



CHENG SHIN RUBBER IND. CO., LTD.

Stock Code : 2105

Annual Report 2015



Published on April 30, 2016

Taiwan Stock Exchange Market Observation Post System :
<http://mops.twse.com.tw/>

The company's website: <http://www.cst.com.tw>

CHENG SHIN RUBBER IND. CO., LTD.

2015 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

2015 Annual Report is available at: <http://www.cst.com.tw>

Printed on 04 30, 2016

Spokesperson

Name: Wu, Hsuan-Miao

Title: Financial Vice President

Tel: 886-4-8525151-60

E-mail:hmwu@mail.cst.com.tw

Deputy Spokesperson

Name: Lo, yung -Li

Title: Financial Assistant Vice President

Tel: 886-4-8525151-60

E-mail:ylo@mail.cst.com.tw

Headquarters, Branches and Plant

COMPANY NAME	ADDRESS	TEL
Headquarters	No.215, Meigang Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8525151-60
Main Plant	No.215, Meigang Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8525151-60
2nd. Plant	No.199, Sec. 1, Zhongshan Rd., Dacun Township, Changhua County 51545, Taiwan (R.O.C.)	886-4-8520133
3rd. Plant	No.146, Sec. 2, Zhongshan Rd., Dacun Township, Changhua County 51542, Taiwan (R.O.C.)	886-4-8524146
Zhong Zhuang Plant	No.38, Sec. 1, Zhongshan Rd., Huatan Township, Changhua County 50343, Taiwan (R.O.C.)	886-4-7863779
Xizhou Plant	No.602, Sec. 2, Zhongshan Rd., Xizhou Township, Changhua County 52445, Taiwan (R.O.C.)	886-4-8893211-2
Douliu Plant	No.1, Kejia 2nd Rd., Douliu City, Yunlin County 64057, Taiwan (R.O.C.)	886-5-5529100
Taipei Office	No.50, Sec. 1, Xincheng S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	886-2-23937451-5

Stock Transfer Agent

Yuanta Securities Co., Ltd.

Address: B1, No210, Sec. 3, Chengde Rd., Taipei City 103, Taiwan

Tel: 886-2-25865859

Website: <http://www.yuanta.com.tw>**Auditors**

PricewaterhouseCoopers Taiwan

Auditors: HUNG, SHU-HUA, WU, DER-FENG

Address: 27F, 333 Keelung Rd., Sec. 1, Taipei City 110, Taiwan

Tel.: 886-2-27296666

Website: <http://www.pwc.tw>**Overseas Securities Exchange: None.****Corporate Website : <http://www.cst.com.tw>**

Contents

I. LETTER TO SHAREHOLDERS.....	1
1.1 RESULTS OF OPERATIONS IN 2015	2
1.2 OUTLINE OF 2016 BUSINESS PLAN	5
II. COMPANY PROFILE	8
2.1 DATE OF INCORPORATION	8
2.2 COMPANY HISTORY	8
III. CORPORATE GOVERNANCE REPORT	14
3.1 ORGANIZATION	14
3.2 DIRECTORS, SUPERVISORS AND MANAGEMENT TEAM	17
3.3 IMPLEMENTATION OF CORPORATE GOVERNANCE	33
3.4 ACCOUNTING FEES	70
3.5 CHANGE OF AUDITORS: NONE	70
3.6 DISCLOSURE OF ANY OF THE COMPANY’S CHAIRMAN, GENERAL MANAGER, CHIEF FINANCIAL OR ACCOUNTING OFFICERS HAS HELD A POSITION AT THE COMPANY’S INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM OR ITS AFFILIATES WITHIN THE LAST YEAR: NONE	70
3.7 TRANSFER OR PLEDGE OF SHARES BY DIRECTORS, SUPERVISORS, MANAGERS AND SHAREHOLDERS WHO HOLD 10% SHARES OR MORE DURING THE CURRENT FISCAL YEAR AND AS OF THE DATE OF THE ANNUAL REPORT	71
3.8 INFORMATION OF THE TOP TEN LARGEST SHAREHOLDERS WHO ARE RELATED PARTIES OR HAVE A SPOUSAL OR FAMILIAL RELATIONSHIP WITHIN THE SECOND DEGREE OF KINSHIP	75
3.9 SHARE OWNERSHIP IN AFFILIATED COMPANIES	77
IV. CAPITALIZATION	78
4.1 CAPITAL AND SHARES	78
4.2 CORPORATE BONDS	87
4.3 PREFERRED SHARES: NONE	88
4.4 GLOBAL DEPOSITORY RECEIPTS(GDR): NONE	88
4.5 EMPLOYEE STOCK OPTIONS AND EMPLOYEE RESTRICTED STOCKS: NONE.....	88
4.6 ISSUANCE OF NEW SHARES DUE TO MERGERS AND ACQUISITIONS OR ACQUISITION OF SHARES FROM OTHER COMPANIES: NONE.....	88
4.7 FINANCING PLANS AND IMPLEMENTATION.....	89
V. OPERATIONAL HIGHLIGHTS.....	91
5.1 BUSINESS ACTIVITIES	91
5.2 MARKET AND SALES OVERVIEW	95
5.3 EMPLOYEE COMPOSITION ANALYSIS WITHIN THE MOST RECENT TWO YEARS	106
5.4 ENVIRONMENTAL RELATED EXPENDITURE	107

5.5	LABOR.....	107
5.6	MATERIAL CONTRACTS: NONE.....	107
VI.	FINANCIAL HIGHLIGHTS AND ANALYSIS.....	108
6.1	THE CONDENSED BALANCE SHEET , CONSOLIDATED INCOME STATEMENT OVER THE PAST FIVE YEARS, NAMES OF THE CERTIFIED PUBLIC ACCOUNTANTS AND THEIR AUDIT OPINIONS:	108
6.2	ANALYSES OF FINANCE OVER THE PAST FIVE YEARS.....	116
6.3	REVIEW REPORT ISSUED BY THE SUPERVISORS' OVER THE FINANCIAL STATEMENTS OF THE LATEST YEAR	123
6.4	CONSOLIDATED FINANCIAL STATEMENTS OF THE LATEST YEAR DULY AUDITED BY THE CERTIFIED PUBLIC ACCOUNTANTS	124
6.5	INDIVIDUAL CONSOLIDATED FINANCIAL STATEMENTS DULY AUDITED BY THE CERTIFIED PUBLIC ACCOUNTANTS IN RECENT YEARS.....	202
6.6	FACTS REGARDING THE COMPANY AND ITS AFFILIATED ENTERPRISES WHICH HAVE DEVELOPED HARD-UP FINANCIAL STANDING IN RECENT YEAR AND THE PERIOD AS OF THE ANNUAL REPORT DATE: NIL.....	277
VII.	ANALYSIS FOR FINANCIAL CONDITION AND OPERATING RESULTS AND RISK MANAGEMENT.....	277
7.1	COMPARATIVE ANALYSIS OF FINANCIAL CONDITION	277
7.2	ANALYSIS OF OPERATING RESULTS	278
7.3	CASH FLOW	279
7.4	IMPACT OF MAJOR CAPITAL EXPENDITURE OVER THE LATEST YEAR ON FINANCIAL OPERATIONS ..	279
7.5	REINVESTMENT POLICY OVER THE LATEST YEAR AND MAJOR REASONS FOR PROFIT OR LOSS; PLAN FOR IMPROVEMENT AND INVESTMENT PLAN FOR THE COMING YEAR:	280
7.6	ANALYSIS AND EVALUATION OF RISK FACTORS.....	280
7.7	OTHER MATERIAL MATTERS: NONE.	283
VIII.	SPECIAL NOTES	284
8.1	INFORMATION ON AFFILIATED COMPANIES.....	284
8.2	PRIVATE PLACEMENT OF SECURITIES OVER THE LATEST YEAR AND AS AT THE DATE OF THE ANNUAL REPORT: NONE.....	297
8.3	SHARE HOLDING OR DISPOSITION OF SHARES OF THE COMPANY BY ANY SUBSIDIARY OVER THE LATEST YEAR AND AS AT THE DATE OF THE ANNUAL REPORT: NONE.	297
8.4	OTHER MATTERS: NONE.....	297
IX.	MATERIAL MATTERS SPECIFIED BY ARTICLE 36(3)(II) OF THE SECURITIES AND EXCHANGE ACT THAT HAS A MATERIAL IMPACT ON INTERESTS OF SHAREHOLDERS OR PRICE OF SECURITIES OVER THE LATEST YEAR AND AS OF THE DATE THE ANNUAL REPORT: NONE.	297

I. Letter to Shareholders

Dear Shareholders,

With the end of 2015, looking back on economic development in 2015, the development trend in developed countries has had positive influences on the economy, although such positive influences are still not sufficient to mitigate the negative influences on the economy. Economic activity is still slow in progress, and market demand is still low. The following three major reasons will continue to influence the global economy: firstly, the price of energy and other commodities will continue to fall; secondly, China is beginning to adjust its economic structure, with the adjustments aimed towards boosting the growth rate via consumption (instead of investment which was their original stimulus plan); third, countries such as the members of the European Union and Japan will continue implementing their quantitative easing policies. In an era of low commodity prices and low inflation rates, the economic growth of the country will be limited. Among Asian countries, it is expected that China, India and members of the Association of Southeast Asian Nations will have more competitive advantages towards becoming thriving economies.

Influenced by the plummeting prices of major raw materials, the average selling prices in the tire industry are also decreasing. In terms of regional markets, the demand increases in some markets and decreases in other markets result in a minor increase with respect to the aggregate market demand, which is consistent with economic development trends. In addition to continued market expansion into China, the Company is also committed to expanding its share in emerging markets. The implementation of “Project India + Indonesia” is progressing strongly, with the Company's collection of capital funds complete and factory construction in progress, the project may become a force for the Company's group in the future.

Although it is unclear whether the economic conditions would improve in 2016, we remain optimistic about the industry's development. Whether exploring new markets or continuing to work on existing ones, the Company will not only act as the market leader, but also serve as a guide for emerging markets. The Company insists on the core “Triple 3” values of enterprises, “100% Quality”, “100% Service” and “100% Trust”, in its beliefs and principles, dedication to research, development and innovation, and persists in manufacturing tires of high quality, to ensure the safety of people on or by the roads and protecting them on their way home.

The Company insists on focusing on the tire industry and is looking to the global market with a service-oriented attitude. The Company promises to provide products of higher quality and to create the best interests for its clients. The Company appreciates the support of all its shareholders, clients and employees, and the Company will endeavor to create new value for you all.

1.1 Results of Operations in 2015

(1) Results of operations based on our business plan for 2015

1) Sales and Production

(pcs. in thousands)

2015 PCR	Production	42,792
	Sales	42,823
Compared with sales of 42,918 in 2014		-0.22%
2015 TBR	Production	3,132
	Sales	3,126
Compared with sales of 3,323 in 2014		-5.93%
2015 MC	Production	50,541
	Sales	50,737
Compared with sales of 51,794 in 2014		-2.04%
2015 BC	Production	78,904
	Sales	81,674
Compared with sales of 92,207 in 2014		-11.42%
2015 TUBE	Production	126,901
	Sales	130,593
Compared with sales of 156,648 in 2014		-16.63%
2015 OTHER TIRES	Production	15,895
	Sales	15,876
Compared with sales of 16,455 in 2014		-3.52%

2) Operation Summary

IFRS Consolidated

(in thousands in NT\$)

2015 Net Sales	116,726,293
Compared with 129,014,062 in 2014	-9.52%
2015 Cost of Goods Sold	81,168,501
Compared with 93,113,558 in 2014	-12.83%
2015 Operating Expenses	16,937,412
Compared with 14,710,765 in 2014	15.14%
2015 Operating Profit	18,620,380
Compared with 21,189,739 in 2014	-12.13%
2015 Net Profit	12,839,214
Compared with 16,111,617 in 2014	-20.31%

IFRS Individual

(in thousands in NT\$)

2015 Net Sales	21,348,480
Compared with 23,639,942 in 2014	-9.69%
2015 Cost of Goods Sold	14,063,907
Compared with 16,650,828 in 2014	-15.54%
2015 Operating Expenses	4,027,925
Compared with 3,876,414 in 2014	3.91%
2015 Operating Profit	3,186,455
Compared with 3,037,576 in 2014	4.90%
2015 Net Profit	12,776,655
Compared with 16,015,591 in 2014	-20.22%

(2) Revenue Forecast and Realization

The sales revenue in 2015 totaled NT\$116.7 billion, a realization of 86% of the sales forecast, which was NT\$135 billion.

(3) Financial Position and Profitability Analysis

IFRS Consolidated

(in thousands in NT\$)

Item		2015	2014	% Change	
Income Statement	Sales Revenue	116,726,293	129,014,062	-9.52%	
	Gross Profit	35,557,792	35,900,504	-0.95%	
	Net Profit	12,839,214	16,111,617	-20.31%	
Profitability	Return on Assets (ROA) (%)	8.12	10.27	-21.01%	
	Return on Equity (ROE) (%)	14.38	19.19	-25.07%	
	As a % of Paid-in Capital	Operating Profit	57.45	65.37	-12.12%
		Pre-tax Profit	53.92	65.62	-17.83%
	Net Profit Margin (%)	11.00	12.49	-11.93%	
	Earnings Per Share (NT\$)	3.94	4.94	-20.24%	

IFRS Individual

(in thousands in NT\$)

Item		2015	2014	% Change	
Income Statement	Sales Revenue	21,348,480	23,639,942	-9.69%	
	Gross Profit	7,284,573	6,989,114	4.23%	
	Net Profit	12,776,655	16,015,591	-20.22%	
Profitability	Return on Assets (ROA) (%)	10.73	14.16	-24.22%	
	Return on Equity (ROE) (%)	14.44	19.23	-24.91%	
	As a % of Paid-in Capital	Operating Profit	9.83	9.37	4.91%
		Pre-tax Profit	47.56	57.08	-16.68%
	Net Profit Margin (%)	59.85	67.75	-11.66%	
	Earnings Per Share (NT\$)	3.94	4.94	-20.24%	

(4) Research and Development

- 25” OTR TIRE research and development
- C886 LTB/TB series research and development
- New generation motocross MX-HT series research and development
- MCR Steel rapping building method for SPORT series research and development
- Tubular cyclocross racing tire research and development
- 700C high air pressure TLR construction techniques research and development
- Gravel road tire research and development
- Go Kart New generation tire K19 research and development
- ATV L.W New generation tire research and development
- ATV LT style 18” tire research and development
- Bighorn 3 New generation tire research and development
- MAXXIS-VICTRA RACING TIRE_VRI research and development
- MAXXIS NEW GENERATION SUV ALL SEASON TIRE research and development
- MAXXIS NEW GENERATION LTR ALL SEASON TIRE research and development
- MAXXIS-RAZR MT 772 research and development
- PRESA-PJ66 SUV TIRE research and development
- Coach 295/80R22.5 LRR tire research and development
- European 315/70R22.5 Low aspect Bib steer research and development
- European 315/70R22.5 Low aspect Drive tire research and development
- LTS On-Off Road 9.5R17.5 UL387 research and development
- South Asia 295/80R22.5 MT212 Trailer Tire research and development

1.2 Outline of 2016 Business Plan

(1) Business Strategy

Implementing the advanced 5S concept, including Safety, Simplification, Standardization, Synchronization and Synergy, which is the code of conduct for Maxxis, and setting up the three 100% strategies (100% for Quality, 100% for Service and 100% for Trust) with the Maxxis Family to be core members of our business, in order to achieve the business goal to be one of the top tire manufacturers in the world. Then, we will reach the targeted revenue scale, and increase the brand value and market share.

- 1) Implement Maxxis advanced 5S concept, and improve business synergy through overseas expansion.
 - 2) Enhance R&D technology and synchronize the development of new product.
 - 3) Intelligentize manufacturing system and implement the advanced 5S concept, to improve the synergy of manufacturing procedures.
 - 4) Improve and synchronize the quality of each line of products manufactured by the Company's group.
 - 5) Cultivate international and highly qualified talents as planned and build up communication learning system among the Company's group.
 - 6) Ensure safety, health and environmental protection, and implement energy management.
- (2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Item	2016 Volume Forecast	
	Sales	
PCR		43,965
TBR		3,941
MC		56,395
BC		85,701
TUBE		116,727
OTHERS		10,337
TOTAL		317,066

IFRS Individual

(in pcs. in thousands)

Item	2016 Volume Forecast	
	Sales	
PCR		7,238
TBR		330
MC		5,987
BC		8,448
TUBE		11,716
OTHERS		2,983
TOTAL		36,702

*This forecast is based on the assessment made during the sales meeting held on February 04, 2016.

(3) Key Production and Distribution Policy

As we enter into the year of 2016, the Company will continue to drive growth based on its “Glocalization” policy, which means combining globalization with localization, sharpening our R&D focus, and providing our customers from over 180 countries with a more competitive product portfolio.

On behalf of the management team of the Company, thank you for the continued support of all of our shareholders. We remain committed to corporate social responsibility, and will continue to create greater profits and higher value for our shareholders and the Company.

Sincerely yours,

Lo, Tsai-Jen

Chairman

II. Company Profile

2.1 Date of Incorporation

January 1, 1967

2.2 Company History

Year	Milestones
1967	The Company was established as a limited liability company with 178 employees and NT\$6,000,000 in capital, specialising in the production of motorcycle and bicycle tires. All products were approved by the Bureau of Standards, Metrology and Inspection (BSMI) under the Ministry of Economic Affairs to use the CNS® symbol.
1969	The Company became a company limited by shares on 19 December, and began the collaboration of technique and business with a Japanese corporation, Kyowa Ltd. The capital of the Company was increased to NT\$24,000,000, and the export business was expanded.
1971	US Department of Transportation approval of using the DOT symbol was obtained for product quality. The excellent reputation of the Company in the overseas markets has been developed. Employees increased to 600.
1972	Factory construction was completed at the site at the time, and officially became a part of the production process. The products go from domestic oriented sales to export oriented.
1973	The Company began planning and acquiring technical knowledge and adding equipment, and planed for the manufacturing of automobile tires.
1974	The Company was awarded number one rubber industry exporter. The capital of the Company was increased to NT\$120,000,000. The Company began the manufacturing and selling truck tires in June.
1975	The Company implemented strict product quality control, and purchased modern equipment for the quality control. The office in Los Angeles, USA was set up. Employees increased to 1,200.
1976	The company, in accordance with new CNS standards, obtained further approval from the central BSMI to use the ®symbol for the outer tires of large trucks, small trucks, transport cars, agriculture vehicles, and motorcycles.
1977	The Taipei office, responsible for export business, was established in the Taipei World Trade Building. The capital of the Company was increased to NT\$220,000,000.
1980	The factory was awarded a product quality A rating by the Ministry of Economic Affairs. The capital of the Company was increased to NT\$420,000,000 and employees of the Company were increased to 2,200.
1981	The Zhung Zhuang Plant was completed, and specializes in the production of high quality bicycle tires. The capital of the Company increased to NT\$583,800,000.
1982	The Company signed a technical cooperation agreement with Toyo Tire & Rubber Co., Ltd., and established factory for the latest radial tires for passenger cars. The capital of the Company increased to NT\$720,000,000.

1983	Total domestic and export sales reached NT\$2,708,000,000. The company was awarded number one in the country for the tire industry. Full efforts were made to research and develop passenger car radial tires. The capital of the Company increased to NT\$828,000,000.
1984	The Company was awarded the Japanese government's approval of using the Japanese Industrial Standard Symbol for bicycle and motorcycle tires and tubes. The company began producing and marketing passenger car radial tires and expanded its export market. The capital of the Company increased to NT\$910,800,000. The total sales for domestic and export turnover was NT\$2,890,000,000.
1986	Total sales for domestic and export turnover of the Company reached NT\$3,770,000,000. The bicycle tire sales volume broke NT\$20,000,000. The company invested in new mixing machines in order to increase productivity.
1987	The Xi Zhou Plant was built and scheduled to produce bicycle tires. The capital of the Company reached NT\$1,332,045,000. The Company and Toyo Rubber Co., Ltd. established Yang Industrial Co., Ltd jointly to co-produce shock proof rubber auto parts. The automobile tires and inner tubes, tires for industrial vehicles, and farming machinery manufactured by the Company were awarded to use the Japanese Industrial Standard Symbol. The Company was listed on the Taiwan Stock Exchange on 7 December.
1988	The Xi Zhou Plant officially began production of bicycle tires. The company's Main Plant expanded a radial tire production capacity. The capital of the Company increased to NT\$1,625,094,900. The Company and Kyowa Ltd jointly established a tire sales corporation in Osaka to expand output in Japan. The Company also invested in domestic Pacific Securities Co., Ltd. to diversify investment avenues.
1989	The Main Plant continued to expand facilities for producing radial tire. The capital of the Company increased to NT\$2,031,368,630. The Company invested in the establishment of Cheng Shin Rubber (Hong Kong) Limited.
1990	The Company turnover exceeded NT\$5,100,000,000. The paid-in capital increased to NT\$2,437,640,000. The Company invested in the establishment of Cheng Shin Rubber USA, Inc., and the San Yueh Textile Company.
1991	Cheng Shin Germany was established in March. On 16 September, Cheng Shin Germany relocated to the Netherlands and was renamed Cheng Shin Rubber (Europe) Ltd. in order to expand trades in the Europe. The paid-in capital of the Company increased to NT\$2,632,653,750. On 17 October the Ministry of Economic Affairs approved the company to increase its capital by US\$20,000,000 through Cheng Shin Rubber Company (Hong Kong) Limited, and indirectly invest in the establishing of Xiamen Cheng Shin Rubber Industry Co., Ltd.
1992	The turnover exceeded NT\$6,000,000,000. The paid-in capital of the Company increased to NT\$3,159,184,500. The Company was active in the production of radial tire expansion plan. General Manager Chen, Yun-Hwa assumed on August 1st. Cheng Shin Rubber (Europe) Limited was revoked.
1993	Paid-in capital increased to NT\$3,633,062,180. Automated storage was

	completed and in use in July. The radial tire expansion plan was completed and began to be tested and produced. CST Trading Ltd. is established after approval by the Investment Commission in November to indirectly invest in mainland China to establish "Cheng Shin Tire & Rubber (China) Co., Ltd.". The international standard quality assurance system ISO 9001 certification was awarded in December and the Company was the first tire industry company to obtain this qualification in the Republic of China.
1994	Paid-in capital increased to NT\$4,214,352,130. In August, the Investment Commission approved the US\$15,000,000 investment for increasing capital for Cheng Shin Rubber (Xiamen) Ind. Ltd. The Ford F1 Quality Certification was awarded to the Company in November.
1995	Paid-in capital increased to NT\$5,015,079,030. The Investment Commission approved the US\$30,000,000 investment for increasing equity capital of Cheng Shin Tire & Rubber (China) Co., Ltd in April.
1996	Paid-in capital increased to NT\$5,515,079,000. In January, Toyo Tire & Rubber Co., Ltd. invested in Cheng Shin Tire & Rubber (China) Co., Ltd., to enable capital increase to US\$72,000,000, accounted for 30%. In August, the Investment Commission approved the US\$2,500,000 investment for establishment of Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd with capital of US\$5,000,000 which was jointly invested with Toyo Tire & Rubber Co., Ltd. and the Company's investment accounted for 50%. The second phase of the Cheng Shin Rubber (Xiamen) Ind. Ltd. was completed and formally put into production.
1997	Paid-in capital increased to NT\$6,068,245,620. On 29 May the QS9000 quality certification was obtained. The Cheng Shin Tire & Rubber (China) Co., Ltd. factory construction was completed and formally put into production in July. Investment Commission approval was obtained in July to establish in the Cayman Islands Maxxis International Co., Ltd. to indirectly invest in Cheng Shin Rubber (Xiamen) Ind. Ltd.
1998	Paid-in capital increased to NT\$6,796,435,090. In October, the Investment Commission approved indirect investment into Tianjin Tafeng Rubber Ind. Co., Ltd. via indirect investment of US\$1,200,000. On 20 October, the Company's Xizhou Plant was awarded the Total Productive Maintenance (TPM) the first class distinguished plant in Japan.
1999	Paid-in capital increased to NT\$747607860. In November, a US technology center was set up by the US subsidiary.
2000	Paid-in capital increased to NT\$7,849,882,530. The Company won the ROC National Quality Award in October. In November, the Company received the National Industrial Waste Reduction Award from the Industrial Development Bureau, Ministry of Economic Affairs. In December, the Company won the ROC Proposal Association the gold medal group award.
2001	Paid-in capital increased to NT\$8,360,124,890. The Xizhou Plant was awarded the Total Productive Maintenance (TPM) the first class distinguished plant in Japan.
2002	The Investment Commission approved an indirect capital increase via the company's subsidiary Cst Trading Ltd. for Cheng Shin Tire & Rubber (China) Co., Ltd. of US\$20,000,000. MAXXIS tires won the Forbes

	Magazine 2002 Global Award for enterprise excellence. Capital increased to NT\$8,861,732,380. On 1 November the Investment Commission approved the establishment of Cheng Shin Tire (Xiamen) Co., Ltd. through indirect investment, On 31 December approved investment in Thailand is to establish a new company Maxxis International (Thailand) Co., Ltd.
2003	On 6 March Maxxis International (Thailand) Co., Ltd. officially started the construction of its plant. On 23 September the Company's MAXXIS brand was awarded by the Ministry of Economic Affairs and the international brand consultancy firm (INTERBRAND GROUP) as one of Taiwan's top ten international brands, ranked fifth and the brand value estimated at US\$256,000,000. In addition, capital increase of the Chen Shin company to the end of 2003 was NT\$9,570,670,970.
2004	Cheng Shin Tire (Xiamen) Co., Ltd. and Maxxis International (Thailand) Co., Ltd. completed the constructions and entered into the factory test trial production stage. On 4 October, the Company MAXXIS brand won the 2004 Taiwan Top Ten international brands ranked sixth, brand value of NT\$9,402,000,000. Furthermore, the Company's paid-in capital increased to NT\$10,489,455,380.
2005	Maxxis International (Thailand) Co., Ltd. completed its first phase of all-round production, with daily production of 6,000 passenger car tires. Cheng Shin Tire (Xiamen) Co., Ltd. daily production was 700 all steel radial tires. The European technology center was established. The Company MAXXIS brand continued to be in Taiwan's top ten international brands for 2005, with brand value of US\$264,000,000. In addition, the Company's paid-in capital increased to NT\$11,381,059,080.
2006	Taiwan's Cheng Shin R&D center was completed and about to use. Maxxis International (Thailand) Co., Ltd. and the Cheng Shin Tire (Xiamen) Co., Ltd.'s production capacity expansion was completed. Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. began construction. MAXXIS brand was once again awarded as Taiwan Top Ten International Brand for 2006, brand value of US\$271,000,000. The company's paid-in capital increased to NT\$12,177,733,220.
2007	The first phase of construction of Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.'s factory was completed, and started trial production in March, expecting to be formally operational in August. XiaMen Cheng Shin Enterprise Co., Ltd. began the production operations began in January. The Company's MAXXIS brand continued to be awarded 2007 Taiwan's top ten international brands, brand value of US\$309,000,000. The company's paid-in capital increased to NT\$13,030,174,540.
2008	Maxxis International (Thailand) Co., Ltd. Plant B's factory is constructed, Cheng Shin Tire & Rubber (China) Co., Ltd. and the Cheng Shin Tire (Xiamen) Co., Ltd. production capacity was upgraded, Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. was all-round operational. The Company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2008, brand value of US\$346,000,000. The Company's paid-in capital increased to NT\$14,984,700,720.
2009	Maxxis International (Thailand) Co., Ltd. Plant B's construction's first phase was completed and started trial production in March, and formally put into production in May. On November 13 the Investment Commission approved indirect investment of US\$20,000,000 to

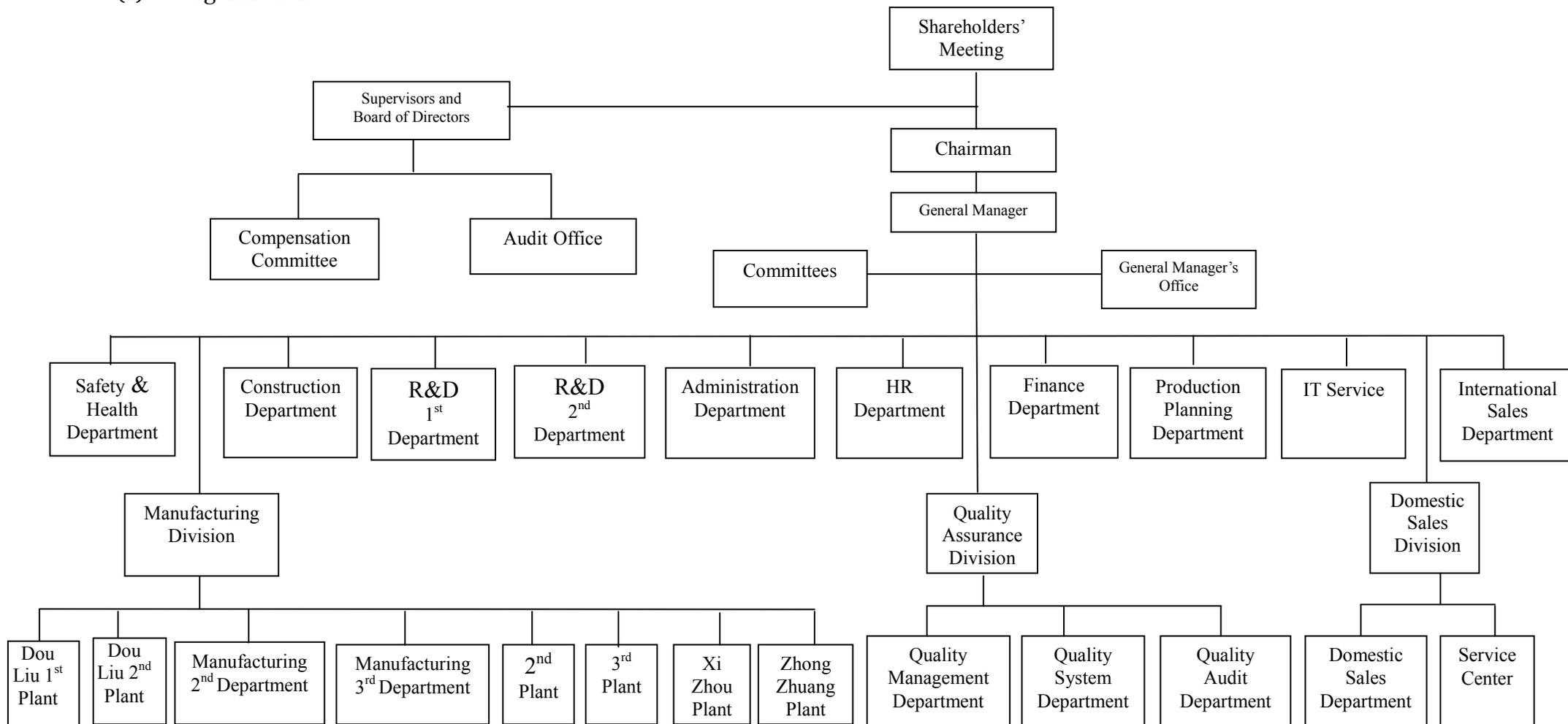
	<p>establish Cheng Shin (Xiamen) International Automobile Cultural Center Co., Ltd. via MAXXIS International Co., Ltd. On 16 December, the Investment Commission approved the Company's subsidiary to acquire the 22.36% equity interest (which was owned by Toyo Tire & Rubber Co., Ltd.) in Cheng Shin Tire & Rubber (China) Co., Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2009, brand value of US\$345,000,000. The company's paid-in capital increased to NT\$16,483,170,790.</p>
2010	<p>On 16 April the Investment Commission approved the company to indirectly invest capital of US\$30,000,000 in Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiary MAXXIS International Co., Ltd. On 23 April the Investment Commission approved the establishment of Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. by US\$30,000,000 via indirect investment by subsidiary CST Trading Limited, and starting its building in June. In October, the Douliu Plant and Xiamen Jimei plant started their building. On 30 November the Investment Commission approved the Company to indirectly capital increase Cheng Shin Rubber (Xiamen) Ind. Ltd. via subsidiaries MAXXIS International Co., Ltd. by US\$45,000,000. The Company's MAXXIS brand continues to be one of Taiwan's top ten international brands in 2010, brand value of US\$391,000,000. The Company's paid-in capital increased to NT\$20,603,963,490.</p>
2011	<p>On 17 February the Board of Directors approved for the subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd. to indirectly invest US\$50,000,000 capital increase to Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. On 11 August the Investment Commission approved the company to indirectly increase the capital of the Cheng Shin Tire (Xiamen) Co., Ltd. by US\$18,000,000 via subsidiary MAXXIS International Co., Ltd. On 19 July the Board of Directors approved the establishment of the Compensation Committee of the Company. On 20 October the Investment Commission approved the company to indirectly invest RMB17,000,0000 into CST Rubber (Zhangzhou) Ind. Co., Ltd. via subsidiary MAXXIS International (HK) Ltd. On 6 December the Board of Directors approved a capital increase of US\$15,000,000 in Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. via subsidiary MAXXIS Trading Ltd. The company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2011, brand value of US\$33,500,000. The Company's paid-in capital increased to NT\$24,724,756,190.</p>
2012	<p>On 1 March the Board of Directors approved investment in Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. of US\$20,000,000 capital increase through the subsidiary Cheng Shin Tire&Rubber (China) Co., Ltd. Cheng Shin Tire&Rubber (China) Co., Ltd. tire testing plant began to be used in November 2012. The Company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2012, brand value of US\$331,000,000. The Company paid-in capital increased to NT\$28,186,222,060.</p>
2013	<p>On 26 November, the Investment Commission approved the Company to indirectly increase capital in CST Rubber (Zhangzhou) Ind. Co., Ltd. of RMB75,000,000 via its subsidiary MAXXIS International (HK) Ltd. The Company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2013, brand value of US\$ 370 million. The</p>

	Company was awarded as the 2013 top 50 best listed companies by the Forbes Magazine. The Company's paid-in capital increased to NT\$32,414,155,360.
2014	On 13 May the Board approved the acquisition of the right to use lands in Indonesia's Greenland International Industrial Center. On 11 November, the Board approved the increase of investment in India. The Company's MAXXIS brand continued to be one of Taiwan's top ten international brands in 2014, brand value of US\$367,000,000.
2015	The Company's MAXXIS brand in 2015 continues to be one of Taiwan's top ten international brands, with brand value of US\$348,000,000.

III. Corporate Governance Report

3.1 Organization

(1) Organization



(2) Major Department Functions

Department	Functions
Management Department	Manage all kinds of procurement (excluding Materials) and general affairs.
Human Resource Department	Personnel compensation, welfare, education and training.
Production Planning Department	Manage manufacturing and sales planning, warehousing and transportation of raw materials and products.
Financial Department	Manage operating capitals, accounting policy and accounting affairs.
IT Service Department	Implement the company computerization, control computer data and computer software security.
Audit Office	Audit, evaluate the execution of departmental operating function and internal control policy.
General Manager's Office	Plan the middle and long term developing strategy of the Company and the procurement of raw materials.
Domestic Sales Division	Determine Domestic Sales strategy and goal.
Domestic Sales Department	Execute the planning and the sales policy of all kinds of tires and rubber made products to the domestic market.
Customer Service Center	Manage and resolve products returned by the customers.
International Sales Department	Execute and manage Global sales policy (excluding Taiwan) and promotion planning.
R&D 1 st Department	Research and develop rubber materials and formula, verify designed materials and formula.
R&D 2 nd Department	Research and develop tire structure and pattern, verify designed structure and pattern.
Quality Assurance Division	Plan, implement and manage quality assurance policy, quality enhancement and standardization of the whole Company.
Quality Management Department	Plan, execute and manage the standardization activity of intermediate process and the inspection of the manufacturing process.

Quality System Department	Establish, maintain and manage the quality management system.
Quality Audit Department	Respond, execute and manage internal and external audit plan of the quality management system.
Construction Department	Develop designed graphics of mechanical devices, manufacture and improve mechanical devices and install security.
Manufacturing Division	Execute or examine the operation and research plan of all manufacturing departments and plants.
Safety & Health Department	Plan and supervise labor safety and health issues and the risk management of environmental protection of all departments.
Manufacturing 2 nd Department	Manufacture tires for motorcycles, industrial vehicles, agricultural mechanical vehicles, passenger cars and trucks.
Manufacturing 3 rd Department	Manufacture tires for passenger cars, industrial vehicles, agricultural mechanical vehicles, tanks and trucks.
2 nd Plant	Manufacture rubber made products for industrial use.
3 rd Plant	Manufacture various kinds of tubes.
Zhong Zhuang Plant	Manufacture bicycle tires.
Xi Zhou Plant	Produce rubber compounds and manufacture tires for motorcycles, agricultural-industrial used vehicles and dune buggies.
Dou Liu 1 st Plant	Produce rubber compounds and manufacture the rubber-coated of the bead and belt steel cord.
Dou Liu 2 nd Plant	Manufacture radial tires.

3.2 Directors, Supervisors and Management Team

(1) Directors and Supervisors

April 16, 2016

Title	Nationality/ Country of Origin	Name	Date Elect ed	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Lo, Tsai-Jen	2014. 06.17	3	2014.0 6.17	429,225,502	13.24%	284,225,502	8.76 %	27,996,793	0.86 %	NO	NO	Graduated from the Department of Marketing and Materials Management, Newark College of Engineering	Chairman,	Director Supervisor	Chen, Yun-Hwa Chen, Shiu-Hsiung Chiu-Li-ching	Within two degrees of kinship, within two degrees of kinship, spouse
Director	Republic of China	Chen, Yun-Hwa	2014. 06.17	3	1993.0 4.17	40,570,531	1.25%	40,570,531	1.25 %	175,492,443	5.41 %	10,391,000	0.32 %	Honorary Doctor of Management, National Yunlin University of Science and Technology	General manager	Director Supervisor	Chen, Shiu-Hsiung Lo, Tsai-Jen Chiu-Li-ching	Within two degrees of kinship, within two degrees of kinship, within two degrees of kinship
Director	Republic of China	Chen, Shiu-Hsiung	2014. 06.17	3	1996.0 4.23	57,819,456	1.78%	57,819,456	1.78 %	72,495,516	2.23 %	31,280,000	0.96 %	Graduated from Department of Chemistry, Shizuoka University	General manager	Director Supervisor	Chen, Yun-Hwa Lo, Tsai-Jen Chiu-Li-ching Chen, Han-chi	Within two degrees of kinship, within two degrees of kinship, within two degrees of kinship, within one degrees of kinship
Director	Changhua County, Republic of China	Horning Yih Investment Corporatio n	2014. 06.17	3	2008.0 6.13	11,131,695	0.34%	11,131,695	0.34 %	0	0%	NO	NO	NA	NA	NA	NA	NA
	Republic of China	Representa tive: Lee, Chin-Chan g	2014. 06.17	3	2008.0 6.13	24,874	0%	24,874	0%	725	0%	NO	NO	Department of Mechanical Engineering, Nanya Institute of Technology	Vice President	NO	NO	NO
Director	Changhua County, Republic of China	Horning Yih Investment Corporatio n	2014. 06.17	3	2008.0 6.13	11,131,695	0.34%	11,131,695	0.34 %	0	0%	NO	NO	NA	NA	NA	NA	NA

	Republic of China	Representative: Wu, Hsuan-Miao	2014.06.17	3	2008.06.13	127,885	0%	127,885	0%	30,897	0%	NO	NO	Graduated from Feng Chia University Department of Public Finance	Vice President	NO	NO	NO
Director	Changhua County, Republic of China	Horning Yih Investment Corporation	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	NO	NO	NA	NA	NA	NA	NA
	Republic of China	Representative: Lin, Hung-Yu	2014.06.17	3	2008.06.13	433	0%	433	0%	7,553	0%	NO	NO	Graduated from Department of Chemical Engineering, National Taipei Institute of Technology	Vice President	NO	NO	NO
Director	Changhua County, Republic of China	Horning Yih Investment Corporation	2014.06.17	3	2008.06.13	11,131,695	0.34%	11,131,695	0.34%	0	0%	NO	NO	NA	NA	NA	NA	NA
	NA	Representative: NA(Note)	2014.06.17	3	2008.06.13	0	0%	0	0%	0	0%	NO	NO	NA	NA	NO	NO	NO
Independent Director	Republic of China	Hsu, Ente	2014.06.17	3	2014.06.17	0	0%	0	0%	0	0%	NO	NO	PhD in Accounting, National Taiwan University	Independent Director and Member of Remuneration Committee of Shuz Tung Machinery Industrial Co., Ltd and Mobiletron Co.,Ltd.; Member of Remuneration Committee of Li-Cheng Enterprise Co., Ltd	NO	NO	NO
Independent Director	Republic of China	Too, Jui-Rze	2014.06.17	3	2014.06.17	0	0%	0	0%	0	0%	NO	NO	PhD in Chemistry, Kansas State University	NO	NO	NO	NO

Supervisor	Republic of China	Tseng, Sung-Chu	2014.06.17	3	2002.05.29	17,088,580	0.53%	21,688,580	0.66%	0	0%	NO	NO	Executives Program, Department of Business Administration, National Chengchi University	Chairman of Merida Industry Co., Ltd; Director of Long Bon International Co.,Ltd	NO	NO	NO
Supervisor	Republic of China	Chiu, Li-Ching	2014.06.17	3	2014.06.17	33,296,793	1.03%	27,996,793	0.86%	284,225,502	8.76%	20,400,000	0.62%	Graduated from Department of Economics, National Taiwan University	NO	Director	Lo, Tsai-Jen Chen, Yun-Hwa Chen, Shiu-Hsiung	Spouse; within two degrees of kinship; within two degrees of kinship
Supervisor	Republic of China	Cheng, Han-Chi	2014.06.17	3	2014.06.17	12,874,867	0.40%	10,734,867	0.33%	1,115,921	0.03%	NO	NO	Master of Accounting Science, University of Illinois at Urbana-Champaign	NO	Director	Chen, Shiu-Hsiung	within one degrees of kinship

Note: the Legal Representative Tseng, Yung-Yao has resigned on September 7, 2015. The newly Representative has not been appointed and position remains vacant.

Major shareholders of the corporate shareholders

04 16, 2016

Name of Corporate Shareholders	Major Shareholders
Horning Yih Investment Corporation	Luo, Ming-Han (20%) ; Lo, Tsai-Jen (15%) ; Lo, Min-Ling (12.5%) ; Lo, Ming-I (12.5%) ; Luo, Jye (10%) ; Chen, Shiu-Hsiung (10%) ; Chen, Yun-Hwa (10%)

(2) Professional qualifications and independence analysis of directors and supervisors

MM DD, 2015

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Criteria	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lo, Tsai-Jen	N	N	Y					V		V		V	V	N/A
Chen, Shiu-Hsiung	N	N	Y					V		V		V	V	N/A
Chen, Yun-Hwa	N	N	Y					V		V		V	V	N/A
Lee, Chin-Chang (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V		V	V	V		N/A

WU, Hsuan-Miao (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V		V	V	V		N/A
Lin, Hung-Yu (Representative of Horning Yih Investment Corporation)	N	N	Y			V	V	V	V	V	V	V		N/A
Representative of Horning Yih Investment Corporation (Note)	N	N	Y			V	V	V	V	V	V	V		N/A
Hus, Ente	Y	Y	Y	V	V	V	V	V	V	V	V	V	V	2
Too, Jui-Rze	Y	Y	N	V	V	V	V	V	V	V	V	V	V	0
Tseng, Sung-Chu	N	N	Y	V		V	V	V		V	V	V	V	N/A
Chiu, Li-Ching	N	N	Y	V				V	V	V		V	V	N/A
Chen,Han-Chi	N	N	Y	V		V		V	V	V		V	V	N/A

Note 1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company's affiliates. Not applicable in cases where the person is an independent director of the Company's parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
 - (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
 - (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
 - (7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX“.
 - (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
 - (9) Not been a person of any conditions defined in Article 30 of the Company Act.
 - (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
- Note 2: if the Company's independent director or independent supervisor is concurrently serving as an independent director or independent supervisor of another company, they shall explain their positions in the other companies.
- Note 3: the Legal Representative Tseng, Yung-Yao has resigned on September 7, 2015. The newly Legal Representative has not been appointed and position remains vacant.

