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

## CONSOLIDATED FINANCIAL STATEMENTS AND

## REVIEW REPORT OF INDEPENDENT

## ACCOUNTANTS

## MARCH 31, 2016 AND 2015

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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.

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 16000391

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

We have reviewed the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and its subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Notes 4(3) and 6(6), we did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method, which statements reflect total assets (including investments accounted for under equity method) of $15,738,970 thousand and $33,852,936 thousand, constituting 9% and 20% of the consolidated total assets, and total liabilities of $5,170,913 thousand and $16,585,856 thousand, constituting 7% and 21% of the consolidated total liabilities as of March 31, 2016 and 2015, respectively, and total comprehensive loss of $240,988 thousand and $477,619 thousand, constituting 7% and 19% of the consolidated total comprehensive income for the three months ended March 31, 2016 and 2015, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of March 31, 2016 and 2015.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined



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Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers Taiwan

PricewaterhouseCoopers, Taiwan
May 11, 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 review 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 review 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
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2016 and 2015 are reviewed, not audited)

| | Assets | Notes | March 31, 2016 AMOUNT | % | December 31, 2015 AMOUNT | % | March 31, 2015 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 27,834,514 | 16 | $ 22,381,482 | 14 | $ 22,694,220 | 13 |
| 1125 | Available-for-sale financial assets - current | 6(2) | 177,175 | - | 167,347 | - | 157,701 | - |
| 1150 | Notes receivable, net | 6(3) | 2,260,473 | 1 | 2,242,936 | 1 | 2,727,568 | 2 |
| 1170 | Accounts receivable, net | 6(4) | 11,553,516 | 7 | 10,694,137 | 7 | 11,963,785 | 7 |
| 1180 | Accounts receivable - related parties, net | 7 | 124,891 | - | 161,489 | - | 170,276 | - |
| 130X | Inventories, net | 6(5) | 11,785,901 | 7 | 13,213,153 | 8 | 15,233,608 | 9 |
| 1410 | Prepayments | | 1,387,697 | 1 | 1,126,046 | 1 | 1,548,066 | 1 |
| 1470 | Other current assets | | 1,337,616 | 1 | 2,360,540 | 1 | 1,206,792 | 1 |
| 11XX | **Total current assets** | | 56,461,783 | 33 | 52,347,130 | 32 | 55,702,016 | 33 |
| | **Non-current assets** | | | | | | | |
| 1523 | Available-for-sale financial assets - non-current | 6(2) | 58,187 | - | 58,187 | - | 58,187 | - |
| 1550 | Investments accounted for using equity method | 6(6)(20) | 188,906 | - | 181,668 | - | 179,364 | - |
| 1600 | Property, plant and equipment, net | 6(7) | 105,693,048 | 63 | 106,476,804 | 64 | 108,593,829 | 64 |
| 1760 | Investment property, net | 6(8) | 328,010 | - | 328,252 | - | 328,979 | - |
| 1840 | Deferred income tax assets | 6(25) | 707,388 | - | 701,125 | - | 739,095 | - |
| 1900 | Other non-current assets | 6(9) and 8 | 5,800,019 | 4 | 5,865,056 | 4 | 5,166,095 | 3 |
| 15XX | **Total non-current assets** | | 112,775,558 | 67 | 113,611,092 | 68 | 115,065,549 | 67 |
| 1XXX | **Total assets** | | $ 169,237,341 | 100 | $ 165,958,222 | 100 | $ 170,767,565 | 100 |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2016, DECEMBER 31, 2015 AND MARCH 31, 2015
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2016 and 2015 are reviewed, not audited)

| | | | March 31, 2016 | | December 31, 2015 | | March 31, 2015 | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities and Equity | Notes | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(10) | $ 13,170,534 | 8 | $ 16,206,436 | 10 | $ 15,811,993 | 9 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(13) | 11,376 | - | 19,173 | - | - | - |
| 2150 | Notes payable | | 218,026 | - | 207,011 | - | 88,481 | - |
| 2170 | Accounts payable | | 7,103,235 | 4 | 6,744,632 | 4 | 6,846,550 | 4 |
| 2200 | Other payables | 6(11) | 6,255,994 | 4 | 6,314,880 | 4 | 6,339,539 | 4 |
| 2230 | Current income tax liabilities | 6(25) | 2,085,116 | 1 | 1,751,321 | 1 | 2,235,236 | 1 |
| 2300 | Other current liabilities | 6(12)(14)(15) | 6,596,746 | 4 | 6,146,918 | 4 | 10,116,784 | 6 |
| 21XX | **Total current liabilities** | | 35,441,027 | 21 | 37,390,371 | 23 | 41,438,583 | 24 |
| | **Non-current liabilities** | | | | | | | |
| 2500 | Financial liabilities at fair value through profit or loss - non-current | 6(13) | - | - | - | - | 42,582 | - |
| 2530 | Bonds payable | 6(14) | 8,600,000 | 5 | 8,600,000 | 5 | 8,600,000 | 5 |
| 2540 | Long-term borrowings | 6(15) and 7 | 24,920,535 | 15 | 23,458,920 | 14 | 22,437,213 | 13 |
| 2550 | Provisions - non-current | | 113,864 | - | 118,340 | - | 108,479 | - |
| 2570 | Deferred income tax liabilities | 6(25) | 2,787,179 | 2 | 2,415,551 | 2 | 2,937,900 | 2 |
| 2600 | Other non-current liabilities | 6(16) | 3,870,012 | 2 | 4,022,456 | 2 | 4,102,635 | 3 |
| 25XX | **Total non-current liabilities** | | 40,291,590 | 24 | 38,615,267 | 23 | 38,228,809 | 23 |
| 2XXX | **Total liabilities** | | 75,732,617 | 45 | 76,005,638 | 46 | 79,667,392 | 47 |
| | **Equity** | | | | | | | |
| | **Equity attributable to owners of parent** | | | | | | | |
| | **Share capital** | 6(17) | | | | | | |
| 3110 | Ordinary shares | | 32,414,155 | 19 | 32,414,155 | 20 | 32,414,155 | 19 |
| | **Capital surplus** | 6(18) | | | | | | |
| 3200 | Capital surplus | | 52,576 | - | 52,576 | - | 52,576 | - |
| | **Retained earnings** | 6(19) | | | | | | |
| 3310 | Legal reserve | | 11,678,012 | 7 | 11,678,012 | 7 | 10,076,452 | 6 |
| 3320 | Special reserve | | 2,604,163 | 2 | 2,604,163 | 2 | 2,604,163 | 1 |
| 3350 | Unappropriated retained earnings | | 44,622,481 | 26 | 40,593,212 | 24 | 42,431,502 | 25 |
| | **Other equity interest** | 6(20) | | | | | | |
| 3400 | Other equity interest | | 1,331,102 | 1 | 1,819,019 | 1 | 2,718,525 | 2 |
| 31XX | **Total equity attributable to owners of the parent** | | 92,702,489 | 55 | 89,161,137 | 54 | 90,297,373 | 53 |
| 36XX | **Non-controlling interest** | | 802,235 | - | 791,447 | - | 802,800 | - |
| 3XXX | **Total equity** | | 93,504,724 | 55 | 89,952,584 | 54 | 91,100,173 | 53 |
| | **Significant contingent liabilities and unrecognised contract commitments** | 9 | | | | | | |
| | **Significant events after the balance sheet date** | 11 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 169,237,341 | 100 | $ 165,958,222 | 100 | $ 170,767,565 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 11, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

