,143</u>

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	<u>\$ 17,842,451</u>	<u>\$ 13,407,447</u>	<u>\$ 28,716,716</u>	<u>\$ 10,614,646</u>	<u>\$ 18,941,883</u>	<u>\$ 89,523,143</u>
Segment income (loss)	<u>\$ 2,163,446</u>	<u>(\$ 105,991)</u>	<u>\$ 2,367,635</u>	<u>(\$ 130,325)</u>	<u>\$ 1,994,327</u>	<u>\$ 6,289,092</u>

(7) 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 period ended September 30, 2019	Nine-month period ended September 30, 2018
Adjusted revenue from reportable segments	\$ 87,894,027	\$ 89,523,143
Adjusted revenue from other operating segments	9,185,330	7,214,915
Total operating segments	97,079,357	96,738,058
Elimination of inter-segment revenue	(14,192,046)	(13,298,020)
Total consolidated operating revenue	<u>\$ 82,887,311</u>	<u>\$ 83,440,038</u>

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

	Nine-month period ended September 30, 2019	Nine-month period ended September 30, 2018
Adjusted income from reportable segments before income tax	\$ 6,310,143	\$ 6,289,092
Adjusted loss from other operating segments before income tax	(1,320,691)	(1,307,894)
Total operating segments	4,989,452	4,981,198
Income (loss) from elimination of inter-segment revenue	44,792	(29,105)
Income from continuing operations before income tax	<u>\$ 5,034,244</u>	<u>\$ 4,952,093</u>

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Nine-month period ended September 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019 (Note 5)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing accounts	Collateral	Limit on loans granted to a single party (Note 2)	Calling on total loans granted (Note 3)	Footnote
					\$	\$	\$		Note 4	\$		Item	Value	\$	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	2,287,000	1,305,000	1,239,750	4.75%	Note 4	-	Operating capital	- None	4,551,361	7,585,602	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	3,667,200	3,480,000	2,784,000	4.75%	Note 4	-	Operating capital	- None	4,551,361	7,585,602	Note 6
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD.	Other receivables	Yes	916,800	870,000	317,550	6.65%	Note 4	-	Operating capital	- None	4,551,361	7,585,602	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	4,806,900	3,697,500	2,194,750	4.75%	Note 4	-	Operating capital	- None	7,569,707	12,616,178	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	1,146,000	1,087,500	609,000	4.75%	Note 4	-	Operating capital	- None	7,569,707	12,616,178	Note 6
2	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	XIAMEN ESATE CO., LTD.	Other receivables	Yes	457,400	-	-	4.75%	Note 4	-	Operating capital	- None	7,569,707	12,616,178	Note 6
3	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	807,040	807,040	388,000	3.113%-4.59%	Note 4	-	Operating capital	- None	13,275,209	22,125,348	Note 6
4	CHENG SHIN LOGISTIC (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD	Other receivables	Yes	9,168	8,700	8,700	4.35%	Note 4	-	Operating capital	- None	160,579	267,631	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 above Companies' net assets

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 above Companies' net assets

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Provision of endorsements and guarantees to others
Nine-month period ended September 30, 2019

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, 2019	Outstanding endorsement/ guarantee amount at September 30, 2019	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	\$ 38,884,260	\$ 4,683,000	\$ 3,437,800	\$ 2,365,665	\$ -	4.42	\$ 54,437,963	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	38,884,260	474,000	-	-	-	-	54,437,963	Y	N	Y	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	Marcos Rubber India Private Limited	Subsidiary	38,884,260	9,181,375	9,010,612	7,808,832	-	11.59	54,437,963	Y	N	N	Note 2, Note 5
0	Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Subsidiary	38,884,260	10,238,400	10,056,960	9,389,600	-	12.93	54,437,963	Y	N	N	Note 2, Note 5
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESATE CO., LTD.	Note 3 (1)	17,700,278	2,521,200	1,957,500	974,450	-	8.85	22,125,348	N	N	Y	Note 4, Note 5

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

(1) The Company is "0".