(3) Information of General Manager, Deputy General Manager, Assistant General Manager and Officer of All Departments and Branch Offices

2016 April 16th

Title	Nationality	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager (Taiwan)	ROC	Chen, Yun-Hwa	1992/08/01	40,570,531	1.25%	175,492,443	5.41%	10,091,000	0.32%	Honorary Doctorate, College of Management, National Yunlin University of Science & Technology	N	Chairman President	Lo, Tsai-Jen Chen, Shiu-Hsiung	Second- degree relative of spouse Second- degree relative of spouse
General Manager (Xiamen)	ROC	Chen, Shiu-Hsiung	1997/04/01	57,819,456	1.78%	72,495,516	2.23%	31,280,000	0.96%	College of Chemical Industry, Shizuoka University	N	Chairman President	Lo, Tsai-Jen Chen, Yun-Hwa	Second- degree relative of spouse Second- degree relative of spouse
Deputy General Manager	ROC	Wu, Hsuan-Miao	2005/04/01	127,885	0%	30,897	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N
Deputy General Manager	ROC	Lin, Hung-Yu	2007/02/01	433	0%	7,553	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N
Deputy General Manager	ROC	Lee, Chin-Chan	2007/02/01	24,874	0%	725	0%	0	0%	Department of Mechanical Engineering, Nanya Junior College	N	N	N	N
Deputy General Manager	ROC	Weng, Ming-Chun	2007/02/01	20,095	0%	0	0%	0	0%	Department of Business Administration, Feng Chia University	N	N	N	N

Deputy General Manager	ROC	Huang, Chung-Jen	2007/02/01	10,882	0%	165	0%	0	0%	Department of Industrial Engineering, Tunghai University	N	N	N	N
Deputy General Manager	ROC	Peng Wen-Hsing	2007/02/01	4,326	0%	0	0%	0	0%	Department of Mechanical Engineering, Lunghwa Junior College	N	N	N	N
Deputy General Manager	ROC	Huang Chieh-Hsiang	2008/07/01	233,322	0%	0	0%	0	0%	Deputy General Manager of Cheng Shin Rubber (Xiamen) Ind., Ltd.	N	N	N	N
Deputy General Manager	ROC	Hsu, Chih-Ming	2012/04/01	844	0%	12,615,356	0.39%	0	0%	PhD, Department of Electrical Engineering, National Tsing Hua University	N	President	Chen, Shiu-Hsiung	First-degree relative of spouse
Deputy General Manager	ROC	Lin, Yu-Yu	2012/08/01	2,242	0%	2,793	0%	0	0%	Department of Industrial Engineering, National Taipei Junior College	N	N	N	N
Deputy General Manager	ROC	Liao, Cheng-Yao	2013/08/01	400	0%	0	0%	0	0%	Department of English Studies, National Taichung Business College	N	N	N	N
Assistant General Manager	ROC	Lin, Chen-Chieh	1994/04/01	4,997	0%	22,987	0%	0	0%	Department of Industrial Engineering, Chun Yuan Christian University	N	N	N	N
Assistant General Manager	ROC	Lin, Cheng-Hua	1997/05/01	5,000	0%	0	0%	0	0%	Department of Economics, Soochow University	N	N	N	N
Assistant General Manager	ROC	Wei, Chi-Chiang	1998/09/01	0	0%	0	0%	0	0%	Department of Chinese Literature, National Chengchi University	N	N	N	N
Assistant General Manager	ROC	Lee, Hung-Ko	2007/09/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, National Chin Yi Junior College	N	N	N	N

Assistant General Manager	ROC	Lai, Kuo-Ti	2008/02/29	2,438	0%	0	0%	0	0%	Department of Accounting Statistics, Tamsui Institute of Business Administration	N	N	N	N
Assistant General Manager	ROC	Liu, Chao-Sheng	2008/02/29	4,326	0%	0	0%	0	0%	Master, Department of Business Management, National Yunlin University of Science & Technology	N	N	N	N
Assistant General Manager	ROC	Ho, Chin-Fang	2008/07/01	0	0%	0	0%	0	0%	Department of Chemical Engineering Technicality, National Taipei Institute of Technology	N	N	N	N
Assistant General Manager	ROC	Lin, Chin-Chuan	2010/05/01	0	0%	0	0%	0	0%	Master, Department of Mechanical Engineering, National Chiao Tung University	N	N	N	N
Assistant General Manager	ROC	Chang, Chuan-Shun	2010/05/01	0	0%	197	0%	0	0%	Department of Industrial Management, National Chin Yi Junior College	N	N	N	N
Assistant General Manager	ROC	Mao, Yu-Fu	2010/05/01	0	0%	0	0%	0	0%	Department of International Business, Fu Jen Catholic University	N	N	N	N
Assistant General Manager	ROC	Huang, Kuo-Tsai	2010/04/01	55,195	0%	9,243	0%	0	0%	Department of Chemistry, National Chung Hsing University	N	N	N	N
Assistant General Manager	ROC	Huang, Yang-Hsun	2010/04/01	0	0%	0	0%	0	0%	Master, Department of Political Science, National Taiwan University	N	N	N	N
Assistant General Manager	ROC	Chen, Ying-Kuang	2010/09/13	27,884	0%	4,604	0%	0	0%	Department of Chemical Engineering, National Taipei Junior College	N	N	N	N

Assistant General Manager	ROC	Chiang, Shin-Pin	2010/09/13	0	0%	0	0%	0	0%	Department of Commerce, Hsiao Yang Institute of Business & Technology	N	N	N	N
Assistant General Manager	ROC	Chang, Ghi-Jung	2012/08/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Feng Chia University	N	N	N	N
Assistant General Manager	ROC	Chang Chin-Lu	2012/08/01	0	0%	1,000	0%	0	0%	Department of Mechanical Engineering, Oriental Industrial College	N	N	N	N
Assistant General Manager	ROC	Liu, Ching-Chung	2012/08/01	0	0%	396	0%	0	0%	Department of Industrial Engineering, Feng Chia University	N	N	N	N
Assistant General Manager	ROC	Lo, Chen-Jung	2012/08/01	189	0%	0	0%	0	0%	Department of Electrical Engineering, Chienkuo Junior College	N	N	N	N
Assistant General Manager	ROC	Lo, Yung-Li	2012/08/01	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N
Assistant General Manager	ROC	Chen, Shu-Yu	2013/08/01	0	0%	0	0%	0	0%	Master, Food & Chemical Engineering, Da Yeh University	N	N	N	N
Chief Accounting Officer	ROC	Lo, Yung-Li	2010/06/08	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N
Chief Financial Officer	ROC	Lo, Yung-Li	2010/07/19	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	N	N	N	N

(4) Remuneration of Directors (Including Independent Directors), Supervisors, General Managers, and Deputy General Managers

1) Remuneration of Directors (Including Independent Directors)

2015 Dec 31st Unit: NT\$ thousands

Title	Name	Remuneration								Total Remuneration (A+B+C+D) to Net Income After Tax Ratio (%)		Relevant Remuneration Received by Directors Who are Also Employees										Total Compensation (A+B+C+D+E+F+G) to Net Income After Tax Ratio (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary				
		Base Compensation (A)		Pension (B)		Bonus to Directors (C)		Business Expense Allowances (D)				Salary, Bonuses, and Allowances (E)		Pension (F)		Profit Sharing- Employee Bonus (G)		Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)								
		The company	All companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	Cash	Stock	Cash	Stock	The company	Companies in the financial statements	The company	Companies in the financial statements		The company	Companies in the financial statements		
Chairman	Lo, Tsai-Jen																											
Director	Chen, Yun-Hwa																											
Director	Chen, Shiu-Hsiung																											
Director	Horning Yih Investment Corporation (Note 2)																											
Director	Horning Yih Investment Corporation Represented by Lee, Chin-Chang																											
Director	Horning Yih Investment Corporation Represented by Wu, Hsuan-Miao	2,160	2,160	0	0	216,848	216,848	186	186	1.71%	1.70%	55,107	55,107	6,192	6,192	533	0	533	0	0	0	0	0	0	0	2.19%	2.19%	0
Director	Horning Yih Investment Corporation Represented by Lin, Hung-Yu																											
Director	Horning Yih Investment Corporation Represented by Tseng, Yung-Yao																											
Independent Director	Hsu, Ente																											
Independent Director	Too, Jui-Rze																											

Table of Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze	Hsu, Ente; Too, Jui-Rze
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	-	-	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chen, Yun-Hwa; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chen, Yun-Hwa; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chen, Yun-Hwa; Horning Yih Investment Corporation	Lo, Tsai-Jen; Chen, Shiu-Hsiung; Chen, Yun-Hwa; Horning Yih Investment Corporation
Over NT\$100,000,000	-	-	-	-
Total	6	6	6	6

* The remuneration contents this table discloses are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

2) Remuneration of Supervisors

2015 Dec 31st Unit: NT\$ thousands

Title	Name	Remuneration						Total amount of A, B and C to after-tax net income ratio (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus (B)		Business expense allowances (C)		The company	Companies in the financial statements (Note 5)	
		The company	Companies in the financial statements (Note 5)	The company	Companies in the financial statements (Note 5)	The company	Companies in the financial statements (Note 5)			
Supervisor	Tseng, Sung-Chu	0	0	38,267	38,267	63	63	0.30%	0.29%	0
Supervisor	Chiu, Li-Ching									
Supervisor	Chen, Han-Chi									

Table of Range of Remuneration

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000	-	-
NT\$10,000,000 (inclusive) ~ NT\$15,000,000	Tseng, Sung-Chu; Chiu, Li-Ching; Chen, Han-Chi	Tseng, Sung-Chu; Chiu, Li-Ching; Chen, Han-Chi
NT\$15,000,000 (inclusive) ~ NT\$30,000,000	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	3	3

* The remuneration contents disclosed in this table are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

3) Remuneration of the President and Vice President

2015 Dec 31st Unit: NT\$ thousands

Title	Name	Salary(A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing-Employee Bonus (D)				Total amount of A, B, C and D to after-tax net income ratio (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the General Manager and Deputy General Manager from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	The company		Companies in the financial statements		The company	Companies in the financial statements	The company	Companies in the financial statements	The company	Companies in the financial statements	
								Cash	Stock	Cash	Stock							
General manager (Taiwan)	Chen, Yun-Hwa	27,485	27,485	6,192	6,192	42,723	42,723	1,067	0	1,067	0	0.61%	0.60%	0	0	0	0	0
General manager (Xiamen)	Chen, Shiu-Hsiung																	
Deputy General Manager	Wu, Hsuan-Miao																	
Deputy General Manager	Lin, Hung-Yu																	
Deputy General Manager	Weng, Ming-Chun																	
Deputy General Manager	Huang, Chung-Jen																	
Deputy General Manager	Peng Wen-Hsing																	
Deputy General Manager	Tseng, Yung-Yao																	
Deputy General Manager	Lee, Chin-Chang																	
Deputy General Manager	Huang, Chieh-Hsiang																	

Deputy General Manager	Hsu, Chih-Ming																			
Deputy General Manager	Lin, Yu-Yu																			
Deputy General Manager	Liao, Cheng-Yao																			

Table of Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	-	-
NT\$2,000,001 (inclusive) ~ NT\$5,000,000	Wu, Hsuan-Miao; Lin, Hung-Yu; Lee Chin-Chang; Tseng, Yung-yao; Weng, Ming-Chun; Huang, Chung-Jen; Peng Wen-Hsing; Huang, Chieh-Hsiang; Hsu, Chih-Ming; Lin, Yu-Yu; Liao, Cheng-Yao	Wu, Hsuan-Miao; Lin, Hung-Yu; Lee Chin-Chang; Tseng, Yung-yao; Weng, Ming-Chun; Huang, Chung-Jen; Peng Wen-Hsing; Huang, Chieh-Hsiang; Hsu, Chih-Ming; Lin, Yu-Yu; Liao, Cheng-Yao
NT\$5,000,001 (inclusive) ~ NT\$10,000,000	-	-
NT\$10,000,001 (inclusive) ~ NT\$15,000,000	Chen, Yun-Hwa; Chen, Shiu-Hsiung	Chen, Yun-Hwa; Chen, Shiu-Hsiung
NT\$15,000,001 (inclusive) ~ NT\$30,000,000	-	-
NT\$30,000,001 (inclusive) ~ NT\$50,000,000	-	-
NT\$50,000,001 (inclusive) ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	13	13

* The remuneration contents this table discloses are different from the concept of income specified in the *Income Tax Act*, thus the purpose of this table is for information disclosure only, rather than taxation.

(5) Officers Receiving Employee Bonus Distribution and Distributed Amounts

2015 Dec 31st Unit: NT\$ thousands

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Total Amount to After-Tax Net Income Ratio (%)
Executive Officers	General manager	Chen, Yun-Hwa	0	2,756	2,756	0.021%
	General manager	Chen, Shiu-Hsiung				
	Deputy General Manager	Wu, Hsuan-Miao				
	Deputy General Manager	Lin, Hung-Yu				
	Deputy General Manager	Weng, Ming-Chun				
	Deputy General Manager	Huang, Chung-Jen				
	Deputy General Manager	Peng Wen-Hsing				
	Deputy General Manager	Tseng Yung-Yao				
	Deputy General Manager	Lee, Chin-Chang				
	Deputy General Manager	Huang Chieh-Hsiang				
	Deputy General Manager	Hsu, Chih-Ming				
	Deputy General Manager	Lin, Yu-Yu				
	Deputy General Manager	Liao, Cheng-Yao				
	Assistant General Manager	Lin, Chen-Chieh				
	Assistant General Manager	Lin, Cheng-Hua				
	Assistant General Manager	Wei, Chi-Chiang				
	Assistant General Manager	Lee, Hung-Ko				
	Assistant General Manager	Lai, Kuo-Ti				
	Assistant General Manager	Liu, Chao-Sheng				
	Assistant General Manager	Ho, Chin-Fang				
	Assistant General Manager	Lin, Chin-Chuan				
	Assistant General Manager	Chang, Chuan-Shun				
	Assistant General Manager	Mao, Yu-Fu				
	Assistant General Manager	Huang, Kuo-Tsai				
	Assistant General Manager	Huang, Yang-Hsun				
	Assistant General Manager	Chen, Ying-Kuang				
	Assistant General Manager	Chiang, Shin-Pin				
	Assistant General Manager	Chang, Ghi-Jung				
	Assistant General Manager	Chang Chin-Lu				
	Assistant General Manager	Liu, Ching-Chung				
	Assistant General Manager	Lo, Chen-Jung				
	Assistant General Manager	Lo, Yung-Li				
Assistant General Manager	Chen, Shu-Yu					
Chief Financial Officer	Lo, Yung-Li					

Note 1: Deputy Manager, Mr. Tseng Yung-Yao has retired and is relieved from his position as at Sep 7, 2015.

(6) Remuneration paid by the Company and by all companies included in the consolidated financial statements to Directors, Supervisors, General Manager and Deputy General Manager in the Most Recent Two Fiscal Years to after-tax net profit ratio; and Remuneration Policy, Standards, Portfolios, and Procedure for Directors, Supervisors, General Managers and Deputy General Managers, and their relation to business performance and future risks.

1) Total remuneration of directors, supervisors, general managers and deputy general managers of the Company to after-tax net income ratio.

Unit: NT\$ Thousands: %

Unit: NT\$ Thousands: % Year	Net income	Total remuneration of Directors, Supervisors, General Managers and Deputy General Managers to net profit after tax ratio
2015 the company's annual	12,776,655	2.62%
2015 annual consolidated financial statements	12,839,214	2.61%
2014 the company's annual	16,015,591	3.72%
2014 annual consolidated financial statements	16,111,617	3.70%

2) The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and their relation to with business performance and future risks.

The compensation policy and payment were determined by the Remuneration Committee of the Company in accordance with the market average, and responsible scope of individual position, as well as personal contribution to the Company's operation target. Besides taking overall operating performance of the Company into consideration, personal achievements and contributions made to business operations are also evaluated during the process of determining remuneration, and the subsequent making of such reasonable payments after board of director approval.

3.3 Implementation of Corporate Governance

(1) Board of Directors

1) A total of 7 (A) meetings of the board of directors were held in 2015 (as at 2015.12.31). The attendance of directors and supervisors were as follows:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note 2)	Remarks
Chairman	Lo, Tsai-Jen	7	0	100%	
Director	Chen, Shiu-Hsiung	7	0	100%	
Director	Chen, Yun-Hwa	7	0	100%	
Director	Horning Yih Investment Corporation Represented by Lee, Chin-Chang	6	1	86%	
Director	Horning Yih Investment Corporation Represented by Wu, Hsuan-Miao	7	0	100%	
Director	Horning Yih Investment Corporation Represented by Lin, Hung-Yu	7	0	100%	
Director	Horning Yih Investment Corporation Represented by Tseng, Yung-Yao	6	0	100%	Representative, Mr. Tseng, Yung-Yao has retired as at Sep 7 th 2015
Independent director	Hsu, Ente	6	1	86%	
Independent director	Too, Jui-Rze	7	0	100%	
Supervisor	Tseng, Sung-Chu	7	0	100%	
Supervisor	Chiu, Li-Ching	7	0	100%	
Supervisor	Chen, Han-Chi	7	0	100%	

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the board of directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motions, all independent directors' opinions and the company's responses should be specified: None
2. If there are directors' abstinence of motions due to conflict of interest, the directors' names, contents of motion, causes for abstinence of voting should be specified: None
3. Measures taken to strengthen the functionality of the Board in the current and the latest year (e.g. establishing the Audit Committee, enhancing information transparency), and implementation:
 - (1) The Company holds board of directors meetings on a regular basis, and specifies the supervisors' attendance.
 - (2) The Company discloses the information in respect of director's advanced learning and remuneration to directors and supervisors, etc., on the Market Observation Post System (MOPS).
 - (3) The Company posts important matters resolved by the board of directors, attendance, and directors and supervisors' resumes on the official website.

Note 1: The names of a corporate shareholders and its representative shall be disclosed if the director or supervisor is a juristic person.

Note 2:

- (1) If a director or supervisor resigns before the last day of the accounting year, the resignation date shall be addressed in the remarks column. The attendance rate (%) is calculated based on the total number of board meetings and director or supervisor's attendance during one's

tenure.

- (2) If directors or supervisors are re-elected before the last day of the accounting year, the names of current and previous directors or supervisors shall be listed; the information in respect of previous, new or re-appointment, and the date of re-election shall also be addressed in the remarks columns. The attendance rate (%) is calculated based on the total number of board meetings and director or supervisor's attendance during one's tenure.

2) The target of the board of director's functionality

The directors should generally have the necessarily knowledge, techniques and self-cultivation required for implementing their duties. For achieving the ideal targets of corporate governance, the general abilities that the board of directors should be equipped with are as below:

- Judging capability for business operation
- Analyzing capability for accounting and finance
- Capability of operation management (including the capability to the subsidiary)
- Emergency management capability
- Industrial knowledge
- Global market viewpoint
- Leadership
- Capability to make decisions

(2) Attendance of Supervisors at Board Meetings

A total of 7 (A) meetings of the Board of Directors were held in 2015 (as of 2015.12.31). The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Supervisor	Tseng, Sung-Chu	7	0	100%	
Supervisor	Chiu, Li-Ching	7	0	100%	
Supervisor	Chen, Han-Chi	7	0	100%	

Other mentionable items:

1. Composition and responsibilities of supervisors:

- (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The supervisors actively attended annual shareholder meetings, and interacted well with the shareholders.
- (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.): The supervisors communicated with the Company's chief internal auditor and CPA in respect of annual financial report by means of face to face interview, and the communication went well without any objection.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None

- Note 1: If a supervisor resigns before the last day of the accounting year, the resignation date should be addressed in the remarks column. The attendance rate (%) is calculated based on the total number of board of directors meetings and supervisor's attendance during one's tenure.
- Note 2: If a supervisor is re-elected before the last day of the accounting year, the names of current and previous supervisors shall be listed. The information of previous, new or re-appointment and re-election dates shall also be addressed in the remarks column. The attendance rates (%) are calculated based on the total number of the board of directors meetings and supervisor's attendance during one's tenure.
- Note 3: Implementation status of audit committee: Not applicable

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has not yet established the Corporate Governance Best-Practice Principles since we have already set up an internal control and audit system, and duly implemented it; the control and management functions are well-completed, and also consistent with the overall spirit of corporation governance.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V V		(1) For ensuring shareholder’s interests, the Company has appointed dedicated staff to deal with the suggestions, disputes, and inquiries, etc., of shareholders. (2) The Company provides a shareholder roster via a shareholder service agency, and controls the declaration system of	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		shareholding changes of insiders. (3) The personnel, assets and financial management liabilities between the Company and affiliated companies are clearly separated; in addition to the Company specifies the supervision procedures for subsidiaries, and the auditors regularly monitor the implementation.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company has established the internal rules “Management Procedures for Avoiding Insiders Trading”, and discloses it on its official website.	
3.Composition and Responsibilities of the board of directors (1) Does the Board develop and implement a diversified policy for the composition of its members?		V	(1) Not yet specified.	(1) The Company has not yet established such principles, but will specify them upon demand in the future.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>		V	<p>(2) The Company does not establish other functional committees.</p> <p>(3) The company has a sound audit system, and duly implements it, thus has not formulated rules and procedures for evaluating the Board’s performance.</p> <p>(4) The Company submitted the motion to the Board of Directors on 23rd March 2015, and the evaluation for CPA’s independence was approved with the below items: (a) CPAs of the Company have not worked in the Company during the two years before certification. (b) CPAs of the Company do not hold shares of the Company. (c) CPAs of the Company and the Company have no loan relationship.</p>	<p>(2) The Company will establish other functional committees depending on future operation situation, scale and demand.</p> <p>(3) The company has a sound audit system, and duly implements it, thus has not formulated rules and procedures for evaluating the Board’s performance, but will specify them upon demand in the future.</p> <p>(4) None.</p>

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(d) CPAs of the Company and the Company have no joint venture or interests sharing matters.</p> <p>(e) CPAs of the Company do not have adjunct jobs in the Company, nor receive a fixed salary.</p> <p>(f) CPAs of the Company are not involved in the management of decision making of the Company.</p> <p>(g) CPAs of the Company do not have spouses, lineal relatives by blood or by marriage, or collateral relatives by blood within the fourth degree of relationship with the management level of the Company.</p> <p>(h) CPAs of the Company do not receive any business-related commissions from the Company.</p> <p>(i) CPAs of the Company sign the contract in respect of payment</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			amount and method in advance. (j) CPAs of the Company do not charge on the basis of achieving certain observation or result.	
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company provides “Corporate Social Responsibilities Area” and “Stakeholders Area” on the corporate website, and declares the corporate social responsibilities report every year since 2015. In addition, we also put activities of corporate social responsibilities on the Facebook page (https://www.facebook.com/MaxxisTaiwan/) and YouTube (https://www.youtube.com/channel/UCp4E54RFmqpXHoEdC dipNvQ) in order to increase communications and interactions with stakeholders. Moreover, e-mail accounts are created on the website for the interactive banks, other creditors, employees, clients and suppliers; we all have	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			fluent communication channels, and respect their lawful rights.	
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
6. Information Disclosure (1) Does the company have a corporate website to disclose information of financial standing, business and the status of corporate governance?	V		(1) The Company has set up an official website equipped with dedicated staff for maintenance, and discloses information regarding the Company’s financials and business for public and shareholders' reference.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2) The Company has established a spokesperson system to ensure information that likely affects shareholders and stakeholders’ decisions are properly disclosed in a timely and proper manner, and provides information such as investor conference	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			films and investor related information, etc. on the official website.	
<p>7. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p> <p>(1) Status of directors and supervisors’ advanced studies: Please refer to page 63 of this annual report.</p> <p>(2) Status of directors and supervisors’ attendance in the Board meetings: the Company complies with the relevant regulations and achieves the number of attendees specified by the law. Please refer to pages 33-36 of this annual report.</p> <p>(3) The implementation status of risk management policy and risk evaluation standards: Not applicable..</p> <p>(4) The implementation status of consumer protection or client policy: the Company has an after-sale service department, and dedicated customer service area (website: http://www.cst.com.tw); in addition, the distributors over Taiwan are all able to provide consumer related consultation and appeal channels.</p> <p>(5) The implementation status of directors’ abstinence to interest conflict motions: the directors of the Company uphold the principle of high self-discipline; if the motion which the board of directors listed involves interest conflicts and damage to the Company, the directors shall abstain from voting on the motion.</p> <p>(6) The status of the Company buying liability insurance for the directors and the supervisors, and the social responsibilities, etc.: the Company has complied with clauses 39 and 50 of <i>Corporate Governance Practice Principles</i> to add the clause into the Articles of Corporation that the Company shall buy liability insurance for the directors and the supervisors to cover the damages</p>				

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
payable in accordance with law and incurred by the directors and supervisors while implementing duties during their tenures.				
(7) Corporate Social Responsibilities: in addition to focusing on self-business development, the Company also makes efforts on corporate social responsibilities such as consumers’ rights and public interest, and contributes back to society in a timely manner.				
8. Has the company implemented a self-evaluation report ² on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the board of directors, the result of self or authorized evaluation, major deficiencies, suggestions, or improvements. The Company has not yet had a self-evaluation report since the Company has already established the internal control and audit system, and duly implements it; the function of control and management could be considered as completed. However, it may be provided depending on future demand and the scale of the company's size.				

(4) Composition, Responsibilities and Operations of the Remuneration Committee

- 1) The responsibilities of the remuneration committee of the Company: review directors, supervisors, and managers' annual and long-term effectiveness targets and the policies, systems, standards, and compositions of salary and bonus on a regular basis; regularly evaluate implementation status regarding directors, supervisors, and managers' effectiveness targets, and specify individual contents and amount of salary and bonus.
- 2) The composition of the remuneration committee of the Company: the remuneration committee of the Company was established on 19th July 2011; up to the date of 31st March 2016, member's information of remuneration committee are as below:.

Title (Note 1)	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks (Note 3)
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Other	Tu Chun-Yung	V	X	V	V	V	V	V	V	V	V	V	0	Not applicable
Independent Director	Hsu Ente	V	V	V	V	V	V	V	V	V	V	V	3	Nor applicable
Other	Lin Ching-Tung	V	X	X	V	V	V	V	V	V	V	V	0	Not applicable

Note 1 : Please respectively address title as Director, Independent Director or Others.

Note 2 : Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not a person of any conditions defined in Article 30 of the Company Act.

Note 3 : If member's title is a director, please illustrate if article 6, paragraph 5 of "*Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter*" is complied with.

3) Operation Status of the Remuneration Committee

The tenure of current session for remuneration committee members is from 7th July 2014 to 16th June 2017. A total of 3 (A) Remuneration Committee meetings were held in 2015. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】 (Note)	Remarks
Convener	Hsu Ente	3	0	100%	
Committee Member	Tu Chun-Yung	3	0	100%	
Committee Member	Lin Ching-Tung	3	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company' s response to the remuneration committee' s opinion: None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note 1: A member of Remuneration Committee who resigns before the end of the accounting year, the resignation date shall be noted. His or her attendance rate (%) will be calculated on the basis of number of meetings during his or her tenure and number of attendances at such meetings.

Note 2: If a Remuneration Committee member is re-elected before the accounting year, the name of current and previous members shall be listed and his or her appointment status and re-election date shall be noted. His or her attendance rate (%) will be calculated on the basis of his or her tenure.

4) Other mentionable items:

- If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion: None.
- Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(5) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of its implementation?	V		(1) The Company established a “Corporate Social Responsibilities Dedicated Department” in 2015, the planning department of which is the dedicated department and is responsible for planning the corporate social responsibilities related strategy and system and examining the implementation results regarding the above strategy and system in order to promote duly implementation.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) The Company regularly carries out educational trainings on corporate social responsibility to advocate the policies and systems related to social responsibility and the implementation results of environmental education.	None
(3) Does the company establish exclusively (or concurrently) a dedicated first-line department and does any senior management member authorized by the board take charge of proposing and implementing the corporate	V		(3) The Company has established and promoted dedicated department for corporate social responsibilities and published a corporate social responsibilities report since 2015. The contents and plans in the social responsibilities report for 2015 have been reported to the board of directors.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
social responsibility policies and report the implementation results to the board?				
(4) Does the company declare a reasonable salary remuneration policy and integrate the employee performance evaluation system with its corporate social responsibility policy, as well as establish an effective rewards and disciplinary policy?	V		(4) The Company has declared a reasonable salary remuneration policy and has regularly held educational training programs for the employees to enhance their concept of corporate morals. The Company has also made rewards and punishment proposals for its employees in accordance with the employees’ evaluation results in order to inspire employees to grow along with the Company.	None
2. Sustainable Environment Development (1) Does the company endeavor to raise the efficiency of using all resources and use renewable materials which have low impact on the environment?	V		(1) In response to environmental protection, the R&D team of the Company has designed the “Green Environmental Protection Tire” for the purposes of safety, oil saving, quiet and environmental protection. The tire product has reached the environmental protection requirements declared by the EU in 2016.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company establish proper environmental management systems based on the characteristics of its industry?	V		(2) The Company’s environmental management has received ISO 14000 certifications for environmental management systems. Additionally, the Company has promoted 5S management activities comprehensively and regularly examined all departments. The Health and Safety Department is responsible for the implementation of environmental management policy.	None
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish and implement company strategies for energy conservation and carbon reduction?	V		(3) 1. Due to environmental and climate changes, the Company has established a reduction strategy for its use of water resources. The total amount of water used by the Company in 2015 was 1,459,064 tons, which was 11% more than the total amount of the water used by the Company in 2014, which was 1,304,583 tons. 2. The Company has established an energy management organization to annually set up a goal for energy saving and its implementation plan. The total amount of energy used by the Company in 2015 was 2,025,925GJ, and the intensity of use was 13.97GJ/ton, which is 10% more than the total amount of energy used by the Company in 2014. 3. In 2015, the Company completed an examination of its greenhouse gas emissions in 2014. The total amount of greenhouse gas emissions by the company in 2015 was 192,260	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			t-CO ₂ e, which was 2% more than total amount of greenhouse gas emissions by the company in 2014, which was 188,639 t-CO ₂ e. To comply with the relevant laws and regulations, the results of the greenhouse gas emissions examination has been verified by a third party so that the Company is able to establish complete examination procedures and enhance the quality of statistics.	
3. Maintaining Public Welfare (1) Does the company establish appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company has established a labor union in accordance with the <i>Labor Standard Act</i> and relevant labor regulations to manage and ensure employees’ legal rights.	None
(2) Does the company set up an employee complaint mechanism or communication channel and handle the complaints appropriately?	V		(2) The Company has offered an employee complaint system and policy in the internal website as a channel for employees’ complaints, which is able to efficiently make an improvement and solve problems.	None
(3) Does the company provide a safe and healthy working environment and organize	V		(3) 1. The manufacturing departments in our factories have set up safety boards, in which the results of the officers’ daily safety	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
educational training programs on the issues of, and safety and health for, its employees on a regular basis?			<p>observation and the information of employees’ incidents are announced. This arrangement provides the employees with active access to safety information in respect of the working environment.</p> <p>2. New employees are required to participate in Health and Safety educational trainings within one week of their on-boarding, which are designed to inform them of the regulations of the Company and the methods of identifying dangers during warehouse operations and to enhance the capability to avoid damage.</p> <p>3. New employees are required to participate in fire and disaster prevention trainings within three months of their on-boarding, which is designed to equip them with the capability to extinguish fires.</p> <p>4. Disaster information is updated from time to time in the culture hallway to enhance employees’ sense of safety.</p> <p>5. The Company is the first corporate establishing a “Safety Partner ” relationship in Changhua County. By establishing the above relationship, the Company expects to set an example for all</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			corporates and aims to jointly promote the goal of zero corporate disasters with other corporates.	
(4) Does the company set up a regular and periodic communication channel with employees and inform employees, in reasonable ways, of any significant operational changes which may have an impact on them?	V		(4) The Company has internal web pages and individual emails for employees to provide them with information from every department, announcements and communication platforms among employees.	None
(5) Does the company provide its employees with career development training programs?	V		(5) The Company insists and is dedicated to creating a continuous and abundant learning environment. Our employees participate in educational training regarding vocational development for enhancing their capability in respect of vocational development. Please refer to the relevant items of educational training and required hours on page 107 of the annual report.	None
(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding research and development, purchase, production,	V		(6) The Company has a post-sale service department and a client service web page (website: http://www.cst.com.tw). The Company’s distributors over Taiwan also provide the consumers with consultation and complaint channels.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
operation and services?				
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company has disclosed its advertisement and labelling information of the products and services on the official website. The Company has also disclosed all verifications and honors obtained due to the Company’s compliance with regulations in the introduction page (website: http://www.cst.com.tw).	None
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before building business relationships with them?	V		(8) The Company has evaluated whether the suppliers duly perform their corporate social responsibilities before building business relationships with them and has also required the suppliers to endeavor to enhance social responsibilities.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(9) The Company specifies damages and termination clauses in contracts with the suppliers. If the suppliers breach their social responsibilities and ethical operations, the Company will no longer do business with such violating suppliers.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4. Enhancing Information Disclosure</p> <p>(1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</p>	V		The Company has disclosed its CSR reports on the official website and reports the Company’s actual promotion of social responsibilities to MOPS.	None
<p>5. If the Company has established the corporate social responsibility principles according to “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: None.</p>				
<p>6. Other important information to facilitate better understanding of the company’s corporate social responsibility implementation :</p> <p>The goals of 100% quality, 100% service and 100% trust, the Company has checked tire health at every rest stop from time to time, has sponsored the national table tennis tournament held by the Company and Taiwan Cooperative Financial Holding Co., Ltd., and holds national tennis group tournaments with First Financial Holding Co., Ltd. The Company has also donated priority seats in railway stations, parks, and communities; has held tire knowledge seminars in domestic colleges and universities; has held irregularity blood donation activities, has dedicated itself to maintaining community parks and has donated equipment to primary and secondary schools. In addition, the Company has assembled domestic bicycle enthusiasts by organizing bicycle carnivals, and so on.</p>				
<p>7. A clear statement of verification standards shall be made below if the corporate social responsibility reports were verified by external certification institutions: None.</p>				

(6) Ethical Corporate Management and Measures

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>1. Establishment of Ethical Corporate Management Policies and Programs</p> <p>(1) Has the company stipulated its ethical corporate management policies and procedures in its guidelines and public documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Has the company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, disciplinary measures</p>	V		<p>(1) With the Maxxis Family as the core value, the Company's "3+2+1" policy ("100% Quality, 100% Service and 100% Trust" plus "100% Respect and 100% Care" plus 100% Gratitude) provides the fundamental principles of our ethical standards for the Board and management to implement the ethical corporate management.</p> <p>(2) The Company has incorporated the rules, in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, into our</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>for violation, rules of appeals, and the commitment to implement the policies?</p> <p>(3) Has the company adopted appropriate precautions against the activities listed in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed</p>	V		<p>Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting policies and internal control system, which stipulates the prohibition of conflicts of interest, accepting gifts and gratuities and other unethical business practices, as well as its commitment to ethical corporate management.</p> <p>(3) We believe that a culture of ethical corporate management is the key to the Company's sustainability and success. Our Workplace Rules and other internal rules provide guidelines for the conduct</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
Companies or other activities with high risk of unethical conducts?			of directors, managers and employees of the Company, which is aimed to urge personnel of the Company to act with the highest integrity and ethical standards when they perform their duties.	
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company evaluate the ethical records of business partners and include clauses stipulating ethical conduct in business contracts?</p> <p>(2) Has the company established a business unit, which is supervised by the Board and</p>	V	V	<p>(1) The Company has included clauses in the contractual agreements with business partners, which allow us to terminate agreements and claim for damages or terminate partnerships due to the partners' violations of the clauses.</p> <p>(2) The Company has not yet established a business unit dedicated to business ethics</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
is exclusively or concurrently dedicated to business ethics and integrity, to report to the Board on implementation status?			and integrity.	It will be established as the Company deems fit.
(3) Has the company established policies to prevent conflicts of interest, provided appropriate communication channels and implement the policies?	V		(3) The Company has a “Stakeholders Section” on the corporate website providing a platform for our stakeholders to express their opinions and complaints.	
(4) Has the company established an effective accounting system and internal control system to facilitate ethical corporate management, and are they audited by either internal auditors or certified public accountants on a regular basis?	V		(4) The internal auditors are appointed and authorized under the rules of the Company who revise the internal control system from time to time in compliance with applicable laws and regulations and routinely submit audit reports to the Board for review.	None
(5) Does the company regularly hold internal	V		(5) The Company regularly provides training	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
and external trainings on business ethics?			programs, campaigns and paper tests to its employees in accordance with the Workplace Rules and takes into account their performance in the annual evaluation.	None
3. Grievance System (1) Has the company established a grievance and rewards system and a reporting hotline? Can the employees with alleged violations be reached by an appropriate contact person for follow-up?	V		(1) The Company has established a grievance system and whistleblowing procedures both on our intranet and on our website providing a channel for our employees and relevant personnel to report unethical business behaviors or improper conduct. The investigation of reported or suspected violations will be undertaken by a responsible unit assigned by the	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>(2) Has the company established standard operating procedures and confidentiality measures for the investigation of reported incidents?</p> <p>(3) Does the company have proper measures in place to protect whistleblowers from reprisals?</p>	V		<p>Company.</p> <p>(2) The Company's Workplace Rules stipulate the whistleblowing procedures and confidentiality measures, which enhance our code of conduct and ethics.</p> <p>(3) The Company takes protective measures and maintains the anonymity of whistleblowers to prevent reprisals. Any employee in violation of our ethical standards will be subject to disciplinary actions according to our rewards and disciplinary system.</p>	
<p>4. Enhancing Information Disclosure</p> <p>(1) Has the company disclosed its ethical corporate management policies and results</p>	V		<p>(1) The Company has made available its corporate culture, missions and value and</p>	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
of implementation on the company's website and the Market Observation Post System?			other information on its website.	
<p>5. If the company has established ethical corporate management policies in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies ("Best Practice Principles"), please describe any discrepancy between the policies and its practices:</p> <p>Although the Company has not yet adopted an ethical corporate management policy, we incorporate the rules under the Best Practice Principles into our Rules and Procedures for Board Meetings, Workplace Rules, related party transactions, execution of business contracts, accounting policies and internal control system, which stipulates prohibition of conflicts of interest, accepting gifts and gratuities, and other unethical business practices.</p>				
<p>6. Other important information which facilitate a better understanding of the Company's ethical corporate management practices</p> <p>The Company has made available on its website the Rules and Procedures for Board Meetings, Management Procedures for Preventing Insider Trading and a Stakeholders Section. With a vision for sustainable business, we seek to implement ethical corporate management and comply with applicable laws and regulations as the fundamental principles of our business.</p>				

(7) Corporate Governance Guidelines and Rules

1) Our Handbook for the Annual General Meeting of Shareholders each year includes the Company's Articles of Incorporation and other internal rules, such as Rules and Procedures of the Shareholders' Meeting, Rules for Election of Directors and Supervisors, Procedures for Acquisition and Disposal of Assets and Rules Governing Fund Lending and Endorsement and Guarantee, which is made available on the Market Observation Post System.

【Please access through the following steps: Company Profile → Electronic Book → Annual Report and other Information of the Shareholders' Meeting】

2) Other corporate governance guidelines and rules are also available on our website, <http://www.cst.com.tw>.

(8) Other Important Information Regarding Corporate Governance

None.

(9) Director and Supervisor Training Records

Title	Name	Dates		Sponsoring Organization	Course Title/Subject	Hours
		From	To			
Director	Wu Hsuan-Miao	January 22, 2015	January 22, 2015	Securities and Futures Institute	Corporate Social Responsibility Report – Value of Sustainability Business Seminar	3
Director	Wu Hsuan-Miao	May 27, 2015	May 27, 2015	Securities and Futures Institute	Leadership Forum for Business Ethics of Listed Companies	3
Supervisor	Chiu Li-Ching	September 18, 2015	September 18, 2015	Securities and Futures Institute	Symposium on Business Ethics, Risk Management and Social Responsibility for Directors and Supervisors of Listed Companies	3

(10) Manager Training Records

Title	Name	Dates		Sponsoring Organization	Course Title/Subject	Hours
		From	To			
Senior Manager and Chief Accounting and Financial Officer	Lo Yung-Li	December 24, 2015	December 25, 2015	Taiwan Accounting Research and Development Foundation	Continuing Education Training for Chief Accounting Officers of Issuers, Securities Firms and the Securities Exchange	12

(11) State of Internal Control

1) Internal Control Statement

Cheng Shin Rubber Ind. Co., Ltd.
Statement of Internal Control

March 24, 2016

Based on the self-evaluation of Cheng Shin Rubber Ind. Co., Ltd. (the "Company")'s internal control system as of December 31, 2015, we hereby state that:

1. The Company understands that the Board and management of the Company are responsible for establishing, implementing and maintaining adequate internal control. The Company has established an effective internal control system which aims to provide reasonable assurance regarding operational results and effectiveness (e.g., profitability, performance safeguarding of assets), reliability, timeliness and transparency of its financial reporting and the compliance with applicable laws and regulations.
2. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Also, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system based on the criteria, which aims to assess the effectiveness of the internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the "Framework"). The criteria listed in the Framework divides the internal control system into five components, based on management control process. The five components are a) Control environment, b) Risk assessment, c) Control activities, d) Information and communication, and e) Monitoring. Each component comprises of several elements. For more information, please refer to the Framework.
4. We have assessed the design and operating effectiveness of the Company's internal control system based on the criteria listed in the Framework.
5. Based on the assessment mentioned above, we conclude that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2015, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations, the status of goal achievement, reporting reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations.
6. This statement shall be included as an integral part of the Annual Report and the future prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and

Exchange Act.

7. This statement has been unanimously approved by the Board of Directors on March 24, 2016, with 8 directors present at the meeting.

Cheng Shin Rubber Ind. Co., Ltd.

Lo Tsai-Jen
Chairman

Chen Yun-Hwa
General Manager

- 2) A separate audit report shall be included where an independent registered public accounting firm has reviewed the Company's internal control system: N/A
- (12) Sanctions imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the date of the Annual Report, as well as details of the sanctions and/or violations and subsequent improvements: None.

(13) Major Resolutions of Shareholders' Meeting and Board Meetings

1) Shareholder Resolutions and Implementation Status

Item	Date	Proposal	Resolution	Implementation Status
2015 Annual General Meeting	June 11, 2015	Approval of 2014 Business Report and Financial Statements	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,397,531,542 votes (598,584,979 of which were cast electronically), accounted for 92.93% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 48,416 votes (all of which were cast electronically) Abstentions via the electronic voting system: 161,068,955 Spoilt votes: 0 	The 2014 Business Report and Financial Statements have been approved by the shareholders' meeting and have been announced.
		Approval of 2014 Profit Distribution Plan	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,400,480,171 votes (601,533,608 of which were cast electronically), accounted for 93.05% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 57,458 votes (all of which were cast electronically) Abstentions via the electronic voting system: 158,111,284 Spoilt votes: 0 	The cash dividends were paid to the shareholders at NT\$3 per share on August 26, 2015.
		Release Director Lo Tsai-Jen from Non-compete Restrictions	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> Number of votes cast for the proposal: 2,200,340,312 votes (401,393,844 of which were cast electronically), accounted for 85.29% of the total voting shares present in person or by proxy Number of votes cast against the proposal: 246,884 votes (all of which were cast electronically) 	The proposal has been approved by the shareholders' meeting and has been announced and implemented.

			<ul style="list-style-type: none"> • Abstentions via the electronic voting system: 358,061,622 • Spoilt votes: 0 	
		Release Director Chen Yun-Hwa from Non-compete Restrictions	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> • Number of votes cast for the proposal: 2,200,340,312 votes (401,393,844 of which were cast electronically), accounted for 85.29% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 249,884 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 358,058,622 • Spoilt votes: 0 	The proposal has been approved by the shareholders' meeting and has been announced and implemented.
		Release Director Chen Shiu-Hsiung from Non-compete Restrictions	<p>The proposal was approved by votes of the shareholders.</p> <ul style="list-style-type: none"> • Number of votes cast for the proposal: 2,200,340,312 votes (401,393,844 of which were cast electronically), accounted for 85.29% of the total voting shares present in person or by proxy • Number of votes cast against the proposal: 249,884 votes (all of which were cast electronically) • Abstentions via the electronic voting system: 358,058,622 • Spoilt votes: 0 	The proposal has been approved by the shareholders' meeting and has been announced and implemented.