| | | | Three-month periods ended March 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2016 | | 2015 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | **Sales revenue** | 7 | $ 29,345,194 | 100 | $ 28,993,405 | 100 |
| 5000 | **Operating costs** | 6(5) | ( 19,933,335) | ( 68) | ( 20,554,616) | ( 71) |
| 5900 | **Gross profit** | | 9,411,859 | 32 | 8,438,789 | 29 |
| | **Operating expenses** | 7 | | | | |
| 6100 | Selling expenses | | ( 2,113,074) | ( 7) | ( 2,075,123) | ( 7) |
| 6200 | General and administrative expenses | | ( 743,922) | ( 3) | ( 666,984) | ( 2) |
| 6300 | Research and development expenses | | ( 1,162,213) | ( 4) | ( 1,077,784) | ( 4) |
| 6000 | **Total operating expenses** | | ( 4,019,209) | ( 14) | ( 3,819,891) | ( 13) |
| 6900 | **Operating profit** | | 5,392,650 | 18 | 4,618,898 | 16 |
| | **Non-operating income and expenses** | | | | | |
| 7010 | Other income | 6(21) | 149,497 | 1 | 116,311 | - |
| 7020 | Other gains and losses | 6(22) | ( 40,570) | - | ( 263,525) | ( 1) |
| 7050 | Finance costs | 6(23) | ( 221,521) | ( 1) | ( 235,631) | ( 1) |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | 6(6) | 7,010 | - | 5,799 | - |
| 7000 | **Total non-operating income and expenses** | | ( 105,584) | - | ( 377,046) | ( 2) |
| 7900 | **Profit before income tax** | | 5,287,066 | 18 | 4,241,852 | 14 |
| 7950 | Income tax expense | 6(25) | ( 1,243,135) | ( 4) | ( 962,957) | ( 3) |
| 8200 | **Profit for the period** | | $ 4,043,931 | 14 | $ 3,278,895 | 11 |

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share data)
(UNAUDITED)

| | Items | Notes | Three-month periods ended March 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2016 | | 2015 | |
| | | | AMOUNT | % | AMOUNT | % |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | ($ 603,561) | ( 2) | ($ 909,413) | ( 3) |
| 8362 | Unrealized loss on valuation of available-for-sale financial assets | 6(2) | 8,942 | - | 18,582 | - |
| 8370 | Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | 6(2) | 886 | - | 1,768 | - |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | 6(25) | 101,942 | - | 153,316 | 1 |
| 8360 | **Components of other comprehensive loss that will be reclassified to profit or loss** | | ( 491,791) | ( 2) | ( 735,747) | ( 2) |
| 8300 | **Other comprehensive loss for the period** | | ($ 491,791) | ( 2) | ($ 735,747) | ( 2) |
| 8500 | **Total comprehensive loss for the period** | | $ 3,552,140 | 12 | $ 2,543,148 | 9 |
| | **Profit attributable to:** | | | | | |
| 8610 | Owners of the parent | | $ 4,029,269 | 14 | $ 3,262,226 | 11 |
| 8620 | Non-controlling interest | | 14,662 | - | 16,669 | - |
| | | | $ 4,043,931 | 14 | $ 3,278,895 | 11 |
| | **Comprehensive income attributable to:** | | | | | |
| 8710 | Owners of the parent | | $ 3,541,352 | 12 | $ 2,533,979 | 9 |
| 8720 | Non-controlling interest | | 10,788 | - | 9,169 | - |
| | | | $ 3,552,140 | 12 | $ 2,543,148 | 9 |
| | **Earnings per share (in dollars)** | 6(26) | | | | |
| 9750 | **Basic earnings per share** | | $ | 1.24 | $ | 1.01 |
| 9850 | **Diluted earnings per share** | | $ | 1.24 | $ | 1.00 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 11, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

| | | Equity attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Reserves | | Retained Earnings | | | Other equity interest | | | | |
| | Notes | Share capital - common stock | Treasury stock transactions | Gain on sale of assets | Legal reserve | Special reserve | Total unappropriated retained earnings (accumulated deficit) | Financial statements translation differences of foreign operations | Unrealized gain or loss on available-for-sale financial assets | Total | Non-controlling interest | Total equity |
| Three-month period ended March 31, 2015 | | | | | | | | | | | | |
| Balance at January 1, 2015 | | $ 32,414,155 | $ 9,772 | $ 42,804 | $ 10,076,452 | $ 2,604,163 | $ 39,169,276 | $ 3,402,402 | $ 44,370 | $ 87,763,394 | $ 793,631 | $ 88,557,025 |
| Profit for the period | | - | - | - | - | - | 3,262,226 | - | - | 3,262,226 | 16,669 | 3,278,895 |
| Other comprehensive (loss) income for the period | 6(20) | - | - | - | - | - | - | ( 748,543 ) | 20,296 | ( 728,247 ) | ( 7,500 ) | ( 735,747 ) |
| Balance at March 31, 2015 | | $ 32,414,155 | $ 9,772 | $ 42,804 | $ 10,076,452 | $ 2,604,163 | $ 42,431,502 | $ 2,653,859 | $ 64,666 | $ 90,297,373 | $ 802,800 | $ 91,100,173 |
| Three-month period ended March 31, 2016 | | | | | | | | | | | | |
| Balance at January 1, 2016 | | $ 32,414,155 | $ 9,772 | $ 42,804 | $ 11,678,012 | $ 2,604,163 | $ 40,593,212 | $ 1,744,319 | $ 74,700 | $ 89,161,137 | $ 791,447 | $ 89,952,584 |
| Profit for the period | | - | - | - | - | - | 4,029,269 | - | - | 4,029,269 | 14,662 | 4,043,931 |
| Other comprehensive (loss) income for the period | 6(20) | - | - | - | - | - | - | ( 497,719 ) | 9,802 | ( 487,917 ) | ( 3,874 ) | ( 491,791 ) |
| Balance at March 31, 2016 | | $ 32,414,155 | $ 9,772 | $ 42,804 | $ 11,678,012 | $ 2,604,163 | $ 44,622,481 | $ 1,246,600 | $ 84,502 | $ 92,702,489 | $ 802,235 | $ 93,504,724 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 11, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Three-month periods ended March 31 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 5,287,066 | $ 4,241,852 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(24) | 2,898,372 | 2,715,107 |
| Depreciation on investment property | 6(8) | 242 | 242 |
| Rental expenses for land use right | 6(9) | 24,631 | 22,144 |
| Share of profit of associates and joint ventures accounted for using equity method | 6(6) | ( 7,010 ) | ( 5,799 ) |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(22) | ( 7,810 ) | ( 5,003 ) |
| Loss on disposal of property, plant and equipment | 6(7)(22) | 12,535 | 16,149 |
| Property, plant and equipment transferred to expenses | 6(7) | 89,534 | 14,344 |
| (Reversal of provision) provision for bad debts expense | 6(4) | ( 99 ) | 189 |
| Interest expense | 6(7)(23) | 221,521 | 235,631 |
| Interest income | 6(21) | ( 25,958 ) | ( 37,537 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | ( 17,537 ) | 421,354 |
| Accounts receivable - related parties | | 36,598 | 7,829 |
| Accounts receivable | | ( 859,258 ) | ( 784,056 ) |
| Inventories | | 1,427,252 | 1,339,090 |
| Prepayments | | ( 261,651 ) | 75,228 |
| Other current assets | | 210,993 | ( 36,389 ) |
| Other operating assets | | ( 1,279 ) | 642 |
| Changes in operating liabilities | | | |
| Notes payable | | 11,015 | 30,999 |
| Accounts payable | | 358,603 | ( 1,392,630 ) |
| Other payables | | ( 105,548 ) | ( 382,819 ) |
| Other current liabilities | | 81,470 | 122,911 |
| Accrued pension liabilities | | ( 109,632 ) | 3,003 |
| Cash inflow generated from operations | | 9,264,050 | 6,602,481 |
| Interest received | | 27,900 | 36,405 |
| Interest paid | | ( 194,319 ) | ( 217,390 ) |
| Income tax paid | | ( 457,068 ) | ( 625,145 ) |
| Net cash flows from operating activities | | 8,640,563 | 5,796,351 |