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

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

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

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

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

(1) The endorser/guarantor parent company owns directly 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, 2019.

\$ 54,437,963

\$ 15,553,704

\$ 38,884,260

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, 2019

Table 3

		As of September 30, 2019		Expressed in thousands of NT\$ (Except as otherwise indicated)				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Ownership		Footnote		
				Number of shares/ units	Book value		(%)	Fair value
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current financial assets at fair value through other comprehensive income	-	\$ 21,323	-	\$ 21,323	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 within the scope of IFRS 9, 'Financial Instruments'.

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

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, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Differences in transaction terms compared to third party transactions (Note 1)										Notes/accounts receivable (payable)		
Transaction												
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Percentage of total purchases (sales) (%)		Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable) (%)	Footnote (Note 2)	
				Amount	(sales) (%)							
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	\$	3,137,577	(21.06)	Collect within 90 days after shipment of goods	Same	Same	\$ 726,704	24.10	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(	1,110,773)	(7.45)	Collect within 90 days after shipment of goods	Same	Same	342,921	11.37	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary	(sales)	(	2,772,638)	(18.61)	Collect within 30 days	Same	Same	289,200	9.59	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	TIANNIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(	127,512)	(0.95)	Collect within 60-90 days after shipment of goods	Same	Same	27,471	1.44	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	504,232)	(3.76)	Collect within 60-90 days after shipment of goods	Same	Same	217,826	11.45	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(	223,144)	(1.67)	Collect within 60-90 days after shipment of goods	Same	Same	34,447	1.81	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Rubber Ind. Co., Ltd.	Ultimate parent	(sales)	(	128,556)	(0.96)	Collect within 60 days after shipment of goods	Same	Same	18,878	0.99	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(	1,441,413)	(45.23)	Collect within 60-90 days after shipment of goods	Same	Same	389,264	29.31	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(	452,142)	(14.19)	Collect within 60-90 days after shipment of goods	Same	Same	112,094	8.44	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(	137,491)	(4.32)	Collect within 60-90 days after shipment of goods	Same	Same	45,081	3.39	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(	173,111)	(5.43)	Collect within 60-90 days after shipment of goods	Same	Same	37,161	2.80	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(	697,540)	(9.55)	Collect within 60-90 days after shipment of goods	Same	Same	214,714	53.63	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(	238,212)	(1.45)	Collect within 60-90 days after shipment of goods	Same	Same	111,180	2.90	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(	138,933)	(0.84)	Collect within 60-90 days after shipment of goods	Same	Same	-	-	Note 4
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	Same ultimate parent	(sales)	(	206,622)	(4.65)	Collect within 60-90 days after shipment of goods	Same	Same	-	-	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(	153,593)	(3.73)	Collect within 60-90 days after shipment of goods	Same	Same	15,630	2.93	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(	1,112,919)	(10.73)	Collect within 60-90 days after shipment of goods	Same	Same	266,069	12.30	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, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019	Overdue receivables			Allowance for doubtful accounts
				Amount	Action taken	Amount collected subsequent to the balance sheet date (Note 1)	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 727,492	-	-	\$ 394,076	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	343,530	-	-	121,982	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	167,484	-	-	15,059	-
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary (Note 5)	191,619	-	-	14,899	-
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	Subsidiary (Note 5)	289,326	-	-	289,326	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	217,826	-	-	60,553	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	392,382	-	-	194,073	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent (Note 5)	112,094	-	-	62,790	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	111,180	-	-	51,549	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	214,714	-	-	100,793	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent (Note 5)	266,069	-	-	129,461	-

Note 1: Subsequent collection is the amount collected as of November 4, 2019.