2) Major Board Resolutions

Date	Resolutions	Commentary
January 14, 2015	(1) Professional manager year-end bonus and profit distribution plans (2) Discussion on amendments to the Remuneration Committee Charter (3) Proposed new investments in India (4) Proposal of maximum loan balance of the Company (5) Proposal of endorsement and guarantee of obligations provided by the Company	Approved by the unanimous decision of the directors present
March 23, 2015	(1) Proposal of the date and time of the 2015 Annual General Meeting as well as the reasons to convene the meeting (2) Proposal of the period and location accepting shareholder	Approved by the unanimous decision of the directors present

	<p>proposals for the 2015 Annual General Meeting</p> <p>(3) Ratification of the 2014 consolidated financial statements and separate financial statements</p> <p>(4) Auditor independence evaluation report</p> <p>(5) Approval of the Company's 2014 Internal Control Statement</p> <p>(6) Proposal to release the managers of the Company from non-compete restrictions</p> <p>(7) Proposal to release the directors of the Company from non-compete restrictions</p> <p>(8) Proposal of maximum loan balance of the Company</p> <p>(9) Proposal of endorsement and guarantee of obligations provided by the Company</p>	
April 28, 2015	<p>(1) 2014 director and supervisor remuneration and employee bonus allocation plan recommended by the Remuneration Committee</p> <p>(2) 2014 profit distribution and business report</p> <p>(3) Proposal of endorsement and guarantee of obligations provided by the Company</p>	Approved by the unanimous decision of the directors present
May 12, 2015	<p>(1) Ratification of the Company's first quarter of 2015's consolidated financial statements</p> <p>(2) Proposal of endorsement and guarantee of obligations provided by the Company</p>	Approved by the unanimous decision of the directors present
July 7, 2015	<p>(1) Proposal of ex-dividend date</p> <p>(2) Payment of 2014 director and supervisor remuneration</p> <p>(3) Ratification of disposal of fixed assets to related parties</p> <p>(4) Proposal of maximum loan balance of the Company</p> <p>(5) Proposal of endorsement and guarantee of obligations provided by the Company</p>	Approved by the unanimous decision of the directors present
August 11, 2015	<p>(1) Ratification of the Company's second quarter of 2015's consolidated financial statements</p> <p>(2) Proposal of maximum loan balance of the Company</p> <p>(3) Proposals of endorsement and guarantee provided by the Company and condolence letter</p>	Approved by the unanimous decision of the directors present
November 10, 2015	<p>(1) Ratification of appointment and removal of personnel</p> <p>(2) Adjustment to the professional manager's allowance and operational bonus of the Company's professional managers in 2015</p> <p>(3) Discussion of the amendments to the Company's Articles of Incorporation</p> <p>(4) Proposal to adopt the Operating Procedures to Suspend and Resume Transactions</p> <p>(5) Proposal to enhance the information quality and transparency of the Company's financial reporting</p> <p>(6) Proposal to adopt the Company's 2016 audit plan</p> <p>(7) Amendments to the internal control system manual of the Company</p> <p>(8) Ratification of the Company's third quarter of 2015's consolidated financial statements</p> <p>(9) Proposal of maximum loan balance of the Company</p> <p>(10) Proposals of endorsement and guarantee of obligations provided by the Company and condolence letter</p>	Approved by the unanimous decision of the directors present
January 14, 2016	<p>(1) Plans of professional manager year-end bonus and profit distribution</p> <p>(2) Ratification of disposal of fixed assets to related parties</p> <p>(3) Proposal of maximum loan balance of the Company</p> <p>(4) Proposals of endorsement and guarantee of obligations provided by the Company and condolence letter</p>	Approved by the unanimous decision of the directors present

March 24, 2016	<ul style="list-style-type: none"> (1) 2015 director, supervisor and employee profit sharing plans of the Company (2) Ratification of the Company's 2015 business report, consolidated financial statements and separate financial statements (3) Proposal to spin off the Company's business under the domestic sales (operations) department to its subsidiary, Maxxis Trading Ltd. (4) Proposal of the date and location of the 2016 Annual General Meeting as well as the reasons to convene the meeting (5) Proposal of the period and location accepting shareholder proposals for the 2016 Annual General Meeting (6) Auditor independence evaluation report (7) The Company's 2015 profit distribution plan (8) Approval of the Company's 2015 Internal Control Statement (9) Amendment to the Company's proposal to prepare its own financial reports and progress report (10) Proposal of maximum loan balance of the Company (11) Proposal of endorsement and guarantee of obligations provided by the Company 	Approved by the unanimous decision of the directors present
-------------------	--	---

(14) Major issues of record or written statements made by any director or supervisor dissenting to major resolutions passed by the Board during the current fiscal year and as of the date of the Annual Report: none.

(15) Summary of resignation and removal of key individuals involved in the financial reporting of the Company, including chairman, general manager, chief officers in accounting, finance, internal audit, and research and development, during the current fiscal year and as of the date of the Annual Report:

Title	Name	Date of on board	Date of Termination	Reason for Resignation or Removal
Chief R&D Officer	Tseng Yung-Yao	February 1, 2007	September 7, 2015	Retirement

3.4 Accounting Fees

(1) Accounting Fees

Accounting Firm	Name of CPA		Audit Period	Commentary
PricewaterhouseCoopers Taiwan	HUNG, SHU-HUA (洪淑華)	WU, DER-FENG (吳德豐)	January 1, 2015 to December 31, 2015	

Note: If there has been a change of certified public accountants or independent public accounting firm during the current fiscal year, the Company shall disclose the information regarding the audit period covered by the predecessor auditor and successor auditor as well as the reasons for change of auditors in the commentary column.

Fee Range		Items	Audit Fees	Non-audit Fees	Total Fees
1	Under NT\$2,000,000				
2	NT\$2,000,000 - NT\$3,999,999			NT\$3,372,000	
3	NT\$4,000,000 - NT\$5,999,999				
4	NT\$6,000,000 - NT\$7,999,999		NT\$6,750,000		
5	NT\$8,000,000 - NT\$9,999,999				
6	NT\$10,000,000 and above				NT\$10,122,000

- 1) Disclosure of audit and non-audit fees as well as details of the non-audit services where the non-audit fees paid to the certified public accountants, the independent certified public accounting firm and/or its affiliates account for 25% or more of the audit fees:

The audit fees are NT\$6,750,000 and the non-audit fees are NT\$3,372,000. The non-audit fees were paid mainly for business income tax audit and corporate social responsibility reporting services.

- 2) Disclosure of the amount, percentage and reasons of decrease in audit fees where there has been a change of auditors and the audit fees are lower than the previous fiscal year: N/A
- 3) Disclosure of the amount, percentage and reasons of decrease where the audit fees are lower than the previous fiscal year by 15% or more:

Audit fees in Fiscal Year 2015 remain the same as Fiscal Year 2014.

3.5 Change of Auditors: none

(1) Information of Predecessor Auditor: N/A

(2) Information of Successor Auditor: N/A

3.6 Disclosure of any of the Company's Chairman, General Manager, Chief Financial or Accounting Officers has held a position at the Company's independent certified public accounting firm or its affiliates within the last year: None.

3.7 Transfer or Pledge of Shares by Directors, Supervisors, Managers and Shareholders who hold 10% shares or more during the current fiscal year and as of the date of the Annual Report

(1) Changes in Share Ownership of Directors, Supervisors, Managers and Major Shareholders (holding 10% shares or more)

Title	Name of Director, Supervisor or Major Shareholder	2015		As of April 16, 2016	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Chairman and Major Shareholder	Lo Tsai-Jen	(125,000,0000)	0	0	0
Director and General Manager	Chen Yun-Hwa	0	0	0	0
Director and General Manager	Chen Shiu-Hsiung	15,000,000	0	0	0
Director	Horning Yih Investment Corporation, represented by Lee Chin-Chang	0	0	0	0
Director	Horning Yih Investment Corporation, represented by Wu Hsuan-Miao				
Director	Horning Yih Investment Corporation, represented by Lin Hung-Yu				
Director	Horning Yih Investment Corporation, represented by Tseng Yung-Yao				
Independent Director	Hsu Ente	0	0	0	0
Independent Director	Too Jui-Rze	0	0	0	0
Supervisor	Tseng Sung-Chu	1,600,000	0	0	0
Supervisor	Chiu Li-Ching	55,000,000	0	(60,000,000)	0
Supervisor	Chen Han-Chi	(2,000,000)	0	(1,200,000)	0
Vice President	Lee Chin-Chang	0	0	0	0
Vice President	Wu Hsuan-Miao	0	0	0	0
Vice President	Lin Hung-Yu	0	0	0	0
Vice President (Note)	Tseng Yung-Yao	0	0	0	0
Vice President	Weng Ming-Chun	0	0	0	0
Vice President	Huang Chung-Jen	0	0	0	0
Vice President	Peng Wen-Hsing	0	0	0	0
Vice President	Huang Chieh-Hsiang	0	0	0	0
Vice President	Hsu Chih-Ming	0	0	0	0
Vice President	Lin Yu-Yu	0	0	0	0

Vice President	Liao Cheng-Yao	0	0	0	0
Senior Manager	Lin Chen-Chieh	0	0	0	0
Senior Manager	Lin Cheng-Hua	0	0	0	0
Senior Manager	Wei Chi-Chiang	0	0	0	0
Senior Manager	Lee Hung-Ko	0	0	0	0
Senior Manager	Lai Kuo-Ti	0	0	0	0
Senior Manager	Liu Chao-Sheng	0	0	0	0
Senior Manager	Ho Chin-Fang	0	0	0	0
Senior Manager	Lin Chin-Chuan	0	0	0	0
Senior Manager	Chang Chuan-Shun	0	0	0	0
Senior Manager	Mao Yu-Fu	0	0	0	0
Senior Manager	Huang Kuo-Tsai	0	0	0	0
Senior Manager	Huang Yang-Hsun	0	0	0	0
Senior Manager	Chen Ying-Kuang	0	0	0	0
Senior Manager	Chiang Shin-Pin	0	0	0	0
Senior Manager	Lo Chen-Jung	0	0	0	0
Senior Manager	Chang Ghi-Jung	0	0	0	0
Senior Manager	Chang Chin-Lu	0	0	0	0
Senior Manager	Liu Ching-Chung	0	0	0	0
Senior Manager	Chen Shu-Yu	0	0	0	0
Chief Financial and Accounting Officer	Lo Yung-Li	0	0	0	0
Major Shareholder	Luo Ming-Han	0	0	0	0

Note: Vice President Tseng Yung-Yao retired on September 7, 2015.

(2) Transfer of Shares

Name	Reason for Transfer	Date of Transaction	Transferee	Share Ownership %	Relationship between Transferee and the Company, its Directors, Supervisors or Major Shareholders	Number of Shares	Transfer Price (NT\$)
Lo Tsai-Jen	Trust	December 9, 2015	Taishin International Bank, Trust Account	0.61%	Trust Account	20,000,000	-
Lo Tsai-Jen	Gift	February 4, 2015	Chiu Li-Ching	0.86%	Spouse	100,000,000	74.8
Lo Tsai-Jen	Gift	September 15, 2015	Luo Yuan-Yu	2.77%	Adult Child	2,000,000	50.1
Lo Tsai-Jen	Gift	September 21, 2015	Luo Yuan-Yu	2.77%	Adult Child	3,000,000	50.1
Chiu Li-Ching	Trust	December 9, 2015	Taishin International Bank, Trust Account	0.61%	Trust Account	20,000,000	-
Chiu Li-Ching	Gift	September 15, 2015	Luo Yuan-Yu	2.77%	Adult Child	2,000,000	50.1
Chiu Li-Ching	Gift	September 21, 2015	Luo Yuan-Yu	2.77%	Adult Child	3,000,000	50.1
Chiu Li-Ching	Gift	March 18, 2016	Luo Yuan-Yu	2.77%	Adult Child	20,000,000	48.9
Chiu Li-Ching	Gift	March 30, 2016	Luo Yuan-Yu	2.77%	Adult Child	20,000,000	49.9
Chiu Li-Ching	Gift	March 30, 2016	Luo Yuan-Yu	2.77%	Adult Child	20,000,000	50.0
Chiu Li-Ching	In lieu of payment for shares issued in capital increase	October 7, 2015	Hongjing Investment Co., Ltd.	0.63%	Nominee Account	10,000,000	50.1
Chiu Li-Ching	In lieu of payment for shares issued in capital increase	December 30, 2015	Hongjing Investment Co., Ltd.	0.63%	Nominee Account	10,000,000	51.2

Chen Shiu-Hsiung	Trust	November 3, 2015	Taishin International Bank, Trust Account	0.61%	Trust Account	20,000,000	-
Lo Min-Ling	Trust	November 3, 2015	Taishin International Bank, Trust Account	0.92%	Trust Account	30,000,000	-
Lo Min-Ling	Gift	September 23, 2015	Chen Shiu-Hsiung	1.78%	Spouse	35,000,000	54.2
Lo Min-Ling	In lieu of payment for shares issued in capital increase	October 28, 2015	Xieshun Investment Co., Ltd	0.48%	Nominee Account	9,550,000	51.5
Lo Min-Ling	In lieu of payment for shares issued in capital increase	October 28, 2015	Boteng Co., Ltd.	0.48%	Nominee Account	8,900,000	51.5
Lo Ming-I	Trust	December 8, 2015	Taishin International Bank, Trust Account	0.92%	Trust Account	30,000,000	-
Lo Ming-I	In lieu of payment for shares issued in capital increase	June 18, 2015	Jiushun Investment Co., Ltd.	0.32%	Nominee Account	4,300,000	69.7
Chen Han-Chi	Gift	July 16, 2015	Liao Zhao-Ning	0.03%	Spouse	1,000,000	66.9
Tseng Sung-Chu	Gift	July 13, 2015	Tseng Lin Hsiu-Feng	0.04%	Parent or Grandparent	1,000,000	65.9
Tseng Sung-Chu	Gift	October 12, 2015	Tseng Lin Hsiu-Feng	0.04%	Parent or Grandparent	600,000	50.1

(3) Pledged Shares

Shares pledged to related parties: None

3.8 Information of the Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship

(1) Relationship among Top Ten Largest Shareholders

Name (Note 1)	Share Ownership		Share Ownership of Spouses and Children who are Minors		Shares Held under Nominee Accounts		Top Ten Largest Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship		Commentary
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Luo Ming-Han	370,176,378	11.42%	0	0%	0	0%	Luo Jye, Chen Shiu-Hsiung, Lo Tsai-Jen, Lo Ming-I, Lo Min-Ling, Luo Yuan-Yu, and Chen Yun-Hwa	Relative within the second and third degree of kinship	
Lo Tsai-Jen	284,225,502	8.77%	27,996,793	0.86%	20,400,000	0.62%	Luo Jye, Chen Shiu-Hsiung, Luo Ming-Han, Lo Ming-I, Lo Min-Ling, Luo Yuan-Yu, and Chen Yun-Hwa	Relative within the second and third degree of kinship	
Luo Jye	224,163,978	6.92%	0	0%	0	0%	Lo Ming-I, Chen Shiu-Hsiung, Lo Tsai-Jen, Luo Ming-Han, Lo Min-Ling, Luo Yuan-Yu, and Chen Yun-Hwa	Relative within the second and third degree of kinship	
Lo Ming-I	175,492,443	5.41%	40,570,531	1.25%	10,391,000	0.32%	Luo Ming-Han, Chen Shiu-Hsiung, Lo Tsai-Jen, Luo Jye, Lo Min-Ling, Luo Yuan-Yu, and Chen Yun-Hwa	Relative within the second and third degree of kinship	
Luo Yuan-Yu	89,944,547	2.77%	0	0%	0	0%	Luo Jye, Lo Tsai-Jen, Luo Ming-Han, Lo Ming-I, Chen Yun-Hwa, Chen Shiu-Hsiung, and Lo Min-Ling	Relative within the second and third degree of kinship	
Pension Fund under the New Labor Pension System	75,166,315	2.32%	0	0%	0	0%	N/A	N/A	
Lo Min-Ling	72,495,516	2.24%	57,819,456	1.78%	31,280,000	0.96%	Luo Jye, Lo Tsai-Jen, Luo Ming-Han, Lo Ming-I, Luo Yuan-Yu, Chen Shiu-Hsiung, and Chen Yun-Hwa	Relative within the second and third degree of kinship	

Cathay Life Insurance Co., Ltd.	64,210,000	1.98%	0	0%	0	0%	N/A	N/A
Chen Shiu-Hsiung	57,819,456	1.78%	72,495,516	2.23%	0	0%	Luo Jye, Lo Tsai-Jen, Luo Ming-Han, Lo Ming-I, Lo Min-Ling, Luo Yuan-Yu, and Chen Yun-Hwa	Relative within the second and third degree of kinship
Chen Yun-Hwa	40,570,531	1.25%	175,492,443	5.41%	0	0%	Luo Jye, Lo Tsai-Jen, Luo Ming-Han, Lo Ming-I, Lo Min-Ling, Luo Yuan-Yu, and Chen Shiu-Hsiung	Relative within the second and third degree of kinship

Note 1: The name of the shareholders shall be listed individually (corporate shareholders shall include both the company name and name of representative)

Note 2: Percentage in share ownership shall be the total shares held whether in the names of the individual, his/her spouse, children who are minors or under nominee accounts.

Note 3: Relationship between the aforementioned shareholders (including juristic and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.9 Share Ownership in Affiliated Companies

A summary of share ownership by the Company and its directors, supervisors, managers, as well as entities controlled directly and indirectly by the Company is as follows:

Affiliated Companies (Note)	Ownership by the Company		Ownership by Directors, Supervisors, Managers and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Shares	%	Shares	%	Shares	%
Maxxis International Co., Ltd.	35,050,000	100%	0	0%	35,050,000	100%
CST Trading Ltd.	72,900,000	100%	0	0%	72,900,000	100%
Cheng Shin Rubber USA, Inc.	1,800,000	100%	0	0%	1,800,000	100%
Maxxis Trading Ltd.	237,811,720	100%	0	0%	237,811,720	100%
Chau Shin Investment Corp.	9,700,000	97%	50,000	0.5%	9,750,000	97.5%
New Pacific Industry Company Limited	4,999,960	49.99%	20	0.002%	49,999,980	49.99%
Cheng Shin Rubber Canada, Inc.	1,000,000	100%	0	0%	1,000,000	100%
Cheng Shin Holland B.V.	9,708	30%	0	0%	9,708	30%
Maxxis Tech Center Europe B.V.	1,000,000	100%	0	0%	1,000,000	100%
P.T. Maxxis International Indonesia	79,997,000	99.99625%	3,000	0.00375%	80,000,000	100%
Maxxiss Rubber India Private Limited	59,999,700	99.9995%	300	0.0005%	60,000,000	100%

Note 1: Investments of the Company are accounted for using the equity method.

Note2: Numbers are as of December 31, 2015.

IV. Capitalization

4.1 Capital and Shares

(1) Source of Capital

Month/Year	Issue Price/Par Value (NT\$)	Authorized Capital		Paid-in Capital		Commentary		
		Number of Shares	Amount	Number of Shares	Amount	Sources of Capital	Capital Increase by Assets Other Than Cash	Other
August 1988	10	162,509,490	1,625,094,900	162,509,490	1,625,094,900	Capital increase from retained earnings	None	-
August 1989	10	203,136,863	2,031,368,630	203,136,863	2,031,368,630	Capital increase from retained earnings	None	-
August 1990	10	243,764,236	2,437,642,360	243,764,236	2,437,642,360	Capital increase from retained earnings	None	-
May 1991	10	263,265,375	2,632,653,750	263,265,375	2,632,653,750	Capital increase from retained earnings	None	Jing (80) Shang No.118965 dated September 7, 1991
July 1992	10	315,918,450	3,159,184,500	315,918,450	3,159,184,500	Capital increase from retained earnings	None	Jing (81) Shang No.118426 dated August 31, 1992
July 1993	10	363,306,218	3,633,062,180	363,306,218	3,633,062,180	Capital increase from retained earnings	None	Jing (82) Shang No.115285 dated August 13, 1993
July 1994	10	421,435,213	4,214,352,130	421,435,213	4,214,352,130	Capital increase from retained earnings	None	Jing (83) Shang No.112989 dated September 2, 1994
August 1995	10	501,507,903	5,015,079,030	501,507,903	5,015,079,030	Capital increase from retained earnings	None	Jing (84) Shang No.111207 dated August 16, 1995
August 1996	10	551,658,693	5,516,586,930	551,658,693	5,516,586,930	Capital increase from retained earnings	None	Jing (85) Shang Zi No.111479 dated August 12, 1996

July 1997	10	606,824,562	6,068,245,620	606,824,562	6,068,245,620	Capital increase from retained earnings	None	Jing (86) Shang Zi No.111867 dated July 18, 1997
December 1998	10	679,643,509	6,796,435,090	679,643,509	6,796,435,090	Capital increase from retained earnings	None	Jing (87) Shang Zi No.087142412 dated December 29, 1998
August 1999	10	747,607,860	7,476,078,600	747,607,860	7,476,078,600	Capital increase from retained earnings	None	Jing (88) Shang Zi No.088127496 dated August 4, 1999
August 2000	10	784,988,253	7,849,882,530	784,988,253	7,849,882,530	Capital increase from retained earnings	None	Jing (89) Shang Zi No.089127105 dated August 1, 2000
August 2001	10	836,012,489	8,360,124,890	836,012,489	8,360,124,890	Capital increase from retained earnings	None	Jing (90) Shang Zi No.09001288800 dated August 22, 2001
August 2002	10	886,173,238	8,861,732,380	886,173,238	8,861,732,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09101319120 dated August 15, 2002
August 2003	10	957,067,097	9,570,670,970	957,067,097	9,570,670,970	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09201240400 dated August 8, 2003
August 2004	10	1,048,945,538	10,489,455,380	1,048,945,538	10,489,455,380	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09301149390 dated August 18, 2004
September 2005	10	1,138,105,908	11,381,059,080	1,138,105,908	11,381,059,080	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09401168800 dated September 5, 2005
September 2006	10	1,217,773,322	12,177,733,220	1,217,773,322	12,177,733,220	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09501191430 dated August 30, 2006
September 2007	10	1,303,017,454	13,030,174,540	1,303,017,454	13,030,174,540	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09601224190 dated September 14, 2007
September 2008	10	1,498,470,072	14,984,700,720	1,498,470,072	14,984,700,720	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09701236220 dated September 15, 2008
September 2009	10	1,648,317,079	16,483,170,790	1,648,317,079	16,483,170,790	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09801202660 dated September 4, 2009

August 2010	10	2,060,396,349	20,603,963,490	2,060,396,349	20,603,963,490	Capital increase from retained earnings	None	Jing Shou Shang Zi No.09901193360 dated August 25, 2010
August 2011	10	2,472,475,619	24,724,756,190	2,472,475,619	24,724,756,190	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10001194070 dated August 22, 2011
August 2012	10	2,818,622,206	28,186,222,060	2,818,622,206	28,186,222,060	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10101174280 dated August 27, 2012
August 2013	10	3,241,415,536	32,414,155,360	3,241,415,536	32,414,155,360	Capital increase from retained earnings	None	Jing Shou Shang Zi No.10201172870 dated August 29, 2013

As at December 31, 2015 (In shares)

Type of Shares	Authorized Capital			Commentary
	Outstanding Shares	Unissued Shares	Total	
TWSE Listed Common Stock	3,241,415,536	0	3,241,415,536	-

(2) Shareholder Structure

As at April 16, 2016

	Government Agencies	Financial Institutions	Other Juristic Persons	Foreign Institutions and Natural Persons	Individuals	Total
Number of Shareholders	8	33	411	665	71,547	72,664
Number of Shares	159,422,281	230,248,941	494,103,497	447,395,404	1,910,245,413	3,241,415,536
Share Ownership %	4.92%	7.10%	15.24%	13.80%	58.93%	100.00%

(3) Share Ownership Distribution

At Par Value NT\$10

As at April 16, 2016

Share Ownership by Range	Number of Shareholders	Number of Shares	Share Ownership %
1 - 999	19,363	5,910,733	0.18%
1,000 - 5,000	37,927	82,853,523	2.56%
5,001 - 10,000	7,453	56,640,451	1.75%
10,001 - 15,000	2,531	31,607,766	0.98%
15,001 - 20,000	1,569	28,094,221	0.87%
20,001 - 30,000	1,260	31,549,014	0.97%
30,001 - 40,000	602	21,097,720	0.65%
40,001 - 50,000	383	17,564,341	0.54%
50,001 - 100,000	762	53,404,690	1.65%
100,001 - 200,000	316	44,590,401	1.38%
200,001 - 400,000	172	48,824,247	1.51%
400,001 - 600,000	62	30,525,185	0.94%
600,001 - 800,000	46	31,776,623	0.98%
800,001 - 1,000,000	32	29,188,002	0.90%
1,000,001 and above	186	2,727,788,619	84.15%
Total	72,664	3,241,415,536	100.00%

Note: The Company has not issued preferred shares.

(4) Major Shareholders

As at April 16, 2016

Name	Number of Shares	Share Ownership %
Luo Ming-Han	370,176,378	11.42%
Lo Tsai-Jen	284,225,502	8.77%
Luo Jye	224,163,978	6.92%
Lo Ming-I	175,492,443	5.41%
Luo Yuan-Yu	89,944,547	2.77%
Pension Fund under the New Labor Pension System	75,166,315	2.32%
Lo Min-Ling	72,495,516	2.24%
Cathay Life Insurance Co., Ltd.	64,210,000	1.98%
Chen Shiu-Hsiung	57,819,456	1.78%
Chen Yun-Hwa	40,570,531	1.25%

Note: The list of major shareholders includes shareholders with 1% or more share ownership and/or the top 10 largest shareholders.

(5) Market Price, Net Value, Earnings, and Dividend per Share

In Shares or NT\$

		2014	2015	As at March 31, 2016	
Market Price per Share (Note 1)	Highest Price	91	78.1	64.7	
	Lowest Price	65.1	48.8	48.55	
	Average	75.94	64.46	55.69	
Net Value per Share (Note 2)	Before Distribution	27.08	27.51	28.60	
	After Distribution	27.08	-	-	
Earnings per Share	Weighted Average of Shares		3,241,415,536	3,241,415,536	3,241,415,536
	Earnings per Share (Note 3)	Basic	4.94	3.94	1.24
		Diluted	4.93	-	-
Dividend per Share	Cash Dividend		3.00	3.00 (Note 8)	-
	Stock Dividend	Paid out of Retained Earnings	0	0	-
		Paid out of Capital Surplus	-	-	-
	Accrued Unpaid Dividends (Note 4)		-	-	-
Return on Investment	P/E Ratio (Note 5)		15.37	16.36	-
	Price/Dividend Ratio (Note 6)		25.31	21.49	-
	Cash Dividend Yield (Note 7)		3.95%	4.65%	-

- Note 1: List the highest and lowest market price in each fiscal year and calculate the average market price based on the trading value and volume.
- Note 2: Please fill out the figures according to the number of outstanding shares at the end of the fiscal year and the resolution regarding distribution by the shareholders' meeting the following year.
- Note 3: Please fill out basic and diluted earnings per share if retroactive adjustment is necessary due to stock dividend payout.
- Note 4: If the terms of issue of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accrued unpaid dividends as at the end of such fiscal year shall be disclosed.
- Note 5: $P/E \text{ Ratio} = \text{Average Market Price per Share} / \text{Earnings per Share}$
- Note 6: $\text{Price/Dividend Ratio} = \text{Average Market Price per Share} / \text{Cash Dividend per Share}$
- Note 7: $\text{Cash Dividend Yield} = \text{Cash Dividend per Share} / \text{Average Market Price per Share}$
- Note 8: The distribution of earnings has not been approved by the annual general meeting of the shareholders

(6) Dividend Policy and Implementation

Our dividend policy is as follows:

- 1) If the Company has pre-tax earnings for the fiscal year after the accounts are closed, after setting aside an amount to pay any business income tax due, the Company shall first offset the losses of previous year(s) and then set aside ten percent (10%) of the residual amount as the legal reserve, and shall, in accordance with applicable laws and regulations, set aside a portion of the after-tax earnings for its special reserve. To the extent that there is any balance of the Company's after-tax earnings remaining, the total earnings available for distribution shall consist of the remainder of such balance and the retained earnings from the previous year(s). The board of directors may propose a profit distribution plan for approval at the shareholders' meeting.

The shareholder dividends declared under such a plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall be ten percent (10%) or more of the total dividends declared.

- 2) Proposed Dividend Payment by the Shareholders' Meeting

After the appropriation of legal reserve, the total after-tax earnings of the Company available for distribution, which includes retained earnings carried forward from previous year(s), was NT\$39,315,546,124 in the 2015 Fiscal Year. It is proposed that NT\$9,724,246,608 of cash dividends be paid to the shareholders (at NT\$3 per share) in accordance with the Articles of Incorporation of the Company.

- (7) Impact of the proposed stock dividend payment by the shareholders' meeting on the business performance and earnings per share of the Company

The Company did not declare any stock dividend, and therefore no impact was expected on the business performance and earnings per share of the Company.

- (8) Employee Bonus and Director and Supervisor Remuneration

- 1) Percentage or Range of Employee Bonus and Director and Supervisor Remuneration under the Articles of Incorporation

To the extent that there is any balance of the Company's after-tax earnings remaining, an amount no less than two percent (2%) of such balance shall be paid out as employee bonus and no more than three percent (3%) of such balance shall be paid out as director and supervisor remuneration, provided that, however, the Company shall first offset the cumulative losses, if any.

Employee bonus shall be paid in the form of stocks or cash, and director and supervisor remuneration shall be paid in the form of cash. The payout shall be approved by more than one half of the directors present at the Board meeting attended by at least two-thirds of all directors, and shall be reported at the shareholders' meeting.

Individuals eligible to receive stock or cash bonus in the preceding paragraph include employees of the Company's subsidiaries who meet certain criteria, which shall be discussed and decided by the Board of Directors.

- 2) The Basis of the Estimate of Employee Bonus and Director and Supervisor Remuneration, the Basis of Calculating Number of Shares where Stock Bonuses are Paid, as well as Accounting Treatment in Case of Deviation between the Amount of Actual Payment and the Estimate:

The deviation will be recognized as profit or loss in the following fiscal year.

- 3) Distribution of Employee Bonus Recommended by the Board
 - The amount of employee cash bonus and director and supervisor remuneration. In the event that the amount of the actual payment of employee cash bonus and director and supervisor remuneration deviates from the estimate in the fiscal year where such payment is recognized as an expense, the difference of the value as well as reason for deviation and accounting treatment shall be disclosed

The Company has allocated NT\$321,913,000 as employee cash bonus and NT\$357,324,000 as director and supervisor remuneration in 2015. Taking into account our moderate decrease of revenues in 2015 and the amount of payout in 2014, the Board has passed a resolution and recommends that NT\$321,913,000 to be paid out as employee cash bonus and NT\$255,116,000 as director and supervisor remuneration. Deviation between the estimate and actual payment amount will be recognized as profit (loss) in the 2016 Fiscal Year.

- Proposed employee stock bonus in percentage of after-tax earnings and total employee bonus in Fiscal Year 2015

The Company's 2015 profit distribution plan has been approved by the Board of Directors and no employee stock bonus was declared.

- The estimated earnings per share is NT\$3.94 after the employee bonus and director and supervisor remuneration are paid out.

4) Employee Bonus and Director and Supervisor Remuneration in the 2014 Fiscal Year

The following summarizes the employee bonus and director and supervisor remuneration in the 2014 Fiscal Year:

	Approved Distribution by the Shareholders' Meeting	Recommended Distribution by the Board	Deviation	Reason for Deviation
Distribution				
Employee cash bonus	288,281	288,281	—	N/A
Employee stock bonus				
● Number of shares	—	—	—	N/A
● Amount	—	—	—	N/A
● In % of the total outstanding shares at year-end	—	—	—	N/A
Director and supervisor remuneration	319,992	319,992	—	N/A
Earnings per Share				
Earnings per Share	NT\$4.94	NT\$4.94	—	N/A
Estimated Earnings per Share (Note)	N/A	N/A	—	N/A

Note: The formula used to estimate EPS in Fiscal Year 2014 is as follows:
 Estimated EPS = (Net Income after Taxes – Employee Bonus – Director and Supervisor Remuneration) / Weighted Average of Outstanding Shares Of The Current Fiscal Year
 Estimated EPS will no longer apply once employee bonus and director and supervisor remuneration are recognized as expenses by the Company.

(9) Repurchase of the Company's shares: None

4.2 Corporate Bonds

Type of Bonds	Cheng Shin Rubber Ind. First Offering of Unsecured Bonds of 2013	Cheng Shin Rubber Ind. First Offering of Unsecured Bonds of 2014
Issue Date	August 19, 2013	July 18, 2014
Denomination	NT\$1 million	NT\$1 million
Location of Issuance and Transaction	N/A	N/A
Issue Price	At Par	At Par
Total Amount	NT\$3.8 billion	NT\$4.8 billion
Coupon Rate	1.55%	1.4%
Maturity	5 Years Maturity Date: August 19, 2018	5 Years Maturity Date: July 18, 2019
Guarantor	None	None
Trustee	Taipei Fubon Commercial Bank	Mega International Commercial Bank
Underwriter	N/A	N/A
Legal Counsel	N/A	N/A
Auditor	Grace Hung and Steven Ko , PricewaterhouseCoopers Taiwan	Grace Hung and Steven Ko , PricewaterhouseCoopers Taiwan
Repayment	50% of the principal will be paid in the fourth year and the remaining 50% will be paid in the fifth year from the issue date	Repayment in lump sum at maturity
Outstanding Principal	NT\$3.8 billion	NT\$4.8 billion
Redemption or Early Repayment Clauses	None	None
Restrictive Clauses	None	None
Credit Rating	twA+ (Taiwan Ratings Corporation, May 2, 2013)	twA+ (Taiwan Ratings Corporation, February 21, 2014)

Other Rights of Bondholders	Amount of Common Shares, GDRs or Other Securities Converted, Exchanged or Subscribed as of the date of the Annual Report	N/A	N/A
	Method of Issuance and Conversion/Exchange/Subscription	N/A	N/A
Potential Dilutive Effects on other Shares and Impact on the Rights of Existing Shareholders due to Method of Issuance and Conversion/Exchange/Subscription or Terms of Issue		N/A	N/A
Custodian		N/A	N/A

4.3 Preferred Shares: None

4.4 Global Depository Receipts(GDR): None

4.5 Employee Stock Options and Employee Restricted Stocks: None

4.6 Issuance of New Shares due to Mergers and Acquisitions or Acquisition of Shares from other Companies: None

4.7 Financing Plans and Implementation

(1) Financing Plans

1) First Offering of Unsecured Bonds of 2013

- Date of approval and approval document number: Jin Guan Zheng Fa Zi No.1020018282 issued by the Financial Supervisory Commission dated May 20, 2013
- Funds required for the project: NT\$3,800,000,000
- Source of financing: first offering of unsecured bonds of NT\$3,800,000,000
- Purpose of financing and progress of use:

NT in Thousands

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use		
			2013		2013
			Q3	Q4	Q1
Refinance	Q3 2013	\$1,239,200	\$1,239,200	-	-
Fund Working Capital	Q3 2013	\$2,560,800	\$2,560,800	-	-
Total		\$3,800,000	\$3,800,000	-	-

2) First Offering of Unsecured Bonds of 2014

- Date of approval and approval document number: Jin Guan Zheng Fa Zi No. 1030021640 issued by the Financial Supervisory Commission dated June 6, 2014
- Funds required for the project: NT\$4,800,000,000
- Source of financing: First offering of unsecured bonds of NT\$4,800,000,000
- Purpose of financing and progress of use:

NT in Thousands

Project Item	Estimated Completion Date	Funds Required	Estimated Progress of Use		
			2014		2014
			Q3	Q4	Q1
Refinance	Q3 to Q4 2014	\$3,473,799	\$2,651,133	\$822,666	-
Fund Working Capital	Q3 2014	\$1,326,201	\$1,326,201	-	-
Total		\$4,800,000	\$3,977,334	\$822,666	-

(2) Implementation Status

1) Status of Funds Used and Implementation

➤ First Offering of Unsecured Bonds of 2013

NT in Thousands

Project Item	Implementation Status		December 31, 2013	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Refinance	Fund Used	Proposed	\$1,239,200	Project Completed
		Used	\$1,239,200	
	Status (%)	Proposed	100%	
		Used	100%	
Fund working capital	Fund Used	Proposed	\$2,560,800	Project Completed
		Used	\$2,560,800	
	Status (%)	Proposed	100%	
		Used	100%	

➤ First Offering of Unsecured Bonds of 2014

NT in Thousands

Project Item	Implementation Status		December 31, 2013	Reasons and Improvement Plans for Leading or Behind the Project Schedule
Refinance	Fund Used	Proposed	\$3,473,799	Project Completed
		Used	\$3,473,799	
	Status (%)	Proposed	100%	
		Used	100%	
Fund working capital	Fund Used	Proposed	\$1,326,201	Project Completed
		Used	\$1,326,201	
	Status (%)	Proposed	100%	
		Used	100%	

V. Operational Highlights

5.1 Business Activities

(1) Business Scope

1) Principal Businesses Activities

- C801990 Other Chemical Materials Manufacturing.
- C802160 Sticky Tape Manufacturing.
- C804010 Tires Manufacturing.
- C804020 Industrial Rubber Products Manufacturing.
- C804990 Other Rubber Products Manufacturing.
- C801010 Machinery and Equipment Manufacturing.
- F112040 Wholesale of Petrochemical Fuel Products.
- F212050 Retail Sale of Petrochemical Fuel Products.
- F401010 International Trade.
- ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2) Revenues by Product Category

The revenues from the Company's major products are as follows:

NT in Thousands

Major Products	2014	
	Revenues	%
Radial automobile cover tires	54,084,113	46.33%
Radial truck cover tires	18,993,517	16.27%
Motorcycle cover tires	15,894,040	13.62%
Bike cover tires	8,866,980	7.60%
Inner tubes	5,909,956	5.06%
Other tires	14,853,932	12.73%
Other products	1,305,438	1.12%
Return, allowance, freight and insurance costs and others	-3,181,683	-2.73%
Total	116,726,293	100%

- 3) The Company's Current Products: radial automobile cover tires, radial truck cover tires, motorcycle cover tires, bike cover tires, inner tubes and other tires.

4) New Products In Development

- Development of 19” spare tire.
- Product development of Scooter-High performance Sport series.
- New product development of MCR STEEL Super Sport series.
- Development of 700C low rolling resistance road bike tire.
- Research on BMX high wind pressure TLR structure technology.
- New product development of Go Kart F1 SERIES new product.
- New product development of ATV new crawling tire.
- New product development of north American 235/85R16 Trailer.
- New product development of European 70 series Regional low profile tire Steer.
- New product development of European 70 series Regional low profile tire Drive.
- New product development of European 80 series Long Haul LRR Steer.
- New product development of European 80 series Long Haul LRR Drive.
- New product development of European Super Single Long Haul Trailer.
- Project research on low rolling resistance technology for TBR products.
- MAXXIS new generation LTR snow tire_WL2.
- MAXXIS new generation LTR all seasons tire_AL2.
- MAXXIS new generation SUV snow tire_WS2.
- Product development of PRESA LRR PSE1.
- Product development of PRESA HP PS03.
- Project research on the technology of LRR 6.0 energy saver tire product.
- Industry Overview

5) Industry Situation and Development

With the domestic rapid economic development and the continuous development and innovation in this industry, tire businesses are also flourishing, which improves the industrial technology for higher level tires. The Company's main products are the cover tires for automobiles and motorcycles. Due to the small market and limited road areas in Taiwan, as well as increasing importation after Taiwan's participation in the WTO, it is more difficult for marketing and sales of tires in Taiwan's highly competitive market. In view of this, the Company will be dedicated to the development of tires with high performance, low rolling resistance, safety and intelligence, so that the Company will be able to develop its market

by continuously providing more leading products.

6) Relationship Among The Supply Chain

After developing for decades, the rubber industry in Taiwan has formed a complete supply chain with upstream, midstream and downstream, which is as follows:

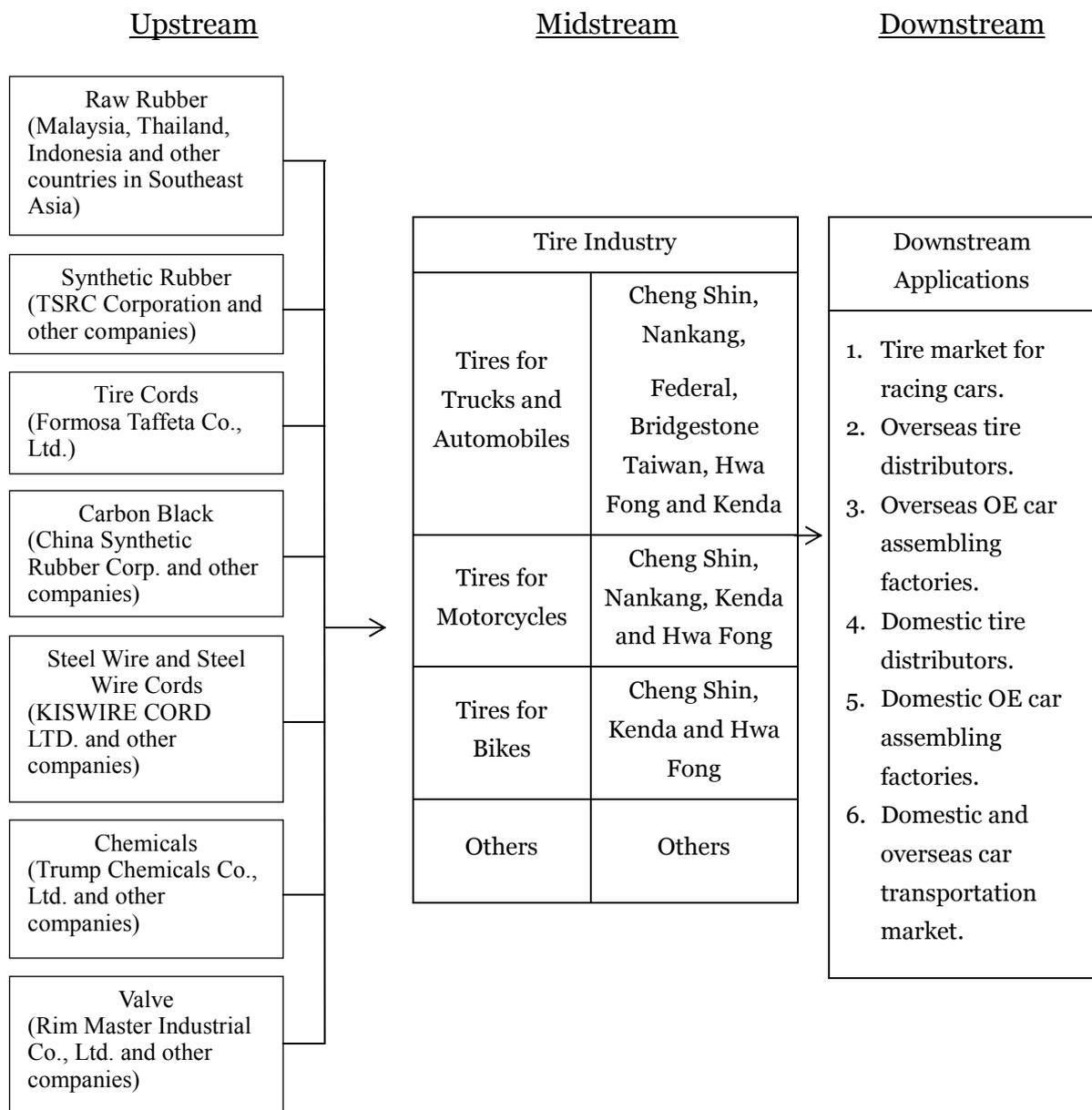
Upstream: capital intensive raw material industry.

Midstream: technology processing industry.

Downstream: consisting of the applications in tire market for racing cars, domestic and overseas OE car assembling factories, domestic and overseas tire distributors and car transportation market.

The diagram for upstream, midstream and downstream is as follows:

Diagram of Relationship Among Tire Industry in Taiwan



7) Information of The Development Trends And Competition of Products:

For the entire market of tire products, the traditional cross-ply tires have been replaced gradually by the radial tires and the main reason is that the radial tires are would be able to reduce the possibility of flat tires and would provide the effects of oil saving, abrasion resistance and driving safety. Also, the development trend of tire products is low profile and high performance tires. Due to market needs and higher consumers' needs for environmental quality, the Company plans to manufacture and provide high performance tires, low rolling resistance tires, safety tires, intelligent tires, steel wire radial tires and other new products. The Company would like to enhance its development power by improving its technology and increasing product diversity and would also like to develop and occupy the market by continuously expanding leading products.

(2) Overview on Technology, Research and Development

1) Costs of Research and Development During the Current Fiscal Year and As at the Date of The Annual Report

NT in Thousands

	2015	As of March 31, 2016
Costs of Research and Development	\$4,324,111	\$1,162,213
Net Operation Income	\$116,726,293	\$29,345,194
Percentage	3.70%	3.96%

2) Technology and Products Successfully Developed

- Development of Run-Flat Spare Tire
- Development of Huge Size 4X4 M8090/M8060 Series
- Development of MCR ST2
- Development of The Second Generation of Motocross HT & ST
- Development of Scooter Radial
- Research On The Structure Technology of BC Turn-up
- Development of The Second Generation of Tubular Lightening Racing Tire
- Development of LT style ATV ML1, ML3 and ML5
- Development of New Sport: MS-SR1 and MS-SR2
- Development of New-Mold
- Development of MAXXIS LTS 70 Series Tire For Socket of the Sweeping Table
- Development of MAXXIS TBR 70 Series Tire For Drive Shaft

- Development of MAXXIS TBR 70 Series Straight Pattern Tire
 - Development of MAXXIS TBR 70 Series Drive Shaft Snow Tire
 - Development of RAZR MT 772
 - Development of MEco3 European LRR Tire
 - Development of PI14 PRESA Snow Tire
- (3) Long Term and Short Term Business Development Plan
- 1) Short Term Business Development Plan
 - Conducting business on the current business basis, continuously developing products for all series and developing sales models fitting for different local markets.
 - Carrying out a reasonable and flexible production procedure in order to reach the most proper operational business scale between production and sale; carrying out quality management in all aspects and striving for the goal of best quality.
 - 2) Long Term Business Development Plan
 - Continuously enhancing quality and developing private brands and increasing market share in order to establish globally complete distribution channels and brand management strategy.
 - Continuously conducting research and development activities, maintaining the market leading position of manufacture technology and fully taking advantage of economies of scale for mass production.