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CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

| | Notes | Three-month periods ended March 31 2016 | 2015 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment | 6(7) | $ 40,198 | $ 5,820 |
| Payment for capitalized interests | 6(7)(23)(27) | ( 12,245 ) | ( 10,830 ) |
| Acquisition of property, plant and equipment | 6(7)(27) | ( 2,825,690 ) | ( 2,733,702 ) |
| Decrease in refundable deposits | | 659 | 278,475 |
| Increase in land use rights | | - | ( 1,562,467 ) |
| Decrease in other non-current liabilities | | ( 35,761 ) | ( 32,524 ) |
| Net cash flows used in investing activities | | ( 2,832,839 ) | ( 4,055,228 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in other current assets | | 809,989 | - |
| Increase in short-term loans | | 3,089,861 | 5,559,720 |
| Decrease in short-term loans | | ( 5,985,033 ) | ( 4,117,993 ) |
| Increase in long-term loans | | 3,699,355 | 277,182 |
| Decrease in long-term loans | | ( 1,669,389 ) | ( 1,737,089 ) |
| Increase( decrease) in guarantee deposits received | | 5,108 | ( 7,485 ) |
| Increase in other payables to related parties | 7 | 14,916 | - |
| Net cash flows used in financing activities | | ( 35,193 ) | ( 25,665 ) |
| Effect of exchange rate changes on cash and cash equivalents | | ( 319,499 ) | ( 187,317 ) |
| Net increase in cash and cash equivalents | | 5,453,032 | 1,528,141 |
| Cash and cash equivalents at beginning of period | 6(1) | 22,381,482 | 21,166,079 |
| Cash and cash equivalents at end of period | 6(1) | $ 27,834,514 | $ 22,694,220 |

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 11, 2016.

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were reported to the Board of Directors on May 11, 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")

None.

(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:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
| --- | --- |
| 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 |

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| 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 |
| Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15) | January 1, 2018 |
| 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 |

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognized either in full or partially depending on the nature of the assets sold or contributed:

(a) If sales or contributions of assets constitute a 'business', the full gain or loss is recognized;

(b) If sales or contributions of assets do not constitute a 'business', the partial gain or loss is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

C. IFRS 15, "Revenue from contracts with customers"

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when the performance obligation is satisfied

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

D. Amendments to IFRS 15, 'Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

E. IFRS 16, 'Leases'

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

F. Amendments to IAS 19, "Defined benefit plans: Employee contributions"

The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

G. Amendments to IAS 27, 'Equity method in separate financial statements'

The amendment allows entities to account for investments in subsidiaries, joint ventures and associates in their separate financial statements either:

(a) at cost; or

(b) in accordance with IFRS 9; or

(c) using the equity method as described in IAS 28.

H. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 3, 'Business combinations'

Except for the contingent consideration classified as equity, all non-equity contingent consideration is measured at fair value with changes in fair value recognized in profit and loss.

(b) IFRS 8, 'Operating segments'

The standard is amended to require disclosure of judgments made by management in aggregating operating segments. This amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only when segment asset is provided to chief operating decision maker regularly.

(c) IFRS 13, 'Fair value measurement'

When issuing IFRS 13, 'Fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply the above standard.

(d) IAS 16, 'Property, plant and equipment'

The standard is amended to clarify how the accumulated depreciation of property, plant and equipment are treated to where an entity uses the revaluation model.

(e) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

(f) IAS 38, 'Intangible asset'

The standard is amended to clarify how the accumulated depreciation is treated where an intangible asset uses the revaluation model.

I. Annual improvements to IFRSs 2011-2013 cycle

(a) IFRS 1, 'First-time adoption of International Financial Reporting Standards'

This amendment clarifies that paragraph BC11 in IFRS 1 is not requiring an entity to apply a more recent version of an IFRS, but only illustrates the advantages of applying a more recent version of an IFRS.

(b) IFRS 3, 'Business combinations'

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement.

(c) IFRS 13, 'Fair value measurement'

The amendment clarifies that the exception of measuring the fair value of a group of financial assets and financial liabilities (portfolio exception) applies to all financial assets, financial liabilities and other contracts within the scope of IFRS 9 or IAS 39.

(d) IAS 40, 'Investment property'

This amendment clarifies that preparers should refer to the guidance in IFRS 3 to determine whether the acquisition of a property is an asset acquisition or a business combination, and refer to the guidance in IAS 40 to distinguish between owner-occupied property and investment property.

J. Annual improvements to IFRSs 2012-2014 cycle

(a) IFRS 7, 'Financial instruments: Disclosures'

The amendment provides additional guidance to determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and thus the disclosure requirement of transferred financial assets applies. This amendment also clarifies that disclosure of offsetting is not required for all interim periods.

(b) IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(c) IAS 34, 'Interim financial reporting'