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 ended September 30, 2019

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Expressed in thousands of NTD (Except as otherwise indicated)
				General ledger account	Amount (Note 4)	Transaction terms	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 3,137,577	Collect within 90 days after shipment of goods	3.79%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	726,704	Collect within 90 days after shipment of goods	0.44%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,110,773	Collect within 90 days after shipment of goods	1.34%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	342,921	Collect within 90 days after shipment of goods	0.21%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Sales	2,772,638	The term is 30 days after monthly billing.	3.35%
0	Cheng Shin Rubber Ind. Co., Ltd.	Maxxis (Taiwan) Trading Co., LTD.	1	Accounts receivable	289,200	The term is 30 days after monthly billing.	0.17%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	504,232	Collect within 60-90 days after shipment of goods	0.61%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Accounts receivable	217,826	Collect within 60-90 days after shipment of goods	0.13%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	223,144	Collect within 60-90 days after shipment of goods	0.27%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	388,000	Pay interest quarterly	0.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	1,441,413	Collect within 60-90 days after shipment of goods	1.74%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	389,264	Collect within 60-90 days after shipment of goods	0.23%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	452,142	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	1,239,750	Pay interest quarterly	0.74%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	2,784,000	Pay interest quarterly	1.67%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL. AUTOMOBILE CULTURE CENTER CO., LTD.	3	Other receivables	317,550	Pay interest quarterly	0.19%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	609,000	Pay interest quarterly	0.37%
3	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,196,750	Pay interest quarterly	1.32%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	697,540	Collect within 60-90 days after shipment of goods	0.84%
4	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	214,714	Collect within 60-90 days after shipment of goods	0.13%
5	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	238,212	Collect within 60-90 days after shipment of goods	0.29%
6	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	KUNSHAN MAXXIS TIRE CO., LTD.	3	Sales	206,622	Collect within 60-90 days after shipment of goods	0.25%
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	1,112,919	Collect within 60-90 days after shipment of goods	1.34%

Table 6, page 1

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Nine-month period ended September 30, 2019

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Expressed in thousands of NTID (Except as otherwise indicated)
				General ledger account	Amount (Note 4)	Transaction terms
7	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Accounts receivable	266,069	Collect within 60-90 days after shipment of goods
						Percentage of consolidated total operating revenues or total assets (Note 3)
						0.16%

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 year 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 ended September 30, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019		Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income(loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 1)	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	\$					
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	\$	100.00	\$ 39,943,038	\$ 1,695,593	\$ 1,694,315	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	24,565,517	2,024,781	2,027,618	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	10,899,217	364,137	387,546	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	2,794,216	188,454	188,433	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	680,407	65,992	65,992	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	153,814	7,399	3,700	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Tech Center Europe B.V.	Netherlands	Technical centre	41,260	41,260	1,000,000		100.00	50,652	(12,546)	(12,546)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Indonesia	Production and sales of various types of tires	2,461,355	2,461,355	79,997,000		100.00	74,190	(576,067)	(568,701)	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	3,124,651	649,994,730		100.00	76,302	(1,025,027)	(1,025,027)	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	284,144	115,645	115,645	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS TRADING INDONESIA	Indonesia	Large-amount trading of vehicle parts and accessories	30,235	30,235	9,990		100.00	25,889	(3,260)	(3,260)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Europe B.V.	Netherlands	Import and export of tires	17,700	17,700	500,000		100.00	14,684	(2,499)	(2,499)	Subsidiary Note 3
MAXXIS International Co., Ltd	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983		100.00	31,313,072	1,477,172	1,477,172	Subsidiary Note 3