5.2 Market and Sales Overview

(1) Market Analysis

1) Analysis of Overseas Market

- Distribution Regions: Americas, Europe, Middle East, Africa, Asia and Oceania
- Market Shares: Our revenue has remained at the top in Taiwan and we are the largest tire manufacturer in the Chinese-speaking region. Tyres & Accessories and Tire Business reported us as the 9th largest global tire manufacturer.
- Future Market Supply and Demand and Prospect

Cheng Shin has become the No. 1 leading brand in the China tire market amid the continuing growth of the China automotive market. The China automotive market continues to grow, and the tires we manufactured for new car models have received market recognitions. GM's high-end commercial model GL8 has chosen our MAXXIS series. MAXXIS has also become the largest supplier to French company Peugeot in 2015. We also

marked our significant presence in the Japanese Honda series. The widely popular Japanese compacts and Korean Hyundai small SUVs have made us a supplier after we passed the factory testing. At present, Cheng Shin's manufacturing facility in China has begun supplying tires to BMW's German and UK facilities in 2015 as an official part of the BMW supply chain, and is expected to join the supplier's list of BMW's U.S. and China facilities. We have launched new projects to serve more European clients. In the future, our cooperation will focus on European models to cover various types of demands. With respect to product developments, the RFT (Run Flat Tire) we developed are being manufactured by our China facilities and received popularity in China and overseas markets. The new annual product, HP5, has been recommended as the year's best tire in 2015 by Chinese media. AP2, which is developed specifically for the European market, has been ranked 4th under the All Season category by a European magazine.

Other supply collaborations have also been successful. Cheng Shin MAXXIS is supplying to TATA, Maruti Suzuki and Mahindra & Mahindra in India market. In 2015, we began a spare tire project for large-size light tires for the North America market. We expect to distribute similar products to other models. We made a break-through in Japan's OE market, selling to the Top 10 most popular light car models in Japan, including Nissan Dayz and Mitsubishi Wagon, Toyota Rav4 and Harrier (as spare tires). We are expanding our supply to Toyota. With respect to Taiwan, we distribute to Taiwan facilities for Toyota, Mitsubishi and Luxgen that are to be distributed overseas, like to Middle Eastern countries, with an aim to strengthen brand image and boost presence in the spares and repairs market. All Corolla Altises manufactured in Taiwan are equipped with MAXXIS, and we started selling spare tires to Toyota Highlander/Venza and RX models in North America, as well as normal-use tires to Nissan Versa/Tsuru/Navara models in Mexico. Furthermore, Cheng Shin's Thailand facility started supplying to Thailand Honda.

Cheng Shin spares no effort to developing overseas repair markets. In addition to adding distribution channels and locations, we have sold in over 180 countries world-wide. The emerging markets raised demands for car tires. China, Brazil, India, Australia and Saudi Arabia have continuous growing demands for tires in 2011 and 2012. As some of our competitors closed their manufacturing facilities due to the financial crisis, there has been a mismatched in demand and

supply in the tire market, further fueling the market's strong demands. As a result, major tire manufacturers have continued to invest in building new facilities to make up the shortage in market supply in recent years.

With respect to our global strategy, Cheng Shin launched car tire production expansion projects in Mainland China Chongqing, Xiamen and Taiwan Douliou industrial park in 2011 in response to client demands. Looking back, the completion of Douliou, Chongqing and Xiamen Jimei facilities and their participation have made Cheng Shin's global presence more integrated and the group's global allocation of sales and internal sources more efficient. The internationally regulated trial-run facility in Shanghai completed in 2012 highlighted Cheng Shin group's efforts to stand out in the industry. On the other hand, our strategy for the Asia region focuses on the growth of ASEAN markets and the demands of India's local market, which is implemented by setting up facilities in Indonesia and India.

We have set up offices in Dubai, Brazil, Panama, India and Indonesia. We began assigning staff to Africa in 2014 to support the development of local markets. We have been building customer satisfaction that is beneficial to the development of local markets. After we set up a contact window in India in 2011, an office was subsequently opened to serve existing distribution network in 2012. We assigned technical staff for on-site inspection and after-sale projects and supported OEM car manufacturers' after-sale service. Since the official opening of our office in Indonesia in 2015, locally based staff have been in close contact with local distribution networks to ensure smooth launching upon the completion of construction. Meanwhile, upon the opening of the India office in October 2015, the construction of the India facility was launched. A permit was granted in January 2016 based on an environmental impact assessment report. In the future, we will recruit local technicians and sales force to expand the brand's local exposure and support customer services with an aim to demonstrate our 100% service quality.

➤ **Competitive Edge**

Beginning in 2010, we adopted the 100% Quality, 100% Service and 100% Trust as a brand new service goal and company motto. We hope to achieve 100% customer satisfaction with distinguished services. The "Triple 3 System" has been implemented by our global distribution network, and our brand name image has further supported the MAXXIS family culture.

Each member of the “MAXXIS Family” has injected new dynamics into the growth of MAXXIS brand name under the core guidance of “Three 100%.” MAXXIS Family holds appreciation for their work under the respect and care culture deriving from Triple 3 system. Cheng Shin is a long-time sponsor of various types of global events, including first-time sponsorship of Miami Marlins in 2016, New York Yankee and Detroit Tigers of U.S. MLB as well as Charlotte Hornets of NBA. Besides sponsorship in the U.S., Cheng Shin also holds sponsorship with Liverpool FC and Australian Open (one of the Grand Slam tennis events of the year), expanding MAXXIS’ exposure at international sports games to leave a further impression on potential consumers. In 2010, we introduced new brand “PRESA” through a differentiated distribution network from MAXXIS to increase our market share. We also introduced different products such as LTR and TBR to cater to market demands.

In 2015, Cheng Shin is recognized as a Top 10 “Taiwan International Brand” for the 13th consecutive year, an honor sponsored by the Bureau of Foreign Trade of the Ministry of Economic Affairs, Taiwan External Trade Development Council and an international brand name consulting firm Interbrand. Cheng Shin’s brand name value is estimated to be USD 350 million. Cheng Shin adopts a global diversified brand-name strategy for its Cheng Shin, MAXXIS and PRESA brand names in line with different cultures. Western brand names are marketed with elements of western cultures to cater to western consumers. The Cheng Shin brand name, on the other hand, has been widely known in the Greater China region and acquired China Well-Known Trademark status. In the future, we aim to raise brand name recognition in the market, participate in auto shows in Taiwan and overseas, sponsor major sports events and grow consumers’ appreciation of our brand names with a diversified strategy.

Cheng Shin has made significant improvements to its products by strengthening technical cooperation with raw material suppliers such as Degussa and Exxon. We seek to strike an ideal mechanical balance between treads and structure with the unique and innovative VIP (Virtual Intelligence Prototyping)/automated intelligent prototype design technique. There have been multiple research papers published in internationally renowned journals such as International Journal of Vehicle Design (UK) and International Journal of Materials and Product Technology (USA).

➤ Advantages and Disadvantages for Developmental Vision and Action Plans

Advantages

Expansion of production capacity is close to the completion stage. Additional production capacity will help us cater to the demands of major markets and accordingly increase Cheng Shin's market shares. Meanwhile, in 2016, facilities in Indonesia and geographical advantages of facilities in Thailand and Vietnam will support our supply advantages in emerging markets. We will maintain a leading position by cooperating with auto manufacturers that increase our product exposure and market shares in new markets. This includes supplying to Nissan's facilities in Mexico, North America and India as key to our market development and distribution expansion.

Amid a global trend of consumption contraction, consumers are more price-sensitive. Compared with tire manufacturers in Europe, America and Japan, Cheng Shin holds a pricing advantage with its outstanding quality and reasonable prices, which provides a great opportunity to raise our market shares.

Disadvantages

As the volume of our procurement has been affected by the fierce emerging currency fluctuation, some local brand names have expanded their production capacity to join the local supply chain. This is a challenge to our competitiveness.

Price fluctuation of all raw materials is interconnected with the price movements of oil. Cheng Shin closely monitors the movement in market supply and demands and makes price adjustments when appropriate. We also share market intelligence with regional distributors proactively to replace less competitive products with capacity-efficient mass productions having higher added value to respond to the increasing market demands and changing competition environment.

2) Analysis of Domestic Market

➤ 2015 Domestic Market Overview

Cheng Shin experienced strong and challenging global competition in 2015. The global GDP dropped this year, making development of new clients and new products an urgent priority.

In light of the oil price drop, consumers are expecting a drop in commodity prices. Taiwan's economic recovery is sluggish. MAXXIS caters to consumer demands and offers products to meet consumers' expectation so as to maintain a robust tire

distribution performance. We keep making growth in Taiwan's market shares and maintain No. 1 sales revenue. Cheng Shin operates in a sustainable manner with "100% Quality, 100% Service, 100% Trust" core value and focuses on the R&D activities with a goal to provide our customers with the best products.

In 2015, Cheng Shin was ranked 9th place in the global tire manufacturing industry. We also received consecutive recognition from "Taiwan Top 10 Brand Name." We are the largest tire manufacturer in Chinese-speaking markets. We represent Taiwan pride.

➤ 2016 Visions

Taiwan's economy is interconnected with the global trend in the first half of 2016 and expects to recover with the new economic policies and trade treaties. We expect to develop "green products" to reduce tire contraction and minimize CO₂ emission of auto operations, reducing air pollution and protecting the environment.

We hold the principles of "customer satisfaction" and "all-around marketing" in manufacturing the best products, providing top quality services and satisfying customers' demands. Therefore, we offer the most reliable products to seek customers' trust and promote the new "5-S MAXXIS Management" for Safety, Simplification, Standardization, Synchronization and Synergy that strengthens our ability to overcome challenges to our operation. We believe we can make a break through to deliver a new high sales performance in the difficult economic environment in 2016.

By participating in auto shows in Taiwan and overseas and sponsoring sports events, we wish to grow customer awareness to MAXXIS brand names and become a well-known brand name. We hope the Taiwan athletes we sponsor will receive well-deserved courtesy and recognition. Cheng Shin always holds "care for the under-privileged, passion for Taiwan" vision, and considers fulfilling its corporate citizen responsibilities as the solid purpose of the Company – spreading love and care in every walk of the community.

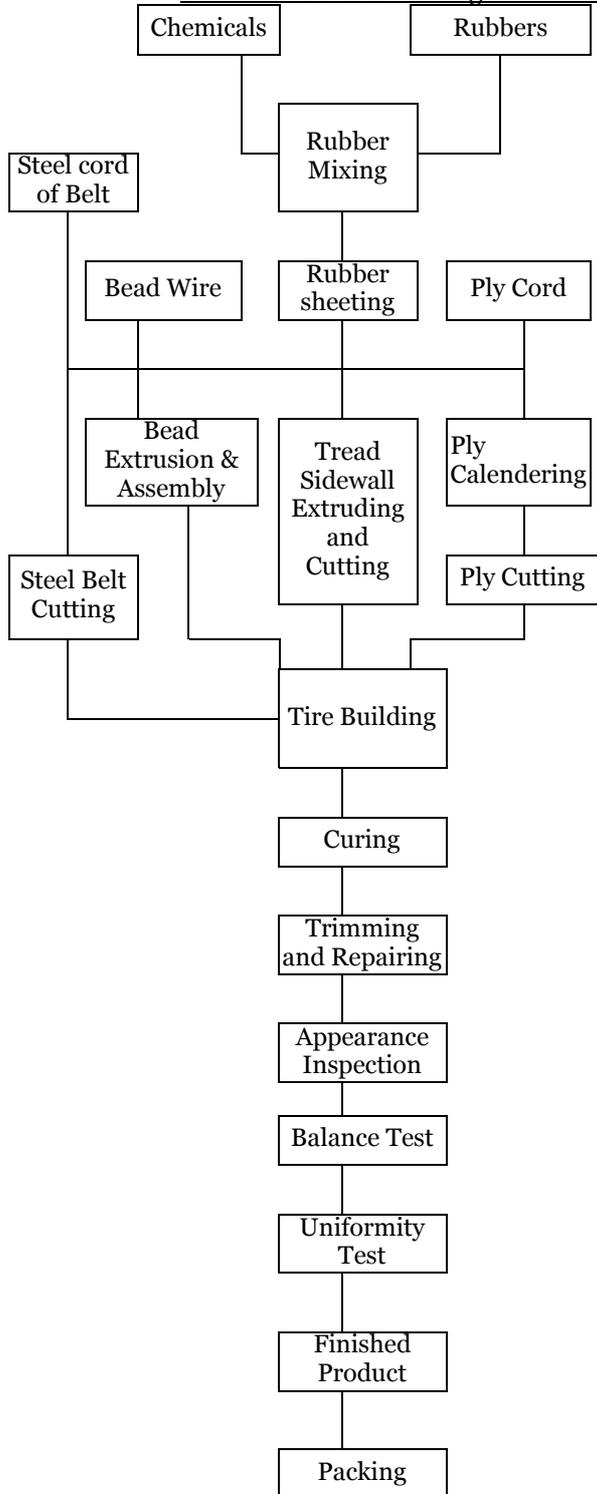
(2) Key Functions and Manufacturing Process of Core Products

Core Products: tires

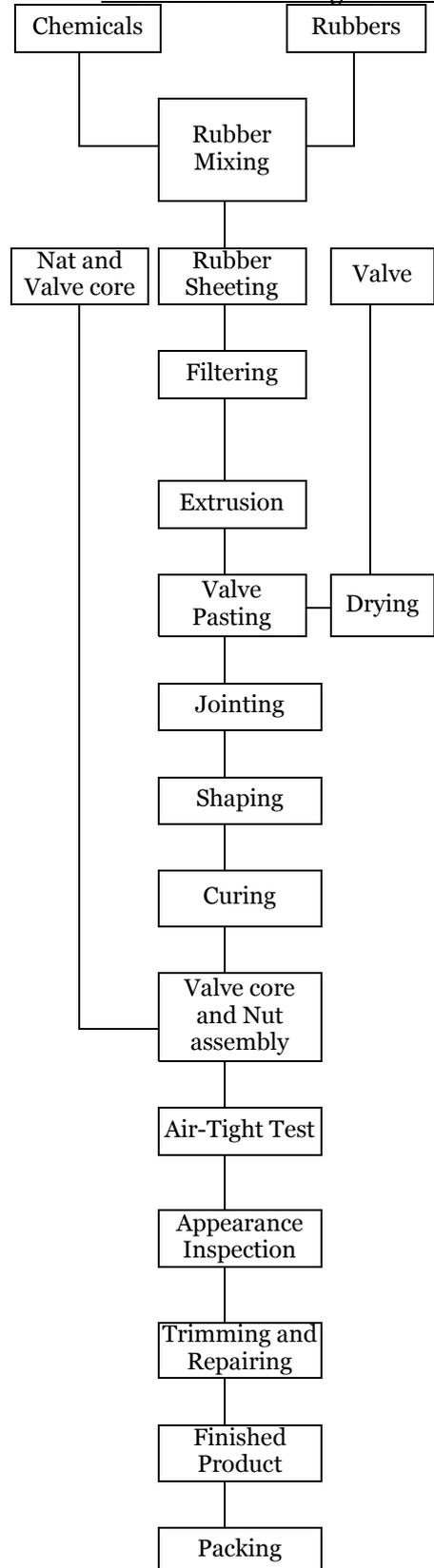
Functions: transportation

Manufacturing Process:

PCR Tires Manufacturing Flowchart



Tubes Manufacturing Flowchart



(3) Supply of Key Materials

Materials	Quantity (ton)	Suppliers
Raw Rubber	259,669	Sintex Chemical Corp.,etc
Synthetic Rubber	228,565	ExxonMobil, etc
Tire Cords	47,881	FORMOSA TAFFETA Co., Ltd. ,etc
Carbon Black	244,793	China Synthetic Rubber Corporation,etc
Steel Wire and Steel Wire Curtain Cloth	113,219	KISWIREARCELORMITTAL LTD, etc.
Chemicals	105,973	TRUMP CHEMICAL CORPORATION,etc
Tire Valves	139,360,000	Rim Master Industrial Co., Ltd.,etc

(4) Customers with 10% or More of Total Procurement/Distribution, Amount and Percentage in Any Given Year within the Most Recent Two Years

1) Suppliers with 10% or More of the Procured Amount

NTD1,000

	2014				2015				As of March 31, 2016			
Item	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Supplied Amount	69,459,384	100.00	-	Net Supplied Amount	55,455,021	100.00	-	Net Supplied Amount	12,505,609	100.00	-

2) Customers with 10% or More of the Operating Revenue

NTD1,000

	2014				2015				As of March 31, 2016			
Item	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company	Name	Amount	Percentage in Total Net Supply (%)	Relationship with the Company
1	N/A	-	-	-	N/A	-	-	-	N/A	-	-	-
	Net Dstb. Amount	129,014,062	100.00	-	Net Dstb. Amount	116,726,293	100.00	-	Net Dstb. Amount	29,345,194	100.00	-

Note: Customers with 10% or more of the total procurement/distribution, amount and percentage in any given year within the most recent two years and their reasons for change. Codes may be used for parties that may not be disclosed pursuant to a contract term or that are a non-related party individual.

(5) Production Volume of the Most Recent Two Years

In 1,000, Amount: NTD1,000

Production Volume	2014		2015			
	Production Capacity	Production Volume	Value of Production	Production Capacity	Production Volume	Value of Production
Major Products						
Radial cover - car	58,427	43,169	40,003,631	55,564	42,792	36,087,643
Radial cover - truck	5,682	3,347	21,735,667	6,348	3,132	14,768,741
Motorecycle cover	60,833	52,515	14,529,085	59,148	50,541	9,544,698
Bicycle cover	129,645	98,500	9,248,593	115,629	78,904	4,541,906
Inner tube	187,582	161,806	4,734,058	185,413	126,901	3,496,245
Other tires	18,827	16,600	13,585,783	19,314	15,895	9,521,673
Other products (Note)	-	-	600,570	-	-	421,931
TOTAL	460,996	375,937	104,437,387	441,416	318,165	78,382,837

Note: Other products: rubber and tire related industrial products

(6) Sales Value of the Most Recent Two Years

In 1,000, Amount: NTD1,000

Sales Value Major Products	Year	2014				2015			
		Domestic Sales		Overseas Sales		Domestic Sales		Overseas Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Radial cover - car		25,767	33,741,733	17,151	22,667,053	26,745	34,239,778	16,078	19,844,336
Radial cover - truck		2,765	19,084,793	558	3,855,594	2,655	16,041,668	471	2,951,848
Motorcycle cover		45,727	13,183,877	6,067	3,674,932	44,783	12,349,437	5,954	3,544,603
Bicycle cover		71,911	7,530,469	20,296	2,463,176	59,874	6,073,417	21,800	2,793,563
Inner tube		89,749	5,040,013	66,899	2,693,844	77,652	3,762,287	52,941	2,147,669
Other tires		9,151	9,753,061	7,304	6,099,037	9,308	9,397,890	6,568	5,456,041
Other products (Note)		-	1,208,954	-	406,156	-	1,010,111	-	295,327
Sales return and allowances		-	-2,100,926	-	-11,569	-	-1,208,830	-	-66,793
Transaction and insurance costs		-	-957,490	-	-266,925	-	-1,882,164	-	-148,405
Others		-	-	-	948,280	-	-	-	124,510
TOTAL		245,070	86,484,484	118,275	42,529,578	221,017	79,783,594	103,812	36,942,699

Note: Other products: rubber and tire related industrial products
Others: operating revenue not attributable to tire manufacturing business

5.3 Employee Composition Analysis within the Most Recent Two Years

Year		2014	2015	As of March 31, 2016
Number of Staff	Technician	4,261	5,389	5,382
	Administration	2,484	2,979	2,987
	Factory Workers	17,843	16,139	21,181
	Total	24,588	24,507	29,550
Average Age		31	31	32
Average Seniority		5	5	6
Distribution of Academic Degrees	Ph.D	6	8	11
	Masters	322	465	499
	Bachelors (community college)	6,271	6,892	6,783
	High School Diploma	8,513	10,857	12,959
	Others	9,476	6,285	9,298

5.4 Environmental Related Expenditure

The Company is not subject to any material loss or sanction as a result of environmental pollution issues in the latest year and as of the date of the Annual Report.

Any circumstances to which the EU RoHS is applicable: None

5.5 Labor

(1) Current Material Labor Related Agreements and Implementation

1) Key Employee Benefits

All of our employees are part of the labor insurance and health insurance plans. An employee welfare committee is sponsored by the employee welfare fund. In addition to holiday souvenirs, hospital compensation, funeral subsidy, scholarship for employees' children and disability compensation are also available. News of discounts for consumer goods offered by contracted merchants are announced to our employees via website and e-mails.

2) Employee Education and Training

We are committed to building a continuous and fulfilling learning environment for employee education and training purposes. Under this core value, we adopted "Rules Governing Education and Training" to offer developmental opportunities to the entity and individuals by way of internal and external trainings. We also provide general-knowledge, technical and management training classes targeted at different levels of colleagues. We invite external experts and train internal lecturers as part of the conveyance of the Company's inherent knowledge and know-how.

In 2015, training was divided into five categories, with 39,580 attendances for a total of 46,228 hours. The total cost of training was NT\$ 11.75 million.

Cheng Shin offers a variety of learning scenarios and resources, including on-the-job training, apprenticeships, rotations and on-site demonstrations. We also partner with National Yunlin University of Science and Technology to improve our education training system. We introduced EMBA classes where case studies integrate practical experiences and theories to raise management efficiencies.

3) Retirement Plan

We comply with the requirements of Labor Standards Act and Labor Pension Act.

4) Other Key Understanding: to be mutually agreed by the union and the Company.

(2) The Company is neither subject to any loss arising from labor disputes in the latest year and as at the date of this Annual Report, nor a party to any material labor dispute since incorporation. We do not expect any loss arising from labor disputes.

5.6 Material Contracts: None

VI. Financial Highlights and Analysis

6.1 The Condensed Balance Sheet , Consolidated Income Statement over the past five years, names of the Certified Public Accountants and their audit opinions:

- (1) Consolidated condensed balance sheet – International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Description		Years	Financial data over the past 5 years				Financial information as of March 31, 2016
		Years	2012	2013	2014	2015	
Current assets		-	48,552,667	52,160,423	55,176,245	52,347,130	56,461,783
Real estate, plants and equipment		-	97,409,156	104,394,750	109,430,271	106,476,804	105,693,048
Intangible assets		-	-	-	-	-	-
Other assets		-	5,753,304	5,673,299	5,263,851	7,134,288	7,082,510
Total assets		-	151,715,127	162,228,472	169,870,367	165,958,222	169,237,341
Current liabilities	Before distribution	-	39,551,087	40,480,115	40,585,092	37,390,371	35,441,027
	After distribution	-	43,196,224	50,204,361	-	-	-
Non-current liabilities		-	49,337,722	42,348,869	40,728,250	38,615,267	40,291,590
Total liabilities	Before distribution	-	88,888,809	82,828,984	81,313,342	76,005,638	75,732,617
	After distribution	-	93,116,742	92,553,230	-	-	-
Equity belonging to the parent company proprietor		-	62,279,342	78,814,105	87,763,394	89,161,137	92,702,489
Share capital		-	28,186,222	32,414,155	32,414,155	32,414,155	32,414,155
Capital reserve		-	52,576	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	-	35,409,675	45,580,467	51,849,891	54,875,387	58,904,656
	After distribution	-	26,953,809	35,856,221	-	-	-
Other equity		-	(1,369,131)	766,907	3,446,772	1,819,019	1,331,102
Treasury stocks		-	-	-	-	-	-
Non-controlled equity		-	546,976	585,383	793,631	791,447	802,235
Total equity	Before distribution	-	62,826,318	79,399,488	88,557,025	89,952,584	93,504,724
	After distribution	-	58,598,385	69,675,242	-	-	-

Note 1: The financial data of prior five year have been audited and verified by accountant.

(2) Condensed Individual Balance Sheet – International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year		Financial data over the past 5 years				
		Years	2012	2013	2014	2015
Current assets		-	11,518,917	13,122,942	15,519,993	14,386,034
Real estate, plants and equipment		-	17,332,788	17,733,212	17,296,891	16,761,445
Intangible assets		-	-	-	-	-
Other assets		-	63,241,716	78,422,130	88,671,730	91,303,809
Total assets		-	92,093,421	109,278,284	121,488,614	122,451,288
Current liabilities	Before distribution	-	6,744,577	8,867,672	7,831,311	5,490,673
	After distribution	-	10,972,510	18,591,918	-	-
Non-current liabilities		-	23,069,502	21,596,507	25,893,909	27,799,478
Total liabilities	Before distribution	-	29,814,079	30,464,179	33,725,220	33,290,151
	After distribution	-	34,042,012	40,188,425	-	-
Profit and/or loss that belongs to the parent company proprietor		-	62,279,342	78,814,105	87,763,394	89,161,137
Share capital		-	28,186,222	32,414,155	32,414,155	32,414,155
Capital reserve		-	52,576	52,576	52,576	52,576
Retained earnings	Before distribution	-	35,409,675	45,580,467	51,849,891	54,875,387
	After distribution	-	26,953,809	35,856,221	-	-
Other equity		-	(1,369,131)	766,907	3,446,772	1,819,019
Treasury Stock		-	-	-	-	-
Non-controlled equity		-	-	-	-	-
Total equity	Before distribution	-	62,279,342	78,814,105	87,763,394	89,161,137
	After distribution	-	58,051,409	69,089,859	-	-

Note 1: The financial data of prior five year have been audited and verified by accountant.

(3) Consolidated condensed balance sheet – Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year		Financial data over the past 5 years	
		2011	2012
Descriptions			
Current assets		53,274,447	48,687,692
Funds& investments		751,732	604,892
Fixed assets		83,209,786	96,474,623
Intangible assets		4,338,269	4,121,127
Other assets		1,211,330	1,202,438
Total assets		142,785,564	151,090,772
Current liabilities	Before distribution	37,318,672	39,463,896
	After distribution	40,780,138	43,691,829
Long-term liabilities		50,452,979	44,641,571
Other liabilities		2,752,511	3,558,234
Total liabilities	Before distribution	90,524,162	87,663,701
	After distribution	93,985,628	91,891,634
Share capital		24,724,756	28,186,222
Capital reserve		127,934	92,185
Retained earnings	Before distribution	23,860,949	32,832,047
	After distribution	16,938,017	24,376,181
Unrealized profit and/or loss of financial products		(14,796)	(3,013)
Cumulative translation adjustment		2,536,220	1,205,851
Net loss not recognized as pension costs		(265,851)	(289,563)
Total equity	Before distribution	52,261,402	63,427,071
	After distribution	48,799,936	59,199,138

Note 1: The financial data of prior five year have been audited and verified by accountant.

(4) Condensed Individual Balance Sheet – Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year		Financial data over the past 5 years	
		2011	2012
Descriptions			
Current assets		9,814,000	11,623,219
Funds & Long-term investments		53,819,208	63,686,922
Fixed assets		14,280,287	17,231,849
Intangible assets		0	0
Other assets		449,127	432,098
Total assets		78,362,622	92,974,088
Current liabilities	Before distribution	4,846,192	7,265,899
	After distribution	8,307,658	11,493,832
Long-term liabilities		18,799,546	19,987,650
Other liabilities		2,376,671	2,325,809
Total liabilities	Before distribution	26,537,142	30,094,091
	After distribution	29,998,608	34,322,024
Share capital		24,724,756	28,186,222
Capital reserve		127,934	92,185
Retained earnings	Before distribution	23,860,949	32,832,047
	After distribution	16,938,017	24,376,181
Unrealized profit and/or loss of financial products		(14,796)	(3,013)
Cumulative translation adjustment		2,536,220	1,205,851
Net loss not recognized as pension cost		(265,851)	(289,563)
Total equity	Before distribution	51,825,480	62,879,997
	After distribution	48,364,014	58,652,064

Note 1: The financial data of prior five year have been audited and verified by accountant.

(5) Condensed Consolidated Income Statement – International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year Descriptions	Financial data over the past 5 years					Financial information as of March 31, 2016
	Years	2012	2013	2014	2015	
Operating revenues	-	130,242,287	133,086,543	129,014,062	116,726,293	29,345,194
Gross operating profit	-	30,669,059	35,327,795	35,900,504	35,557,792	9,411,859
Operating profit and/or loss	-	19,122,401	22,214,771	21,189,739	18,620,380	5,392,650
Non-operating revenues and expenditures	-	255,108	1,046,270	81,057	(1,144,177)	(105,584)
Net profit before tax	-	19,377,509	23,261,041	21,270,796	17,476,203	5,287,066
Net profit this term of continuing operation	-	16,001,378	18,641,919	16,111,617	12,839,214	4,043,931
Loss of the discontinued operation	-	-	-	-	-	-
Net profit this term	-	16,001,378	18,641,919	16,111,617	12,839,214	4,043,931
Other consolidated profit and/or loss this term (Net amount after tax)	-	(1,390,965)	2,159,184	2,770,166	(1,719,409)	(491,791)
Net consolidated profit and/or loss this term	-	14,610,413	20,801,103	18,881,783	11,119,805	3,552,140
Net profit that belongs to the parent company proprietor	-	15,928,385	18,548,522	16,015,591	12,776,655	4,029,269
Net profit that belongs to non-controlled equity	-	72,993	93,397	96,026	62,559	14,662
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	-	14,500,219	20,762,696	18,673,535	11,121,989	3,541,352
Consolidated profit and/or loss that belongs to non-controlled equity	-	110,194	38,407	208,248	(2,184)	10,788
Earnings per share (EPS)	-	4.91	5.72	4.94	3.94	1.24

Note 1: The financial data of prior five year have been audited and verified by accountant.

(6) Condensed individual consolidated income statement – International Financial Reporting Standards (IFRS)

Expressed in Thousand New Taiwan Dollars

Year Descriptions	Financial data over the past 5 years				
	2011	2012	2013	2014	2015
Operating revenues	-	25,093,877	23,837,290	23,639,942	21,348,480
Gross operating profit	-	5,004,358	6,089,270	6,989,114	7,284,573
Operating profit and/or loss	-	1,582,167	2,340,006	3,037,576	3,186,455
Non-operating revenues and expenditures	-	15,766,224	18,144,414	15,464,226	12,229,973
Net profit before tax	-	17,348,391	20,484,420	18,501,802	15,416,428
Net profit this term of continuing operation	-	15,928,385	18,548,522	16,015,591	12,776,655
Loss of the discontinued operation	-	-	-	-	-
Net profit this term	-	15,928,385	18,548,522	16,015,591	12,776,655
Other consolidated profit and/or loss this term(Net amount after tax)	-	(1,428,166)	2,214,174	2,657,944	(1,654,666)
Net consolidated profit and/or loss this term	-	14,500,219	20,762,696	18,673,535	11,121,989
Net profit that belongs to the parent company proprietor	-	15,928,385	18,548,522	16,015,591	12,776,655
Net profit that belongs to non-controlled equity	-	-	-	-	-
With the aggregate total of consolidated profit and/or loss belonging to the parent company proprietor	-	14,500,219	20,762,696	18,673,535	11,121,989
Consolidated profit and/or loss that belongs to non-controlled equity	-	-	-	-	-
Earnings per share (EPS)	-	4.91	5.72	4.94	3.94

Note 1: The financial data of prior five year have been audited and verified by accountant.

(7) Condensed Consolidated Income Statement – Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year Descriptions		Financial data over the past 5 years	
		2011	2012
Operating revenues		119,960,616	130,269,373
Gross operating profit		21,093,132	30,668,099
Operating profit and/or loss		11,614,719	19,118,480
Non-operating revenues		644,334	1,727,602
Non-operating expenses		1,396,206	1,459,718
Profit and/or loss before tax of department in continued operation		10,862,847	19,386,364
Profit and/or loss of continuing operation		8,587,316	15,967,023
Profit and/or loss of discontinued operation		-	-
Extraordinary profit and/or loss		-	-
Accumulated effect on change in accounting principles		-	-
Net income		8,587,316	15,967,023
Earnings per share (EPS)	Before distribution	3.45	5.64
	After distribution	3.03	4.91

Note 1: The financial data of prior five year have been audited and verified by accountant.

(8) Condensed Individual Income Statement – Financial Accounting Standards of the Republic of China

Expressed in Thousand New Taiwan Dollars

Year Descriptions		Financial data over the past 5 years	
		2011	2012
Operating revenues		24,460,652	25,093,877
Gross operating profit		3,955,874	4,924,080
Operating profit and/or loss		1,012,965	1,544,176
Non-operating revenues and gains		8,707,275	16,393,419
Non-operating expenses and losses		350,770	580,350
Profit and/or loss before tax of department in continuing operation		9,369,470	17,357,245
Profit and/or loss of continuing operation		8,536,484	15,894,030
Profit and/or loss of discontinued operation		-	-
Extraordinary profit and/or loss		-	-
Accumulated effect on change in accounting principles		-	-
Net income		8,536,484	15,894,030
Earnings per share (EPS)	Before distribution	3.45	5.64
	After distribution	3.03	4.90

Note 1: The financial data of prior five year have been audited and verified by accountant.

(9) Names and auditing opinions of CPA in recent five years

1) Names and auditing opinions of CPA in recent five years

CPA	Year	Opinions on the audit
Chang Chih An Hsuen Ming Ling	2011	Clean opinion after amendment
Chang Chih An Wu, Der Feng	2012	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2013	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2014	Clean opinion after amendment
Hung, Shu Hua Wu, Der Feng	2015	Clean opinion after amendment

- 2) If the accountants have been changed in recent five years, the reasons for changing provided by the company, former accountant and successor should be noted: None.

6.2 Analyses of finance over the past five years

(1) Analyses on consolidated financial standing – International Financial Reporting Standards (IFRS)

Descriptions		Financial analyses over the past 5 years					Financial information as of March 31, 2016
		Years	2012	2013	2014	2015	
Financial structure (%)	Liabilities to assets ratio	-	58.59	51.06	47.87	45.80	44.75
	Long-term working capital to real estate, plants and equipment ratio	-	110.33	111.26	111.66	114.59	120.18
Solvency	Current ratio	-	122.76	128.85	135.95	140.00	159.31
	Quick ratio	-	68.34	84.34	91.12	101.65	122.14
	Interest coverage multiplicity	-	1321	1990	1930	1869	2356
Manageability	Accounts receivable turnover rate(Number of time)	-	12.61	11.85	9.53	8.44	8.67
	Average cash collection days	-	28.94	30.79	38.31	43.23	42.11
	Inventory turnover rate(Number of time)	-	4.88	5.32	5.61	5.43	6.36
	Accounts payable turnover rate(Number of time)	-	11.49	11.46	11.08	10.65	11.17
	Average days required for sales	-	74.75	68.66	65.06	67.17	57.41
	Real estate, plants and equipment turnover rate (Number of time)	-	1.44	1.32	1.21	1.08	1.11
	Aggregate total asset turnover rate(Number of time)	-	0.88	0.85	0.78	0.70	0.70
Profitability	Asset return ratio (%)	-	11.56	12.48	10.27	8.12	10.09
	Equity return ratio (%)	-	27.81	26.21	19.19	14.38	17.63

	Ratio of net profit before tax to paid-in capital (%)		68.75	71.76	65.62	53.92	65.24
	Net profitability (%)	-	12.29	14.01	12.49	11.00	13.78
	Earnings per share (EPS)(NT\$)	-	4.91	5.72	4.94	3.94	1.24
Cash flow	Cash flow ratio(%)	-	67.66	69.62	63.08	74.32	97.52
	Cash flow adequacy ratio(%)	-	65.21	83.54	78.65	89.95	139.77
	Cash reinvestment ratio(%)	-	14.88	13.69	8.20	8.98	16.55
Leverage	Operating Leverage	-	1.39	1.41	1.49	1.61	1.54
	Financial Leverage	-	1.07	1.05	1.06	1.05	1.04

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Non-applicable because the correlation ratio is negative.

Analysis if difference reaches 20% :

Decrease in Asset return ratio : due to the Reduction in net income.

Decrease in Equity return ratio : due to the Reduction in net income.

Decrease in Earnings per share : due to the Reduction in net income.

(2) Analyses on individual financial standing – International Financial Reporting Standards (IFRS)

Descriptions		Financial analyses over the past 5 years				
		2011	2012	2013	2014	2015
Financial structure (%)	Liabilities to assets ratio	-	32.37	27.88	27.76	27.19
	Long-term working capital to real estate, plants and equipment ratio	-	474.63	547.55	635.76	677.91
Solvency	Current ratio	-	170.79	147.99	198.18	262.01
	Quick ratio	-	123.36	119.21	168.74	220.54
	Interest coverage multiplicity	-	5,967	6,178	5,228	4,178
Manageability	Accounts receivable turnover rate(Number of time)	-	8.66	8.39	7.82	7.72
	Average cash collection days	-	42.15	43.51	46.69	47.25
	Inventory turnover rate(Number of time)	-	7.36	7.10	7.64	6.72
	Accounts payable turnover rate(Number of time)	-	14.76	15.63	14.66	12.79
	Average days required for sales	-	49.60	51.38	47.75	54.29
	Real estate, plants and equipment turnover rate(Number of time)	-	1.45	1.34	1.37	1.27
	Aggregate total asset turnover rate(Number of time)	-	0.27	0.22	0.19	0.17
Profitability	Asset return ratio (%)	-	19.07	18.70	14.14	10.73
	Equity return ratio (%)	-	28.06	26.29	19.23	14.44
	Ratio of net profit before tax to paid-in capital (%)		61.55	63.20	57.08	47.56
	Net profitability (%)	-	63.48	77.81	67.75	59.85
	Earnings per share (EPS)(NT\$)	-	4.91	5.72	4.94	3.94
Cash flow	Cash flow ratio(%)	--	88.65	90.75	173.36	214.86
	Cash flow adequacy ratio(%)	-	59.82	72.06	77.16	90.19
	Cash reinvestment ratio(%)	-	2.72	3.53	3.16	1.65
Leverage	Operating Leverage	-	1.82	1.61	1.53	1.51
	Financial Leverage	-	1.23	1.17	1.13	1.13

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Non-applicable because the correlation ratio is negative.

Analysis if difference reaches 20% :

Increase in Current ratio : due to decrease in Long-term liabilities due within one year.

Increase in Quick ratio : due to decrease in Long-term liabilities due within one year.

Decrease in Interest coverage multiplicity : due to the Reduction in net profit before tax.

Decrease in Asset return ratio : due to the Reduction in net income and increase of average aggregate total of assets.

Decrease in Equity return ratio : due to the Reduction in net income and increase of average aggregate total of equity.

Decrease in Earnings per share : due to the Reduction in net income.

Increase in Cash flow ratio : due to decrease in Long-term liabilities due within one year.

Decrease in Cash reinvestment ratio : due to decrease in operating cash flow and increase in Investments accounted for using equity method.

Formula to calculate the financial analyses:

1. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Aggregate total of assets.

(2) Long-term working capital to real estate, plants and equipment ratio = (Aggregate total of equity + Non-current liabilities) / Real estate, plants and equipment, net..

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets – Inventory – Expenses paid in advance) / Current liabilities.

(3) Interest coverage multiplicity = Net profit before income tax, interest and expenses / Interest expenditures this term.

3. Manageability

(1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = Net sales / Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms.

(2) Average cash collection days = 365 / Accounts receivable turnover rate.

(3) Inventory turnover rate = Sales costs / Average amount of inventory.

(4) Accounts payable (including notes payable from operating activities and accounts payable) turnover rate = Sales costs / Average balance of accounts payable (including notes payable from operating activities and accounts payable) of various terms.

(5) Average days required for sales = 365 / Inventory turnover rate.

(6) Real estate, plants and equipment turnover rate = Net sales / Average real estate, plants and equipment, net..

(7) Aggregate total asset turnover rate = Net sales / Average aggregate total of assets.

4. Profitability

(1) Asset return ratio = [Profit and/or loss after tax + Interest expenses × (1 – Tax rate)] / Average aggregate total of assets.

(2) Equity return ratio = Profit and/or loss after tax / Average aggregate total of equity.

(3) Net profitability = Profit and/or loss after tax / Net sales.

(4) Earnings per share (EPS) = (Profit and/or loss belonging to parent company proprietor – Preferred shares dividend) / Weighted average number of outstanding shares.

5. Cash flow

(1) Cash flow ratio = Cash flow in operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Cash flow in operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.

(3) Cash reinvestment ratio = (Cash flow in operating activities – Cash dividend) / (Gross property, plant, and equipment + Long-term investment + Other assets + operating fund).

6. Leverage:

(1) Operating Leverage = (Operating revenues, net – Variable operating costs and expenses) / Operating interests.

(2) Financial Leverage = Operating interests / (Operating interests – Interest expenses).

(3) Analyses on consolidated financial standing – Financial Accounting Standards of the Republic of China

Descriptions		Year	Financial analyses over the past 5 years		
			2011	2012	
Financial structure (%)	Liabilities to assets ratio		63.40	58.02	
	Long-term working capital to real estate, plants and equipment ratio		123.44	112.02	
Solvency	Current ratio		142.76	123.37	
	Quick ratio		85.51	70.34	
	Interest coverage multiplicity		1125	1762	
Manageability	Accounts receivable turnover rate(Number of time)		13.49	12.61	
	Average cash collection days		27	28	
	Inventory turnover rate(Number of time)		5.51	4.88	
	Average days required for sales		66	74	
	Fixed assets turnover rate(Number of time)		1.44	1.35	
	Aggregate total asset turnover rate(Number of time)		0.84	0.86	
Profitability	Asset return ratio (%)		7.57	11.53	
	Equity return ratio (%)		17.63	27.60	
	Ratio to paid-in capital(%)	Operating interests		46.98	67.83
		Net profit before tax		43.94	68.78
	Net profitability (%)		7.16	12.26	
	Earnings per share (EPS)(NT\$)		3.45	5.64	
Cash flow	Cash flow ratio(%)		17.29	68.07	
	Cash flow adequacy ratio(%)		59.82	66.67	
	Cash reinvestment ratio(%)		1.63	15.11	
Leverage	Operating Leverage		1.57	1.40	
	Financial Leverage		1.10	1.06	

Note 1: The financial data of prior five year have been audited and verified by accountant.

(4) Analyses on individual financial standing – Financial Accounting Standards of the Republic of China

Descriptions		Year	Financial analyses over the past 5 years		
			2011	2012	
Financial structure (%)	Liabilities to assets ratio		33.86	32.37	
	Long-term working capital to real estate, plants and equipment ratio		494.56	480.90	
Solvency	Current ratio		202.51	159.97	
	Quick ratio		146.50	122.56	
	Interest coverage multiplicity		4191	5970	
Manageability	Accounts receivable turnover rate(Number of time)		8.71	8.66	
	Average cash collection days		42	42	
	Inventory turnover rate(Number of time)		7.75	7.37	
	Average days required for sales		47	49	
	Fixed assets turnover rate(Number of time)		1.71	1.46	
	Aggregate total asset turnover rate(Number of time)		0.31	0.27	
Profitability	Asset return ratio (%)		12.04	18.84	
	Equity return ratio (%)		17.67	27.71	
	Ratio to paid-in capital(%)	Operating interests		4.10	5.48
		Net profit before tax		37.90	61.58
	Net profitability (%)		34.90	63.34	
	Earnings per share		3.03	5.64	
Cash flow	Cash flow ratio(%)		81.51	81.69	
	Cash flow adequacy ratio(%)		58.67	59.79	
	Cash reinvestment ratio(%)		-0.21	2.67	
Leverage	Operating Leverage		1.96	1.84	
	Financial Leverage		1.29	1.24	

Note 1: The financial data of prior five year have been audited and verified by accountant.

Formula to calculate the financial analyses:

1. Financial structure

(1) Liabilities to assets ratio = Total liabilities / Aggregate total of assets.

(2) Long-term funding to property, plant and equipment ratio = (Shareholders' equity + long-term liabilities) / net property, plant, and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets – Inventory – Expenses paid in advance) / Current liabilities.

(3) Interest coverage multiplicity = Net profit before income tax, interest and expenses / Interest expenditures this term.

3. Manageability

(1) Accounts receivable (including notes receivables from operating activities and accounts receivable) turnover rate = Net sales / Average balance of accounts receivable (including notes receivables from operating activities and accounts receivable) in various terms

(2) Average cash collection days = 365 / Accounts receivable turnover rate.

(3) Inventory turnover rate = Sales costs / Average amount of inventory.

(4) Average days required for sales = 365 / Inventory turnover rate.

(5) Fixed assets turnover rate = Net sales / Average fixed assets, net.

(6) Aggregate total asset turnover rate = Net sales / Average aggregate total of assets.

4. Profitability

(1) Asset return ratio = [Profit and/or loss after tax + Interest expenses × (1 – Tax rate)] / Average aggregate total of assets.

(2) Shareholders' equity return ratio = Profit and/or loss after tax / Average shareholders' equity, net.

(3) Net profitability = Profit and/or loss after tax / Net sales.

(4) Earnings per share (EPS) = (Net profit after tax – Preferred shares dividend) / Weighted average number of outstanding shares.

5. Cash flow

(1) Cash flow ratio = Cash flow in operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Cash flow in operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.