The amendment clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

Except for the aforementioned effects, as of the financial statement issuing date, the Group continuously evaluates effects on financial conditions and operating results due to other standards and interpretations. Effects evaluation will be disclosed once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation and basis of consolidation described below, the other significant accounting policies of the Group are in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2015. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2015.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its 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:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2015.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) March 31, 2016 | Ownership (%) December 31, 2015 | Ownership (%) March 31, 2015 | Description |
|---|---|---|---|---|---|---|
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS International Co., Ltd. | Holding company | 100 | 100 | 100 | |
| CHENG SHIN RUBBER IND. CO., LTD. | CST Trading Ltd. | Holding company | 100 | 100 | 100 | |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Trading Ltd. | Holding company | 100 | 100 | 100 | Note 10 |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER USA, INC. | Import and export of tires | 100 | 100 | 100 | Note 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | CIAO SHIN CO., LTD. | Investment in various business | 97 | 97 | 97 | Note 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | CHENG SHIN RUBBER CANADA, INC. | Import and export of tires | 100 | 100 | 100 | Note 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS Tech Center Europe B.V. | Technical center | 100 | 100 | 100 | Note 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | PT MAXXIS International Indonesia | Production and sales of various types of tires | 100 | 100 | 100 | Notes 4 and 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | Maxxis Rubber India Private Limited | Production and sales of various types of tires | 100 | 100 | — | Notes 5 and 9 |
| CHENG SHIN RUBBER IND. CO., LTD. | MAXXIS (Taiwan) Trading CO., LTD. | Wholesale and retail of tires | 100 | — | — | Notes 9 and 11 |
| MAXXIS International Co., Ltd. | TIANJIN TAFENG RUBBER IND CO., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |
| MAXXIS International Co., Ltd. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Production and sales of various types of tires | 60 | 60 | 60 | Note 3 |
| MAXXIS International Co., Ltd. | MAXXIS International (HK) Ltd. | Holding company | 100 | 100 | 100 | |
| MAXXIS International (HK) Ltd. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |
| MAXXIS International (HK) Ltd. | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) March 31, 2016 | Ownership (%) December 31, 2015 | Ownership (%) March 31, 2015 | Description |
|---|---|---|---|---|---|---|
| MAXXIS International (HK) Ltd. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO., LTD. | Research, development, testing and exhibition of tires and automobile accessory products and related products, and management of racing tracks | 100 | 100 | 100 | |
| MAXXIS International (HK) Ltd. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Production and sales of various types of tires | 25 | 25 | 25 | Note 2 |
| CST Trading Ltd. | Cheng Shin International (HK) Ltd. | Holding company | 100 | 100 | 100 | |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Production and sales of various types of tires | 100 | 100 | 100 | |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. | Production, sales and maintenance of models | 50 | 50 | 50 | |
| Cheng Shin International (HK) Ltd. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | Production and sales of various types of tires | 30 | 30 | 30 | Note 1 |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | Production and sales of various types of tires | 70 | 70 | 70 | Note 1 |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | KUNSHAN MAXXIS TIRE CO., LTD. | Retail of accessories for rubber tires | — | — | — | Note 7 |
| MAXXIS Trading Ltd. | MAXXIS Holding (BVI) Co., Ltd. | Holding company | 100 | 100 | 100 | Note 10 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. | Retail of accessories for rubber tires | 95 | 95 | 95 | |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Production and sales of various types of tires | 40 | 40 | 40 | Note 3 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. | International container transportation | 49 | 49 | 49 | |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Production and sales of various types of tires | 75 | 75 | 75 | Note 2 |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) March 31, 2016 | December 31, 2015 | March 31, 2015 | Description |
|---|---|---|---|---|---|---|
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. | Manufacturing and sales of equipment | 50 | 50 | 50 | Note 8 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | XIAMEN ESTATE CO., LTD. | Construction and trading of employees' housing | 100 | 100 | 100 | |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | YIXIN (ZHANGZHOU) LABOR DISPATCHING CO., LTD. | 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 | 100 | Note 10 |
| MAXXIS Holding (BVI) Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd. | Production and sales of various types of tires | 100 | 100 | 100 | Note 9 |

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 USD 80 million 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 USD 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: 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 was RMB 5 million and paid-in capital was collected on April 1, 2016.

Note 8: On January 1, 2016, the shareholders during their meeting resolved for the liquidation of the Group's subsidiary, CHENG SHIN (ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. As of May 11, 2016, the liquidation was not completed.

Note 9: The financial statements of the entity as of March 31, 2016 and 2015, were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 10: The financial statements of the entity as of March 31, 2015 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 11: In January 2016, the Group established a subsidiary, MAXXIS (Taiwan) Trading Co., Ltd., which was included in the consolidated financial statements since establishment.

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) Employee benefits

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

(5) Income tax

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

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

There have been no significant changes as of March 31, 2016. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2015.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Cash on hand and petty cash (revolving funds) | $ 3,738 | $ 2,387 | $ 2,757 |
| Checking deposit | 3,881,135 | 2,143,275 | 907,055 |
| Demand deposits | 19,538,672 | 15,740,483 | 15,686,913 |
| Time deposits | 2,614,198 | 4,096,025 | 6,097,495 |
| Commercial paper | 1,796,771 | 399,312 | - |
| | $ 27,834,514 | $ 22,381,482 | $ 22,694,220 |

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Interest rate range | | | |
| Time deposits | 0.15%-3.80% | 0.45%-6.48% | 0.45%-4.21% |
| Commercial paper | 0.40% | 0.42% | – |

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

B. The Group has no cash and cash equivalents pledged to others.

(2) Available-for-sale financial assets

| Items | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Current items: | | | |
| Listed stocks | $ 73,588 | $ 73,588 | $ 73,588 |
| Funds | 18,930 | 18,930 | 18,930 |
| | 92,518 | 92,518 | 92,518 |
| Valuation adjustment | 84,657 | 74,829 | 65,183 |
| | $ 177,175 | $ 167,347 | $ 157,701 |
| Non-current items: | | | |
| Unlisted stocks | $ 58,187 | $ 58,187 | $ 58,187 |

The Group recognized $9,828 and $20,350 in other comprehensive income for fair value change for the three-month periods ended March 31, 2016 and 2015, respectively.

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Notes receivable | $ 2,269,750 | $ 2,252,213 | $ 2,736,845 |
| Less: allowance for bad | ( 9,277) | ( 9,277) | ( 9,277) |
| | $ 2,260,473 | $ 2,242,936 | $ 2,727,568 |

A. 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.

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Dealer | $ 1,550,820 | $ 1,497,222 | $ 2,401,978 |
| Vehicle assembly factory | 694,196 | 714,350 | 311,909 |
| Others | 24,734 | 40,641 | 22,958 |
| | $ 2,269,750 | $ 2,252,213 | $ 2,736,845 |

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the Group does not hold any notes receivable that were impaired.

(4) Accounts receivable, net

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Accounts receivable | $ 11,566,361 | $ 10,707,103 | $ 11,976,630 |
| Less: allowance for bad debts | ( 12,845) | ( 12,966) | ( 12,845) |
| | $ 11,553,516 | $ 10,694,137 | $ 11,963,785 |

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:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Dealer | $ 5,572,045 | $ 4,244,053 | $ 5,773,418 |
| Vehicle assembly factory | 4,149,972 | 4,500,705 | 4,356,080 |
| Others | 331,368 | 268,781 | 407,081 |
| | $ 10,053,385 | $ 9,013,539 | $ 10,536,579 |

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Up to 30 days | $ 1,022,636 | $ 1,193,473 | $ 1,001,101 |
| 31 to 90 days | 392,958 | 414,283 | 336,128 |
| 91 to 180 days | 60,530 | 52,531 | 86,254 |
| Over 181 days | 36,852 | 33,277 | 16,568 |
| | $ 1,512,976 | $ 1,693,564 | $ 1,440,051 |

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 March 31, 2016, December 31, 2015 and March 31 2015, the Group had no accounts receivable that were impaired.

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

| | 2016 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ - | $ 12,966 | $ 12,966 |
| Reversal of impairment | - | ( 99) | ( 99) |
| Effects of foreign exchange | - | ( 22) | ( 22) |
| At March 31 | $ - | $ 12,845 | $ 12,845 |

| | 2015 | | |
|---|---|---|---|
| | Individual provision | Group provision | Total |
| At January 1 | $ - | $ 12,668 | $ 12,668 |
| Provision for impairment | - | 189 | 189 |
| Effects of foreign exchange | - | ( 12) | ( 12) |
| At March 31 | $ - | $ 12,845 | $ 12,845 |

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

(5) Inventories, net

| | March 31, 2016 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 3,768,193 | $ - | $ 3,768,193 |
| Work in process | 1,434,908 | - | 1,434,908 |
| Finished goods | 4,751,221 | ( 40,055) | 4,711,166 |
| Construction in progress | 1,162,931 | - | 1,162,931 |
| Inventory in transit | 708,703 | - | 708,703 |
| | $ 11,825,956 | ($ 40,055) | $ 11,785,901 |

| | 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 |
| | $ 13,254,898 | ($ 41,745) | $ 13,213,153 |

| | March 31, 2015 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 6,264,266 | $ - | $ 6,264,266 |
| Work in process | 1,601,793 | - | 1,601,793 |
| Finished goods | 5,859,259 | ( 43,676) | 5,815,583 |
| Construction in progress | 998,335 | - | 998,335 |
| Inventory in transit | 553,631 | - | 553,631 |
| | $ 15,277,284 | ($ 43,676) | $ 15,233,608 |

The cost of inventories recognized as expense for the period:

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Cost of goods sold | $ 19,971,821 | $ 20,607,824 |
| Loss on inventory retirement | 8 | 425 |
| Loss on physical inventory | 166 | - |
| Revenue from sale of scraps | ( 36,970) | ( 49,413) |
| Gain on reversal of decline in market value | ( 1,690) | ( 4,220) |
| | $ 19,933,335 | $ 20,554,616 |

For the three-month periods ended March 31, 2016 and 2015, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold due to sale of scrap or inventories which were previously provided with allowance.