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CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019		Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 1)	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares						
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	24,388,161	2,020,593	2,020,593	2,020,593	Subsidiary Note 3
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Holding company	7,669,780	7,669,780	237,811,720	100.00	11,344,481	363,802	363,802	363,802	Subsidiary Note 3
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	8,145,858	(142,387)	(142,387)	(142,387)	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	3,195,443	506,148	506,148	530,353	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, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee as of September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 2)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote (Note 2 - 3 - 5 - 6 - 7)
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	\$ 5,432,000	2	\$ 910,834	\$ -	\$ 910,834	\$ 942,439	100.00	\$ 940,379	\$ 22,125,348	\$ 18,142,072	(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	6,984,000	2	2,385,506	-	2,385,506	1,853,093	100.00	1,861,663	22,599,033	21,095,922	(Note 2 - 4 - 6 - 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	263,840	2	68,602	-	68,602	50,233	50.00	25,116	322,913	443,026	(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	3,104,000	2	-	-	-	444,128	100.00	447,174	5,015,891	1,332,617	(Note 2 - 4 - 6 - 8)
KUNSHAN MAXXIS TIRE CO., LTD	Retail of accessories for rubber tires	21,750	2	-	-	-	9,652	100.00	9,652	37,040	-	(Note 6 - 8)
TIANJI TAFENG RUBBER IND CO., LTD.	Warehouse logistics and after- sales service centre	558,720	2	-	-	-	(143,576)	100.00	(143,576)	1,019,426	757,407	(Note 6 - 7)
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	4,035,200	2	-	-	-	598,785	100.00	598,420	12,627,773	4,014,294	(Note 2 - 3 - 6 - 7)

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CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remitance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019	Accumulated amount of remitance from Taiwan to Mainland China as of September 30, 2019	Net income of investee as of September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 2)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber and other rubber products C. Plastic machinery, molds and its accessory products	\$ 1,396,800	2	-	-	-	\$ 436,170	100.00	435,055	\$ 7,585,602	\$ 5,415,660	(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	620,800	2	-	-	-	(92,629)	100.00	(92,629)	187,132	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	152,250	2	-	-	-	(9,308)	95.00	(8,842)	115,540	-	(Note 6 - 7)
CHENG SHIN LOGISTIC (XIAMEN) CO., LTD.	International container transportation business	62,692	2	-	-	-	21,178	49.00	10,377	131,139	-	(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	4,132,500	2	-	-	-	763,642	100.00	763,995	5,657,583	567,703	(Note 2 - 5 - 6 - 7)

Information on investments in Mainland China
Nine-month period ended September 30, 2019

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	2	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019		Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as investee as of September 30, 2019		Ownership held by the Company (direct or indirect)		Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 2)		Book value of investments in Mainland China as of September 30, 2019		Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019		
					\$	- \$	- \$	- \$	- (\$	56,375)	100.00 (\$	56,375)	\$	1,508,356	\$	-			
XIAMEN ESATTE CO., LTD.	Construction and trading of employees' housing	\$ 1,633,000																	

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 investees 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) Inc., Ltd. directly and indirectly holds 60% and 40% of the share ownership in Cheng Shin Petrol Tire (Xiamen) Co. Ltd. respectively.

Note 4: The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (China) Co., Ltd. respectively. The Company and Cheng Shin Tire & Rubber (China) Co., Ltd. directly and indirectly holds 00% and 40% of the share ownership in Cheng Shin Petrol Ltd (Xiamen) Co., Ltd. respectively.

Note 5: Cheng Shin Rubber (Xiamen) Inc., Ltd. and MAXXIS International (HK) Ltd. directly and indirectly holds 75% and 25% of share ownership in Cheng Shin Rubber (Zhaozhou) Inc. Co., Ltd. respectively. Note 4: The Company and Cheng Shin Inc. & Rubber (China) Co., Ltd. directly and indirectly holds 30% and 70% of share ownership in Cheng Shin Tire & Rubber (Chongqing) Co., Ltd., respectively.

Note 6: Paid-in capital was converted at the exchange rate of NTD 31.04: USD 1 and NTD 4.35: RMB 1 prevailing on September 30, 2019.

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 P. O. C. (Note 6). Investment income was converted at the exchange rate of NTD 31.04: USD 1 and NTD 4.53: KMB 1 prevailing on September 30, 2019.

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, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019 (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.	\$	3,814,816	\$	20,886,816	\$	-

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019 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.