(3) Cash reinvestment ratio = (Cash flow in operating activities – Cash dividend) / (Gross fixed assets + Long-term investment + Other assets + Working capital).

6. Leverage:

(1) Operating Leverage = (Operating revenues, net – Variable operating costs and expenses) / Operating interests.

(2) Financial Leverage = Operating interests / (Operating interests – Interest expenses).

6.3 Review Report Issued by the Supervisors' over the Financial Statements of the Latest Year

Supervisors' Report

To the 2016 Annual General Meeting of Shareholders of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2015 Financial Statements (including the consolidated financial statements), which have been audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been reviewed by us, the supervisors of the Company. We have not found any inconsistencies with the Company Act and other relevant laws in our review of the aforementioned documents. Therefore, we, the supervisors, hereby issue this report in compliance with Article 219 of the Company Act.

Dated: March 24, 2016

Tseng, Sung-Chu

Supervisor

Chen, Han-Chi

Supervisor

Chiu, Li-Ching

Supervisor

6.4 Consolidated Financial Statements of the latest year duly audited by the Certified Public Accountants

**CHENG SHIN RUBBER IND. CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2015 AND 2014**

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.

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

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2015, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CHENG SHIN RUBBER IND. CO., LTD.

LO, TSAI-JEN

March 24, 2016

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 15004111

To the Board of Directors and Stockholders of Cheng Shin Rubber Ind. Co., Ltd. :

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and its subsidiaries (the “Cheng Shin Group”) as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cheng Shin Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$4,964,734 thousand and NT\$5,004,026 thousand, both representing 3% of the consolidated total assets as of December 31, 2015 and 2014, respectively, and the total liabilities of NT\$2,425,578 thousand and NT\$2,914,994 thousand, constituting 3% and 4% of the consolidated total liabilities as of December 31, 2015 and 2014, respectively, and total operating revenues of NT\$5,024,129 thousand and NT\$4,686,035 thousand, both representing 4% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cheng Shin Rubber Ind. Co., Ltd. and its

subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Cheng Shin Rubber Ind. Co., Ltd. as of and for the years ended December 31, 2015 and 2014, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 24, 2016

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
DECEMBER 31
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2015		2014		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 22,381,482	14	\$ 21,166,079	12
1125	Available-for-sale financial	6(2)				
	assets— current		167,347	-	137,351	-
1150	Notes receivable, net	6(3)	2,242,936	1	3,148,922	2
1170	Accounts receivable, net	6(4)	10,694,137	7	11,179,906	6
1180	Accounts receivable— related	7				
	parties, net		161,489	-	178,105	-
130X	Inventories, net	6(5)	13,213,153	8	16,572,698	10
1410	Prepayments		1,126,046	1	1,623,294	1
1470	Other current assets		2,360,540	1	1,169,890	1
11XX	Total current assets		<u>52,347,130</u>	<u>32</u>	<u>55,176,245</u>	<u>32</u>
Non-current assets						
1523	Available-for-sale financial	6(2)				
	assets— non-current		58,187	-	58,187	-
1550	Investments accounted for using	6(6)(20)				
	equity method		181,668	-	175,325	-
1600	Property, plant and equipment, net	6(7)	106,476,804	64	109,430,271	65
1760	Investment property, net	6(8)	328,252	-	329,221	-
1840	Deferred income tax assets	6(25)	701,125	-	730,697	1
1900	Other non-current assets	6(9) and 8	5,865,056	4	3,970,421	2
15XX	Total non-current assets		<u>113,611,092</u>	<u>68</u>	<u>114,694,122</u>	<u>68</u>
1XXX	Total assets		<u>\$ 165,958,222</u>	<u>100</u>	<u>\$ 169,870,367</u>	<u>100</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

(Expressed in thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	2015		2014		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 16,206,436	10	\$ 14,436,115	9
2120	Financial liabilities at fair value through profit or loss - current	6(13)	19,173	-	-	-
2150	Notes payable		207,011	-	57,482	-
2170	Accounts payable		6,744,632	4	8,239,180	5
2200	Other payables	6(11)	6,314,880	4	6,707,782	4
2230	Current income tax liabilities	6(25)	1,751,321	1	2,206,857	1
2300	Other current liabilities	6(12)(14)(15)	6,146,918	4	8,937,676	5
21XX	Total current liabilities		<u>37,390,371</u>	<u>23</u>	<u>40,585,092</u>	<u>24</u>
Non-current liabilities						
2500	Financial liabilities at fair value through profit or loss—non-current	6(13)	-	-	47,823	-
2530	Bonds payable	6(14)	8,600,000	5	8,600,000	5
2540	Long-term borrowings	6(15) and 7	23,458,920	14	25,028,308	15
2550	Provisions—non-current		118,340	-	106,684	-
2570	Deferred income tax liabilities	6(25)	2,415,551	2	2,778,204	2
2600	Other non-current liabilities	6(16)	4,022,456	2	4,167,231	2
25XX	Total non-current liabilities		<u>38,615,267</u>	<u>23</u>	<u>40,728,250</u>	<u>24</u>
2XXX	Total liabilities		<u>76,005,638</u>	<u>46</u>	<u>81,313,342</u>	<u>48</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Ordinary shares	6(17)	32,414,155	20	32,414,155	19
Capital surplus						
3200	Capital surplus	6(18)	52,576	-	52,576	-
Retained earnings						
3310	Legal reserve	6(19)	11,678,012	7	10,076,452	6
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		40,593,212	24	39,169,276	23
Other equity interest						
3400	Other equity interest	6(20)	1,819,019	1	3,446,772	2
31XX	Total equity attributable to owners of the parent		<u>89,161,137</u>	<u>54</u>	<u>87,763,394</u>	<u>52</u>
36XX	Non-controlling interests		<u>791,447</u>	<u>-</u>	<u>793,631</u>	<u>-</u>
3XXX	Total equity		<u>89,952,584</u>	<u>54</u>	<u>88,557,025</u>	<u>52</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 165,958,222</u>	<u>100</u>	<u>\$ 169,870,367</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan Dollars, except earnings per share data)

Items	Notes	2015		2014	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311					
8311					
8320					
8349	6(25)				
8310					
Components of other comprehensive income that will be reclassified to profit or loss					
8361					
8362	6(2)				
8370					
8399	6(25)				
8360					
8300					
8500					
Profit attributable to:					
8610					
8620					
Comprehensive income attributable to:					
8710					
8720					
Earnings per share (in dollars)					
9750	6(26)				
9850					

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											
	Capital Reserves			Retained Earnings			Other Equity Interest			Total	Non-controlling interest	Total equity
	Share capital -Ordinary shares	Treasury stock transactions	Gain on sale of fixed assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets				
2014												
Balance at January 1, 2014	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 8,221,599	\$ 2,604,163	\$ 34,754,705	\$ 734,974	\$ 31,933	\$ 78,814,105	\$ 585,383	\$ 79,399,488	
Appropriations of 2013 earnings:												
Legal reserve	-	-	-	1,854,853	-	(1,854,853)	-	-	-	-	-	
Cash dividends 6(19)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)	-	(9,724,246)	
Profit for the year	-	-	-	-	-	16,015,591	-	-	16,015,591	96,026	16,111,617	
Other comprehensive (loss)income for the year 6(20)	-	-	-	-	-	(21,921)	2,667,428	12,437	2,657,944	112,222	2,770,166	
Balance at December 31, 2014	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 10,076,452</u>	<u>\$ 2,604,163</u>	<u>\$ 39,169,276</u>	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 87,763,394</u>	<u>\$ 793,631</u>	<u>\$ 88,557,025</u>	
2015												
Balance at January 1, 2015	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 10,076,452	\$ 2,604,163	\$ 39,169,276	\$ 3,402,402	\$ 44,370	\$ 87,763,394	\$ 793,631	\$ 88,557,025	
Appropriations of 2014 earnings:												
Legal reserve	-	-	-	1,601,560	-	(1,601,560)	-	-	-	-	-	
Cash dividends 6(19)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)	-	(9,724,246)	
Profit for the year	-	-	-	-	-	12,776,655	-	-	12,776,655	62,559	12,839,214	
Other comprehensive (loss)income for the year 6(20)	-	-	-	-	-	(26,913)	(1,658,083)	30,330	(1,654,666)	(64,743)	(1,719,409)	
Balance at December 31, 2015	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 11,678,012</u>	<u>\$ 2,604,163</u>	<u>\$ 40,593,212</u>	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 89,161,137</u>	<u>\$ 791,447</u>	<u>\$ 89,952,584</u>	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan Dollars)

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the year		\$ 17,476,203	\$ 21,270,796
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(7)(24)	11,363,038	10,460,914
Depreciation on investment property	6(8)	969	969
Rental expenses for land use right	6(9)	89,803	92,562
Share of profit of associates and joint ventures accounted for using equity method	6(6)	(37,762)	(40,060)
Investment loss	6(22)	-	7,485
Net gain on financial assets or liabilities at fair value through profit or loss	6(22)	(28,266)	(27,501)
Loss on disposal of property, plant and equipment	6(7)(22)	77,370	36,488
Property, plant and equipment transferred to expenses	6(7)	172,419	129,914
Provision for bad debts expense	6(4)	254	6,309
Interest expense	6(7)(23)	948,371	1,129,829
Interest income	6(21)	(194,775)	(214,634)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial instruments at fair value through profit or loss		-	1,250
Notes receivable, net		905,986	(721,901)
Accounts receivable - related parties		16,616	(12,620)
Accounts receivable		485,471	(1,249,544)
Inventories		3,359,545	786,517
Prepayments		497,248	561,582
Other current assets		(305,745)	(342,259)
Other operating assets		(21,778)	(7,929)
Net changes in liabilities relating to operating activities			
Notes payable		149,529	(6,380)
Accounts payable		(1,494,548)	(214,643)
Other payables		165,948	290,076
Other current liabilities		72,089	68,976
Accrued pension liabilities		4,380	(7,800)
Cash generated from operations		33,702,365	31,998,396
Interest received		196,954	220,760
Dividends received	6(6)	33,888	17,000
Interest paid		(964,235)	(1,147,641)
Income tax paid		(5,181,149)	(5,487,288)
Net cash provided by operating activities		<u>27,787,823</u>	<u>25,601,227</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan Dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in available-for-sale financial assets, net – current		\$ -	(\$ 2,652)
Proceeds from capital reduction of available-for-sale financial assets		-	150
Proceeds from disposal of available-for-sale financial assets		-	20,000
Proceeds from disposal of property, plant and equipment	6(7)	196,678	295,638
Payment for capitalized interests	6(7)(23)(27)	(37,230)	(30,724)
Acquisition of property, plant and equipment	6(7)(27)	(11,521,974)	(12,687,332)
Decrease (increase) in refundable deposits		230,981	(311,658)
Increase in land use rights		(2,284,925)	(72,622)
Decrease in land use rights		75,745	-
Increase in other non-current liabilities		(118,390)	958,774
Net cash used in investing activities		(13,459,115)	(11,830,426)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in other current assets		(809,989)	-
Increase in short-term loans		17,862,179	19,401,174
Decrease in short-term loans		(16,175,218)	(17,703,198)
Proceeds from issuing bonds	6(14)	-	4,800,000
Repayments of bonds	6(14)	(2,000,000)	(3,500,000)
Increase in long-term loans		8,050,954	7,314,022
Decrease in long-term loans		(10,122,171)	(14,823,204)
(Decrease) increase in guarantee deposits received		(7,862)	10,551
Cash dividends paid	6(19)	(9,724,246)	(9,724,246)
(Decrease) increase in other payables to related parties	7	(152,760)	152,760
Net cash used in financing activities		(13,079,113)	(14,072,141)
Effect of exchange rate changes on cash and cash equivalents		(34,192)	1,652,994
Increase in cash and cash equivalents		1,215,403	1,351,654
Cash and cash equivalents at beginning of year	6(1)	21,166,079	19,814,425
Cash and cash equivalents at end of year	6(1)	<u>\$ 22,381,482</u>	<u>\$ 21,166,079</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) was incorporated as 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. (b) Manufacturing and trading of various rubber products and relevant rubber machinery.

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

B. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

C. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

D. Article 10, Paragraph 3, Subparagraph 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers

The new regulation requires the amount of change in the fair value of a financial liability that is attributable to changes in the issuer's credit risk of that liability to be presented in other comprehensive income if an entity has designated the financial liability as at fair value through profit or loss.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of

defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2015	December 31, 2014	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS International Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CST Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Trading Ltd.	Holding company	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER USA, INC.	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	CIAO SHIN CO., LTD.	Investment in various business	97	97	
CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER CANADA,	Import and export of tires	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	MAXXIS Tech Center Europe B.V.	Technical center	100	100	
CHENG SHIN RUBBER IND. CO., LTD.	PT MAXXIS International Indonesia	Production and sales of various types of tires	100	100	Note 4.
CHENG SHIN RUBBER IND. CO., LTD.	Maxxis Rubber India Private Limited	Production and sales of various types of tires	100	—	Note 5.
MAXXIS International Co., Ltd.	TIANJIN TAFENG RUBBER IND CO.,	Production and sales of various types of tires	100	100	
MAXXIS International Co., Ltd.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	60	60	Note 3.
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Holding company	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (XIAMEN)	Production and sales of various types of tires	100	100	
MAXXIS International (HK) Ltd.	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	Production and sales of various types of tires	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2015	December 31, 2014	
MAXXIS International (HK) Ltd.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO.,LTD	Researching, developing, testing and exhibiting of tires and automobile accessory products and related products, and management of racing tracks.	100	100	
MAXXIS International (HK) Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Production and sales of various types of tires	25	25	Note 2.
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Holding company	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Production and sales of various types of tires	100	100	
Cheng Shin International (HK) Ltd.	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO.,	Production, sales and maintenance of models	50	50	
Cheng Shin International (HK) Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Production and sales of various types of tires	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	Note 1.
CHENG SHIN TIRE & RUBBER (CHINA) CO.,LTD.	KUNSHAN MAXXIS TIRE CO.,LTD	Retail of accessories for rubber tires	—	—	Note 7.
MAXXIS Trading Ltd.	MAXXIS Holding (BVI) Co., Ltd.	Holding company	100	100	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Retail of accessories for rubber tires	95	95	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Production and sales of various types of tires	40	40	Note 3.

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2015	December 31, 2014	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN LOGISTIC (XIAMEN)	International container transportation business	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	Note 2.
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	50	50	
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	XIAMEN ESTATE CO.,LTD	Construction and trading of employees' housing	100	100	
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	YIXIN (ZHANGZHOU) LABOR DISPATCHING CO.,	Domestic labour dispatch	—	100	Note 6.
MAXXIS Holding (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Production and sales of various types of tires	100	100	
MAXXIS Holding (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Production and sales of various types of tires	100	100	

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 July 2014, the Group established a subsidiary, PT Maxxis International Indonesia, in Indonesia. The Group remitted a total investment amount of US\$80,000 thousand to the subsidiary in 2014 and 2015 and acquired 100% of its share ownership.

Note 5: In March 2015, the Group established a subsidiary, Maxxis Rubber India Private Limited, in India. The Group remitted a total investment amount of US\$58,267 thousand to the subsidiary in July 2015 and acquired 100% of its share ownership. The subsidiary has been included in the consolidated entity in the third quarter of 2015.

Note 6: In July 2015, the Group disposed 100% of share ownership in the subsidiary, YIXIN (ZHANGZHOU) LABOR DISPATCHING CO., LTD., so the Group lost its control over the subsidiary.

Note 7: In September 2015, the Group established a subsidiary, Kunshan Maxxis tire Co., Ltd, in China. The registered capital is RMB\$5,000 thousand. As of March 24, 2016, the investment has not been remitted.

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) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using

trade date accounting.

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

(9) Receivables

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

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

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate,

and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(11) Derecognition of financial assets

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

(12) Lease receivables/ leases (lessor)

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

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

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of

the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- F. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

(a) Buildings : 5 ~ 60 years

- (b) Machinery and equipment : 15 years
- (c) Test equipment : 5 years
- (d) Transportation equipment : 6 years
- (e) Office equipment : 5 years
- (f) Other assets : 3 ~ 5 years

(16) Investment property

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

(17) Impairment of non-financial assets

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

(18) Borrowings

- A. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(19) Notes and accounts payable

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

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

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.
- B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(21) Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability specified in the contract is discharged or

cancelled or expires.

(22) Offsetting financial instruments

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

(23) Financial liabilities and equity instruments

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

(24) Financial guarantee contracts

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

(25) Derivative financial instruments

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

(26) Provisions

Provisions (including decommissioning) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an

accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

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

C. Employees', directors' and supervisors' remuneration

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

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to

apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

Sales of goods

- A. The Group manufactures and sells tire products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.
- C. The Group has customer loyalty programs where the Group grants loyalty award credits (such as 'points'; the award credits can be used to exchange for free or discounted goods) to customers as part of a sales transaction. The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the initial sale of goods and the award credits. The amount of proceeds allocated to the award credits is measured by reference to the fair value of goods that can be redeemed by using the award credits and the proportion of

award credits that are expected to be redeemed by customers. The Group recognizes the deferred portion of the proceeds allocated to the award credits as revenue only when it has fulfilled its obligations in respect of the award credits.

(31) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate. Government grants related to property, plant and equipment are recognized as non-current liabilities and are amortized to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Property, plant and equipment

The Group follows IAS 16 to determine when the depreciation of a fixed asset begins. This determination requires significant judgement by management. Before the Group has determined whether necessary status and location of the fixed asset for expected operations has been reached, costs are not recognised as the book value, and such assets are not depreciated until they are available for use. The decision whether the assets have reached the available for use condition or not depends on subjective judgement, how assets are utilised and industry characteristics.

As of December 31, 2015, the amount of unfinished construction and equipment under acceptance was \$8,190,036 thousand.

(2) Critical accounting estimates and assumptions

Deferred tax liabilities

The Company accrued deferred tax liabilities, taking into account the operating results, degree of expansion and dividend policy of each overseas subsidiary. Assessment of the timing of reversal of temporary differences of deferred tax liabilities involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industry environment, and laws and regulations might cause material adjustments to deferred tax liabilities.

As at December 31, 2015, the Group recognised \$2,415,551 thousand as deferred tax liabilities.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and petty cash (revolving funds)	\$ 2,387	\$ 2,289
Check deposits	2,143,275	1,041,942
Demand deposits	15,740,483	14,523,845
Time deposits	4,096,025	5,598,003
Commercial paper	399,312	-
Total	<u>\$ 22,381,482</u>	<u>\$ 21,166,079</u>
Interest rate range		
Time deposits	<u>0.15%-6.48%</u>	<u>0.45%-6.40%</u>
Commercial paper	<u>0.42%</u>	<u>—</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 no cash and cash equivalents pledged to others.

(2) Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Listed stocks	\$ 73,588	\$ 73,588
Funds	18,930	18,930
Subtotal	92,518	92,518
Available-for-sale financial assets		
Valuation adjustment	74,829	44,833
Total	\$ 167,347	\$ 137,351
Non-current items:		
Non-Listed stocks	\$ 58,187	\$ 58,187

The Group recognized \$29,996 thousand and \$12,397 thousand in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014, respectively.

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

	December 31, 2015	December 31, 2014
Notes receivable	\$ 2,252,213	\$ 3,158,199
Less: allowance for bad debts	(9,277)	(9,277)
	\$ 2,242,936	\$ 3,148,922

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

	December 31, 2015	December 31, 2014
Dealer	\$ 1,497,222	\$ 2,627,475
Vehicle assembly factory	714,350	513,914
Other	40,641	16,810
	\$ 2,252,213	\$ 3,158,199

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

As of December 31, 2015 and 2014, the Group had no notes receivable that were impaired.

(4) Accounts receivable, net

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 10,707,103	\$ 11,192,574
Less: allowance for bad debts	(12,966)	(12,668)
	\$ 10,694,137	\$ 11,179,906

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Dealer	\$ 4,244,053	\$ 4,791,625
Vehicle assembly factory	4,500,705	4,610,936
Others	268,781	627,552
	<u>\$ 9,013,539</u>	<u>\$ 10,030,113</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Up to 30 days	\$ 1,193,473	\$ 930,074
31 to 90 days	414,283	166,401
91 to 180 days	52,531	42,000
Over 181 days	33,277	23,986
	<u>\$ 1,693,564</u>	<u>\$ 1,162,461</u>

The above ageing analysis was based on past due date.

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

(a) As of December 31, 2015 and 2014, the Group had no accounts receivable that were impaired.

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

	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 12,668	\$ 12,668
Provision for impairment	-	254	254
Effects of foreign exchange	-	44	44
At December 31	<u>\$ -</u>	<u>\$ 12,966</u>	<u>\$ 12,966</u>

	<u>2014</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 13,745	\$ 13,745
Reversal of impairment	-	(1,152)	(1,152)
Effects of foreign exchange	-	75	75
At December 31	<u>\$ -</u>	<u>\$ 12,668</u>	<u>\$ 12,668</u>

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

(5) Inventories, net

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 4,175,076	\$ -	\$ 4,175,076
Work in process	1,236,194	-	1,236,194
Finished goods	6,032,664	(41,745)	5,990,919
Construction in progress	1,099,403	-	1,099,403
Inventory in transit	711,561	-	711,561
Total	<u>\$ 13,254,898</u>	<u>(\$ 41,745)</u>	<u>\$ 13,213,153</u>

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 6,740,772	\$ -	\$ 6,740,772
Work in process	1,620,916	-	1,620,916
Finished goods	6,580,810	(47,896)	6,532,914
Construction in progress	944,860	-	944,860
Inventory in transit	733,236	-	733,236
Total	<u>\$ 16,620,594</u>	<u>(\$ 47,896)</u>	<u>\$ 16,572,698</u>

The cost of inventories recognized as expense for the period:

	2015	2014
Cost of goods sold	\$ 81,373,218	\$ 93,408,535
Loss on inventory retirement	2,483	1,688
Loss on physical inventory	(73)	(5,875)
Revenue from sale of scraps	(200,976)	(266,956)
Gain on reversal of decline in market value	(6,151)	(23,834)
Total	<u>\$ 81,168,501</u>	<u>\$ 93,113,558</u>

For the years ended December 31, 2015 and 2014, the Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because of scrap or sale of inventories that impairment loss was recognised.

(6) Investments accounted for using equity method

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 December 31, 2015 and 2014, the carrying amount of the Group's individually immaterial joint ventures amounted to \$181,668 thousand and \$175,325 thousand, respectively.

	<u>2015</u>	<u>2014</u>
Share of profit of associates & joint ventures accounted for using equity method	\$ 37,762	\$ 40,060
Other comprehensive income-net of tax	<u>1,995</u>	<u>(5,372)</u>
Total comprehensive income	<u>\$ 39,757</u>	<u>\$ 34,688</u>

(7) Property, plant and equipment, net

2015

	<u>Beginning of period</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>Exchange rate differences</u>	<u>End of period</u>
Cost						
Land	\$ 4,557,063	\$ -	\$ -	\$ 13,689	(\$ 22,903)	\$ 4,547,849
Buildings	42,805,997	593,156	(11,094)	1,225,737	(793,511)	43,820,285
Machinery	92,751,197	780,915	(949,691)	3,286,511	(2,034,704)	93,834,228
Testing equipment	3,280,358	49,002	(24,095)	210,687	(57,965)	3,457,987
Transportation equipment	1,209,009	78,703	(43,342)	23,114	(19,563)	1,247,921
Office equipment	519,658	39,101	(17,300)	45,677	(7,099)	580,037
Other facilities	21,186,634	2,113,294	(760,366)	1,521,680	(568,198)	23,493,044
Unfinished construction and equipment under acceptance	7,529,821	7,358,755	(63,682)	(6,489,756)	(145,102)	8,190,036
	<u>\$ 173,839,737</u>	<u>\$ 11,012,926</u>	<u>(\$ 1,869,570)</u>	<u>(\$ 162,661)</u>	<u>(\$ 3,649,045)</u>	<u>\$ 179,171,387</u>
Accumulated depreciation						
Buildings	(\$ 10,881,696)	(\$ 2,007,759)	\$ 9,270	\$ -	\$ 202,535	(\$ 12,677,650)
Machinery	(36,825,438)	(5,702,693)	853,159	610	854,202	(40,820,160)
Testing equipment	(2,041,785)	(294,947)	23,689	-	29,278	(2,283,765)
Transportation equipment	(762,265)	(119,403)	38,881	-	12,280	(830,507)
Office equipment	(320,699)	(65,016)	14,617	-	3,699	(367,399)
Other facilities	(13,563,006)	(3,173,220)	655,906	(10,368)	390,163	(15,700,525)
	<u>(\$ 64,394,889)</u>	<u>(\$ 11,363,038)</u>	<u>\$ 1,595,522</u>	<u>(\$ 9,758)</u>	<u>\$ 1,492,157</u>	<u>(\$ 72,680,006)</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>\$ 109,430,271</u>					<u>\$ 106,476,804</u>

2014

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
Cost						
Land	\$ 4,512,975	\$ 8,745	\$ -	\$ -	\$ 35,343	\$ 4,557,063
Buildings	37,538,048	991,528	(47,468)	2,896,122	1,427,767	42,805,997
Machinery	82,930,129	1,440,912	(859,741)	6,217,080	3,022,817	92,751,197
Testing equipment	2,906,850	60,544	(23,105)	242,898	93,171	3,280,358
Transportation equipment	1,063,298	85,028	(32,477)	52,536	40,624	1,209,009
Office equipment	415,883	41,417	(6,840)	50,864	18,334	519,658
Other facilities	18,203,940	2,149,848	(759,855)	807,208	785,493	21,186,634
Unfinished construction and equipment under acceptance	10,004,914	7,722,656	(52,638)	(10,398,649)	253,538	7,529,821
	<u>\$ 157,576,037</u>	<u>\$ 12,500,678</u>	<u>(\$ 1,782,124)</u>	<u>(\$ 131,941)</u>	<u>\$ 5,677,087</u>	<u>\$ 173,839,737</u>
Accumulated depreciation						
Buildings	(\$ 8,786,285)	(\$ 1,772,820)	\$ 35,036	\$ -	(\$ 357,627)	(\$ 10,881,696)
Machinery	(30,783,399)	(5,327,388)	746,991	(158,749)	(1,302,893)	(36,825,438)
Testing equipment	(1,738,149)	(275,284)	22,370	1,997	(52,719)	(2,041,785)
Transportation equipment	(646,259)	(120,474)	30,473	-	(26,005)	(762,265)
Office equipment	(265,969)	(49,438)	6,605	(101)	(11,796)	(320,699)
Other facilities	(10,946,649)	(2,915,510)	653,028	158,880	(512,755)	(13,563,006)
	<u>(\$ 53,166,710)</u>	<u>(\$ 10,460,914)</u>	<u>\$ 1,494,503</u>	<u>\$ 2,027</u>	<u>(\$ 2,263,795)</u>	<u>(\$ 64,394,889)</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>\$ 104,394,750</u>					<u>\$ 109,430,271</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:

	<u>2015</u>	<u>2014</u>
Amount capitalized	\$ <u>37,230</u>	\$ <u>30,724</u>
Range of the interest rates for capitalization	<u>0.55%~5.5%</u>	<u>0.78%~6.46%</u>

(8) Investment property, net

	<u>2015</u>		
	<u>Opening net book amount as at January 1</u>	<u>Additions</u>	<u>Closing net book amount as at December 31</u>
Cost			
Land	\$ 359,315	\$ -	\$ 359,315
Buildings and Structures	<u>50,825</u>	<u>-</u>	<u>50,825</u>
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>\$ 410,140</u>
Accumulated depreciation			
Buildings and Structures	(\$ 29,881)	(\$ 969)	(\$ 30,850)
Accumulated impairment			
Land	(\$ 51,038)	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 329,221</u>		<u>\$ 328,252</u>
	<u>2014</u>		
	<u>Opening net book amount as at January 1</u>	<u>Additions</u>	<u>Closing net book amount as at December 31</u>
Cost			
Land	\$ 359,315	\$ -	\$ 359,315
Buildings and Structures	<u>50,825</u>	<u>-</u>	<u>50,825</u>
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>\$ 410,140</u>
Accumulated depreciation			
Buildings and Structures	(\$ 28,912)	(\$ 969)	(\$ 29,881)
Accumulated impairment			
Land	(\$ 51,038)	<u>\$ -</u>	(\$ 51,038)
	<u>\$ 330,190</u>		<u>\$ 329,221</u>

A. Rental income from investment property is shown below:

	2015	2014
Rental income from investment property	\$ 8,725	\$ 8,725

B. The fair value of the investment property held by the Group as at December 31, 2015 and 2014 were both \$624,514 thousand, which was valued by independent values. 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 category of the land is changed. Currently, the land is under the name of related party, Mr. /Ms. Chiu. The land is planned to be used for operational expansion. The Company holds the original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(9) Other non-current assets

	December 31, 2015	December 31, 2014
Land use right	\$ 5,652,943	\$ 3,563,872
Others	212,113	406,549
	<u>\$ 5,865,056</u>	<u>\$ 3,970,421</u>

The Group signed a contract of land use right with term of 40 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of \$89,803 thousand and \$92,562 thousand for the years ended December 31, 2015 and 2014, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowings	\$ 16,206,436	0.95%~5.6%	None
Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowing	\$ 14,436,115	1.08%~6.00%	None

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

(11) Other payables

	December 31, 2015	December 31, 2014
Wages and salaries payable	\$ 1,375,373	\$ 1,381,946
Payable on machinery and equipment	784,192	1,330,470
Employee bonus payable (bonus)	610,194	622,154
Compensation due to directors and supervisors	357,324	432,421
Other accrued expenses	1,904,090	1,783,131
Others	1,283,707	1,157,660
	<u>\$ 6,314,880</u>	<u>\$ 6,707,782</u>

(12) Other current liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Long-term liabilities due within one year	\$ 5,096,959	\$ 7,959,806
Advance receipts	717,522	781,230
Others	332,437	196,640
	<u>\$ 6,146,918</u>	<u>\$ 8,937,676</u>

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

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 1	\$ -
Interest rate swaps	19,172	-
Total	<u>\$ 19,173</u>	<u>\$ -</u>
Non-current items:		
Financial liabilities held for trading		
Interest rate swaps	<u>\$ -</u>	<u>\$ 47,823</u>

A. The Group recognized net loss of \$12,222 thousand and \$9,830 thousand on financial liabilities held for trading for the years ended December 31, 2015 and 2014, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

<u>Types of goods</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Contract amount</u> <u>(Notional principal)</u>	<u>Contract period</u>	<u>Contract amount</u> <u>(Notional principal)</u>	<u>Contract period</u>
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	<u>USD 831 thousand</u>	2015.12.29- 2016.02.04		
Interest rate swaps	<u>USD 80,000 thousand</u>	2011.06.03- 2016.07.29		
Non-current items:				
Interest rate swaps			<u>USD 80,000 thousand</u>	2011.06.03- 2016.07.29

(a) Forward foreign exchange contracts

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

(b) Interest rate swaps

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

(14) Bonds payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bonds payable - issued on 2010 (Note)	\$ -	\$ 2,000,000
Bonds payable - issued on 2013	3,800,000	3,800,000
Bonds payable - issued on 2014	<u>4,800,000</u>	<u>4,800,000</u>
Subtotal	8,600,000	10,600,000
Less: current portion	<u>-</u>	<u>(2,000,000)</u>
Total	<u>\$ 8,600,000</u>	<u>\$ 8,600,000</u>

Note: The domestic secured ordinary corporate bond was guaranteed by banks based on the guaranteed obligations agreement of performing corporate bonds.

- A. In order to meet operational needs, repay debts and improve the financial structure, the Board of Directors has resolved the Company to raise domestic unsecured bonds (the "bonds"). The capital raising 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 \$4,800,000 thousand with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The corporate bond will be redeemed in full amount at the maturity date.
- B. In order to fulfill its capital and repay long-term and short-term loans, the Board of Directors has resolved the Company to raise domestic unsecured bonds (the "bonds"). The capital raising 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 \$3,800,000 thousand with a coupon rate of 1.55%. The issuance period of the bonds is 5 years, which is from August 19, 2013 to August 19, 2018. The terms are as follows:
- (a) Interest accrued/ paid:
The interest is accrued/ paid at a single rate annually from the issue date.
 - (b) Redemption:
The principal of the corporate bond will be repaid at 50% of the total amount after four and five years from the issue date.
- C. In order to fulfill its capital and repay long-term and short-term loans, the Board of Directors has resolved the Company to raise domestic secured bonds (the "bonds"). The capital raising has been approved by FSC on August 24, 2010 and completed on September 3, 2010. The bonds were fully issued and total issuance amount was \$4,000,000 thousand with a coupon rate of 1.38%. The issuance period of the bonds was 5 years, which is from September 3, 2010 to September 3, 2015. 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 repaid at 50% of the total amount after four and five years from the issue date.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2015</u>
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021.	0.84%~6.15%	None	\$ 28,555,879
Less: current portion				(5,096,959)
				<u>\$ 23,458,920</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Installment-repayment borrowings				
Unsecured borrowings	Principal is repayable in installments until November, 2021.	0.63%~6.4%	None	\$ 30,988,114
Less: current portion				(5,959,806)
				<u>\$ 25,028,308</u>

- A. According to the borrowing contract, the Group shall calculate the financial ratios based on the audited annual financial statements (non-consolidated and consolidated) and the reviewed semi-annual consolidated financial statements. The financial ratios shall be maintained as follows: at least 100% for current ratio, no more than 200% for debt-to-equity ratio, at least 150% for debt-service coverage ratio. The financial ratios as assessed in the financial statements have met the abovementioned requirements for the years ended December 31, 2015 and 2014.
- B. The currencies and carrying amounts (in thousands of New Taiwan dollars) of the Group's long-term borrowing denominated in foreign currencies are as follows:

<u>Currency</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
USD	\$ 11,499,495	\$ 15,786,777
JPY	415,868	1,291,956
RMB	-	152,760
THB	-	290,584
EUR	315,744	-

(16) Pensions

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

calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ 1,551,557	\$ 1,553,019
Fair value of plan assets	(684,402)	(713,459)
Net defined benefit liability	<u>\$ 867,155</u>	<u>\$ 839,560</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2015			
Balance at January 1	\$ 1,553,019	(\$ 713,459)	\$ 839,560
Current service cost	30,533	-	30,533
Interest (expense) income	31,060	(14,269)	16,791
	<u>1,614,612</u>	<u>(727,728)</u>	<u>886,884</u>
Remeasurements:			
Change in financial assumptions	51,251	-	51,251
Experience adjustments	(13,637)	-	(13,637)
Return on plan assets	-	(5,583)	(5,583)
	<u>37,614</u>	<u>(5,583)</u>	<u>32,031</u>
Pension fund contribution	(94,477)	48,909	(45,568)
Paid pension	(6,192)	-	(6,192)
Balance at December 31	<u>\$ 1,551,557</u>	<u>(\$ 684,402)</u>	<u>\$ 867,155</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2014			
Balance at January 1	\$ 1,562,273	(\$ 739,867)	\$ 822,406
Current service cost	32,896	-	32,896
Interest (expense) income	31,246	(14,798)	16,448
	<u>1,626,415</u>	<u>(754,665)</u>	<u>871,750</u>
Remeasurements:			
Return on plan assets	28,609	-	28,609
Experience adjustments	-	(2,750)	(2,750)
	<u>28,609</u>	<u>(2,750)</u>	<u>25,859</u>
Pension fund contribution	(95,057)	43,956	(51,101)
Paid pension	(6,948)	-	(6,948)
Balance at December 31	<u>\$ 1,553,019</u>	<u>(\$ 713,459)</u>	<u>\$ 839,560</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2015 and 2014, the actual return on plan assets was \$19,852 thousand and \$17,548 thousand, respectively.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.70%	2.00%
Future salary increases	3.00%	3.00%

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

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

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 161,578)	\$ 190,433	\$ 170,004	(\$ 148,367)

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

- (f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to \$153,213 thousand.
- (g) As of December 31, 2015, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	141,689
2-5 years		234,939
Over 5 years		1,763,204
	\$	<u>2,139,832</u>

- 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 Group for the years ended December 31,

2015 and 2014, were \$106,882 thousand and \$100,058 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 years ended December 31, 2015 and 2014 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 years ended December 31, 2015 and 2014, were \$521,411 thousand and \$436,508 thousand, respectively.
- (b) The subsidiaries, Cheng Shin Rubber USA, Inc., Cheng Shin Rubber CANADA, Inc. and Maxxis Tech Center Europe B.V., have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees' salaries and wages. Other than the annual contribution, the subsidiaries have no further obligations. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014, were \$11,602 thousand and \$10,146 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 December 31, 2015 and 2014, the net liabilities recognised in the balance sheets were \$25,162 thousand and \$16,347 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 years ended December 31, 2015 and 2014, were \$14,327 thousand and \$10,523 thousand, respectively.

(17) Share capital

As of December 31, 2015, the Company's authorized capital was \$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 taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.
- B. 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.
- C. (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.

D. The Company recognized dividends distributed to owners amounting to \$9,724,246 thousand (cash dividend of \$3

per share).

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

(20) Other equity items

	2015		
	Currency translation	Available-for-sale investments	Total
At January 1	\$ 3,402,402	\$ 44,370	\$ 3,446,772
Valuation adjustment – Group	-	41,124	41,124
Valuation adjustment – Associates	-	(10,794)	(10,794)
Currency translation differences:			
– Group	(2,000,488)	-	(2,000,488)
– Tax on group	340,083	-	340,083
– Associates	2,797	-	2,797
– Tax on associates	(475)	-	(475)
At December 31	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 1,819,019</u>

	2014		
	Currency translation	Available-for-sale investments	Total
At January 1	\$ 734,974	\$ 31,933	\$ 766,907
Valuation adjustment – Group	-	13,723	13,723
Valuation adjustment – Associates	-	(1,286)	(1,286)
Currency translation differences:			
– Group	3,221,895	-	3,221,895
– Tax on Group	(549,553)	-	(549,553)
– Associates	(5,920)	-	(5,920)
– Tax on associates	1,006	-	1,006
At December 31	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 3,446,772</u>

(21) Other income

	2015	2014
Interest income	\$ 194,775	\$ 214,634
Grant revenue	518,328	731,019
Other income	288,196	205,345
Total	<u>\$ 1,001,299</u>	<u>\$ 1,150,998</u>

(22) Other gains and losses

	<u>2015</u>	<u>2014</u>
Net currency exchange (losses) gains	(\$ 1,019,935)	\$ 289,862
Losses on disposal of property, plant and equipment	(77,370)	(36,488)
Gains on disposal of investments	114	-
Net gains on financial liabilities at fair value through profit or loss	28,266	26,251
Loss on investments	-	(7,485)
Other expenses	(165,942)	(252,312)
Total	<u>(\$ 1,234,867)</u>	<u>\$ 19,828</u>

(23) Finance costs

	<u>2015</u>	<u>2014</u>
Interest expense:		
Bank borrowings	\$ 800,613	\$ 972,025
Corporate bonds	144,500	150,275
Losses on fair value change of financial instruments:		
Interest rate swaps	40,488	38,253
	985,601	1,160,553
Less: capitalisation of qualifying assets	(37,230)	(30,724)
Finance costs	<u>\$ 948,371</u>	<u>\$ 1,129,829</u>

(24) Expenses by nature

	<u>2015</u>	<u>2014</u>
Employee benefit expense		
Wages and salaries	\$ 11,201,850	\$ 10,767,446
Labour and health insurance fees	587,851	550,974
Pension costs	701,546	606,579
Other personnel expenses	842,175	882,671
	13,333,422	12,807,670
Raw materials and supplies used	52,268,013	64,703,722
Depreciation charges on property, plant and equipment	11,363,038	10,460,914
Total	<u>\$ 76,964,473</u>	<u>\$ 87,972,306</u>

A. However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on November, 2015. According to the amended articles, 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. The amended articles will be resolved in the shareholders' meeting in 2016.

- B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$321,913 and \$288,281, respectively; directors' and supervisors' remuneration was accrued at \$357,324 and \$432,421, respectively. The amounts were recognized in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on at least 2% and at most 3% of distributable profit of current year for the year ended December 31, 2015. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of directors were \$321,913 and \$357,324, respectively, and the employees' compensation will be distributed in the form of cash.

The expenses recognized for the year of 2014 were accrued based on the net income of 2014 and the percentages shall be at least 2% and at most 3% for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2015	2014
Current tax:		
Current tax on profits for the period	\$ 3,773,412	\$ 4,627,304
Prior year income tax understimation	384,642	42,958
10% tax on undistributed surplus earnings	466,963	704,779
Total current tax	4,625,017	5,375,041
Deferred tax:		
Origination and reversal of temporary differences	11,972	(215,862)
Income tax expense	\$ 4,636,989	\$ 5,159,179

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

	2015	2014
Currency translation differences	\$ 339,608	(\$ 548,547)
Remeasurement of defined benefit obligations	5,445	4,396
Income tax from other comprehensive income	\$ 345,053	(\$ 544,151)

B. Reconciliation between income tax expense and accounting profit

	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 4,731,961	\$ 5,924,284
Effects from items disallowed by tax regulation	67,087	104,762
Tax exempted income by tax regulation	(35)	-
Temporary difference not recognized as deferred tax liabilities	(903,686)	(1,594,758)
Effect from five-year tax exemption	(113,663)	(103,631)
Prior year income tax (over) underestimation	384,642	42,958
Impact of change in the tax rate on temporary difference between current year and the year realized	4,340	80,785
10% tax on undistributed surplus earnings	466,963	704,779
Taxable loss	(620)	-
Income tax expense	<u>\$ 4,636,989</u>	<u>\$ 5,159,179</u>

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

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	\$ 149,851	(\$ 13,403)	\$ -	\$ 136,448
Remeasurement of defined benefit obligations	130,997	-	5,445	136,442
Financial asset or liabilities unrealized evaluation of loss	3,810	(2,549)	-	1,261
Deferred government grant revenue	403,107	(23,622)	-	379,485
Others	42,932	4,557	-	47,489
Subtotal	<u>\$ 730,697</u>	<u>(\$ 35,017)</u>	<u>\$ 5,445</u>	<u>\$ 701,125</u>
—Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 986,433)	(\$ 8,081)	\$ -	(\$ 994,514)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(1,218,237)	-	339,608	(878,629)
Unrealised exchange loss (gain)	(19,969)	9,285	-	(10,684)
Others	(38,832)	21,841	-	(16,991)
Subtotal	<u>(\$ 2,778,204)</u>	<u>\$ 23,045</u>	<u>\$ 339,608</u>	<u>(\$ 2,415,551)</u>
Total	<u>(\$ 2,047,507)</u>	<u>(\$ 11,972)</u>	<u>\$ 345,053</u>	<u>(\$ 1,714,426)</u>

	2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealised gain on inter-affiliated accounts	\$ 152,152	(\$ 2,301)	\$ -	\$ 149,851
Remeasurement of defined benefit obligations	126,601	-	4,396	130,997
Financial asset or liabilities unrealized evaluation of loss	5,999	(2,189)	-	3,810
Deferred government grant revenue	351,361	51,746	-	403,107
Others	54,127	(11,195)	-	42,932
Subtotal	<u>\$ 690,240</u>	<u>\$ 36,061</u>	<u>\$ 4,396</u>	<u>\$ 730,697</u>
— Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 1,172,859)	\$ 186,426	\$ -	(\$ 986,433)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(669,690)	-	(548,547)	(1,218,237)
Unrealised exchange loss (gain)	(4,795)	(15,174)	-	(19,969)
Others	(47,381)	8,549	-	(38,832)
Subtotal	<u>(\$ 2,409,458)</u>	<u>\$ 179,801</u>	<u>(\$ 548,547)</u>	<u>(\$ 2,778,204)</u>
Total	<u>(\$ 1,719,218)</u>	<u>\$ 215,862</u>	<u>(\$ 544,151)</u>	<u>(\$ 2,047,507)</u>

- D. (a) Mainland China subsidiaries that are included in the Company's consolidated financial Statements are productive foreign-based enterprises in the People's Republic of China. Details of the applicable tax rate based on local tax law are as follows:

Investee companies	Details of the tax rate based on local tax law and applicable tax rate is as follows	
	2015	2014
Cheng Shin Rubber(Ximen) Ind.,Ltd.	15%	15%
Cheng Shin Petrle Tire(Ximen)Co.,Ltd.	15%	15%
Ximan Cheng Shin Enterprise Co.,Ltd.	15%	15%
Cheng Shin Rubber(Zhangzhou)Ind Co.,Ltd.	15%	15%
Cheng Shin Tire and Rubber(China)Co.,Ltd.	15%	15%
Cheng Shin Tire and Rubber(ChongQing)Co.,Ltd.	15%	15%
Other Mainland China subsidiaries	25%	25%

- (b) The Company's subsidiary, Cheng Shin (Thailand) is eligible for the local tax incentives which Cheng Shin (Thailand) is entitled to tax exemption for the first 8 years from 2004 and 50% of tax exemption for the ninth to thirteenth year. For plant A, the full tax exemption was expired in May 2012 and 50% of tax exemption is applied along with a tax rate of 10% from 2012. For plant B, the year of 2013 is the fifth year of income tax exemption.
- (c) The Company's subsidiary, Cheng Shin (Vietnam) was eligible for the local tax incentives which Cheng Shin (Vietnam) is entitled to tax exemption for the first 3 years from the year when it starts to generate profit (2009), entitled to a preferential rate of 7.5% for the fourth to tenth year, entitled to a preferential rate of 15% income for the eleventh to twelfth year, and entitled to a tax rate of 25% after the exemption period expires. The income tax rate is both 7.5% for the years ended December 31, 2015 and 2014.
- E. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for "Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009". The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.
- F. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2015 and 2014 were \$36,249,586 thousand and \$34,825,770 thousand, respectively.
- G. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.
- H. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	40,566,997	39,143,061
Total	<u>\$ 40,593,212</u>	<u>\$ 39,169,276</u>

- I. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$3,795,530 thousand and \$1,757,426 thousand, respectively. The creditable tax rate was 8.77% for the year ended December 31, 2014 and is estimated to be 9.36% for the year ended December 31, 2015.