(6) Investments accounted for using equity method

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amount of the Group's individually immaterial joint ventures amounted to $188,906, $181,668 and $179,364, respectively.

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Share of profit of associates and joint ventures accounted for using equity method | $ 7,010 | $ 5,799 |
| Other comprehensive (loss) income-net of tax | 188 | ( 1,461) |
| Total comprehensive income | $ 7,198 | $ 4,338 |

B. The above investments were accounted for using the equity method based on the associate's financial statements which were not reviewed by the independent accountants.

(7) Property, plant and equipment, net

| | Three-month period ended March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning of period | Additions | Disposals | Transfer | Exchange rate differences | End of period |
| Cost | | | | | | |
| Land | $ 4,547,849 | $ 395 | $ - | $ - | ($ 477) | $ 4,547,767 |
| Buildings | 43,820,285 | 426,731 | ( 51,060) | 1,126,826 | ( 238,935) | 45,083,847 |
| Machinery | 93,834,228 | 193,148 | ( 186,068) | 1,254,171 | ( 296,432) | 94,799,047 |
| Testing equipment | 3,457,987 | 4,872 | ( 72,001) | 15,141 | ( 14,343) | 3,391,656 |
| Transportation equipment | 1,247,921 | 12,437 | ( 4,020) | 6,469 | ( 6,503) | 1,256,304 |
| Office equipment | 580,037 | 15,721 | ( 7,810) | 32,424 | ( 4,333) | 616,039 |
| Other facilities | 23,493,044 | 495,313 | ( 270,100) | 877,892 | ( 89,107) | 24,507,042 |
| Unfinished construction and equipment under | 8,190,036 | 1,711,338 | - | ( 3,397,612) | ( 21,988) | 6,481,774 |
| | 179,171,387 | $ 2,859,955 | ($ 591,059) | ($ 84,689) | ($ 672,118) | 180,683,476 |
| Accumulated depreciation | | | | | | |
| Buildings | ( 12,677,650) | ($ 496,895) | $ 45,701 | $ - | $ 63,383 | ( 13,065,461) |
| Machinery | ( 40,820,160) | ( 1,505,956) | 147,787 | 190,854 | ( 74,595) | ( 42,062,070) |
| Testing equipment | ( 2,283,765) | ( 75,916) | 70,779 | - | 10,603 | ( 2,278,299) |
| Transportation equipment | ( 830,507) | ( 27,623) | 3,784 | - | 4,596 | ( 849,750) |
| Office equipment | ( 367,399) | ( 18,468) | 7,733 | ( 1,652) | 2,579 | ( 377,207) |
| Other facilities | ( 15,700,525) | ( 773,514) | 262,542 | ( 194,047) | 62,480 | ( 16,343,064) |
| | ( 72,680,006) | ($ 2,898,372) | $ 538,326 | ($ 4,845) | $ 69,046 | ( 74,975,851) |
| Accumulated impairment | | | | | | |
| Machinery | ( 12,651) | $ - | $ - | $ - | $ - | ( 12,651) |
| Other facilities | ( 1,926) | - | - | - | - | ( 1,926) |
| | ( 14,577) | $ - | $ - | $ - | $ - | ( 14,577) |
| | $ 106,476,804 | | | | | $ 105,693,048 |

| | Three-month period ended March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning of period | Additions | Disposals | Transfer | Exchange rate differences | End of period |
| Cost | | | | | | |
| Land | $ 4,557,063 | $ - | $ - | $ - | ($ 1,667) | $ 4,555,396 |
| Buildings | 42,805,997 | 188,015 | ( 7,621) | 380,162 | ( 328,239) | 43,038,314 |
| Machinery | 92,751,197 | 169,055 | ( 369,039) | 791,365 | ( 422,487) | 92,920,091 |
| Testing equipment | 3,280,358 | 8,661 | ( 2,624) | 64,226 | ( 18,811) | 3,331,810 |
| Transportation equipment | 1,209,009 | 31,895 | ( 5,685) | 12,942 | ( 10,551) | 1,237,610 |
| Office equipment | 519,658 | 8,852 | ( 4,572) | 15,028 | ( 4,712) | 534,254 |
| Other facilities | 21,186,634 | 518,960 | ( 251,161) | 250,266 | ( 140,319) | 21,564,380 |
| Unfinished construction and equipment under | 7,529,821 | 1,791,880 | - | ( 1,518,545) | ( 51,762) | 7,751,394 |
| | 173,839,737 | $ 2,717,318 | ($ 640,702) | ($ 4,556) | ($ 978,548) | 174,933,249 |
| Accumulated depreciation | | | | | | |
| Buildings | ( 10,881,696) | ($ 490,811) | $ 7,621 | $ - | $ 84,518 | ( 11,280,368) |
| Machinery | ( 36,825,438) | ( 1,420,416) | 364,832 | 612 | ( 20,286) | ( 37,900,696) |
| Testing equipment | ( 2,041,785) | ( 71,014) | 2,581 | - | 12,175 | ( 2,098,043) |
| Transportation equipment | ( 762,265) | ( 30,016) | 5,309 | - | 6,593 | ( 780,379) |
| Office equipment | ( 320,699) | ( 14,840) | 4,408 | - | 3,177 | ( 327,954) |
| Other facilities | ( 13,563,006) | ( 688,010) | 234,602 | ( 10,400) | 89,411 | ( 13,937,403) |
| | ( 64,394,889) | ($ 2,715,107) | $ 619,353 | ($ 9,788) | $ 175,588 | ( 66,324,843) |
| Accumulated impairment | | | | | | |
| Machinery | ( 12,651) | $ - | $ - | $ - | $ - | ( 12,651) |
| Other facilities | ( 1,926) | - | - | - | - | ( 1,926) |
| | ( 14,577) | $ - | $ - | $ - | $ - | ( 14,577) |
| | $ 109,430,271 | | | | | $ 108,593,829 |

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

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Amount capitalized | $ 12,245 | $ 10,830 |
| Range of the interest rates for capitalization | 1.41%~5.00% | 0.78%~6.60% |

(8) Investment property, net

| | Three-month period ended March 31, 2016 | | |
|---|---|---|---|
| | Opening net book amount as at January 1 | Additions | amount as at March 31 |
| Cost | | | |
| Land | $ 359,315 | $ - | $ 359,315 |
| Buildings and structures | 50,825 | - | 50,825 |
| | 410,140 | $ - | 410,140 |
| Accumulated depreciation | | | |
| Buildings and structures | ( 30,850) | ($ 242) | ( 31,092) |
| Accumulated impairment | | | |
| Land | ( 51,038) | $ - | ( 51,038) |
| | $ 328,252 | | $ 328,010 |

| | Three-month period ended March 31, 2015 | | |
|---|---|---|---|
| | Opening net book amount as at January 1 | Additions | amount as at March 31 |
| Cost | | | |
| Land | $ 359,315 | $ - | $ 359,315 |
| Buildings and structures | 50,825 | - | 50,825 |
| | 410,140 | $ - | 410,140 |
| Accumulated depreciation | | | |
| Buildings and structures | ( 29,881) | ($ 242) | ( 30,123) |
| Accumulated impairment | | | |
| Land | ( 51,038) | $ - | ( 51,038) |
| | $ 329,221 | | $ 328,979 |

A. Rental income from investment property is shown below:

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Rental income from investment property | $ 2,181 | $ 2,181 |

B. The fair value of the investment property held by the Group as at March 31, 2016, December 31, 2015 and March 31, 2015 was $624,514, which was valued by independent appraisers. Valuations were made using the comparison method which is categorized within Level 3 in the fair value hierarchy.

