

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2015 AND 2014**

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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

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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	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 22,381,482	14	\$ 21,166,079	12
1125	Available-for-sale financial assets—current	6(2)	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 parties, net	7	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	<b>Total current assets</b>		<u>52,347,130</u>	<u>32</u>	<u>55,176,245</u>	<u>32</u>
<b>Non-current assets</b>						
1523	Available-for-sale financial assets—non-current	6(2)	58,187	-	58,187	-
1550	Investments accounted for using equity method	6(6)(20)	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	<b>Total non-current assets</b>		<u>113,611,092</u>	<u>68</u>	<u>114,694,122</u>	<u>68</u>
1XXX	<b>Total assets</b>		<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	%	
<b>Current liabilities</b>						
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	<b>Total current liabilities</b>		<u>37,390,371</u>	<u>23</u>	<u>40,585,092</u>	<u>24</u>
<b>Non-current liabilities</b>						
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	<b>Total non-current liabilities</b>		<u>38,615,267</u>	<u>23</u>	<u>40,728,250</u>	<u>24</u>
2XXX	<b>Total liabilities</b>		<u>76,005,638</u>	<u>46</u>	<u>81,313,342</u>	<u>48</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(17)	32,414,155	20	32,414,155	19
<b>Capital surplus</b>						
3200	Capital surplus	6(18)	52,576	-	52,576	-
<b>Retained earnings</b>						
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
<b>Other equity interest</b>						
3400	Other equity interest	6(20)	1,819,019	1	3,446,772	2
31XX	<b>Total equity attributable to owners of the parent</b>		<u>89,161,137</u>	<u>54</u>	<u>87,763,394</u>	<u>52</u>
36XX	<b>Non-controlling interests</b>		<u>791,447</u>	<u>-</u>	<u>793,631</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>89,952,584</u>	<u>54</u>	<u>88,557,025</u>	<u>52</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
	9					
<b>Significant events after the balance sheet date</b>						
	11					
3X2X	<b>Total liabilities and equity</b>		<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	%	
4000	<b>Sales revenue</b>	7	\$ 116,726,293	100	\$ 129,014,062	100
5000	<b>Operating costs</b>	6(5)	( 81,168,501)	( 70)	( 93,113,558)	( 72)
5900	<b>Gross profit</b>		35,557,792	30	35,900,504	28
	<b>Operating expenses</b>	7				
6100	Selling expenses		( 9,198,205)	( 8)	( 8,474,651)	( 7)
6200	General and administrative expenses		( 3,415,096)	( 3)	( 3,006,727)	( 2)
6300	Research and development expenses		( 4,324,111)	( 3)	( 3,229,387)	( 2)
6000	<b>Total operating expenses</b>		( 16,937,412)	( 14)	( 14,710,765)	( 11)
6900	<b>Operating profit</b>		18,620,380	16	21,189,739	17
	<b>Non-operating income and expenses</b>					
7010	Other income	6(21)	1,001,299	1	1,150,998	1
7020	Other gains and losses	6(22)	( 1,234,867)	( 1)	19,828	-
7050	Finance costs	6(23)	( 948,371)	( 1)	( 1,129,829)	( 1)
7060	Share of profit of associates and joint ventures accounted for under equity method	6(6)	37,762	-	40,060	-
7000	<b>Total non-operating income and expenses</b>		( 1,144,177)	( 1)	81,057	-
7900	<b>Profit before income tax</b>		17,476,203	15	21,270,796	17
7950	Income tax expense	6(25)	( 4,636,989)	( 4)	( 5,159,179)	( 4)
8200	<b>Profit for the year</b>		\$ 12,839,214	11	\$ 16,111,617	13

(Continued)

**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	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311					
8311					
8320					
8349	6(25)				
8310					
<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361					
8362	6(2)				
8370					
8399	6(25)				
8360					
8300					
8500					
<b>Profit attributable to:</b>					
8610					
8620					
<b>Comprehensive income attributable to:</b>					
8710					
8720					
<b>Earnings per share (in dollars)</b>					
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			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	Total		
<b>2014</b>											
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>
<b>2015</b>											
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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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		27,787,823	25,601,227

(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>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
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 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
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

<u>Items</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
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	<u>\$ 167,347</u>	<u>\$ 137,351</u>
Non-current items:		
Non-Listed stocks	<u>\$ 58,187</u>	<u>\$ 58,187</u>

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

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

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.

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

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

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

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:

	2015		
	Individual provision	Group provision	Total
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>

	2014		
	Individual provision	Group provision	Total
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	\$ 81,168,501	\$ 93,113,558

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.

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

(7) Property, plant and equipment, net

2015

	Beginning of period	Additions	Disposals	Transfer	Exchange rate differences	End of period
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

	<u>Beginning of period</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>Exchange rate differences</u>	<u>End of period</u>
<b>Cost</b>						
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>
<b>Accumulated depreciation</b>						
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>
<b>Accumulated impairment</b>						
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:

	2015	2014
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

	2015		
	Opening net book amount as at January 1	Additions	Closing net book amount as at December 31
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>
	2014		
	Opening net book amount as at January 1	Additions	Closing net book amount as at December 31
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	\$ <u>8,725</u>	\$ <u>8,725</u>

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	\$ <u>16,206,436</u>	0.95%~5.6%	None
Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Bank unsecured borrowing	\$ <u>14,436,115</u>	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>December 31, 2015</u>		<u>December 31, 2014</u>	
	Contract amount		Contract amount	
<u>Types of goods</u>	<u>(Notional principal)</u>	<u>Contract period</u>	<u>(Notional principal)</u>	<u>Contract period</u>
Current items:				
Forward foreign exchange contracts (USD exchange to NTD)	USD 831 thousand	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

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015
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>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2014
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:

Currency	December 31, 2015	December 31, 2014
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	<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:			
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	<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 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>\$</u>	<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

	2015	2014
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	(\$ 1,234,867)	\$ 19,828

(23) Finance costs

	2015	2014
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	\$ 948,371	\$ 1,129,829

(24) Expenses by nature

	2015	2014
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	\$ 76,964,473	\$ 87,972,306

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:

	<u>2015</u>	<u>2014</u>
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

	<u>2015</u>	<u>2014</u>
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(Chongging)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. PLEGDED ASSETS

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

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

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

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

	December 31, 2015	December 31, 2014
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:

	December 31, 2015	December 31, 2014
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)	Sensitivity analysis					
	Foreign currency amount		Book value	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
	(In thousands)	Exchange rate	(TWD in thousand)			
<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
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 167,347	\$ -	\$ 58,187
<b>Liabilities</b>			
<u>Recurring fair value measurements</u>			
Financial liabilities at fair value through profit or loss			
-Interest rate swaps	\$ -	\$ 19,172	\$ -
-Forward exchange contracts	-	1	-
	<u>\$ -</u>	<u>\$ 19,173</u>	<u>\$ -</u>
	December 31, 2014		
	Level 1	Level 2	Level 3
<b>Assets</b>			
<u>Recurring fair value measurements</u>			
Available-for-sale financial assets	\$ 137,351	\$ -	\$ 58,187
<b>Liabilities</b>			
<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:
- 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, 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

- Loans to others: Please refer to table 1.
- 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	4,735,562	506,873	606,355	954,446		4,661,485
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					Total
	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	
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	4,610,409	819,091	268,432	994,090	5,574,366	12,266,388
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)

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:		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
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer					
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-subsiary	(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 NT\$200 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,		Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value		2015 (Note 1)	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.