(26) Earnings per share

	2015		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 12,776,655</u>	<u>3,241,416</u>	<u>\$ 3.94</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	12,776,655	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>8,323</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 12,776,655</u>	<u>3,249,739</u>	<u>\$ 3.93</u>
		2014	
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 16,015,591</u>	<u>3,241,416</u>	<u>\$ 4.94</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	16,015,591	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	<u>-</u>	<u>6,014</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 16,015,591</u>	<u>3,247,430</u>	<u>\$ 4.93</u>

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

	<u>2015</u>	<u>2014</u>
Purchase of property, plant and equipment	\$ 11,012,926	\$ 12,500,678
Add: opening balance of payable on equipment	1,330,470	1,547,848
Less: ending balance of payable on equipment	(784,192)	(1,330,470)
Cash paid during the period	<u>\$ 11,559,204</u>	<u>\$ 12,718,056</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	<u>2015</u>	<u>2014</u>
Sales of goods:		
Associates	<u>\$ 836,151</u>	<u>\$ 947,158</u>

Price and collection term of abovementioned sales are the same with third parties, which are to collect within 60~90 days.

B. Receivables from related parties:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable:		
Associates	<u>\$ 161,489</u>	<u>\$ 178,105</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payables due from related parties		
-Associates	<u>\$ -</u>	<u>\$ 152,760</u>

The interest rate is 6.15% per annum for the Group's financing with associates through financial institutions.

(2) Key management compensation

	<u>2015</u>	<u>2014</u>
Short-term employee benefits	\$ 527,739	\$ 612,681
Post-employment benefits	4,864	5,582
Total	<u>\$ 532,603</u>	<u>\$ 618,263</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	
Time Deposits (Other non-current assets)	<u>\$ 14,766</u>	<u>\$ 15,239</u>	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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	\$ 9,664,889	\$ 6,593,238

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Amount of letter of credit that has been issued but not yet used	\$ 510,070	\$ 819,631

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. The Company's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., has been resolved by the Board of Directors to engage others to build the intelligent logistic warehouse on its own land, in order to improve the self-produced tires in the warehouse. Based on the contract, the estimated investment amount was RMB\$200,000 thousand which was approximately NT\$1,012,500 thousand. As of March 24, 2016, abovementioned payment has not been paid.
- B. The Company's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., has been resolved by the Board of Directors to engage others to build the research and development center phase II on its own land, in order to improve the ability to research, develop and test tires. Based on the contract, the estimated investment amount was RMB\$300,000 thousand which was approximately NT\$1,485,870 thousand. As of March 24, 2016, abovementioned payment has not been paid.
- C. In order to concentrate on developing, researching and manufacturing products and building international brand as well as expanding overseas market, the Company separated related business in domestic sales (operating) department to the wholly-owned subsidiary, MAXXIS (Taiwan) Trading Co., Ltd. The separation has been resolved by the Board of Directors but not yet applied to the Competent Authority for approval as of the reporting date.

12. OTHERS

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 year ended December 31, 2015, the Group's strategy, was unchanged from 2014. The gearing ratios at December 31, 2015 and 2014 were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Total liabilities	\$ 76,005,638	\$ 81,313,342
Total equity	89,952,584	88,557,025
Less : Intangible assets	-	-
Tangible equity	\$ 89,952,584	\$ 88,557,025
Debt-equity ratio	84.50%	91.82%

(1) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables, shown as other current asset) short-term loans, notes payable, accounts payable and other payables) approximate their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme 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 co-operation with the Group's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other certain subsidiaries' functional currency: RMB, THB, VND, CAD, IDR, EUR, INR and USD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

2015

(Foreign currency: functional currency)	Foreign currency		Book value (TWD in thousand)	Sensitivity analysis		
	amount	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	(In thousands)					
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 166,302	32.825	\$ 5,458,863	1%	\$ 54,589	\$ -
RMB:TWD	207,177	4.995	1,034,849	1%	10,348	-
JPY:TWD	327,667	0.273	89,453	1%	895	-
EUR:TWD	13,564	35.880	486,676	1%	4,867	-
THB:TWD	156,431	0.915	143,134	1%	1,431	-
GBP:TWD	1,902	48.670	92,570	1%	926	-
USD:RMB	75,545	6.572	2,479,926	1%	24,799	-
EUR:RMB	8,203	7.183	294,316	1%	2,943	-
JPY:RMB	586,662	0.055	161,171	1%	1,612	-
GBP:RMB	2,083	9.744	101,382	1%	1,014	-
USD:THB	57,222	35.890	1,879,133	1%	18,791	-
EUR:THB	16,422	39.230	589,475	1%	5,895	-
GBP:THB	479	53.215	23,323	1%	233	-
USD:CAD	18,777	1.389	616,561	1%	6,166	-
USD:VND	21,628	23,280.142	709,939	1%	7,099	-
USD:IDR	20,785	13,508.230	682,268	1%	6,823	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,500	32.825	\$ 508,788	1%	\$ 5,088	\$ -
JPY:RMB	1,579,279	0.055	433,867	1%	4,339	-
USD:RMB	512,556	6.572	16,825,748	1%	168,257	-
EUR:RMB	35,727	7.183	1,281,852	1%	12,819	-
USD:THB	167,333	35.890	5,495,107	1%	54,951	-
JPY:THB	5,316	0.298	1,450	1%	15	-
USD:VND	60,798	23,280.142	1,995,694	1%	19,957	-
USD:CAD	15,974	1.389	524,522	1%	5,245	-

2014

(Foreign currency: functional currency)	Foreign currency amount		Book value (TWD in thousand)	Sensitivity analysis		
	(In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 148,894	31.650	\$ 4,712,495	1%	\$ 47,125	\$ -
RMB:TWD	494,015	5.092	2,515,524	1%	25,155	-
JPY:TWD	2,419,128	0.265	641,069	1%	6,411	-
EUR:TWD	15,685	38.470	603,402	1%	6,034	-
THB:TWD	167,608	0.967	162,077	1%	1,621	-
USD:RMB	63,401	6.216	2,006,760	1%	20,068	-
EUR:RMB	7,223	7.555	277,869	1%	2,779	-
JPY:RMB	506,423	0.052	134,093	1%	1,341	-
GBP:RMB	989	9.676	48,728	1%	487	-
USD:THB	81,808	32.730	2,589,216	1%	25,892	-
EUR:THB	10,743	39.783	413,285	1%	4,133	-
GBP:THB	808	50.951	39,810	1%	398	-
USD:CAD	17,495	1.161	553,859	1%	5,539	-
USD:VND	19,295	22,132.867	610,687	1%	6,107	-
USD:IDR	54,972	12,267.442	1,739,864	1%	17,399	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 23,667	31.650	\$ 749,061	1%	\$ 7,491	\$ -
JPY:RMB	4,526,757	0.052	1,198,613	1%	11,986	-
USD:RMB	573,223	6.216	18,143,581	1%	181,436	-
USD:THB	213,952	32.730	6,771,562	1%	67,716	-
JPY:THB	402,721	0.274	106,704	1%	1,067	-
USD:VND	75,919	22,132.867	2,402,836	1%	24,028	-
USD:CAD	16,642	1.161	526,855	1%	5,269	-

- 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 years ended December 31, 2015 and 2014, amounted to \$1,019,935 thousand and \$289,862 thousand, respectively.

Price risk

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

The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by \$192 thousand and \$478 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,255 thousand and \$1,955 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates do not expose the Group to fair value interest rate risk. During the years ended December 31, 2015 and 2014, the Group's borrowings at variable rate were denominated in the TWD, USD, JPY, THB, RMB and EUR.
- ii. Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.
- iii. At December 31, 2015 and 2014, if interest rates on USD, THB, JPY, RMB and EUR-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have been \$28,600 thousand and \$31,894 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.
- ii. For the years ended December 31, 2015 and 2014, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The ageing analysis of financial assets that were past due but not impaired is shown in Notes 6(3) and 6(4).
- iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Notes 6(3) and 6(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient

cash to meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

- ii. Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 10,701,411	\$ 4,462,786	\$ 1,386,931	\$ -	\$ 16,551,128
Notes and bills payable	6,951,643	-	-	-	6,951,643
Other payables	5,282,903	288,289	418,815	324,873	6,314,880
Guarantee deposits	2,378	-	4	282,641	285,023
Long-term borrowings	1,777,662	815,073	3,017,704	23,709,900	29,320,339
Bonds payable	-	-	126,100	8,889,950	9,016,050

Non-derivative financial liabilities:

December 31, 2014	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Short-term borrowings	\$ 7,720,482	\$ 5,750,112	\$ 1,292,466	\$ -	\$ 14,763,060
Notes and bills payable	8,296,662	-	-	-	8,296,662
Other payables	6,350,881	259	68,325	288,317	6,707,782
Guarantee deposits	8,385	-	127,895	156,606	292,886
Long-term borrowings	1,628,039	1,679,091	3,467,022	29,864,877	36,639,029
Bonds payable	-	-	2,153,700	9,016,050	11,169,750

Derivative financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Interest rate swaps	\$ -	\$ 7,414	\$ 11,758	\$ -	\$ 19,172
Forward exchange	1	-	-	-	1

Derivative financial liabilities:

December 31, 2014	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Interest rate swaps	\$ -	\$ -	\$ -	\$ 47,823	\$ 47,823

(2) Fair value information

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

- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

	December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 167,347	\$ -	\$ 58,187
Liabilities			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 19,172	\$ -
-Forward exchange contracts	-	1	-
	\$ -	\$ 19,173	\$ -
	December 31, 2014		
	Level 1	Level 2	Level 3
Assets			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 137,351	\$ -	\$ 58,187
Liabilities			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 47,823	\$ -

- D. The methods and assumptions the Group used to measure fair value are as follows:
- (a) Level 1: The Company used market quoted prices as their fair values, based on the characteristics of instruments. Listed shares and balanced mutual fund used closing price as their fair values.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) Level 2: When assessing non-standard and low-complexity financial instruments, for example, 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 years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.
- F. There were no movement in Level 3 for the years ended December 31, 2015 and 2014.

13. SUPPLEMENTARY DISCLOSURES

(3) Significant transactions information

- A. Loans to others: Please refer to table 1.
 B. Provision of endorsements and guarantees to others: Please refer to table 2.
 C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
 D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
 E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
 F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
 G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
 H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
 I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6, (13), 6(21) and 12(2).

As of December 31, 2015, the relevant information of subsidiaries' derivative financial instruments that were not expired is as follows:

Investee	Derivative financial instrument	Contract amount (in thousands)	Contract period	Book value
Cheng Shin Tire and Rubber(China)Co.,Ltd.	Interest rate swaps	USD 40,000	2011.07.14 ~2016.07.29	(\$ 11,758)

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

(4) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 10.

(5) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
 B. Ceiling on investments in Mainland China, Please refer to table 10.
 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 year ended December 31, 2015: Please refer to table 6, 7 and 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. Business organization is divided into Cheng Shin (Taiwan), 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 and etc.

(2) Measurement of segment information

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

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

The segment information provided to the chief operating decision-maker for the reportable segments for the years ended December 31, 2015 and 2014 is as follows:

	2015					All other segments
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.		
Revenue						
Revenue from external customers	\$ 16,612,918	\$ 22,179,784	\$ 34,849,399	\$ 13,779,629		\$ 21,262,293
Revenue from inter-segment revenue	<u>4,735,562</u>	<u>506,873</u>	<u>606,355</u>	<u>954,446</u>		<u>4,661,485</u>
Total segment revenue	<u>\$ 21,348,480</u>	<u>\$ 22,686,657</u>	<u>\$ 35,455,754</u>	<u>\$ 14,734,075</u>		<u>\$ 25,923,778</u>
Segment income (loss)	<u>\$ 4,828,326</u>	<u>\$ 2,749,671</u>	<u>\$ 4,574,386</u>	<u>\$ 111,124</u>		<u>\$ 4,409,810</u>
	2014					
	CHENG SHIN RUBBER IND. CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. and CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	MAXXIS INTERNATIONAL (THAILAND) CO., LTD.	All other segments	Total
Revenue						
Revenue from external customers	\$ 19,029,533	\$ 25,376,093	\$ 39,933,593	\$ 15,897,723	\$ 21,647,759	\$ 121,884,701
Revenue from inter-segment revenue	<u>4,610,409</u>	<u>819,091</u>	<u>268,432</u>	<u>994,090</u>	<u>5,574,366</u>	<u>12,266,388</u>
Total segment revenue	<u>\$ 23,639,942</u>	<u>\$ 26,195,184</u>	<u>\$ 40,202,025</u>	<u>\$ 16,891,813</u>	<u>\$ 27,222,125</u>	<u>\$ 134,151,089</u>
Segment income (loss)	<u>\$ 4,778,984</u>	<u>\$ 3,794,621</u>	<u>\$ 6,416,265</u>	<u>\$ 653,732</u>	<u>\$ 4,810,275</u>	<u>\$ 20,453,877</u>

(4) Reconciliation for segment income (loss)

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

	2015	2014
Adjusted revenue from reportable segments	\$ 120,148,744	\$ 134,151,089
Adjusted revenue from other operating segments	9,525,000	8,232,231
Total operating segments	129,673,744	142,383,320
Elimination of inter-segment revenue	(12,947,451)	(13,369,258)
Total consolidated operating revenue	<u>\$ 116,726,293</u>	<u>\$ 129,014,062</u>

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

	2015	2014
Adjusted income from reportable segments		
before income tax	\$ 16,673,317	\$ 20,453,877
Adjusted income from other operating segments		
before income tax	768,893	711,446
Total operating segments	17,442,210	21,165,323
Income from elimination of inter-segment revenue	33,993	105,473
Income from continuing operations before income tax	<u>\$ 17,476,203</u>	<u>\$ 21,270,796</u>

(5) Information on products and services

Revenue from external customers is mainly from processing, manufacturing and trading of bicycle tires, electrical vehicle tires, reclaimed rubber, various rubbers and resin and other rubber products.

	2015	2014
Sales revenue	<u>\$ 116,726,293</u>	<u>\$ 129,014,062</u>

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	2015		2014	
	Revenue	Non-current	Revenue	Non-current
China Mainland	\$ 61,521,083	\$ 76,179,682	\$ 68,469,929	\$ 76,969,314
US	9,468,143	512,153	8,574,427	512,962
Taiwan	7,432,128	17,107,463	8,200,123	17,940,823
Others	38,304,939	18,870,814	43,769,583	18,306,814
Total	<u>\$ 116,726,293</u>	<u>\$ 112,670,112</u>	<u>\$ 129,014,062</u>	<u>\$ 113,729,913</u>

The Company's geographical revenue is calculated based on the countries where sales incur. Non-current assets refer to property, plant and equipment, investment property, intangible asset (shown as other non-current asset), land use right (shown as other non-current asset) and guarantee deposits paid (shown as other non-current asset), but exclude financial instruments and deferred income tax assets.

(7) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2015 and 2014.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2015

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 at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the year ended December 31, 2015	December 31, 2015 (Note 5)							Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,564,680	\$ 3,044,460	\$ 2,740,014	4.75%	Note 4	\$ -	- Business operating	\$ -	- None	-	\$ 5,089,508	\$ 8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	Yes	50,767	-	-	5.60%	Note 4	-	- Business operating	-	- None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes	840,680	330,580	165,290	2.14%	Note 4	-	- Business operating	-	- None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Other receivables	Yes	254,620	-	-	5.00%	Note 4	-	- Business operating	-	- None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,512,443	2,512,443	1,994,274	2.39%~5.00%	Note 4	-	- Business operating	-	- None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO.,LTD	Other receivables	Yes	155,496	152,223	121,778	4.75%~5.25%	Note 4	-	- Business operating	-	- None	-	5,089,508	8,482,514	-
2	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Other receivables	Yes	507,410	507,410	507,410	4.35%	Note 4	-	- Business operating	-	- None	-	946,915	1,893,829	-
3	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Other receivables	Yes	507,410	507,410	507,410	4.35%	Note 4	-	- Business operating	-	- None	-	4,932,143	9,864,287	-

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 Xiamen Cheng Shin Enterprise Co., Ltd. to a single party is 60% of Xiamen Cheng Shin Enterprise Co., Ltd.'s net assets.

Limit on loans granted by Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. to a single party is 20% of the net assets of Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd.

Note 3: Limit on loans granted by Xiamen Cheng Shin Enterprise Co., Ltd. to others is 100% of Xiamen Cheng Shin Enterprise Co., Ltd.'s net assets.

Limit on loans granted by Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. to a single party is 40% of the net assets of Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd.

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.
Provision of endorsements and guarantees to others
Year ended December 31, 2015

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 December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	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 endorsement s/ guarantees by subsidiary to parent company	Provision of endorsement s/ 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	\$ 44,580,569	\$ 10,176,913	\$ 7,900,862	\$ 5,016,353	\$ -	8.86	\$ 62,412,796	Y	N	N	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub-subsidiary	44,580,569	4,984,766	4,000,018	1,830,734	-	4.49	62,412,796	Y	N	N	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub-subsidiary	44,580,569	5,629,550	4,628,120	3,016,542	-	5.19	62,412,796	Y	N	Y	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub-subsidiary	44,580,569	2,839,140	1,487,610	1,322,320	-	1.67	62,412,796	Y	N	Y	Note 2 , Note 4

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.

\$ 62,412,796

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

\$ 17,832,227

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

\$ 44,580,569

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

- (1)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (2)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

Note 4: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2015.

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities		As of December 31, 2015				
		issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	\$ 26,202	-	\$ 26,202	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	73,853	-	73,853	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187	Note 2
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	67,292	-	67,292	Note 2

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2015		Addition (Note 1)		Disposal				Balance as at December 31, 2015	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Investments accounted for using equity method	Third parties	Subsidiary	55,000,000	\$ 1,774,744	24,997,000	\$ 787,705	-	-	-	-	79,997,000	\$ 2,454,163
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Rubber India Private Limited	Investments accounted for using equity method	Third parties	Subsidiary	-	-	369,997,000	1,826,095	-	-	-	-	369,997,000	1,840,061

Note 1: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 2: The amount at end of the year comprises the investment income (loss) recognised for the year.

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Construction engineering of plant phase II	2014/7/5	807,025	701,011	Four companies including Zun Yi Jian Gong (Group) CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Installation engineering of plant phase I	2015/3/25	414,573	402,136	China Construction Fourth Engineering Division Installation Engineering CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Installation engineering of plant phase II	2015/5/18	492,420	49,242	China Construction Fourth Engineering Division Installation Engineering CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 2,832,951)	(13.3)	Collect within 90 days after shipment of goods	Same	Same	\$ 461,571	19.3	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,501,934)	(7.0)	Collect within 90 days after shipment of goods	Same	Same	393,561	16.5	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(213,646)	(1.0)	Collect within 90 days after shipment of goods	Same	Same	14,476	0.6	Note 4
Cheng Shin Rubber Ind. Co., Ltd.	MERIDA INDUSTRY CO., LTD.	Associates	(sales)	(160,661)	(0.8)	Collect within 76 days after shipment of goods	Same	Same	42,734	1.8	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(280,215)	(1.2)	Collect within 60~90 days after shipment of goods	Same	Same	117,174	5.6	Note 4
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(249,167)	(1.1)	Collect within 60~90 days after shipment of goods	Same	Same	74,538	3.6	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(2,093,814)	(43.8)	Collect within 60~90 days after shipment of goods	Same	Same	270,076	43.9	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(482,193)	(10.1)	Collect within 60~90 days after shipment of goods	Same	Same	70,956	11.5	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(322,877)	(6.8)	Collect within 60~90 days after shipment of goods	Same	Same	39,067	6.3	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(247,209)	(5.2)	Collect within 60~90 days after shipment of goods	Same	Same	39,193	6.4	Note 4
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(193,354)	(4.0)	Collect within 60~90 days after shipment of goods	Same	Same	26,946	4.4	Note 4
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(551,619)	(8.5)	Collect within 60~90 days after shipment of goods	Same	Same	91,738	82.3	Note 4
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(601,677)	(76.9)	Collect within 60~90 days after shipment of goods	Same	Same	34,177	71.8	Note 4
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(146,064)	(18.7)	Collect within 60~90 days after shipment of goods	Same	Same	12,241	25.7	Note 4
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(448,808)	(1.8)	Collect within 60~90 days after shipment of goods	Same	Same	125,035	2.8	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(214,209)	(47.8)	Collect within 60~90 days after shipment of goods	Same	Same	29,537	42.1	Note 4
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	TOYO TIRE & RUBBER.CO.,LTD	Associates	(sales)	(166,007)	(37.1)	Collect within 60~90 days after shipment of goods	Same	Same	15,404	22.0	Note 4

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(419,991)	(6.1)	Collect within 60~90 days after shipment of goods	Same	Same	194,921	22.5	Note 4
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(286,556)	(5.7)	Collect within 60~90 days after shipment of goods	Same	Same	14,564	2.4	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(541,373)	(3.7)	Collect within 60~90 days after shipment of goods	Same	Same	87,034	4.3	Note 4
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(255,559)	(1.7)	Collect within 60~90 days after shipment of goods	Same	Same	76,879	3.8	Note 4
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(102,331)	(0.7)	Collect within 60~90 days after shipment of goods	Same	Same	19,856	1.0	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

Year ended December 31, 2015

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary (Note 5)	\$ 461,892	Note 4	-	-	\$ 564,173	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary (Note 5)	393,821	Note 4	-	-	349,427	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary (Note 5)	316,907	Note 3	-	-	484,619	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	117,174	3.07	-	-	70,058	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent (Note 5)	272,373	Note 4	-	-	272,373	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent (Note 5)	125,035	7.01	-	-	87,203	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent (Note 5)	195,585	Note 4	-	-	195,585	-

Note 1: Subsequent collection is the amount collected as of March 17, 2016.

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

Year ended December 31, 2015

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 2,832,951	Collect within 90 days after shipment of goods	2.43%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	461,571	Collect within 90 days after shipment of goods	0.28%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,501,934	Collect within 90 days after shipment of goods	1.29%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	393,561	Collect within 90 days after shipment of goods	0.24%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Royalties revenue from trademarks	209,452	Collect quarterly	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	213,646	Collect within 90 days after shipment of goods	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Commissions revenue	221,599	Collect quarterly	0.19%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	582,892	Collect within 60~90 days after sales of equipment	0.50%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	280,215	Collect within 60~90 days after shipment of goods	0.24%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	2,093,814	Collect within 60~90 days after shipment of goods	1.79%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	270,076	Collect within 60~90 days after shipment of goods	0.16%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	482,193	Collect within 60~90 days after shipment of goods	0.41%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	3	Sales	322,877	Collect within 60~90 days after shipment of goods	0.28%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	247,209	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,740,014	Pay interest quarterly	1.65%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,994,274	Pay interest quarterly	1.20%
3	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	551,619	Collect within 60~90 days after shipment of goods	0.47%
4	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	601,677	Collect within 60~90 days after shipment of goods	0.52%
5	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	214,209	Collect within 60~90 days after shipment of goods	0.18%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	448,808	Collect within 60~90 days after shipment of goods	0.38%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2015

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Other receivables	507,410	Pay interest quarterly	0.31%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	419,991	Collect within 60~90 days after shipment of goods	0.36%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Other receivables	507,410	Pay interest quarterly	0.31%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	541,373	Collect within 60~90 days after shipment of goods	0.46%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	255,559	Collect within 60~90 days after shipment of goods	0.22%
9	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	286,556	Collect within 60~90 days after shipment of goods	0.25%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to :

For transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction :

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least NTS200 million.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2015

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)
investment

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	income(loss) recognised by the Company for the year ended December 31, 2015 (Note 1)	Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership				
							(%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 46,379,098	\$ 4,225,507	\$ 4,222,586	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,467,271	4,998,023	4,985,816	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	10,219,988	909,167	908,826	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	2,415,339	270,286	270,281	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	436,385	176,753	176,753	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	97,000	97,000	9,700,000	97.00	166,398	544	527	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	50,000	50,000	4,999,960	49.99	168,508	70,597	35,291	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	53,961	4,119	4,119	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	23,162	23,162	9,708	30.00	13,160	8,235	2,471	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	1,673,650	79,997,000	100.00	2,454,163	(9,797)	(9,797)	Subsidiary Note 3
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	1,826,095	-	369,997,000	100.00	1,840,061	(8,771)	(8,771)	Subsidiary Note 3

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2015

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Expressed in thousands of NTD (Except as otherwise indicated) investment income(loss) recognised by the Company for the year ended December 31, 2015 (Note 1)		Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value		2015	2015 (Note 1)	
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	36,271,896	4,096,884	4,096,884	Sub-subsidiary	
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,355,989	4,992,105	4,992,105	Sub-subsidiary	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Import and export of tires	7,669,780	7,669,780	237,811,720	100.00	10,674,158	909,167	909,167	Sub-subsidiary Note 3	
MAXXIS Holdings (BVI) Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Thailand	Production and sales of truck and automobile tires	5,724,372	5,724,372	65,000,000	100.00	8,131,614	110,978	112,809	Sub-subsidiary Note 3	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,539,156	798,061	795,889	Sub-subsidiary Note 3	

Note 1: Including investment income (loss) used to offset against sidestream and upstream transactions.

Note 2: Investee companies are accounted for under the equity method.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment	Book value of investments in Mainland China as of December 31, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		amount of remittance from Taiwan to Mainland China as of December 31, 2015			income (loss) recognised by the Company for the year ended December 31, 2015		amount of investment income remitted back to Taiwan as of December 31, 2015	
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	\$ 5,744,375	2	\$ 910,834	\$ -	\$ -	\$ 910,834	\$ 3,019,696	100.00	\$ 3,007,342	\$ 25,720,947	\$ 12,688,608	(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	7,385,625	2	2,385,506	-	-	2,385,506	4,609,323	100.00	4,612,558	24,660,717	10,073,179	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	279,013	2	68,602	-	-	68,602	105,458	50.00	52,729	356,999	273,332	(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	3,282,500	2	-	-	-	-	1,058,541	100.00	1,054,804	4,734,573	245,763	(Note 4, 6, 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	590,850	2	-	-	-	-	129,373	100.00	130,774	2,083,862	643,457	(Note 2, 6, 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment	Book value of investments in Mainland China as of December 31, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		amount of remittance from Taiwan to Mainland China as of December 31, 2015			income (loss) recognised by the Company for the year ended December 31, 2015		amount of investment income remitted back to Taiwan as of December 31, 2015	
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,267,250	2	-	-	-	-	(7,749)	100.00	(7,958)	13,486,022	3,524,680	(Note 2, 3, 6, 7)
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	1,477,125	2	-	-	-	-	887,479	100.00	896,773	8,482,514	3,390,466	(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	656,500	2	-	-	-	-	(39,620)	100.00	(39,620)	564,518	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	174,825	2	-	-	-	-	(12,061)	95.00	(11,458)	177,756	-	(Note 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO.,LTD	International container transportation business	71,987	2	-	-	-	-	39,323	49.00	19,268	196,775	-	(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	4,745,250	2	-	-	-	-	917,069	100.00	916,015	6,015,700	132,360	(Note 5 ,6, 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment	Book value of investments in Mainland China as of December 31, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		amount of remittance from Taiwan to Mainland China as of December 31, 2015			income (loss) recognised by the Company for the year ended December 31, 2015		amount of investment income remitted back to Taiwan as of December 31, 2015	
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	99,900	2	-	-	-	-	(19,275)	50.00	(9,638)	84,094	-	(Note 6, 7)
XIAMEN ESTATE CO.,LTD	Construction and trading of employees' housing	1,198,800	2	-	-	-	-	(24,741)	100.00	(24,741)	1,174,540	-	(Note 6, 7)
KUNSHAN MAXXIS TIRE CO.,LTD	Retail of accessories for rubber tires	-	2	-	-	-	-	-	-	-	-	-	(Note 9)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

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

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

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 32.852: USD 1 and NTD 4.995: RMB 1 prevailing on December 31, 2015.

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

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

Note 9: The investee company was established on September 28, 2015. The registered capital is RMB \$5,000 thousand. As of March 24, 2016, the investment has not been remitted.

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2015

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 (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.	\$ 4,034,193	\$ 22,087,943	\$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 was US\$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was US\$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.

6.5 Individual Consolidated Financial Statements Duly Audited By The Certified Public Accountants In Recent Years

CHENG SHIN RUBBER IND. CO., LTD .

**PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF
INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 15004060

To the Board of Directors and Stockholders of Cheng Shin Rubber Ind. Co., Ltd:

We have audited the accompanying parent company only balance sheets of Cheng Shin Rubber Ind. Co., Ltd. as of December 31, 2015 and 2014, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits. As described in Note 6(7), we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The balances of investments accounted for using equity method were NT\$2,539,156 thousand and NT\$2,089,031 thousand, both representing 2% of the total assets as of December 31, 2015 and 2014, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$795,889 thousand and NT\$542,498 thousand, representing 7% and 3% of the total comprehensive income for the years then ended, respectively. These financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in

the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Cheng Shin Rubber Ind. Co., Ltd. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers”.

PricewaterhouseCoopers, Taiwan

March 24, 2016

The accompanying 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 financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

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

Assets	Notes	2015		2014		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 8,933,048	7	\$ 9,339,832	8
1125	Available-for-sale financial assets	6(3)				
	- current		100,055	-	58,931	-
1150	Notes receivable, net	6(4) and 7	25,209	-	34,787	-
1170	Accounts receivable, net	6(5)	1,406,253	1	1,761,979	1
1180	Accounts receivable - related parties, net	7	934,590	1	1,332,936	1
130X	Inventories, net	6(6)	2,077,886	2	2,077,832	2
1410	Prepayments		198,894	-	227,382	-
1470	Other current assets	7	710,099	1	686,314	1
11XX	Total current assets		<u>14,386,034</u>	<u>12</u>	<u>15,519,993</u>	<u>13</u>
Non-current assets						
1523	Available-for-sale financial assets—non-current	6(3)	58,187	-	58,187	-
1550	Investments accounted for using equity method	6(7)	90,614,333	74	87,672,464	72
1600	Property, plant and equipment, net	6(8)(26)	16,761,445	14	17,296,891	14
1760	Investment property, net	6(9)	328,252	-	329,221	1
1840	Deferred income tax assets	6(24)	286,970	-	297,147	-
1900	Other non-current assets	8	16,067	-	314,711	-
15XX	Total non-current assets		<u>108,065,254</u>	<u>88</u>	<u>105,968,621</u>	<u>87</u>
1XXX	Total assets		<u>\$ 122,451,288</u>	<u>100</u>	<u>\$ 121,488,614</u>	<u>100</u>

(Continued)

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

Liabilities and Equity	Notes	2015		2014		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ -	-	\$ 54,394	-
2120	Financial liabilities at fair value through profit or loss - current	6(2)	7,415	-	-	-
2170	Accounts payable		964,368	1	1,200,823	1
2180	Accounts payable - related parties	7	14,945	-	18,344	-
2200	Other payables	6(11) and 7	2,501,181	2	2,816,252	2
2230	Current income tax liabilities	6(24)	1,412,819	1	1,652,298	2
2300	Other current liabilities	6(12)	589,945	-	2,089,200	2
21XX	Total current liabilities		<u>5,490,673</u>	<u>4</u>	<u>7,831,311</u>	<u>7</u>
Non-current liabilities						
2500	Financial liabilities at fair value through profit or loss—non-current	6(2)	-	-	22,407	-
2530	Bonds payable	6(13)	8,600,000	7	8,600,000	7
2540	Long-term borrowings	6(14)	15,867,000	13	13,603,667	11
2570	Deferred income tax liabilities	6(24)	2,415,551	2	2,778,204	2
2600	Other non-current liabilities	6(15)	916,927	1	889,631	1
25XX	Total non-current liabilities		<u>27,799,478</u>	<u>23</u>	<u>25,893,909</u>	<u>21</u>
2XXX	Total liabilities		<u>33,290,151</u>	<u>27</u>	<u>33,725,220</u>	<u>28</u>
Equity						
Share capital						
3110	Ordinary shares	6(16)	32,414,155	27	32,414,155	27
Capital surplus						
3200	Capital surplus	6(17)	52,576	-	52,576	-
Retained earnings						
		6(18)(25)				
3310	Legal reserve		11,678,012	10	10,076,452	8
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		40,593,212	33	39,169,276	32
Other equity interest						
		6(19)				
3400	Other equity interest		1,819,019	1	3,446,772	3
3XXX	Total equity		<u>89,161,137</u>	<u>73</u>	<u>87,763,394</u>	<u>72</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 122,451,288</u>	<u>100</u>	<u>\$ 121,488,614</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2016.

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

Items	Notes	2015		2014	
		AMOUNT	%	AMOUNT	%
4000		\$ 21,348,480	100	\$ 23,639,942	100
5000		(14,063,907)	(66)	(16,650,828)	(71)
5900		7,284,573	34	6,989,114	29
5910		(70,193)	-	(75,124)	-
5950		7,214,380	34	6,913,990	29
Operating expenses					
6100		(2,508,537)	(12)	(2,201,057)	(9)
6200		(644,711)	(3)	(833,147)	(3)
6300		(874,677)	(4)	(842,210)	(4)
6000		(4,027,925)	(19)	(3,876,414)	(16)
6900		3,186,455	15	3,037,576	13
Non-operating income and expenses					
7010		1,396,912	6	1,549,914	7
7020		622,982	3	552,312	2
7050		(378,023)	(2)	(360,817)	(2)
7070					
		10,588,102	50	13,722,817	58
7000		12,229,973	57	15,464,226	65
7900		15,416,428	72	18,501,802	78
7950		(2,639,773)	(12)	(2,486,211)	(10)
8200		\$ 12,776,655	60	\$ 16,015,591	68
Other comprehensive income					
Components of other comprehensive loss that will not be reclassified to profit or loss					
8311		(\$ 32,031)	-	(\$ 25,859)	-
8330					
		(327)	-	(458)	-
8349		5,445	-	4,396	-
8310		(26,913)	-	(21,921)	-
Components of other comprehensive (loss) income that will be reclassified to profit or loss					
8361		(1,997,691)	(9)	3,215,975	13
8362		41,124	-	13,723	-
8380		(10,794)	-	(1,286)	-
8399		339,608	1	(548,547)	(2)
8360		(1,627,753)	(8)	2,679,865	11
8300		(\$ 1,654,666)	(8)	\$ 2,657,944	11
8500		\$ 11,121,989	52	\$ 18,673,535	79
Earnings per share (in dollars)					
9750		\$ 3.94		\$ 4.94	
9850		\$ 3.93		\$ 4.93	

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Surplus			Retained Earnings		Other equity interest		Total equity	
		Share capital - Ordinary shares	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statement translation differences of foreign operations		Unrealized gain or loss on available-for-sale financial assets
<u>2014</u>										
Balance at January 1, 2014		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 8,221,599	\$ 2,604,163	\$ 34,754,705	\$ 734,974	\$ 31,933	\$ 78,814,105
Appropriations of 2013 earnings										
Legal reserve		-	-	-	1,854,853	-	(1,854,853)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	16,015,591	-	-	16,015,591
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	-	(21,921)	2,667,428	12,437	2,657,944
Balance at December 31, 2014		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 10,076,452</u>	<u>\$ 2,604,163</u>	<u>\$ 39,169,276</u>	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 87,763,394</u>
<u>2015</u>										
Balance at January 1, 2015		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 10,076,452	\$ 2,604,163	\$ 39,169,276	\$ 3,402,402	\$ 44,370	\$ 87,763,394
Appropriations of 2014 earnings										
Legal reserve		-	-	-	1,601,560	-	(1,601,560)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(9,724,246)	-	-	(9,724,246)
Profit for the year		-	-	-	-	-	12,776,655	-	-	12,776,655
Other comprehensive (loss) income for the year	6(19)	-	-	-	-	-	(26,913)	(1,658,083)	30,330	(1,654,666)
Balance at December 31, 2015		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 11,678,012</u>	<u>\$ 2,604,163</u>	<u>\$ 40,593,212</u>	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 89,161,137</u>

The directors' and supervisors' remuneration of \$500,810 and employees' bonus of \$333,874 for 2013 have been deducted from the parent company only statement of comprehensive income. The directors' and supervisors' remuneration of \$319,992 and employees' bonus of \$288,281 for 2014 have been deducted from the parent company only statement of comprehensive income.

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2016.

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

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 15,416,428	\$ 18,501,802
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Unrealised loss on inter-company transactions		37,230	114,736
Depreciation	6(8)	1,549,388	1,521,618
Provision for bad debts expense		-	7,461
Depreciation on investment property	6(9)	969	969
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	(14,992)	(14,131)
Loss on disposal of investments	6(21)	-	7,485
Gain on disposal of property, plant and equipment	6(8)	(238,298)	(281,250)
Loss on unfinished construction and equipment under acceptance transferred to expenses	6(8)	14,540	4,410
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	(10,588,102)	(13,722,817)
Interest income	6(20)	(79,485)	(79,681)
Interest expense	6(22)	390,816	373,911
Unrealised foreign exchange (gain) loss		(1,360)	883
Effect of exchange rate		(78,381)	(108,946)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial instruments at fair value through profit or loss		-	1,250
Notes receivable		9,578	(10,100)
Accounts receivable		355,726	(46,825)
Accounts receivable - related parties		398,346	(203,654)
Inventories		(54)	172,761
Other current assets		78,426	1,186,310
Net changes in liabilities relating to operating activities			
Accounts payable		(236,455)	166,196
Accounts payable - related parties		(3,399)	331
Other payables		(236,458)	21,587
Accrued pension liabilities		(4,436)	(8,706)
Other current liabilities		(19,255)	11,962
Cash generated from operations		6,750,772	7,617,562
Interest received		82,858	95,017
Dividends received		8,330,064	8,677,715
Interest paid		(388,108)	(345,876)
Income tax paid		(2,978,536)	(2,467,777)
Net cash provided by operating activities		<u>11,797,050</u>	<u>13,576,641</u>

(Continued)

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

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		\$ -	(\$ 149)
Proceeds from disposal of available-for-sale financial assets		-	20,000
Proceeds from capital reduction of available-for-sale financial assets		-	150
Acquisition of investments accounted for using equity method		(2,613,800)	(1,673,650)
Proceeds from disposal of property, plant and equipment	6(8)	802,781	1,002,303
Acquisition of property, plant and equipment	6(8)(26)	(1,777,566)	(1,784,576)
Payment for capitalized interests	6(8)(26)	(12,793)	(13,094)
Decrease (increase) in refundable deposits		<u>313,409</u>	<u>(311,418)</u>
Net cash used in investing activities		<u>(3,287,969)</u>	<u>(2,760,434)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(53,034)	4,819
Decrease in long-term loans	6(13)	(4,216,667)	(4,380,500)
Increase in long-term loans		7,000,000	5,500,000
(Decrease) increase in guarantee deposits received		(299)	6,134
Proceeds from issuing bonds	6(13)	-	4,800,000
Repayment of bonds		(2,000,000)	(3,500,000)
Cash dividends paid	6(18)	<u>(9,724,246)</u>	<u>(9,724,246)</u>
Net cash used in financing activities		<u>(8,994,246)</u>	<u>(7,293,793)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>78,381</u>	<u>108,946</u>
(Decrease) increase in cash and cash equivalents		(406,784)	3,631,360
Cash and cash equivalents at beginning of year	6(1)	<u>9,339,832</u>	<u>5,708,472</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 8,933,048</u>	<u>\$ 9,339,832</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated March 24, 2016.

CHENG SHIN RUBBER IND. CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

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

The parent company only financial statements have been authorized for issuance by the Board of Directors on March 24, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

B. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Company will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

C. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Company's assessment, the adoption of the standard has no significant impact on its unconsolidated financial statements, and the Company will disclose additional information about fair value measurements accordingly.

D. Article 10, Paragraph 3, Subparagraph 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers

The new regulation requires the amount of change in the fair value of a financial liability that is attributable to changes in the issuer's credit risk of that liability to be presented in other comprehensive income if an entity has designated the financial liability as at fair value through profit or loss.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses.

B. Translation of foreign operations

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

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

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

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently

remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive.

(8) Receivables

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

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

(9) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (a) Significant financial difficulty of the issuer or debtor;
 - (b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (e) The disappearance of an active market for that financial asset because of financial difficulties;
 - (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or

- local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
 - (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortized cost

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

(b) Available-for-sale financial assets

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

(10) Derecognition of financial assets

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

(11) Lease receivables/ leases (lessor)

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealized gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of subsidiaries' post-acquisition profit or loss is recognized in the statement of comprehensive income, and its share of subsidiaries' post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals to or exceeds its interest in the subsidiary, the Company shall recognize the loss proportional to its shares.
- D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognizes the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- K. According to the Rules Governing the Preparation of Financial Reports by Securities Issuers, net income and other comprehensive income in the parent company only financial statements shall use the same allotments as the ones that are attributable to owners of the parent in the consolidated financial statements. Equity in parent company only financial statements should equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying

amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:
 - (a) Buildings: 5 ~ 60 years
 - (b) Machinery and equipment: 15 years
 - (c) Test equipment: 5 years
 - (d) Transportation equipment: 6 years
 - (e) Office equipment: 5 years
 - (f) Other assets: 5 years

(15) Investment property

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

borrowings using the effective interest method.

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

(18) Notes and accounts payable

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

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

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.
- B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(20) Derecognition of financial liabilities

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

(21) Offsetting financial instruments

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

(22) Financial liabilities and equity instruments

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

(23) Financial guarantee contracts

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

(24) Derivative financial instruments

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

D. Employees', directors' and supervisors' remuneration

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the

legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

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

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

Sales of goods

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

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

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying

amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Property, plant and equipment

The Company follows IAS 16 to determine when the depreciation of a fixed asset begins. This determination requires significant judgement by management. Before the Company has determined whether necessary status and location of the fixed asset for expected operations has been reached, costs are not recognised as the book value, and such assets are not depreciated until they are available for use. The decision whether the assets have reached the available for use condition or not depends on subjective judgement, how assets are utilised and industry characteristics.

As of December 31, 2015, the amount of unfinished construction and equipment under acceptance was \$1,016,734 thousand.

(2) Critical accounting estimates and assumptions

Deferred tax liabilities

The Company accrued deferred tax liabilities, taking into account the operating results, degree of expansion and dividend policy of each overseas subsidiary. Assessment of the timing of reversal of temporary differences of deferred tax liabilities involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industry environment, and laws and regulations might cause material adjustments to deferred tax liabilities.

As at December 31, 2015, the Company recognized \$2,415,551 thousand as deferred tax liabilities.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and petty cash	\$ 550	\$ 550
Checking accounts	3,488	2,625
Demand deposits	3,994,622	3,612,359
Foreign currency deposit	3,440,615	2,981,418
Time deposits	1,094,461	2,742,880
Commercial paper	399,312	-
Total	<u>\$ 8,933,048</u>	<u>\$ 9,339,832</u>
Interest rate range		
Time deposits	<u>0.56%~6.48%</u>	<u>0.65%~4.4%</u>
Commercial paper	<u>0.42%</u>	<u>-</u>

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

B. The Company has no cash and cash equivalents pledged to others.

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

Items	December 31, 2015	December 31, 2014
Current items:		
Financial liabilities held for trading		
Forward foreign exchange contracts	\$ 1	\$ -
Interest rate swaps	7,414	-
Total	\$ 7,415	\$ -
Non-current items:		
Financial liabilities held for trading		
Interest rate swaps	\$ -	\$ 22,407

The Company recognized net loss of \$6,433 thousand and \$4,366 thousand on financial assets and liabilities held for trading for the years ended December 31, 2015 and 2014, respectively.

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

Type of goods	December 31, 2015		December 31, 2014	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	USD 831 thousand	2015.12.29 ~2016.02.04		
Interest rate swaps	USD 40,000 thousand	2011.06.03 ~2016.06.10		
Non-current items:				
Interest rate swaps			USD 40,000 thousand	2011.06.03 ~2016.06.10

(a) Forward foreign exchange contracts

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

(b) Interest rate swaps

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

(3) Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Listed stocks	\$ 10,598	\$ 10,598
Funds	18,930	18,930
Subtotal	29,528	29,528
Available-for-sale financial assets		
Valuation adjustment	70,527	29,403
Total	\$ 100,055	\$ 58,931
Non-current items:		
Non-listed stocks	\$ 58,187	\$ 58,187

The Company recognized \$41,124 thousand and \$13,723 thousand in other comprehensive income for fair value change for the years ended December 31, 2015 and 2014, respectively.