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

(9) Other non-current assets

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Land use right | $ 5,587,286 | $ 5,652,943 | $ 5,038,662 |
| Others | 212,733 | 212,113 | 127,433 |
| | $ 5,800,019 | $ 5,865,056 | $ 5,166,095 |

The Group signed a contract of land use right with a term of 40 to 99 years. All rentals had been paid on the contract date. The Group recognized rental expenses of $24,631 and $22,144 for the three-month periods ended March 31, 2016 and 2015, respectively.

(10) Short-term borrowings

| Type of borrowings | March 31, 2016 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Bank unsecured borrowings | $ 13,170,534 | 0.95%~4.35% | None |

| Type of borrowings | December 31, 2015 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Bank unsecured borrowings | $ 16,206,436 | 0.95%~5.6% | None |

| Type of borrowings | March 31, 2015 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Bank unsecured borrowing | $ 15,811,993 | 1.23%～5.6% | None |

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

(11) Other payables

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Wages and salaries payable | $ 1,055,036 | $ 1,375,373 | $ 1,106,615 |
| Payable on machinery and equipment | 806,212 | 784,192 | 1,303,256 |
| Employee bonus payable | 419,042 | 610,194 | 347,001 |
| Compensation due to directors and supervisors | 332,091 | 357,324 | 385,171 |
| Other accrued expenses | 1,973,941 | 1,904,090 | 1,752,605 |
| Others | 1,669,672 | 1,283,707 | 1,444,891 |
| | $ 6,255,994 | $ 6,314,880 | $ 6,339,539 |

(12) Other current liabilities

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Long-term liabilities due within one year | $ 5,465,317 | $ 5,096,959 | $ 9,016,002 |
| Advance receipts | 946,550 | 717,522 | 988,083 |
| Others | 184,879 | 332,437 | 112,699 |
| | $ 6,596,746 | $ 6,146,918 | $ 10,116,784 |

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

| Items | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Current items: | | | |
| Financial liabilities held for trading | | | |
| Forward foreign exchange contracts | $ - | $ 1 | $ - |
| Interest rate swaps | 11,376 | 19,172 | - |
| | $ 11,376 | $ 19,173 | $ - |
| Non-current items: | | | |
| Financial liabilities held for trading | | | |
| Interest rate swaps | $ - | $ - | $ 42,582 |

A. The Group recognized net loss of $1,450 and $6,494 on financial liabilities held for trading for the three-month periods ended March 31, 2016 and 2015, respectively.

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

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| Types of goods | Contract amount (Notional principal) | Contract period | Contract amount (Notional principal) | Contract period |
| Current items: | | | | |
| Forward foreign exchange contracts (USD exchange to NTD) | $ - | - | USD 831 thousand | 2015.12.29-2016.02.04 |
| Interest rate swaps | USD 80 million | 2011.06.03-2016.07.29 | USD 80 million | 2011.06.03-2016.07.29 |

| | March 31, 2015 | |
|---|---|---|
| Non-current items: | Contract amount (Notional principal) | Contract period |
| Interest rate swaps | USD 80 million | 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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Bonds payable -issued on 2010 (Note) | $ - | $ - | $ 2,000,000 |
| Bonds payable -issued on 2013 | 3,800,000 | 3,800,000 | 3,800,000 |
| Bonds payable -issued on 2014 | 4,800,000 | 4,800,000 | 4,800,000 |
| | 8,600,000 | 8,600,000 | 10,600,000 |
| Less: current portion | - | - | ( 2,000,000) |
| | $ 8,600,000 | $ 8,600,000 | $ 8,600,000 |

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

A. In order to meet operating capital requirements, repay debts and improve the financial structure, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by FSC on June 6, 2014 and completed on July 18, 2014. The bonds were fully issued and total issuance amount was $4.8 billion with a coupon rate of 1.40%. The issuance period of the bonds is 5 years, which is from July 18, 2014 to July 18, 2019. The terms are as follows:
   (a) Interest accrued/ paid:
   The interest is accrued/ paid at a single rate annually from the issue date.
   (b) Redemption:
   The corporate bonds will be redeemed in full amount at the maturity date.

B. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic unsecured bonds ("the bonds"). The bond issuance has been approved by FSC on May 20, 2013 and completed on August 19, 2013. The bonds were fully issued and total issuance amount was $3.8 billion with a coupon rate of 1.55%. The issuance period of the bonds 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 redeemed at 50% of the total amount after four and five years from the issue date.

C. In order to fulfil its capital and repay long-term and short-term loans, the Board of Directors of the Company has resolved to issue domestic secured bonds ("the bonds"). The bond issuance 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 billion 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 redeemed at 50% of the total amount after four and five years from the issue date.

(15) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | | March 31, 2016 |
|---|---|---|---|---|---|
| Installment-repayment borrowings | | | | | |
| Unsecured borrowings | Principal is repayable in installment until November, 2021. | 0.85%~5% | None | $ | 30,385,852 |
| Less: current portion | | | | ( | 5,465,317) |
| | | | | $ | 24,920,535 |

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

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | | March 31, 2015 |
|---|---|---|---|---|---|
| Installment-repayment borrowings | | | | | |
| Unsecured borrowings | Principal is repayable in installment until November, 2021. | 0.84%~6.15% | None | $ | 29,453,215 |
| Less: current portion | | | | ( | 7,016,002) |
| | | | | $ | 22,437,213 |

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 year ended December 31, 2015.

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

| Currency | | March 31, 2016 | | December 31, 2015 | | March 31, 2015 |
|---|---|---|---|---|---|---|
| USD | $ | 11,697,472 | $ | 11,499,495 | $ | 14,470,979 |
| JPY | | 89,469 | | 415,868 | | 979,267 |
| RMB | | - | | - | | 176,540 |
| THB | | 918,500 | | - | | 290,433 |
| EUR | | 313,986 | | 315,744 | | - |

(16) Pensions

A. (a) The Company has 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 December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognized pension costs of $10,677 and $11,831 for the three months ended March 31, 2016 and 2015, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are $45,440.

B. (a) Effective July 1, 2005, the Company has 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 the defined contribution pension plans of the Group for the three months ended March 31, 2016 and 2015 were $28,268 and $26,179, respectively.

C. (a) The Company's mainland 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 a certain percentage of employees' monthly salaries and wages. The contribution percentage for the three months ended March 31, 2016 and 2015 ranged between 14% ~ 20%. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2016 and 2015 were $120,328 and $127,521, 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 the defined contribution pension plans of the Group for the three months ended March 31, 2016 and 2015 were $3,036 and $2,657, respectively.

(c) Starting from January 2011, the subsidiary, Maxxis International (Thailand) Co., Ltd., has recognized provision for employees' pensions based on the actuarial reports. As of March 31, 2016, December 31, 2015 and March 31, 2015 the net liabilities recognised in the balance sheets were $26,619, $25,162 and $22,816, respectively. The subsidiary established a provident fund in accordance with the Provident Fund Act of 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 withdraw the fund. The pension costs under the defined contribution pension plans for the three month ended March 31, 2016 and 2015 were $3,090 and $2,682 , respectively.

(17) Share capital

As of March 31, 2016, both of the Company's authorized capital and paid-in capital was $32,414,155, 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, may 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 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 has distributed dividends in the amount of $9,724,246 ($3 (in dollars) per share) to shareholders for the years ended December 31, 2015 and 2014, respectively. On March 24, 2016, the Board of Directors proposed for the distribution of earnings for 2015 of $9,724,246, constituting $3 (in dollars) per share. The financial statements did not reflect such dividends payable.

As of May 11, 2016, the above distribution of earnings for 2015 has not yet been resolved by the shareholders during their meeting.

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

(20) Other equity items

| | 2016 | | |
|---|---|---|---|
| | Currency translation | Available-for-sale investment | Total |
| At January 1 | $ 1,744,319 | $ 74,700 | $ 1,819,019 |
| Valuation adjustment – Group | - | 8,916 | 8,916 |
| Valuation adjustment – Associates | - | 886 | 886 |
| Currency translation differences: | | | |
| – Group | ( 599,888) | - | ( 599,888) |
| – Tax on group | 101,981 | - | 101,981 |
| – Associates | 227 | - | 227 |
| – Tax on associates | ( 39) | - | ( 39) |
| At March 31 | $ 1,246,600 | $ 84,502 | $ 1,331,102 |

| | 2015 | | |
|---|---|---|---|
| | Currency translation | Available-for-sale investment | Total |
| At January 1 | $ 3,402,402 | $ 44,370 | $ 3,446,772 |
| Valuation adjustment – Group | - | 18,528 | 18,528 |
| Valuation adjustment – Associates | - | 1,768 | 1,768 |
| Currency translation differences: | | | |
| – Group | ( 900,099) | - | ( 900,099) |
| – Tax on Group | 153,017 | - | 153,017 |
| – Associates | ( 1,760) | - | ( 1,760) |
| – Tax on associates | 299 | - | 299 |
| At March 31 | $ 2,653,859 | $ 64,666 | $ 2,718,525 |

(21) Other income

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Interest income | $ 25,958 | $ 37,537 |
| Grant revenue | 42,778 | 69,225 |
| Other income | 80,761 | 9,549 |
| | $ 149,497 | $ 116,311 |

(22) Other gains and losses

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Net currency exchange loss | ($ 17,474) | ($ 203,032) |
| Loss on disposal of property, plant and equipment | ( 12,535) | ( 16,149) |
| Net gain on financial liabilities at fair value through profit or loss | 7,810 | 5,003 |
| Other expenses | ( 18,371) | ( 49,347) |
| | ($ 40,570) | ($ 263,525) |

(23) Finance costs

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Interest expense: | | |
| Bank borrowings | $ 192,981 | $ 196,539 |
| Corporate bonds | 31,525 | 38,425 |
| Loss on fair value change of financial instruments: | | |
| Interest rate swaps | 9,260 | 11,497 |
| | 233,766 | 246,461 |
| Less: capitalisation of qualifying assets | ( 12,245) | ( 10,830) |
| Finance costs | $ 221,521 | $ 235,631 |

(24) Expenses by nature

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Employee benefit expense | | |
| Wages and salaries | $ 2,872,261 | $ 2,677,599 |
| Labour and health insurance fees | 163,125 | 138,303 |
| Pension costs | 165,399 | 170,870 |
| Other personel expenses | 212,359 | 213,298 |
| | $ 3,413,144 | $ 3,200,070 |
| Raw materials and supplies used | $ 11,957,072 | $ 13,144,406 |
| Depreciation charges on property, plant and equipment | $ 2,898,372 | $ 2,715,107 |

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 resolved by the shareholders. According to the appropriation of earnings proposed by the Board of Directors, at least 10% ~ 80% of the Company's accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee compensation, based on the profit of the current year distributable, 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' during their 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 profit of the current year distributable, 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 three months ended March 31, 2016 and 2015, employees' compensation (bonus) was accrued at $97,129 and $58,720, respectively; while directors' and supervisors' remuneration was accrued at $76,974 and $65,179, respectively. The amounts were recognized in salary expenses.

For the three months ended March 31, 2016, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on not lower than 2% and not higher than 3% of profit of current year distributable as of the end of reporting period.

The Board of Directors during its meeting resolved to distribute 1.585% of retained earnings as employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2015 while the amounts recognized in the financial statements based on 2.22% of retained earnings were $321,913 for employees' compensation and $357,324 for directors' and supervisors' remuneration. The difference of $102,207 resulted from adjustment of estimated percentage of directors' and supervisors' remuneration which had been adjusted in profit or loss for 2016. The employees' compensation for 2015 will be distributed in cash. As of May 11, 2016, retained earnings for 2015 has not yet been distributed.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Current tax: | | |
| Current tax on profits for the period | $ 695,809 | $ 595,009 |
| Prior year income tax understimate | 80,018 | 63,333 |
| Total current tax | 775,827 | 658,342 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 467,308 | 304,615 |
| Income tax expense | $ 1,243,135 | $ 962,957 |

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

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Currency translation differences | $ 101,942 | $ 153,316 |

B. The company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Earnings generated in and before 1997 | $ 26,215 | $ 26,215 | $ 26,215 |
| Earnings generated in and after 1998 | 44,596,266 | 40,566,997 | 42,405,287 |
| | $ 44,622,481 | $ 40,593,212 | $ 42,431,502 |

D. As of March 31, 2016, December 31, 2015 and March 31, 2015, the balance of the imputation tax credit account was $3,795,530, $3,795,530 and $1,809,724, respectively. The creditable tax rate was 8.77% for the year ended December 31, 2014 and is estimated to be 8.51% for the year ended December 31, 2015.

(26) Earnings per share

| | Three-month period ended March 31, 2016 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 4,029,269 | 3,241,416 | $ 1.24 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 4,029,269 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 6,741 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 4,029,269 | 3,248,157 | $ 1.24 |

| | Three-month period ended March 31, 2015 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,262,226 | 3,241,416 | $ 1.01 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,262,226 | 3,241,416 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' bonus | - | 5,008 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 3,262,226 | 3,246,424 | $ 1.00 |

(27) Supplemental cash flow information

A. Investing activities with partial cash payments

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Purchase of property, plant and equipment | $ 2,859,955 | $ 2,717,318 |
| Add: opening balance of payable on equipment | 784,192 | 1,330,470 |
| Less: ending balance of payable on equipment | ( 806,212) | ( 1,303,256) |
| Cash paid during the period | $ 2,837,935 | $ 2,744,532 |

## 7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

A. Operating revenue

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Sales of goods: | | |
| Associates | $ 157,257 | $ 198,679 |

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

B. Receivables from related parties

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Accounts receivable: | | | |
| Associates | $ 124,891 | $ 161,489 | $ 170,276 |

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

| | March 31, 2016 | December 31,2015 | March 31, 2015 |
|---|---|---|---|
| Payables due to related parties | | | |
| -Associates | $ 14,916 | $ - | $ 151,320 |

The interest rate is 4.75% per annum for the Group's financing with associates through financial institutions.