(4) Notes receivable, net

	December 31, 2015	December 31, 2014
Notes receivable	\$ 34,486	\$ 44,064
Less: allowance for bad debts	(9,277)	(9,277)
	\$ 25,209	\$ 34,787

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

	December 31, 2015	December 31, 2014
Vehicle assembly factory	\$ 20,043	\$ 37,904
Others	14,443	6,160
	\$ 34,486	\$ 44,064

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

As of December 31, 2015 and 2014, the Company's notes receivable that were impaired both amounted to \$9,277 thousand.

(5) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 1,417,971	\$ 1,773,697
Less: allowance for bad debts	(11,718)	(11,718)
	\$ 1,406,253	\$ 1,761,979

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

	December 31, 2015	December 31, 2014
Dealer	\$ 528,655	\$ 732,683
Vehicle assembly factory	592,564	675,352
Others	100,221	180,049
	<u>\$ 1,221,440</u>	<u>\$ 1,588,084</u>

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

	December 31, 2015	December 31, 2014
Up to 30 days	\$ 142,439	\$ 159,502
31 to 90 days	52,336	23,631
91 to 180 days	1,756	2,777
	<u>\$ 196,531</u>	<u>\$ 185,613</u>

The above ageing analysis was based on past due date.

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

(a) As of December 31, 2015 and 2014, the Company had no accounts receivable that were impaired.

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

	2015		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1 and December 31	<u>\$ -</u>	<u>\$ 11,718</u>	<u>\$ 11,718</u>

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

(6) Inventories

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,193,571	\$ -	\$ 1,193,571
Work in process	116,765	-	116,765
Finished goods	781,454	(13,904)	767,550
Total	<u>\$ 2,091,790</u>	<u>(\$ 13,904)</u>	<u>\$ 2,077,886</u>

	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,656,521	\$ -	\$ 1,656,521
Work in process	115,079	-	115,079
Finished goods	320,136	(13,904)	306,232
Total	<u>\$ 2,091,736</u>	<u>(\$ 13,904)</u>	<u>\$ 2,077,832</u>

The cost of inventories recognized as expense for the period:

	2015	2014
Cost of goods sold	\$ 14,063,907	\$ 16,650,828
Loss on inventory retirement	1,526	1,688
Loss on physical inventory	225	(4,706)
Revenue from sale of scraps	(27,316)	(42,618)
	<u>\$ 14,038,342</u>	<u>\$ 16,605,192</u>

(7) Investments accounted for using equity method

	December 31, 2015	December 31, 2014
Subsidiaries:		
MAXXIS International Co., Ltd.	\$ 46,379,098	\$ 47,489,139
CST Trading Ltd.	26,467,271	24,913,627
MAXXIS Trading Ltd.	10,219,988	10,452,143
PT MAXXIS International Indonesia	2,454,163	1,774,744
CHENG SHIN RUBBER USA, INC.	2,415,339	2,248,057
MAXXIS Rubber India Private Limited	1,840,061	-
CHENG SHIN RUBBER CANADA, INC.	436,385	389,403
CIAO SHIN CO., LTD.	166,398	176,666
MAXXIS Tech Center Europe B.V.	53,961	53,360
Associates:		
NEW PACIFIC INDUSTRY COMPANY	168,508	161,043
Cheng Shin Holland B.V.	13,161	14,282
	<u>\$ 90,614,333</u>	<u>\$ 87,672,464</u>

A. Subsidiary

- (a) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2015.

B. Associates

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit or loss</u>
2015/12/31	<u>\$ 751,192</u>	<u>\$ 350,702</u>	<u>\$ 1,230,842</u>	<u>\$ 77,937</u>
2014/12/31	<u>\$ 692,510</u>	<u>\$ 320,469</u>	<u>\$ 1,259,619</u>	<u>\$ 86,653</u>

(8) Property, plant and equipment

Year ended December 31, 2015

	Beginning of period	Additions	Disposals	Transfers	End of period
Cost					
Land	\$ 3,925,073	\$ -	\$ -	\$ -	\$ 3,925,073
Buildings	5,854,280	46,675	(\$ 8,664)	7,422	5,899,713
Machinery	11,382,134	97,027	(776,368)	566,197	11,268,990
Testing equipment	688,607	11,059	(22,485)	26,899	704,080
Transportation	125,127	33,724	(12,494)	-	146,357
Office equipment	65,972	3,815	(3,117)	-	66,670
Other facilities	2,319,347	382,790	(210,719)	95,574	2,586,992
Unfinished construction and equipment under acceptance	1,260,201	1,134,429	(667,264)	(710,632)	1,016,734
	<u>\$ 25,620,741</u>	<u>\$ 1,709,519</u>	<u>(\$ 1,701,111)</u>	<u>(\$ 14,540)</u>	<u>\$ 25,614,609</u>
Accumulated depreciation					
Buildings	(\$ 1,501,116)	(\$ 173,462)	\$ 8,663	\$ -	(\$ 1,665,915)
Machinery	(5,030,341)	(800,346)	773,020	-	(5,057,667)
Testing equipment	(425,125)	(91,558)	22,464	-	(494,219)
Transportation	(75,268)	(18,954)	12,395	-	(81,827)
Office equipment	(33,050)	(13,150)	3,117	-	(43,083)
Other facilities	(1,258,950)	(451,918)	200,415	-	(1,510,453)
	<u>(\$ 8,323,850)</u>	<u>(\$ 1,549,388)</u>	<u>\$ 1,020,074</u>	<u>\$ -</u>	<u>(\$ 8,853,164)</u>
	<u>\$ 17,296,891</u>				<u>\$ 16,761,445</u>

Year ended December 31, 2014

	Beginning of period	Additions	Disposals	Transfers	End of period
Cost					
Land	\$ 3,916,328	\$ 8,745	\$ -	\$ -	\$ 3,925,073
Buildings	5,831,354	34,112	(\$ 14,507)	3,321	5,854,280
Machinery	11,091,708	161,912	(670,553)	799,067	11,382,134
Testing equipment	643,212	10,689	(12,288)	46,994	688,607
Transportation	125,950	8,649	(9,472)	-	125,127
Office equipment	54,538	12,154	(720)	-	65,972
Other facilities	2,057,336	415,838	(194,925)	41,098	2,319,347
Unfinished construction and equipment under acceptance	1,690,347	1,286,930	(822,186)	(894,890)	1,260,201
	<u>\$ 25,410,773</u>	<u>\$ 1,939,029</u>	<u>(\$ 1,724,651)</u>	<u>(\$ 4,410)</u>	<u>\$ 25,620,741</u>
Accumulated depreciation					
Buildings	(\$ 1,345,360)	(\$ 170,263)	\$ 14,507	\$ -	(\$ 1,501,116)
Machinery	(4,851,288)	(849,223)	670,170	-	(5,030,341)
Testing equipment	(346,754)	(90,659)	12,288	-	(425,125)
Transportation	(67,240)	(17,485)	9,457	-	(75,268)
Office equipment	(22,338)	(11,431)	719	-	(33,050)
Other facilities	(1,044,581)	(382,557)	168,188	-	(1,258,950)
	<u>(\$ 7,677,561)</u>	<u>(\$ 1,521,618)</u>	<u>\$ 875,329</u>	<u>\$ -</u>	<u>(\$ 8,323,850)</u>
	<u>\$ 17,733,212</u>				<u>\$ 17,296,891</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:

	2015	2014
Amount capitalized	\$ <u>12,793</u>	\$ <u>13,094</u>
Range of the interest rates for capitalization	<u>1.43%~1.50%</u>	<u>1.50%~1.54%%</u>

(9) Investment property, net

	2015		
	At January 1	Additions	At December 31
Cost			
Land	\$ 359,315	\$ -	\$ 359,315
Buildings	<u>50,825</u>	<u>-</u>	<u>50,825</u>
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>\$ 410,140</u>
Accumulated depreciation			\$ -
Buildings	(\$ 29,881)	(\$ 969)	(\$ 30,850)
Accumulated impairment			
Land	(\$ <u>51,038</u>)	<u>\$ -</u>	(\$ <u>51,038</u>)
	<u>\$ 329,221</u>		<u>\$ 328,252</u>
	2014		
	At January 1	Additions	At December 31
Cost			
Land	\$ 359,315	\$ -	\$ 359,315
Buildings	<u>50,825</u>	<u>-</u>	<u>50,825</u>
	<u>\$ 410,140</u>	<u>\$ -</u>	<u>\$ 410,140</u>
Accumulated depreciation			\$ -
Buildings	(\$ 28,912)	(\$ 969)	(\$ 29,881)
Accumulated impairment			
Land	(\$ <u>51,038</u>)	<u>\$ -</u>	(\$ <u>51,038</u>)
	<u>\$ 330,190</u>		<u>\$ 329,221</u>

A. Rental income from investment property is shown below:

	2015	2014
Rental income from investment property	\$ <u>8,725</u>	\$ <u>8,725</u>

B. The fair value of the investment property held by the Company as at December 31, 2015 and 2014 were both \$624,514 thousand, respectively, which was valued by independent valuers. Valuations were made using the item by item approach which is categorised within Level 3 in the fair value hierarchy.

C. The Company acquired the land in Shangmei Section, Dacun Township, Changhua County which is farming and pasturable land. The land will be registered under the Company after the category of the land is changed. Currently, the land is under the name of related party, Mr./Ms. Chiu. The land is planned to be used for operational expansion. The Company holds the

original ownership certificate of such land and signed a land trust agreement, which requires the nominal holder not to transfer the ownership of the land to others.

(10) Short-term borrowings

As of December 31, 2015, the Company did not hold any short-term borrowings.

<u>Type of borrowings</u>	<u>December 31, 2015</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Bank unsecured borrowings	\$ 54,394	-	None

(11) Other payables

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Employee benefits payable (bonus)	\$ 610,194	\$ 622,154
Wages and salaries payable	386,222	403,067
Compensation due to directors and supervisors	357,324	432,421
Payable on machinery and equipment	327,348	408,189
Other accrued expenses	617,030	677,318
Others	203,063	273,103
	<u>\$ 2,501,181</u>	<u>\$ 2,816,252</u>

(12) Other current liabilities

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Long-term liabilities due within one year	\$ 520,000	\$ 2,000,000
Advance receipts	69,945	89,200
	<u>\$ 589,945</u>	<u>\$ 2,089,200</u>

(13) Bonds payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Bond payable-issued on 2010(Note)	\$ -	\$ 2,000,000
Bond payable-issued on 2013	3,800,000	3,800,000
Bond payable-issued on 2014	4,800,000	4,800,000
Subtotal	8,600,000	10,600,000
Less: current portion	-	(2,000,000)
Totla	<u>\$ 8,600,000</u>	<u>\$ 8,600,000</u>

Note: The domestic secured ordinary corporate bond was guaranteed by banks based on the guaranteed obligations agreement of performing corporate bonds.

A. In order to meet operational needs, repay debts and improve the financial structure, the Board of Directors has resolved the Company to raise domestic unsecured bonds (the "bonds"). The capital raising 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 \$4,800,000 thousand with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

B. In order to fulfill its capital and repay long-term and short-term loans, the Board of Directors has resolved the Company to raise domestic unsecured bonds (the "bonds"). The capital raising 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 \$3,800,000 thousand with a coupon rate of 1.55%. The issuance period of the bonds is 5 years, which is from August 19, 2013 to August 19, 2018. The terms are as follows:

(a) Interest accrued/ paid:

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

(b) Redemption:

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

C. In order to fulfill its capital and repay long-term and short-term loans, the Board of Directors has resolved the Company to raise domestic secured bonds (the “bonds”). The capital raising has been approved by FSC on August 24, 2010 and completed on September 3, 2010. The bonds were fully issued and total issuance amount was \$4,000,000 thousand with a coupon rate of 1.38%. The issuance period of the bonds was 5 years, which is from September 3, 2010 to September 3, 2015. 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 repaid at 50% of the total amount after four and five years from the issue date.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2015</u>
Installment-repayment borrowings	Principal is repayable in installments until			
Unsecured borrowings	November, 2021	0.97%~1.55%	None	\$ 16,387,000
Less: Current portion				(520,000)
				<u>\$ 15,867,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2014</u>
Installment-repayment borrowings	Principal is repayable in installments until			
Unsecured borrowings	November, 2021	1.30%~1.62%	None	\$ 13,603,667
Less: Current portion				-
				<u>\$ 13,603,667</u>

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

the abovementioned requirements for the years ended December 31, 2015 and 2014.

(15) Pensions

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

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	\$ 1,551,557	\$ 1,553,019
Fair value of plan assets	(684,402)	(713,459)
Net defined benefit liability	<u>\$ 867,155</u>	<u>\$ 839,560</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2015			
Balance at January 1	\$ 1,553,019	(\$ 713,459)	\$ 839,560
Current service cost	30,533	-	30,533
Interest (expense) income	<u>31,060</u>	<u>(14,269)</u>	<u>16,791</u>
	<u>1,614,612</u>	<u>(727,728)</u>	<u>886,884</u>
Remeasurements:			
Change in financial assumptions	51,251	-	51,251
Experience adjustments	(13,637)	-	(13,637)
Return on plan assets	<u>-</u>	<u>(5,583)</u>	<u>(5,583)</u>
	<u>37,614</u>	<u>(5,583)</u>	<u>32,031</u>
Pension fund contribution	(94,477)	48,909	(45,568)
Paid pension	<u>(6,192)</u>	<u>-</u>	<u>(6,192)</u>
Balance at December 31	<u>\$ 1,551,557</u>	<u>(\$ 684,402)</u>	<u>\$ 867,155</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	\$ 1,562,273	(\$ 739,867)	\$ 822,406
Current service cost	32,896	-	32,896
Interest (expense) income	31,246	(14,798)	16,448
	<u>1,626,415</u>	<u>(754,665)</u>	<u>871,750</u>
Remeasurements:			
Experience adjustments	28,609	-	28,609
Return on plan assets	-	(2,750)	(2,750)
	<u>28,609</u>	<u>(2,750)</u>	<u>25,859</u>
Pension fund contribution	(95,057)	43,956	(51,101)
Paid pension	(6,948)	-	(6,948)
Balance at December 31	<u>\$ 1,553,019</u>	<u>(\$ 713,459)</u>	<u>\$ 839,560</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2015 and 2014, the actual return on plan assets was \$19,852 thousand and \$17,548 thousand, respectively.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	<u>1.70%</u>	<u>2.00%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

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

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

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 161,578)	\$ 190,433	\$ 170,004	(\$ 148,367)

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

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2016 amounts to \$153,213 thousand.
- (g) As of December 31, 2015, the weighted average duration of that retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	141,689
1-5 year(s)		234,939
Over 5 years		1,763,204
	\$	<u>2,139,832</u>

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

- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2015 and 2014, were \$106,882 thousand and \$100,058 thousand, respectively.

(16) Share capital

As of December 31, 2015, the Company's authorized capital was \$32,414,155 thousand, and all proceeds from shares issued have been collected.

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as

employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration. The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

- B. 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.
- C. (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.
- D. The Company recognized dividends distributed to owners amounting to \$9,724,246 thousand (cash dividend of \$3 per share).
- E. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(23).

(19) Other equity items

	2015		
	Currency translation	Available-for-sale investments	Total
At January 1	\$ 3,402,402	\$ 44,370	\$ 3,446,772
Valuation adjustment – The Company	-	41,124	41,124
Valuation adjustment – Associates	-	(10,794)	(10,794)
Currency translation differences :			
Subsidiaries and associates – Before income tax	(1,997,691)	-	(1,997,691)
Subsidiaries and associates – Tax	339,608	-	339,608
At December 31	<u>\$ 1,744,319</u>	<u>\$ 74,700</u>	<u>\$ 1,819,019</u>

	2014		
	Currency translation	Available-for-sale investments	Total
At January 1	\$ 734,974	\$ 31,933	\$ 766,907
Valuation adjustment – The Company	-	13,723	13,723
Valuation adjustment – Associates	-	(1,286)	(1,286)
Currency translation differences: Subsidiaries and associates – Before income tax	3,215,975	-	3,215,975
Subsidiaries and associates –Tax	(548,547)	-	(548,547)
At December 31	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 3,446,772</u>

(20) Other income

	2015	2014
Revenue from patent royalties	\$ 547,736	\$ 592,079
Revenue from trademark royalties	390,565	422,611
Revenue from commission	283,663	340,925
Interest income – Endorsements/guarantees	12,720	16,403
Interest income	66,765	63,278
Income from investment	15,769	13,418
Others	79,694	101,200
Total	<u>\$ 1,396,912</u>	<u>\$ 1,549,914</u>

(21) Other gains and losses

	2015	2014
Net currency exchange gains	\$ 369,615	\$ 347,955
Gains on disposal of property, plant and equipment	238,298	281,250
Net gains on financial assets and liabilities at fair value through profit or loss	14,992	12,881
Losses on investments	-	(7,485)
Other income (expenses)	77	(82,289)
Total	<u>\$ 622,982</u>	<u>\$ 552,312</u>

(22) Finance costs

	2015	2014
Interest expense:		
Bank borrowings	\$ 224,891	\$ 204,216
Corporate bonds	144,500	150,275
Losses on fair value change of financial instruments:		
Interest rate swaps	21,425	19,420
	390,816	373,911
Less: capitalisation of qualifying assets	(12,793)	(13,094)
Finance costs	<u>\$ 378,023</u>	<u>\$ 360,817</u>

(23) Expenses by nature

	Year ended December 31, 2015		
	Operating costs	Operating expense	Total
Employee benefit expense			
Wages and salaries	\$ 2,227,274	\$ 1,017,108	\$ 3,244,382
Labour and health insurance fees	199,497	85,549	285,046
Pension costs	107,053	47,154	154,207
Other personnel expenses	84,566	33,345	117,911
	2,618,390	1,183,156	3,801,546
Raw materials and supplies used	8,639,553	-	8,639,553
Depreciation charges on property, plant and equipment	1,384,000	165,388	1,549,388
Total	<u>\$ 12,641,943</u>	<u>\$ 1,348,544</u>	<u>\$ 13,990,487</u>
	Year ended December 31, 2014		
	Operating costs	Operating expense	Total
Employee benefits costs			
Wages and salaries	\$ 2,171,445	\$ 975,120	\$ 3,146,565
Labour and health insurance fees	192,616	79,668	272,284
Pension costs	104,988	44,414	149,402
Other personnel expenses	91,588	35,651	127,239
	2,560,637	1,134,853	3,695,490
Raw materials and supplies used	10,459,504	-	10,459,504
Depreciation charges on property, plant and equipment	1,359,437	162,181	1,521,618
Total	<u>\$ 14,379,578</u>	<u>\$ 1,297,034</u>	<u>\$ 15,676,612</u>

As of December 31, 2015 and 2014, the Company had 5,359 and 5,076 employees, respectively.

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as employees' bonus and directors' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' bonus and shall not be higher than 3% for directors' and supervisors' remuneration.

The appropriation of the remaining amount along with the unappropriated earnings shall be proposed by the Board of Directors and be resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on November 10, 2015. According to the amended articles, 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. The amended articles will be resolved in the shareholders' meeting in 2016.

- B. For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at \$321,913 thousand and \$288,281 thousand, respectively; directors' and supervisors' remuneration was accrued at \$357,324 thousand respectively and \$432,421 thousand, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on at least 2% and at most 3% of distributable profit of current year for the year ended December 31, 2015. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors was \$321,913 thousand and \$357,324 thousand, respectively, and the employees' compensation will be distributed in the form of cash.

The expenses recognised for the year of 2014 were accrued based on the net income of 2014 and the percentage shall be at least 2% and at most 3% for employees' and directors' and supervisors', respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. The difference between employees' bonus and directors' and supervisors' remuneration (resolved at 2.22%) as resolved by the shareholders at the shareholders' meeting and the amount of \$288,281 thousand for employees' bonus and the amount of \$432,421 thousand for directors' and supervisors' remuneration (accrued at 3%) recognised in the 2014 financial statements by \$112,429 thousand, mainly caused by adjustment of accrued percentage for directors' and supervisors' remuneration, had been adjusted in the profit or loss of 2015.

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

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2015	Year ended December 31, 2014
Current tax:		
Current tax on profits for the period	\$ 1,774,883	\$ 1,878,627
Prior year income tax understimation	405,527	78,502
10% tax on undistributed surplus earnings	<u>466,786</u>	<u>704,756</u>
Total current tax	2,647,196	2,661,885
Deferred tax:		
Origination and reversal of temporary differences	<u>(7,423)</u>	<u>(175,674)</u>
Income tax expense	<u>\$ 2,639,773</u>	<u>\$ 2,486,211</u>

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

	Year ended December 31, 2015	Year ended December 31, 2014
Currency translation differences	\$ 339,608	(\$ 548,547)
Remeasurement of defined benefit obligations	<u>5,445</u>	<u>4,396</u>
Income tax from other comprehensive income	<u>\$ 345,053</u>	<u>(\$ 544,151)</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2015	Year ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	\$ 2,620,793	\$ 3,145,306
Effects from items disallowed by tax regulation	65,277	68,188
Temporary difference not recognized as deferred tax liabilities	<u>(804,947)</u>	<u>(1,406,910)</u>
Effect from five-year tax exemption	<u>(113,663)</u>	<u>(103,631)</u>
Prior year income tax (over) understimation	405,527	78,502
10% tax on undistributed surplus earnings	<u>466,786</u>	<u>704,756</u>
Income tax expense	<u>\$ 2,639,773</u>	<u>\$ 2,486,211</u>

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

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 149,851	(\$ 13,403)	\$ -	\$ 136,448
Remeasurement of defined benefit obligations	130,997	-	5,445	136,442
Unrealized evaluation losses on financial assets and liabilities	3,810	(2,549)	-	1,261
Others	12,489	330	-	12,819
Subtotal	<u>\$ 297,147</u>	<u>(\$ 15,622)</u>	<u>\$ 5,445</u>	<u>\$ 286,970</u>
— Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 986,433)	(\$ 8,081)	\$ -	(\$ 994,514)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(1,218,237)	-	339,608	(878,629)
Unrealised exchange gain	(19,969)	9,285	-	(10,684)
Others	(38,832)	21,841	-	(16,991)
Subtotal	<u>(\$ 2,778,204)</u>	<u>\$ 23,045</u>	<u>\$ 339,608</u>	<u>(\$ 2,415,551)</u>
Total	<u>(\$ 2,481,057)</u>	<u>\$ 7,423</u>	<u>\$ 345,053</u>	<u>(\$ 2,128,581)</u>

	2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
— Deferred tax assets:				
Unrealized gain on inter-affiliated accounts	\$ 152,152	(\$ 2,301)	\$ -	\$ 149,851
Remeasurement of defined benefit obligations	126,601	-	4,396	130,997
Unrealized evaluation losses on financial assets and liabilities	5,999	(2,189)	-	3,810
Others	12,126	363	-	12,489
Subtotal	<u>\$ 296,878</u>	<u>(\$ 4,127)</u>	<u>\$ 4,396</u>	<u>\$ 297,147</u>
— Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 1,172,859)	\$ 186,426	\$ -	(\$ 986,433)
Adjustment of land value increment tax	(514,733)	-	-	(514,733)
Exchange differences on translation of foreign financial statements	(669,690)	-	(548,547)	(1,218,237)
Unrealised exchange gain	(4,795)	(15,174)	-	(19,969)
Others	(47,381)	8,549	-	(38,832)
Subtotal	<u>(\$ 2,409,458)</u>	<u>\$ 179,801</u>	<u>(\$ 548,547)</u>	<u>(\$ 2,778,204)</u>
Total	<u>(\$ 2,112,580)</u>	<u>\$ 175,674</u>	<u>(\$ 544,151)</u>	<u>(\$ 2,481,057)</u>

- D. In 2009, the investment plan of the Company to increase capital for expanding its production of rubber products is qualified for “Five-year tax exemption incentive for investment in the establishment or expansion of manufacturing enterprises or related technical services from July 1, 2008 to December 31, 2009”. The Company is entitled to income tax exemption for 5 consecutive years starting from 2014 to 2018.
- E. The Company accrued deferred tax liabilities, taking into account operating result, degree of expansion and dividend policy of each overseas subsidiary. Based on the assessment, the amounts of temporary difference unrecognised as deferred tax liabilities as of December 31, 2015 and 2014 were \$36,249,586 thousand and \$34,825,770 thousand, respectively.
- F. The Company’s income tax returns through 2013 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	\$ 26,215	\$ 26,215
Earnings generated in and after 1998	<u>40,566,997</u>	<u>39,143,061</u>
Total	<u>\$ 40,593,212</u>	<u>\$ 39,169,276</u>

H. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$3,759,530 thousand and \$1,757,426 thousand, respectively. The creditable tax rate was 8.77% for the year ended December 31, 2014 and is estimated to be 9.36% for the year ended December 31, 2015.

(25) Earnings per share

	2015		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 12,776,655</u>	<u>3,241,416</u>	<u>\$ 3.94</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	12,776,655	3,241,416	
Assumed conversion of all dilutive potential ordinary shares Employees' bonus	<u>-</u>	<u>8,323</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 12,776,655</u>	<u>3,249,739</u>	<u>\$ 3.93</u>

	2014		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 16,015,591	3,241,416	\$ 4.94
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	16,015,591	3,241,416	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	6,014	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 16,015,591	3,247,430	\$ 4.93
<u>(26) Supplemental cash flow information</u>			
Investing activities with partial cash payments			
	2015	2014	
Purchase of property, plant and equipment	\$ 1,709,518	\$	1,939,029
Add: opening balance of payable on equipment	408,189		266,830
Less: ending balance of payable on equipment	(327,348)	(408,189)
Cash paid during the period	\$ 1,790,359	\$	1,797,670

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
MAXXIS International Co., Ltd.	The Company's subsidiary
MAXXIS International (HK) Ltd.	The Company's second-tier subsidiary
TIANJIN TAFENG Rubber Ind Co., Ltd.	The Company's second-tier subsidiary
CHENG SHIN Petrel Tire (XIAMEN) Co., Ltd.	The Company's second-tier subsidiary
CHENG SHIN Rubber (XIAMEN) Ind., Ltd.	Investees of the Company's second-tier subsidiary
XIAMEN CHENG SHIN Enterprise Co., Ltd.	Investees of the Company's second-tier subsidiary
CHENG SHIN (XIAMEN) Intl Automobile Culture Center Co., Ltd.	Investees of the Company's second-tier subsidiary
CHENG SHIN Rubber (ZHANGZHOU) Ind Co., Ltd.	Investees of the Company's second-tier subsidiary
YIXIN (ZHANGZHOU) LABOR DISPATCHING CO., LTD.	Investees of the Company's second-tier subsidiary
CHENG SHIN Logistic (XIAMEN) Co., Ltd.	Investees of the Company's second-tier subsidiary
CHIN CHOU CHENG SHIN Enterprise Co., Ltd.	Investees of the Company's second-tier subsidiary
CHENG SHIN (ZHANGZHOU) Mechanical & Electrical Engineering Co., Ltd.	Investees of the Company's second-tier subsidiary
XIAMEN Estate Co., Ltd.	Investees of the Company's second-tier subsidiary
CST Trading Ltd.	The Company's subsidiary
CHENG SHIN International (HK) Ltd.	The Company's second-tier subsidiary
CHENG SHIN Tire & Rubber (CHINA) Co., Ltd.	Investees of the Company's second-tier subsidiary
CHENG SHIN Toyo (KUNSHAN) Machinery Co., Ltd.	Investees of the Company's second-tier subsidiary
CHENG SHIN Tire & Rubber (CHONGQING) Co., Ltd.	Investees of the Company's second-tier subsidiary
KUNSHAN MAXXIS Tire Co., Ltd.	Investees of the Company's second-tier subsidiary
MAXXIS Trading Ltd.	The Company's subsidiary
MAXXIS Holding (BVI) Co., Ltd.	The Company's second-tier subsidiary
MAXXIS International (Thailand) Co., Ltd.	The Company's second-tier subsidiary
CHENG SHIN Rubber (Vietnam) Ind Co., Ltd.	The Company's second-tier subsidiary
PT MAXXIS International Indonesia	The Company's subsidiary
MAXXIS Rubber India Private Limited	The Company's subsidiary
CIAO SHIN Co., Ltd.	The Company's subsidiary
CHENG SHIN Rubber CANADA, Inc.	The Company's subsidiary
CHENG SHIN Rubber USA, Inc.	The Company's subsidiary
MAXXIS Tech Center Europe B.V.	The Company's subsidiary

(2) Significant related party transactions and balances

A. Operating revenue:

	2015	2014
Sales of goods:		
-Subsidiaries	\$ 4,734,685	\$ 4,610,409
-Associates	251,600	342,230
Total	<u>\$ 4,986,285</u>	<u>\$ 4,952,639</u>

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

B. Purchases:

	<u>2015</u>	<u>2014</u>
Sales of goods:		
-Subsidiaries	\$ 165,564	\$ 265,683
-Associates	<u>281</u>	<u>681</u>
Total	<u>\$ 165,845</u>	<u>\$ 266,364</u>

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

C. Property transactions:

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

	<u>Year ended December 31, 2015</u>		<u>Year ended December 31, 2014</u>	
	Gain (loss) on		Gain (loss) on	
	<u>Sales amount</u>	<u>disposal</u>	<u>Sales amount</u>	<u>disposal</u>
Subsidiaries	<u>\$ 800,797</u>	<u>\$ 122,711</u>	<u>\$ 1,002,303</u>	<u>\$ 153,389</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	<u>\$ 3,360</u>	<u>\$ 238,333</u>

Abovementioned payments from sale of fixed assets to related parties are collected 60~90 days after the sale.

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

(a) Revenue from patent royalties:

	<u>2015</u>	<u>2014</u>
Subsidiaries	<u>\$ 547,736</u>	<u>\$ 592,079</u>

(b) Ending balance of royalty receivables from technology:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	<u>\$ 154,099</u>	<u>\$ 167,795</u>

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

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

(a) Interest income – endorsements/guarantees:

	<u>2015</u>	<u>2014</u>
Subsidiaries	<u>\$ 12,720</u>	<u>\$ 16,403</u>

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	<u>\$ 2,884</u>	<u>\$ 3,657</u>

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

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

(a) Revenue from commission:

	<u>2015</u>	<u>2014</u>
Subsidiaries	\$ <u>283,663</u>	\$ <u>340,925</u>

(b) Ending balance of receivables from commission:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	\$ <u>62,377</u>	\$ <u>71,550</u>

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

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

(a) Revenue from trademark royalties:

	<u>2015</u>
Subsidiaries	\$ <u>390,222</u>

(b) Ending balance of receivables from trademark royalties:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Associates	\$ <u>90,573</u>	\$ <u>96,378</u>

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

H. Accounts receivable:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable		
-Subsidiaries	\$ 886,492	\$ 1,279,798
-Associates	<u>48,098</u>	<u>53,138</u>
	<u>\$ 934,590</u>	<u>\$ 1,332,936</u>

I. Notes receivable:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Associates	\$ <u>433</u>	\$ <u>5,698</u>

J. Accounts payable:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	\$ <u>14,945</u>	\$ <u>18,344</u>

K. Other payables:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Subsidiaries	\$ <u>38,606</u>	\$ <u>37,236</u>

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

L. Information about guarantees

As of December 31, 2015 and 2014, the Company and the financial institutions agreed that the Company's subsidiary may apply for loans within the following credit lines as stated in the letter of credit with a local branch of the aforementioned financial institutions. The Company will be responsible for the guarantee. Details are as follows:

<u>Warrantee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2015</u>
Subsidiaries	USD 545,000 thousand	USD 338,373 thousand
<u>Warrantee</u>	<u>Guaranteed line of credit</u>	<u>Used amounts as of December 31, 2015</u>
Subsidiaries	USD 722,216 thousand	USD 438,600 thousand
	THB 600,000 thousand	THB 300,500 thousand
		JPY 394,475 thousand

As of December 31, 2015 and 2014, the Company's endorsements/guarantees have not exceeded the limit.

(3) Key management compensation

	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ 503,055	\$ 589,762
Post-employment benefits	4,864	5,582
Total	\$ 507,919	\$ 595,344

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	
Time deposits (shown as Other non-current assets)	\$ 14,766	\$ 15,239	Maintenance bond and product liability insurance

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

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

(2) Commitments

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	\$ 122,790	\$ 121,823

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Amount of letter of credit that has been issued but not yet used	\$ 22,877	\$ 25,270

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1.) The Company's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., has been resolved by the Board of Directors to engage others to build the intelligent logistic warehouse on its own land, in order to improve the self-produced tires in the warehouse. Based on the contract, the estimated investment amount was RMB\$200,000 thousand which was approximately

NT\$1,012,500 thousand. As of March 24, 2016, abovementioned payment has not been paid.

- (2.) The Company's subsidiary, Cheng Shin Tire & Rubber (China) Co., Ltd., has been resolved by the Board of Directors to engage others to build the research and development center phase II on its own land, in order to improve the ability to research, develop and test tires. Based on the contract, the estimated investment amount was RMB\$300,000 thousand which was approximately NT\$1,485,870 thousand. As of March 24, 2016, abovementioned payment has not been paid.
- (3.) In order to concentrate on developing, researching and manufacturing products and building international brand as well as expanding overseas market, the Company separated related business in domestic sales (operating) department to the wholly-owned subsidiary, MAXXIS (Taiwan) Trading Co., Ltd. The separation has been resolved by the Board of Directors but not yet applied to the Competent Authority for approval as of the reporting date.

12. OTHERS

(1) Capital management

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

During year ended December 31, 2015, the Company's strategy, which was unchanged from 2014, was to maintain the debt-equity ratio under 2 times. As of December 31, 2015 and 2014, the Company's debt-equity ratios were as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Total liabilities	\$ 33,290,151	\$ 33,725,220
Total equity	\$ 89,161,137	\$ 87,763,394
Less : Intangible assets	<u>-</u>	<u>-</u>
Tangible equity	<u>\$ 89,161,137</u>	<u>\$ 87,763,394</u>
Debt-equity ratio	<u>37.34%</u>	<u>38.43%</u>

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable and related parties, other receivables (Other current assets), short-term loans, accounts payable and related parties and other payables) approximate their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The material financing activities are reviewed by the Board of Directors in accordance with procedures

required by relevant regulations and internal control system. During the implementation of financing plans, the Board of Directors is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and exceptional reviews of risk management controls and procedures, and reports the results to the Board of Directors.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: TWD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

2015						
(Foreign currency: functional currency)	Foreign currency amount		Book value (TWD in thousand)	Sensitivity Analysis		
	(In thousands)	Exchange rate		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 166,302	33.058	\$ 5,497,612	1%	\$ 54,976	\$ -
EUR:TWD	13,564	35.680	483,964	1%	4,840	-
THB:TWD	156,431	0.911	142,509	1%	1,425	-
JPY:TWD	327,667	0.273	89,453	1%	895	-
RMB:TWD	207,177	5.074	1,051,216	1%	10,512	-
GBP:TWD	1,902	48.413	92,082	1%	921	-
VND:TWD	30,256,402	0.00150	45,385	1%	454	-
<u>Non-monetary items</u>						
JPY:TWD	\$ 24,597	0.273	\$ 6,715	1%	\$ -	\$ 67
GBP:TWD	508	48.413	24,594	1%	-	\$ 246
EUR:TWD	132	35.680	4,710	1%	-	\$ 47
<u>Investment using the equity method</u>						
USD:TWD	\$ 73,064	33.058	\$ 2,415,350	1%	\$ -	\$ 24,154
CAD:TWD	18,302	23.844	436,393	1%	-	\$ 4,364
IDR:TWD	1,012,026,181	0.00243	2,459,224	1%	-	\$ 24,592
EUR:TWD	1,881	35.680	67,114	1%	-	\$ 671
<u>Financial liabilities</u>	3,682,332	0.49970	1,840,061	1%	-	\$ 18,401
<u>Monetary items</u>						
USD:TWD						
JPY:TWD	\$ 15,500	33.058	\$ 512,399	1%	\$ 5,124	\$ -
	30,567	0.273	8,345	1%	83	-

2014

	Foreign currency		Book value	Sensitivity Analysis		
	amount	Exchange rate		Degree of	Effect on profit	Effect on other
(Foreign currency: functional currency)	(In thousands)		(TWD in thousand)	variation	or loss	comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 148,894	31.625	\$ 4,708,773	1%	\$ 47,088	\$ -
EUR:TWD	15,685	38.207	599,277	1%	5,993	-
THB:TWD	167,608	0.960	160,904	1%	1,609	-
JPY:TWD	2,419,128	0.264	638,650	1%	6,386	-
RMB:TWD	361,191	5.118	1,848,576	1%	18,486	-
GBP:TWD	4,058	49.200	199,654	1%	1,997	-
VND:TWD	29,554,852	0.00150	44,332	1%	443	-
<u>Non-monetary items</u>						
JPY:TWD	\$ 25,502	0.264	\$ 6,733	1%	\$ -	\$ 67
GBP:TWD	500	49.200	24,600	1%	-	246
EUR:TWD	123	38.207	4,699	1%	-	47
<u>Investment using the equity method</u>						
USD:TWD	\$ 71,029	31.650	\$ 2,248,068	1%	\$ -	\$ 22,481
CAD:TWD	14,281	27.268	389,414	1%	-	3,894
IDR:TWD	687,885,281	0.00258	1,774,744	1%	-	17,747
EUR:TWD	1,770	38.207	67,626	1%	-	676
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	\$ 23,667	31.625	\$ 748,469	1%	\$ 7,485	\$ -
JPY:TWD	38,451	0.264	10,151	1%	102	-

- F. The exchange gain (loss) (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2015 and 2014, amounted to \$369,615 thousand and \$347,955 thousand, respectively.

Price risk

- A. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by \$74 thousand and \$224 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,582 thousand and \$1,171 thousand, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- A. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. In addition, long-term ordinary corporate bonds issued at fixed rates are not influenced by variations in interest rates. During the years ended December 31, 2015 and 2014, the Company's borrowings at variable rate were denominated in the TWD.
- B. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Limit on hedge is basically one-third of the corresponding currency in borrowing positions. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.
- C. At December 31, 2015 and 2014, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have been \$13,601 thousand and \$11,291 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments

and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions.

- ii. For the years ended December 31, 2015 and 2014, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The ageing analysis of financial assets that were past due but not impaired is shown in Notes 6(4) and 6(5).
- iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Notes 6(4) and 6(5).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- ii. Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative
financial liabilities:

December 31, 2015	Less than 90 days	Between 91 and 180 days	Between 181 and 365 days	Over 1 year	Total
Accounts payable (including related parties)	\$ 979,313	\$ -	\$ -	\$ -	\$ 979,313
Other payables	1,475,521	288,281	415,465	321,914	2,501,181
Guarantee deposits received	-	-	-	8,200	8,200
Long-term borrowings	-	-	635,807	16,217,078	16,852,885
Bonds payable	-	-	126,100	8,889,950	9,016,050

Non-derivative
financial liabilities:

December 31, 2014	Less than 90 days	Between	Between	Over 1 year	Total
		91 and 180 days	181 and 365 days		
Short-term borrowings	\$ 54,394	\$ -	\$ -	\$ -	\$ 54,394
Accounts payable (including related parties)	1,219,167	-	-	-	1,219,167
Other payables	2,460,629	-	67,342	288,281	2,816,252
Guarantee deposits received	-	-	-	8,499	8,499
Long-term borrowings	-	-	-	13,967,882	13,967,882
Bonds payable	-	-	2,153,700	9,016,050	11,169,750

Derivative financial liabilities:

December 31, 2015	Less than 90 days	Between	Between	Over 1 year	Total
		91 and 180 days	181 and 365 days		
Interest rate swaps	\$ -	\$ 7,414	\$ -	\$ -	\$ 7,414
Forward exchange contracts	1	-	-	-	\$ 1

Derivative financial liabilities:

December 31, 2014	Less than 90 days	Between	Between	Over 1 year	Total
		91 and 180 days	181 and 365 days		
Interest rate swaps	\$ -	\$ -	\$ -	\$ 22,407	\$ 22,407

(3) Fair value information

- A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company's investment property measured at cost are provided in Note 6(9).
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks or beneficiary certificates is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

	December 31, 2015		
	Level 1	Level 2	Level 3
Assets			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 100,055	\$ -	\$ 58,187
Liabilities			
<u>Recurring fair value measurements</u>			
profit or loss			
-Interest rate swaps	\$ -	\$ 7,414	\$ -
-Forward foreign exchange contracts	-	1	-
	<u>\$ -</u>	<u>\$ 7,415</u>	<u>\$ -</u>
	December 31, 2014		
	Level 1	Level 2	Level 3
Assets			
<u>Recurring fair value measurements</u>			
Financial assets at fair value through profit or loss			
Available-for-sale financial assets	\$ 58,931	\$ -	\$ 58,187
Liabilities			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 22,407	\$ -

- D. The methods and assumptions the Company used to measure fair value are as follows:
- Level 1 : The Company used market quoted prices as their fair values, based on the characteristics of instruments, listed shares and balanced mutual fund used 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.
 - Level 2: When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(4) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None..
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2), 6(21) and 12(2).

As of December 31, 2015, the relevant information of subsidiaries' derivative financial instruments that were not expired is as follows:

Investee	Derivative financial instruments	Contract amount (in thousands)	Expiry date	Book value		Fair value
				value		
CHENG SHIN RUBBER IND. CO., LTD.	Interest rate swaps	USD 40,000	2011.07.14~2016.07.29	(\$ 11,758)		(\$ 11,758)

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

(5) Information on investees

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

(6) Information on investments in Mainland China

- A. Basic information: Please refer to table 10
- B. Ceiling on investments in Mainland China: Please refer to table 10.
- C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 12.
Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area for the year ended December 31, 2015: Please refer to table 6, 7 and 8.

CHENG SHIN RUBBER IND. CO., LTD.

Loans to others

Year ended December 31, 2015

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 at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the year ended December 31, 2015	December 31, 2015 (Note 5)							Item	Value			
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Other receivables	Yes	\$ 3,564,680	\$ 3,044,460	\$ 2,740,014	4.75%	Note 4	\$ -	Business operating	\$ -	None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Other receivables	Yes	50,767	-	-	5.60%	Note 4	-	Business operating	-	None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Other receivables	Yes	840,680	330,580	165,290	2.14%	Note 4	-	Business operating	-	None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Other receivables	Yes	254,620	-	-	5.00%	Note 4	-	Business operating	-	None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Other receivables	Yes	2,512,443	2,512,443	1,994,274	2.39%~5.00%	Note 4	-	Business operating	-	None	-	5,089,508	8,482,514	-
1	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO.,LTD	Other receivables	Yes	155,496	152,223	121,778	4.75%~5.25%	Note 4	-	Business operating	-	None	-	5,089,508	8,482,514	-
2	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Other receivables	Yes	507,410	507,410	507,410	4.35%	Note 4	-	Business operating	-	None	-	946,915	1,893,829	-
3	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Other receivables	Yes	507,410	507,410	507,410	4.35%	Note 4	-	Business operating	-	None	-	4,932,143	9,864,287	-

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 Xiamen Cheng Shin Enterprise Co., Ltd. to a single party is 60% of Xiamen Cheng Shin Enterprise Co., Ltd.'s net assets.

Limit on loans granted by Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. to a single party is 20% of the net assets of Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd.

Note 3: Limit on loans granted by Xiamen Cheng Shin Enterprise Co., Ltd. to others is 100% of Xiamen Cheng Shin Enterprise Co., Ltd.'s net assets.

Limit on loans granted by Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd. to a single party is 40% of the net assets of Cheng Shin Tire & Rubber (Chongqing) Co., Ltd. and Cheng Shin Tire & Rubber (China) Co., Ltd.

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

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

CHENG SHIN RUBBER IND. CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2015

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 December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	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	\$ 44,580,569	\$ 10,176,913	\$ 7,900,862	\$ 5,016,353	\$ -	8.86	\$ 62,412,796	Y	N	N	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Sub- subsidiary	44,580,569	4,984,766	4,000,018	1,830,734	-	4.49	62,412,796	Y	N	N	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	Sub- subsidiary	44,580,569	5,629,550	4,628,120	3,016,542	-	5.19	62,412,796	Y	N	Y	Note 2 , Note 4
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Sub- subsidiary	44,580,569	2,839,140	1,487,610	1,322,320	-	1.67	62,412,796	Y	N	Y	Note 2 , Note 4

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.

\$ 62,412,796

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

\$ 17,832,227

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

\$ 44,580,569

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

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

(2)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

Note 4: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at December 31, 2015.

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities		As of December 31, 2015				
		issuer	General ledger account	Number of shares/ units	Book value	Ownership (%)	Fair value	Footnote
Cheng Shin Rubber Ind. Co., Ltd.	Other fund	-	Current available-for-sale financial assets	-	\$ 26,202	-	\$ 26,202	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Current available-for-sale financial assets	-	73,853	-	73,853	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	Other ordinary shares	-	Non-current available-for-sale financial assets	-	58,187	-	58,187	Note 2
CIAO SHIN CO., LTD.	Other ordinary shares	-	Current available-for-sale financial assets	-	67,292	-	67,292	Note 2

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2015		Addition (Note 1)		Disposal			Balance as at December 31, 2015		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount (Note 2)
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS International Indonesia	Investments accounted for using equity	Third parties	Subsidiary	55,000,000	\$ 1,774,744	24,997,000	\$ 787,705	-	-	-	-	79,997,000	\$ 2,454,163
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS Rubber India Private Limited	Investments accounted for using equity	Third parties	Subsidiary	-	-	369,997,000	1,826,095	-	-	-	-	369,997,000	1,840,061

Note 1: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 2: The amount at end of the year comprises the investment income (loss) recognised for the year.

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:					Reason for acquisition of the real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price		
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Construction engineering of plant phase II	2014/7/5	807,025	701,011	Four companies including Zun Yi Jian Gong (Group) CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Installation engineering of plant phase I	2015/3/25	414,573	402,136	China Construction Fourth Engineering Division Installation Engineering CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Installation engineering of plant phase II	2015/5/18	492,420	49,242	China Construction Fourth Engineering Division Installation Engineering CO., LTD.	Third parties	-	-	-	-	Contracts	Operational needs	None

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

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

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

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions (Note 1)	Notes/accounts receivable (payable)	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)		
			Purchases (sales)	Amount							
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	(sales)	(\$ 2,832,951)	(13.3)	Collect within 90 days after shipment of goods	Same	Same	\$ 461,571	19.3	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	Subsidiary	(sales)	(1,501,934)	(7.0)	Collect within 90 days after shipment of goods	Same	Same	393,561	16.5	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	(sales)	(213,646)	(1.0)	Collect within 90 days after shipment of goods	Same	Same	14,476	0.6	-
Cheng Shin Rubber Ind. Co., Ltd.	MERIDA INDUSTRY CO., LTD.	Associates	(sales)	(160,661)	(0.8)	Collect within 76 days after shipment of goods	Same	Same	42,734	1.8	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(280,215)	(1.2)	Collect within 60~90 days after shipment of goods	Same	Same	117,174	5.6	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Cheng Shin Holland B.V.	Associates	(sales)	(249,167)	(1.1)	Collect within 60~90 days after shipment of goods	Same	Same	74,538	3.6	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(2,093,814)	(43.8)	Collect within 60~90 days after shipment of goods	Same	Same	270,076	43.9	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	Same ultimate parent	(sales)	(482,193)	(10.1)	Collect within 60~90 days after shipment of goods	Same	Same	70,956	11.5	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	Same ultimate parent	(sales)	(322,877)	(6.8)	Collect within 60~90 days after shipment of goods	Same	Same	39,067	6.3	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(247,209)	(5.2)	Collect within 60~90 days after shipment of goods	Same	Same	39,193	6.4	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(193,354)	(4.0)	Collect within 60~90 days after shipment of goods	Same	Same	26,946	4.4	-
CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(551,619)	(8.5)	Collect within 60~90 days after shipment of goods	Same	Same	91,738	82.3	-
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	(sales)	(601,677)	(76.9)	Collect within 60~90 days after shipment of goods	Same	Same	34,177	71.8	-
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	Same ultimate parent	(sales)	(146,064)	(18.7)	Collect within 60~90 days after shipment of goods	Same	Same	12,241	25.7	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	(sales)	(448,808)	(1.8)	Collect within 60~90 days after shipment of goods	Same	Same	125,035	2.8	-
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(214,209)	(47.8)	Collect within 60~90 days after shipment of goods	Same	Same	29,537	42.1	-
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	TOYO TIRE & RUBBER.CO.,LTD	Associates	(sales)	(166,007)	(37.1)	Collect within 60~90 days after shipment of goods	Same	Same	15,404	22.0	-

CHENG SHIN RUBBER IND. CO., LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		Footnote (Note 2)
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(419,991)	(6.1)	Collect within 60~90 days after shipment of goods	Same	Same	194,921	22.5	-
Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Same ultimate parent	(sales)	(286,556)	(5.7)	Collect within 60~90 days after shipment of goods	Same	Same	14,564	2.4	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Same ultimate parent	(sales)	(541,373)	(3.7)	Collect within 60~90 days after shipment of goods	Same	Same	87,034	4.3	-
MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	(sales)	(255,559)	(1.7)	Collect within 60~90 days after shipment of goods	Same	Same	76,879	3.8	-
MAXXIS International (Thailand) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Same ultimate parent	(sales)	(102,331)	(0.7)	Collect within 60~90 days after shipment of goods	Same	Same	19,856	1.0	-

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.

CHENG SHIN RUBBER IND. CO., LTD.

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

Year ended December 31, 2015

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	Subsidiary	\$ 461,892	Note 4	-	-	\$ 564,173	-
Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA,	Subsidiary	393,821	Note 4	-	-	349,427	-
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	Sub-subsidiary	316,907	Note 3	-	-	484,619	-
CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	117,174	3.07	-	-	70,058	-
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	Same ultimate parent	272,373	Note 4	-	-	272,373	-
CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	Same ultimate parent	125,035	7.01	-	-	87,203	-
CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	Same ultimate parent	195,585	Note 4	-	-	195,585	-

Note 1: Subsequent collection is the amount collected as of March 17, 2016.

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.

CHENG SHIN RUBBER IND. CO., LTD.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2015

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Sales	\$ 2,832,951	Collect within 90 days after shipment of goods	2.43%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER USA, INC.	1	Accounts receivable	461,571	Collect within 90 days after shipment of goods	0.28%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Sales	1,501,934	Collect within 90 days after shipment of goods	1.29%
0	Cheng Shin Rubber Ind. Co., Ltd.	CHENG SHIN RUBBER CANADA, INC.	1	Accounts receivable	393,561	Collect within 90 days after shipment of goods	0.24%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Royalties revenue from trademarks	209,452	Collect quarterly	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales	213,646	Collect within 90 days after shipment of goods	0.18%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Commissions revenue	221,599	Collect quarterly	0.19%
0	Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	1	Sales of fixed assets and other assets	582,892	Collect within 60~90 days after sales of equipment	0.50%
1	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	280,215	Collect within 60~90 days after shipment of goods	0.24%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	2,093,814	Collect within 60~90 days after shipment of goods	1.79%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Accounts receivable	270,076	Collect within 60~90 days after shipment of goods	0.16%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	3	Sales	482,193	Collect within 60~90 days after shipment of goods	0.41%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	TIANJIN TAFENG RUBBER IND CO., LTD.	3	Sales	322,877	Collect within 60~90 days after shipment of goods	0.28%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Sales	247,209	Collect within 60~90 days after shipment of goods	0.21%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	3	Other receivables	2,740,014	Pay interest quarterly	1.65%
2	XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Other receivables	1,994,274	Pay interest quarterly	1.20%
3	CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	551,619	Collect within 60~90 days after shipment of goods	0.47%
4	CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	CHENG SHIN RUBBER (XIAMEN) IND., LTD.	3	Sales	601,677	Collect within 60~90 days after shipment of goods	0.52%
5	CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	214,209	Collect within 60~90 days after shipment of goods	0.18%
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN RUBBER CANADA, INC.	3	Sales	448,808	Collect within 60~90 days after shipment of goods	0.38%

CHENG SHIN RUBBER IND. CO., LTD.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2015

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount (Note 4)	Transaction terms	
6	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	3	Other receivables	507,410	Pay interest quarterly	0.31%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	419,991	Collect within 60~90 days after shipment of goods	0.36%
7	CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Other receivables	507,410	Pay interest quarterly	0.31%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN RUBBER USA, INC.	3	Sales	541,373	Collect within 60~90 days after shipment of goods	0.46%
8	MAXXIS International (Thailand) Co., Ltd.	CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD.	3	Sales	255,559	Collect within 60~90 days after shipment of goods	0.22%
9	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	MAXXIS International (Thailand) Co., Ltd.	3	Sales	286,556	Collect within 60~90 days after shipment of goods	0.25%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to :

For transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction :

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: Transaction amounts account for at least NTS200 million.

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees
Year ended December 31, 2015

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)
investment

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	income(loss) recognised by the Company for the year ended December 31, 2015 (Note 1)	Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership				
							(%)	Book value			
Cheng Shin Rubber Ind. Co., Ltd.	MAXXIS International Co., Ltd.	Cayman Islands	Holding company	\$ 912,218	\$ 912,218	35,050,000	100.00	\$ 46,379,098	\$ 4,225,507	\$ 4,222,586	Subsidiary
Cheng Shin Rubber Ind. Co., Ltd.	CST Trading Ltd.	British Virgin Islands	Holding company	2,103,073	2,103,073	72,900,000	100.00	26,467,271	4,998,023	4,985,816	Subsidiary
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	10,219,988	909,167	908,826	Subsidiary
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	2,415,339	270,286	270,281	Subsidiary
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	436,385	176,753	176,753	Subsidiary
Cheng Shin Rubber Ind. Co., Ltd.	CIAO SHIN CO., LTD.	Taiwan	Investment in various business	97,000	97,000	9,700,000	97.00	166,398	544	527	Subsidiary
Cheng Shin Rubber Ind. Co., Ltd.	NEW PACIFIC INDUSTRY COMPANY LIMITED	Taiwan	Processing and sales of various anti-vibration rubber and hardware	50,000	50,000	4,999,960	49.99	168,508	70,597	35,291	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	53,961	4,119	4,119	Subsidiary
Cheng Shin Rubber Ind. Co., Ltd.	Cheng Shin Holland B.V.	Netherlands	Import and export of tires	23,162	23,162	9,708	30.00	13,160	8,235	2,471	Note 2
Cheng Shin Rubber Ind. Co., Ltd.	PT MAXXIS INTERNATIONAL INDONESIA	Indonesia	Production and sales of various types of tires	2,461,355	1,673,650	79,997,000	100.00	2,454,163	(9,797)	(9,797)	Subsidiary
Cheng Shin Rubber Ind. Co., Ltd.	Maxxis Rubber India Private Limited	India	Production and sales of various types of tires	1,826,095	-	369,997,000	100.00	1,840,061	(8,771)	(8,771)	Subsidiary

CHENG SHIN RUBBER IND. CO., LTD.

Information on investees

Year ended December 31, 2015

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Expressed in thousands of NTD (Except as otherwise indicated) investment income(loss) recognised by the Company for the year ended December 31, 2015 (Note 1)		Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership			2015	2015 (Note 1)	
							(%)	Book value				
MAXXIS International Co., Ltd.	MAXXIS International (HK) Ltd.	Hong Kong	Holding company	-	-	226,801,983	100.00	36,271,896	4,096,884	4,096,884	Sub-subsidiary	
CST Trading Ltd.	Cheng Shin International (HK) Ltd.	Hong Kong	Holding company	-	-	246,767,840	100.00	26,355,989	4,992,105	4,992,105	Sub-subsidiary	
MAXXIS Trading Ltd.	MAXXIS Holdings (BVI) Co., Ltd.	British Virgin Islands	Import and export of tires	7,669,780	7,669,780	237,811,720	100.00	10,674,158	909,167	909,167	Sub-subsidiary	
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	8,131,614	110,978	112,809	Sub-subsidiary	
MAXXIS Holdings (BVI) Co., Ltd.	Cheng Shin Rubber (Vietnam) IND Co., Ltd.	Vietnam	Production and sales of various types of tires	1,945,408	1,945,408	62,000,000	100.00	2,539,156	798,061	795,889	Sub-subsidiary	

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.

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to Mainland China/ Amount		Accumulated	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment	Book value of investments in Mainland China as of December 31, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Remitted to Mainland China	Remitted back to Taiwan	amount of remittance from Taiwan to Mainland China as of December 31, 2015			income (loss) recognised by the Company for the year ended December 31, 2015		amount of investment income remitted back to Taiwan as of December 31, 2015	
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	\$ 5,744,375	2	\$ 910,834	\$ -	\$ -	\$ 910,834	\$ 3,019,696	100.00	\$ 3,007,342	\$ 25,720,947	\$ 12,688,608	(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	7,385,625	2	2,385,506	-	-	2,385,506	4,609,323	100.00	4,612,558	24,660,717	10,073,179	(Note 2, 4, 6, 8)
CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD.	Plastic machinery, molds and its accessory products	279,013	2	68,602	-	-	68,602	105,458	50.00	52,729	356,999	273,332	(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	3,282,500	2	-	-	-	-	1,058,541	100.00	1,054,804	4,734,573	245,763	(Note 4, 6, 8)
TIANJIN TAFENG RUBBER IND CO., LTD.	A. Cover and tubes of tires and cover and tubes of bicycle tires B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	590,850	2	-	-	-	-	129,373	100.00	130,774	2,083,862	643,457	(Note 2, 6, 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from Taiwan to		Accumulated	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment	Book value of investments in Mainland China as of December 31, 2015	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2015	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		amount of remittance from Taiwan to Mainland China as of December 31, 2015			income (loss) recognised by the Company for the year ended December 31, 2015		amount of investment income remitted back to Taiwan as of December 31, 2015	
CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	4,267,250	2	-	-	-	-	(7,749)	100.00	(7,958)	13,486,022	3,524,680	(Note 2, 3, 6, 7)
XIAMEN CHENG SHIN ENTERPRISE CO., LTD.	A. Radial tire and other various tire products B. Reclaimed rubber, adhesive, tape and other rubber products C. Plastic machinery, molds and its accessory products	1,477,125	2	-	-	-	-	887,479	100.00	896,773	8,482,514	3,390,466	(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	656,500	2	-	-	-	-	(39,620)	100.00	(39,620)	564,518	-	(Note 6)
CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD.	Distribution of rubber and components of tires	174,825	2	-	-	-	-	(12,061)	95.00	(11,458)	177,756	-	(Note 6, 7)
CHENG SHIN LOGISTIC (XIAMEN) CO.,LTD	International container transportation business	71,987	2	-	-	-	-	39,323	49.00	19,268	196,775	-	(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	4,745,250	2	-	-	-	-	917,069	100.00	916,015	6,015,700	132,360	(Note 5 ,6, 7)

CHENG SHIN RUBBER IND. CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2015

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
				Remitted to Mainland China	Remitted back to Taiwan	December 31, 2015							
CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD.	Manufacturing and sales of equipment	99,900	2	-	-	-	-	(19,275)	50.00	(9,638)	84,094	-	(Note 6, 7)
XIAMEN ESTATE CO.,LTD	Construction and trading of employees' housing	1,198,800	2	-	-	-	-	(24,741)	100.00	(24,741)	1,174,540	-	(Note 6, 7)
KUNSHAN MAXXIS TIRE CO.,LTD	Retail of accessories for rubber tires	-	2	-	-	-	-	-	-	-	-	-	(Note 9)

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China..
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

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

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

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

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

Note 6: Paid-in capital was converted at the exchange rate of NTD 32.852: USD 1 and NTD 4.995: RMB 1 prevailing on December 31, 2015.

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

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

Note 9: The investee company was established on September 28, 2015. The registered capital is RMB \$5,000 thousand. As of March 24, 2016, the investment has not been remitted.

CHENG SHIN RUBBER IND. CO., LTD.

Ceiling on investments in Mainland China

Year ended December 31, 2015

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 (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.	\$ 4,034,193	\$ 22,087,943	\$ -

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 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.

6.6 Facts regarding the Company and its affiliated enterprises which have developed hard-up financial standing in recent year and the period as of the Annual Report date: Nil.

VII. Analysis for Financial Condition and Operating Results and Risk Management

7.1 Comparative analysis of financial condition

Unit: NT\$1000

Item \ Year	2015	2014	Difference	
			Amount	%
Current assets	\$52,347,130	\$55,176,245	-2,829,115	-5.13%
Real property, plants, and equipment	106,476,804	109,430,271	-2,953,467	-2.70%
Intangible assets	0	0	0	0
Other assets	7,134,288	5,263,851	1,870,437	35.53%
Total assets	165,958,222	169,870,367	-3,912,145	-2.30%
Current liabilities	37,390,371	40,585,092	-3,194,721	-7.87%
Non-current liabilities	38,615,267	40,728,250	-2,112,983	-5.19%
Total liabilities	76,005,638	81,313,342	-5,307,704	-6.53%
Equity	32,414,155	32,414,155	0	0
Capital reserve	52,576	52,576	0	0
Retained earnings	54,875,387	51,849,891	3,025,496	5.84%
Other equity	1,819,019	3,446,772	-1,627,753	-47.23%
Treasury stock	-	-	-	-
Non-controlling interest	791,447	793,631	-2,184	-0.28%
Total equity	89,952,584	88,557,025	1,395,559	1.58%

Analysis if difference reaches 20% or more and amount reaches NT\$10 million:

Increases in other assets: due to the acquisition of land use rights in Indonesia and India.

Decrease in other equity: due to a decrease in conversion gains from converting financial statements for overseas subsidiaries.

7.2 Analysis of operating results

(1) Analysis of financial performance

Unit: NT\$1000

Item \ Year	2015	2014	Amount of increase (decrease)	Change (%)
Operating revenue	116,726,293	129,014,062	-12,287,769	-9.52%
Operating costs	(81,168,501)	(93,113,558)	-11,945,057	-12.83%
Gross profit	35,557,792	35,900,504	-342,712	-0.95%
Operating expenses	(16,937,412)	(14,710,765)	2,226,647	15.14%
Operating profit	18,620,380	21,189,739	-2,569,359	-12.13%
Revenue and expense outside operation	(1,144,177)	81,057	-1,225,234	-1,511.57%
Income before income tax	17,476,203	21,270,796	-3,794,593	-17.84%
Income tax expense	(4,636,989)	(5,159,179)	-522,190	-10.12%
Net profit	12,839,214	16,111,617	-3,272,403	-20.31%
Other consolidated net profit (loss) after tax	(1,719,409)	2,770,166	-4,489,575	-162.07%
Consolidated profit	11,119,805	18,881,783	-7,761,978	-41.11%
Analysis if difference reaches 20% or more and amount reaches NT\$10 million:				
(1) Reduction in revenue and expense outside operation: due to a net increase in foreign exchange losses.				
(2) Reduction in net profits: due to an increase in operating expenses.				
(3) Reduction in Other consolidated net profit (loss) after tax: due to a decrease in conversion gains from converting financial statements for overseas subsidiaries.				
(4) Reduction in consolidated profit: due to an increase in operating expenses and net increase in foreign exchange losses.				

(2) Analysis of change to gross profit: Increase to gross operating income is largely due to a drop in raw materials and fuel prices, causing the cost of goods sold to drop.

(3) The company's 2015 revenue was 9.52% lower than 2014, with no material changes to core business scope.

Action Plan: Progress made in plant construction in India and Indonesia will help the group to expand its production capacity in response to a gradually recovering global market demand in the hopes of expanding our market share.

7.3 Cash flow

(1) Liquidity analysis for the most recent two years

Item \ Year	2015	2014	Percentage of change
Cash Flow Ratio (%)	74.32	63.08	17.81%
Cash Flow Adequacy Ratio (%)	89.95	78.65	14.37%
Cash Reinvestment Ratio (%)	8.98	8.20	9.49%
Analysis of percentage of change: (if fluctuation reaches 20% or more)			
None.			

(2) Cash flow analysis for the coming year

Cash balance amount at the beginning of the year (1)	Net cash provided by operating activities (2)	Projected annual cash outflow (3)	Projected cash balance (1)+(2)-(3)	Measures for managing cash deficit	
				Investment plan	Financing plan
\$22,381,482	\$24,881,919	\$23,190,118	\$24,073,283	-	-
<p>1. Change in projected cash flow for the next year:</p> <p>Operations: As the group's core business is experiencing steady profitability, not much fluctuation is expected for net cash flow provided by operating activities.</p> <p>Investment activities: The group continues to invest in overseas subsidiaries and to upgrade obsolete equipment. Net cash outflow for investment activities is projected to continue increasing.</p> <p>Financing: Primarily payment of cash dividends and repaying loans.</p> <p>2. Measures for managing cash deficit and liquidity analysis: N/A.</p>					

7.4 Impact of major capital expenditure over the latest year on financial operations

(1) Status of major capital expenditure and source of funds

Unit: NT\$1000

Plan	Actual or projected source of funds	Actual or projected completion date	Funds required Total amount	Actual or projected capital expenditure status	
				2015	2016
New purchase and upgrade of equipment	Bank loans and company fund	2015	\$11,521,974	\$11,521,974	-
New purchase and upgrade of equipment	Bank loans and company fund	2016	\$17,641,000	-	\$17,641,000

- (2) Projected benefits:
 - 1) Primarily a potential expansion of daily production capacity for motorcycle tires and inner tubes.
 - 2) Analysis of other projected benefits:

Completion of new plants overseas, such as in Indonesia and India and expansion, and upgrade of equipment in existing plants can improve the group's daily production capacity and raise global market share for tires.

7.5 Reinvestment policy over the latest year and major reasons for profit or loss; plan for improvement and investment plan for the coming year:

- (1) The Company's reinvestment policy considers long-term investment as its priority. Subsidiaries with production functions are directly or indirectly 100% owned to strengthen roots in the local market. Subsidiaries with marketing functions are likewise directly invested or jointly incorporated with our strategic partners to strengthen local sales networks. With the exception of plants in India and Indonesia, which are still under construction, our other key subsidiaries have been profitable over the past year.
- (2) Investment plan for the upcoming year: Our key investment plan focuses on the plants in Indonesia and India, which are expected to begin production in the first quarter of 2017. The Xiamen Cheng Shin Jimei plant, Cheng Shin Changzhou and Cheng Shin Chongqing Phase 2 production line expansions are also underway.

7.6 Analysis and evaluation of risk factors

- (1) Impact of interest rate and exchange rate fluctuation and inflation on the Company's profitability over the latest year and as of the date of the annual report; future action plan:

Impact on:

- 1) Interest rate fluctuation

At present, except for the U.S. Federal Reserve which raised interest rates by 12.5 basis points at the end of 2015, Taiwan's Central Bank has lowered rates three times, Japan and the European central bank have further implemented negative interest rate policies. The low interest rate environment facilitates the Company's capital-raising activities, minimizes interest payment and makes it easy for the Company to issue corporate bonds at a fixed interest rate to meet long-term capital needs. We will continually pay close attention to any signs of interest rate hikes, and take necessary hedging actions.

- 2) Exchange rate fluctuation

As a group operating internationally, the financial reports of our overseas subsidiaries are denominated in local currencies. As a result, the group is exposed to exchange rate risks arising from various types of currencies.

The group consistently monitors exchange rate fluctuations. Any shifts in political or economic environments in the invested countries may result in the fluctuation in the exchange rate between the reference currency of those subsidiaries and the New Taiwan Dollar.

The group's marketing and procurement activities are mostly done in RMB, U.S. Dollars, New Taiwan Dollars and Thai Baht. Given their relative exchange rate ratios, exchange rate fluctuation risk is hedged. Exchange rate risk incurred from overseas investment derives mostly from RMB, US Dollar and Thai Baht. Debt positions acquired from facility expansion are mostly in US Dollars, RMB, Japanese Yen and Thai Baht. In addition, there are exchange conversion gains and losses denominated in the Indonesian Rupiah and Indian Rupees due to the construction of plants in Indonesia and India.

3) Inflation

In light of the uncertainty in global economic forecast, the Company is not in a position to predict for inflation or contraction. Since the tire products of the Company are consumer products whose raw material prices and market demands are moderately or highly volatile to inflation or contraction, the global economic environment will have an impact on the Company's sales. Nonetheless, no material adverse impact is expected for the overall operation.

(2) Policies and Future Action Plans for High-risk, High-Leveraged Investments, Fund Lending to Third Parties, Endorsements and Guarantees, Transactions in Financial Derivatives, Main Reasons for Profit (Loss) over the latest year and as of the date of the annual report:

The Group has adopted a work procedure for "Endorsements, Guarantees and Capital Loans to Third Parties" as well as "Procedure for Asset Acquisition and Disposal," pursuant to which relevant transactions are handled. The Group is not engaged in any high-risk or highly leveraged investment. All derivative transactions are for hedging purposes to mitigate the risks of exchange rate and interest rate fluctuation.

(3) Budget for future R&D plan and projected investment in R&D as at the date of the annual report:

1) R&D Plan

No	Recent R&D plans	Progress on current R&D plans	Projected date for completion and commercial production
1	PCR to LRR 6.0 product technology R&D	1. LRR formula R&D 2. Lightweight new materials R&D 3. Lightweight structure R&D 4. Low rolling resistance profile/pattern R&D	2016.12.31

2.	TBR product low rolling resistance technology project R&D	1. Low rolling resistance formula R&D project 2. New steel wire material R&D 3. Lightweight structure R&D	2016.12.31
3.	700C low rolling resistance Highway tire R&D	1. Low rolling resistance formula R&D project 2. Special new material R&D project 3. Lightweight structure R&D	2016.12.31

2) Projected investment in R&D

The R&D investment in 2016 is projected to be about 3% of the annual revenue to maintain the Company's R&D competitiveness.

- (4) Impact of changes in domestic and foreign policy and laws on the Company's financial operations over the latest year and as at the date of the annual report; action plans:

The Company's management is always monitoring any public policy and law that might have an impact on the Company's business and operations. The change in key domestic and international policy and law this year did not have any major impact on the Company's financial operations. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.

- (5) Impact of changes in technology and industry environment on the Company's financial operations over the latest year and as of the date of the annual report; action plans:

Over the latest year and as of the date of the annual report, there is no change in technology and industry environment that has an impact on the Company's financial operations.

- (6) Impact of changes to corporate image on corporate crisis management over the latest year and as of the date of the annual report; action plans:

The Company has a good corporate image. There is no major change that would have an impact on the Company's crisis management over the latest year and as at the date of the annual report.

- (7) Projected benefits and potential risks associated with mergers and acquisitions activities over the latest year and as at the date of the annual report: None.

- (8) Projected benefits and potential risks associated with facility expansion over the latest year and as at the date of the annual report:

Our key investment plan focuses on the plant in Indonesia and India which are expected to begin production in the first quarter of 2017. The Xiamen Cheng Shin Jimei plant, Cheng Shin Changzhou and Cheng Shin Chongqing Phase 2 production line expansions are also underway.

As at the date of the annual report, we are proactively developing products

and have made progress in line with the initial plans.

Risks associated with expansion of production comes from drastic fluctuations in market demands. The Company's management has been paying close attention to future market demands. Benefits from the current expansion of capacity are still in line with the Company's expectations.

- (9) Risks associated with concentration of supply and sales over the latest year and as of the date of the annual report: None.
- (10) Impact of transfer of significant number of shares by directors, supervisors and/or major shareholders holding 10% or more of the total outstanding shares, risks associated and action plans: None.
- (11) Impact of change in ownership, risks associated and action plans: None.
- (12) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a pending litigation, legal proceedings or administrative proceedings, or a final judgment or ruling which may have a material adverse effect on the Company's shareholder equity or price of securities: None.
- (13) Other major risks: None.

7.7 Other material matters: None.

- In accordance with Article 369-3 of the Company Act, the Company and those listed below are presumed to have a controlling and subordinate relationship but do not meet such definition under Article 369-2 of the Company Act. Therefore, they are not included in the consolidated financial statement. The information of their shareholders and directors are as follows: None.
- Pursuant to Article 369-2(2) of the Company Act, subsidiaries whose personnel, finance or business are controlled directly or indirectly by the Company: None.

2) Basic information on affiliates

Enterprise name	Date established	Address	Paid-in capital (note)	Major business or items produced
Cheng Shin Rubber (Xiamen) Ind. Ltd.	1989.05.26	No. 15, Xibin Rd., Xinglin Zhen, Jimei District, Xiamen City	US\$175,000,000	Produces and sells various types of automotive tires
Chau Shin Investment Corp.	1990.04.14	No. 27-1, Meigang Rd., Huangxi Village, Dacun Township, Changhua County	NT\$100,000,000	Invests in various businesses
Cheng Shin Rubber USA, Inc	1990.05.11	545 OLD PEACHTREE ROAD, SUWANEE, GA30024 USA	US\$18,000,000	Import-export trade in tires
Cheng Shin Logistics (Xiamen) Co. Ltd.	1993.03.25	No. 11, Xinshun Rd., Haicang District, Xiamen	RMB\$14,411,765	International containerized shipping business
CST Trading Ltd.	1993.05.19	P.O. BOX 116 ROAD TOWN TORTOLA BRITISH VIRGIN ISLANDS	US\$72,900,000	General trade and investment
Chong Shin Tire & Rubber (China) Co. Ltd	1993.07.27	No. 8, Hefeng Rd., Lujia Township, Kunshan City	US\$225,000,000	Produces and sells various types of automotive tires
Tianjin Tafeng Rubber Ind Co., Ltd.	1994.08.15	No. 1, Shuanghai Ave, Beichen Economic and Technology R&D Zone, Tianjin	US\$18,000,000	Produces and sells various types of automotive tires
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	1996.03.20	Yangdong Rd., Kunshan R&D Zone, Jiangsu Province	US\$8,500,000	Produces and sells tire molds for cars and trucks

MAXXIS International Co., Ltd.	1997.01.30	P.O. BOX 31106 SMB, GRAND CAYMAN, CAYMAN ISLAND, BRITISH WEST INDIES.	US\$35,050,000	General trade and investment
Cheng Shin (Qinzhou) Industry Ltd.	1998.09.23	No. 26, Jiangang Rd., Legou Business District, Qinzhougang Economic Development Zone, Guangxi	RMB\$35,000,000	Stevedore and Warehousing
Cheng Shin Rubber Canada, Inc	1999.01.31	400 CHRYSLER DRIVE, UNIT C BRAMPTON, ONTARIO, L6S 5Z5 CANADA	CAD\$ 1,518,700	Import-export trade in tires
Cheng Shin Tire (Xiamen) Co., Ltd	2001.12.28	No. 15, Xiyuan Rd., Haicang District, Ximen	US\$130,000,000	Produces and sells various types of automotive tires
MAXXIS Trading Ltd.	2002.08.26	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US\$237,811,720	General trade and investment
MAXXIS Holdings (BVI) Co., Ltd.	2002.08.27	P.O. BOX 957, OFFSHORE INCORPORATION CENTRE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS	US\$237,811,720	General trade and investment
MAXXIS International (Thailand) Co., Ltd.	2002.11.05	300/1 MOO 1, TAMBOL TASITH, AMPHUR PLUAKDAENG, RAONG PROVINCE 21140, THAILAND	THB\$6,500,000,000	Produces and sells various types of automotive tires
XiaMen Cheng Shin Enterprise Co., Ltd.	2004.01.11	No. 15, Xinshun Rd., Haicang District, Xiamen	US\$45,000,000	Produces and sells various types of automotive tires
MAXXIS Tech Center Europe B.V.	2005.04.01	Weverstraat 5, 5405 BM-Uden, The Netherlands	EUR\$ 1,000,000	Tire testing

Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	2005.12.08	C'ty TNHH Cong Nghiep Cao Su Chinh Tan Vietnam Nhon Trach 3 Industrial Zone, Nhon Trach county, Dong Nai Province, Vietnam.	US\$62,000,000	Produces and sells various types of automotive tires
MAXXIS International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Gangwan Avenue, Wanchai, Hong Kong	US\$226,801,983	General trade and investment
Cheng Shin International (HK) Ltd.	2007.12.20	Room 2302-6, Yingjun Center, No. 23 Gangwan Avenue, Wanchai, Hong Kong	US\$246,767,840	General trade and investment
Cheng Shin (Xiamen) International Automobile Cultural Center Co. Ltd.	2009.07.17	Room 406, No. 156, Cendong Rd., Jimei District, Xiamen	US\$20,000,000	Automobile assembly and product R&D, testing and related product display
CST Rubber (Zhangzhou) Ind. Co., Ltd.	2010.03.22	Beida Avenue, Nantaiwu High Technology Industry Zone, Gangwei Township, Longhai City	RMB\$950,000,000	Produces and sells various types of automotive tires
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	2010.05.17	No. 27, Jixin Ave., Changshou Economic and Technology Development Zone, Chongqing City	US\$100,000,000	Produces and sells various types of vehicle tires, rubber products, molds and accessories.
Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	2010.12.02	Nantaiwu High and New Technology Industry Zone, Longwei Township, Longhai City	RMB20,000,000	Mechanical and electric equipment, electronic equipment, general machinery and equipment,

				rubber mold development and manufacturing.
CST Properties (Xiamen) Co., Ltd.	2013.08.21	Room 201, No. 16 Office Building, 15 Xibin Rd., Jimei District, Xiamen	RMB240,000,000	Employee dormitory construction and sales
PT. Maxxis International Indonesia	2014.08.27	Kawasan Greenland International Industrial Center (GIIC) Blok CG No. 01, Kota Deltamas, Desa Pasirranji, Kec.Cikarang Pusat, Kabupaten Bekasi	US\$79,997,000	Produces and sells tires and inner tubes
Maxxis Rubber India Private Limited	2015.03.26	A/1, 2nd Floor, Safal Profitaire, Corporate Road, Prahladnagar, Ahmedabad-380015, Gujarat, INDIA	US\$59,999,700	Motorcycle tires and inner tube production and sales
Kunshan Maxxis Tire Co., Ltd.	2015.09.28	No. 8, Hefeng Rd., Lujia Township, Kunshan City	RMB5,000,000	Sales of various vehicle tires, rubber products, molds and accessories.

Note: Applicable exchange rates are as of the date of the reports of the affiliates (US\$1:NT\$32.825; EUR\$1:NT\$35.88; CAD\$1:NT\$23.64; RMB\$1:NT\$4.995; THB\$1:NT\$0.9146; VND\$1:NT\$0.00141; IDR\$1:NT\$0.00243; INR\$1:NT\$0.4997) for conversions.

- 3) Information on shareholders of controlling and subordinate companies: There are no such subordinate companies.
- 4) Industry scope of the group affiliates
- Businesses engaged by the Company and its affiliates include tires, general trading and investment, international trade, machinery, R&D of automative accessories, testing and exhibition of related products, human resource dispatch, etc.
 - Cooperations between the Company and affiliates:

Cooperation Matters	Affiliates
Manufacturing and sales of tire products	The Company, Cheng Shin Rubber (Xiamen) Ind. Ltd. ,Cheng Shin Tire & Rubber (China) Co., Ltd. , Tianjin Tafeng Rubber Ind., Co., Ltd. , Cheng Shin Tire (Xiamen) Co., Ltd. , XiaMen Cheng Shin Enterprise Co., Ltd. , MAXXIS International (Thailand) Co., Ltd. , Cheng Shin Rubber (Vietnam) Ind. Co., Ltd. , Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd. , CST Rubber (Zhangzhou) Ind. Co., Ltd. , PT. Maxxis International Indonesia, Maxxis Rubber India Private Limited, Kunshan Maxxis Tire Co., Ltd.
Marketing of Tire Products	Cheng Shin Rubber USA, Inc., Cheng Shin Rubber Canada, Inc.
Production of Molds and Equipment	Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.
Tire Testing Center	MAXXIS Tech Center Europe B.V.
R&D Centers	The Company, Cheng Shin Tire & Rubber (China) Co., Ltd. , Cheng Shin Rubber USA Inc. ,Cheng Shin Rubber (Xiamen) Ind. Ltd.
Automotive accessory development and testing, etc.	Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.
International packaging and shipping business	Cheng Shin Logistics (Xiamen) Co., Ltd.
Manufacturing and marketing of equipment	Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.

5) Directors, Supervisors and General Managers of affiliated enterprises:

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin Rubber (Xiamen) Ind. Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Shiu-Hsiung, Chen Yun-Hwa, Lo Tsai-Jen, Lo Min-ling, Wu Hsuan-Miao	-	100%
Tianjin Tafeng Rubber Ind Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Shiu-Hsiung, Chen Yun-Hwa, Lo Tsai-Jen	-	100%
MAXXIS International Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Yun-Hwa, Chiu Li-Ching	35,050,000	100%
CST Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen Yun-Hwa	72,900,000	100%
Cheng Shin Rubber USA, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo Tsai-Jen, Chiu Li-Ching, Chen Yun-Hwa	1,800,000	100%
Cheng Shin Rubber Canada, Inc	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Yun-Hwa, Chiu Li-Ching, Zheng Yawei	1,000,000	100%
Chau Shin Investment Corp.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen Yun-Hwa	9,700,000	97%
Cheng Shin (Qinzhou) Industry Ltd.	Representative	Xiamen Cheng Shin Rubber Industry Co. Ltd. Legal representative: Chen Shiu-Hsiung	-	95%
Cheng Shin Tire & Rubber (China) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo Tsai-Jen, Chen Shiu-Hsiung, Chen Yun-Hwa, Chiu Li-Ching, Lee Chin-Chang	-	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Shiu-Hsiung, Lo Tsai-Jen, Chen Yun-Hwa	-	50%
Cheng Shin Tire (Xiamen) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Yun-Hwa, Lo Tsai-Jen, Chen Shiu-Hsiung, Lo Min-ling Cheng Shin Rubber Industry Co. Ltd. of Xiamen Representative: Hsu, Chih-Ming	-	60% 40%
XiaMen Cheng Shin Enterprise Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Shiu-Hsiung, Chen Yun-Hwa, Lo Tsai-Jen	-	100%
MAXXIS Trading Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen Yun-Hwa	237,811,720	100%
MAXXIS Holdings(BVI)Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen Yun-Hwa	237,811,720	100%
MAXXIS International (Thailand) Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Chen Yun-Hwa	65,000,000	100%
Cheng Shin Rubber (Vietnam)Ind.Co., Ltd.	Director	MAXXIS Holdings (BVI) Co., Ltd. Representative: Chen Yun-Hwa	62,000,000	100%
MAXXIS Tech Center Europe B.V.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Yun-Hwa, Lin Cheng-Hua	1,000,000	100%
MAXXIS International (HK) Ltd.	Director	MAXXIS International Co., Ltd. Representatives: Chen Shiu-Hsiung, Chen Yun-Hwa	226,801,983	100%
Cheng Shin International (HK) Ltd.	Director	CST Trading Ltd. Representatives: Lo Tsai-Jen, Chen Yun-Hwa	246,767,840	100%

Enterprise name	Position	Full name or Representative	Share Holdings	
			Number of shares	Percent holdings (%)
PT. Maxxis International Indonesia	Representative	Cheng Shin Rubber Industry Co. Ltd. Representative: Chen Yun-Hwa	79,997,000	100%
Maxxis Rubber India Private Limited	Representative	Cheng Shin Rubber Industry Co. Ltd. Representative: Lo Tsai-Jen	59,999,700	100%
Chen Shin (Xiamen) International Automobile Culture Center Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Chen Shiu-Hsiung, Chen Yun-Hwa, Lo Tsai-Jen	-	100%
Cheng Shin Logistics (Xiamen) Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen Shiu-Hsiung	-	49%
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	Director	Cheng Shin Rubber Industry Co. Ltd. Representatives: Lo Tsai-Jen, Chen Shiu-Hsiung, Chen Yun-Hwa, Chiu Li-Ching, Lee Chin-Chang	-	100%
Kunshan Maxxis Tire Co., Ltd.	Representative	Cheng Shin Tire & Rubber (China) Co., Ltd. Legal Representative: Lee Chin-Chang	-	100%
Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen Shiu-Hsiung	-	50%
CST Properties (Xiamen) Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen Shiu-Hsiung	-	100%
Cst Rubber (Zhangzhou) Ind. Co., Ltd.	Representative	Cheng Shin Rubber (Xiamen) Ind., Ltd. Legal representative: Chen Shiu-Hsiung	-	100%

(2) Financial status and operating performance of affiliates:

Unit: NT\$1000

Enterprise name	Amount of capital (Note 2)	Total value of assets	Total liabilities	Net value	Revenue	Operating profit (Loss)	Profit/loss (After tax)	Earnings per share (NT\$) (After tax)
MAXXIS International Co., Ltd.	1,017,852	46,379,208	110	46,379,098	-	-259	4,225,507	120.56
CST Trading Ltd.	2,117,016	26,467,381	110	24,467,271	-	-237	4,998,023	68.56
Cheng Shin Rubber USA, Inc	590,850	3,451,265	1,035,926	2,415,339	5,288,262	419,252	270,286	150.16
Cheng Shin Rubber Canada, Inc	35,902	993,874	557,489	436,385	2,493,798	218,924	176,753	176.75
Chau Shin Investment Corp.	100,000	166,744	346	166,398	-	-855	544	0.05
Cheng Shin (Qinzhou) Industry Ltd.	224,775	183,311	5,555	177,756	12,047	-12,919	-12,061	-
Cheng Shin Tire & Rubber (China) Co., Ltd.	8,933,402	33,962,237	9,301,520	24,660,717	25,087,975	4,738,019	4,609,323	-
Cheng Shin-Toyo (Kunshan) Machinery Co., Ltd.	339,295	438,015	81,016	356,999	447,895	126,018	105,458	-
Cheng Shin Rubber (Xiamen) Ind. Ltd.	6,231,282	36,015,519	10,294,572	25,720,947	22,686,657	2,650,529	3,019,696	-

Tianjin Tafeng Rubber Ind Co., Ltd.	738,068	2,317,924	234,062	2,083,862	2,683,727	177,900	129,373	-
Cheng Shin Tire (Xiamen) Co., Ltd.	4,820,978	15,927,856	2,441,834	13,486,022	10,367,779	57,512	-7,749	-
MAXXIS Trading Ltd.	6,906,052	10,219,988	-	10,219,988	-	-	909,167	3.82
MAXXIS Holdings (BVI) Co., Ltd.	6,906,052	10,674,158	-	10,674,158	-	-	909,167	3.82
XiaMen Cheng Shin Enterprise Co., Ltd.	1,819,583	8,985,421	502,907	8,482,514	4,778,125	757,480	887,479	-
MAXXIS Tech Center Europe B.V.	35,880	61,453	7,492	53,961	72,397	4,119	4,119	4.12
Cheng Shin Rubber (Vietnam)Ind. Co., Ltd	1,588,056	4,964,734	2,425,578	2,539,156	5,024,129	1,045,502	798,061	12.87
MAXXIS International (Thailand) Co., Ltd.	5,944,900	18,472,052	10,340,438	8,131,614	14,734,075	620,047	110,978	1.71
MAXXIS International (HK) Ltd.	6,586,330	36,271,923	27	36,271,896	-	-	4,096,884	18.06
Cheng Shin International (HK) Ltd.	7,166,138	26,355,989	-	26,355,989	-	-93	4,992,105	20.23
PT. Maxxis International Indonesia	2,206,634	2,512,768	58,605	2,454,163	-	-19,485	-9,797	0
Cheng Shin (Xiamen) International Automobile Culture Center Co., Ltd.	666,321	728,797	164,279	564,518	661	-30,459	-39,620	-

Cheng Shin Logisitics (Xiamen) Co., Ltd.	71,987	238,651	41,876	196,775	427,863	44,402	39,323	-
CST Rubber (Zhangzhou) Ind. Co., Ltd.	4,745,250	12,741,539	6,725,839	6,015,700	6,510,352	1,257,101	917,069	-
Cheng Shin Tire & Rubber (Chong Qing) Co., Ltd.	3,257,269	12,270,091	7,535,518	4,734,573	6,927,446	1,602,270	1,058,541	-
Cheng Shin (Zhangzhou) Mechanical & Electrical Engineering Co., Ltd.	99,900	152,592	68,498	84,094	782,074	50,043	-19,275	-
CST Properties (Xiamen) Co., Ltd.	1,198,800	1,174,835	295	1,174,540	-	-2,400	-24,741	-
Maxxis Rubber India Private Limited	1,848,890	1,862,494	22,433	1,840,061	-	-22,356	-8,771	-

Note 1: Assets and liabilities are based on end-of-year exchange rates
(US\$1:NT\$32.825;EUR\$1:NT\$35.88;CAD\$1:NT\$23.64;RMB\$1:NT\$4.995;THB\$1:NT\$0.9146;VND\$1:NT\$0.00141;IDR\$1:NT\$0.00243;INR\$1:NT\$0.4997)
Profits and losses are based on weighted average exchange rates
(US\$1:NT\$31.739;EUR\$1:NT\$35.24305;CAD\$1:NT\$24.82681;RMB\$1:NT\$5.03297;THB\$1:NT\$0.93248;VND\$1:NT\$0.0014;IDR\$1:NT\$0.00238;INR\$1:NT\$0.49644)

Note 2: Paid-in capital.

(3) Consolidated financial statement of affiliates:

For 2015 (January 1, 2015 through to December 31, 2015), companies that are required to be included in the consolidated financial statements of affiliates in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with those that must be included in the consolidated financial statements of parent and subsidiary under International Accounting Standard No. 27. Since matters that must be disclosed by consolidated financial statements of affiliates have been disclosed by consolidated financial statements of parent and subsidiary, no consolidated financial statements of affiliates are separately prepared.

(4) Report of affiliates: In the absence of any presumed subordinate, no such report is prepared.

8.2 Private placement of securities over the latest year and as at the date of the annual report: None.

8.3 Share holding or disposition of shares of the Company by any subsidiary over the latest year and as at the date of the annual report: None.

8.4 Other matters: None

IX. Material matters specified by Article 36(3)(ii) of the Securities and Exchange Act that has a material impact on interests of shareholders or price of securities over the latest year and as of the date the annual report: None.

Cheng Shin Rubber Industry Co. Ltd.

Chairman



MAXXIS®

HFS

*Wet and Slippery,
Control Easily.*