(2) Key management compensation

| | Three-month periods ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Short-term employee benefits | $ 119,575 | $ 110,241 |
| Post-employment benefits | 1,118 | 1,216 |
| | $ 120,693 | $ 111,457 |

## 8. PLEDGED ASSETS

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

| | Book value | | | |
|---|---|---|---|---|
| Pledged asset | March 31, 2016 | December 31, 2015 | March 31, 2015 | Purpose |
| Time deposits (Other non-current assets) | $ 14,766 | $ 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:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Property, plant and equipment | $ 9,211,994 | $ 9,664,889 | $ 5,977,611 |

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

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Amount of letter of credit that has been issued but not yet used | $ 493,742 | $ 510,070 | $ 684,638 |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

During the three months ended March 31, 2016, the Group's strategy was unchanged from 2015. The gearing ratios at March 31, 2016, December 31, 2015 and March 31, 2015 were as follows:

| | March 31, 2016 | December 31, 2015 | March 31, 2015 |
|---|---|---|---|
| Total liabilities | $ 75,732,617 | $ 76,005,638 | $ 79,667,392 |
| Total equity | 93,504,724 | 89,952,584 | 91,100,173 |
| Less : Intangible assets | - | - | - |
| Tangible equity | $ 93,504,724 | $ 89,952,584 | $ 91,100,173 |
| Debte-quity Ratio | 80.99% | 84.50% | 87.45% |

(2) 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 to 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 programmer focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:TWD | $ 155,720 | 32.185 | $ 5,011,848 | 1% | $ 50,118 | $ - |
| RMB:TWD | 77,284 | 4.972 | 384,256 | 1% | 3,843 | - |
| JPY:TWD | 307,474 | 0.286 | 87,938 | 1% | 879 | - |
| EUR:TWD | 11,618 | 36.510 | 424,173 | 1% | 4,242 | - |
| THB:TWD | 171,020 | 0.919 | 157,167 | 1% | 1,572 | - |
| GBP:TWD | 2,846 | 46.170 | 131,400 | 1% | 1,314 | - |
| USD:RMB | 98,940 | 6.473 | 3,184,261 | 1% | 31,843 | - |
| EUR:RMB | 11,548 | 7.343 | 421,611 | 1% | 4,216 | - |
| JPY:RMB | 186,765 | 0.058 | 53,859 | 1% | 539 | - |
| GBP:RMB | 2,014 | 9.286 | 92,986 | 1% | 930 | - |
| USD:THB | 80,055 | 35.041 | 2,577,985 | 1% | 25,780 | - |
| EUR:THB | 4,484 | 39.750 | 163,802 | 1% | 1,638 | - |
| GBP:THB | 756 | 50.267 | 34,924 | 1% | 349 | - |
| USD:VND | 20,576 | 24,382.576 | 662,239 | 1% | 6,622 | - |
| Non-monetary items | | | | | | |
| JPY:TWD | $ 23,455 | 0.286 | $ 6,708 | 1% | $ - | $ 67 |
| GBP:TWD | 532 | 46.170 | 24,562 | 1% | - | 246 |
| EUR:TWD | 128 | 36.510 | 4,673 | 1% | - | 47 |

| | March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:TWD | $ 13,078 | 32.185 | $ 420,915 | 1% | $ 4,209 | $ - |
| JPY:TWD | 8,244 | 0.286 | 2,358 | 1% | 24 | - |
| JPY:RMB | 603,563 | 0.058 | 174,053 | 1% | 1,741 | - |
| USD:RMB | 357,788 | 6.473 | 11,514,962 | 1% | 115,150 | - |
| EUR:RMB | 39,379 | 7.343 | 1,437,704 | 1% | 14,377 | - |
| USD:THB | 176,489 | 35.041 | 5,683,419 | 1% | 56,834 | - |
| JPY:THB | 7,545 | 0.312 | 2,163 | 1% | 22 | - |
| USD:VND | 58,924 | 24,382.576 | 1,896,469 | 1% | 18,965 | - |

| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
|---|---|---|---|---|---|---|
| | December 31, 2015 | | | Sensitivity analysis | | |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| 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 | - |
| Non-monetary items | | | | | | |
| JPY:TWD | $ 24,597 | 0.273 | $ 6,715 | 1% | $ - | $ 67 |
| GBP:TWD | 508 | 48.670 | 24,724 | 1% | - | 247 |
| EUR:TWD | 132 | 35.880 | 4,736 | 1% | - | 47 |

| | December 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| 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 | - |

| | March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Sensitivity analysis | | |
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (TWD in thousands) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD:TWD | $ 216,295 | 31.300 | $ 6,770,034 | 1% | $ 67,700 | $ - |
| RMB:TWD | 281,231 | 5.044 | 1,418,529 | 1% | 14,185 | - |
| JPY:TWD | 2,066,466 | 0.260 | 537,281 | 1% | 5,373 | - |
| EUR:TWD | 9,206 | 33.650 | 309,782 | 1% | 3,098 | - |
| THB:TWD | 186,556 | 0.967 | 180,400 | 1% | 1,804 | - |
| USD:RMB | 82,744 | 6.205 | 2,589,723 | 1% | 25,897 | - |
| EUR:RMB | 13,414 | 6.671 | 451,361 | 1% | 4,514 | - |
| USD:THB | 89,719 | 32.385 | 2,809,667 | 1% | 28,097 | - |
| EUR:THB | 6,510 | 34.816 | 219,173 | 1% | 2,192 | - |
| USD:CAD | 19,860 | 1.274 | 621,598 | 1% | 6,216 | - |
| USD:VND | 21,711 | 22,198.582 | 679,554 | 1% | 6,796 | - |
| USD:IDR | 25,134 | 12,880.658 | 786,694 | 1% | 7,867 | - |
| Non-monetary items | | | | | | |
| JPY:TWD | $ 25,776 | 0.260 | $ 6,702 | 1% | $ - | $ 67 |
| GBP:TWD | 531 | 46.240 | 24,553 | 1% | - | 246 |
| EUR:TWD | 140 | 33.650 | 4,711 | 1% | - | 47 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD:NTD | $ 12,026 | 31.300 | $ 376,414 | 1% | $ 3,764 | $ - |
| JPY:RMB | 3,403,439 | 0.052 | 892,681 | 1% | 8,927 | - |
| USD:RMB | 590,243 | 6.205 | 18,473,437 | 1% | 184,734 | - |
| USD:THB | 213,130 | 32.385 | 6,674,442 | 1% | 66,744 | - |
| GBP:RMB | 5,350 | 9.167 | 247,375 | 1% | 2,474 | - |
| USD:VND | 76,567 | 22,198.582 | 2,396,547 | 1% | 23,965 | - |
| USD:CAD | 18,746 | 1.274 | 586,731 | 1% | 5,867 | - |

iv. The exchange gain (loss) including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2016 and 2015 amounted to $17,474 and $203,032, 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 three months ended March 31, 2016 and 2015 would have increased/decreased by $114 and $426, 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 $2,354 and $2,159, 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 three months ended March 31, 2016 and 2015, the Group's borrowings at variable rate were denominated in 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 March 31, 2016 and 2015, 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 three months ended March 31, 2016 and

2015 would have been $34,746 and $31,763 lower / higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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 three months ended March 31, 2016 and 2015, 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 on 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 assets 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 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 headroom as determined by the abovementioned forecasts.

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

Non-derivative financial liabilities:

| March 31, 2016 | Less than 90 days | Between 91 and 180 days | Between 181 and 365 days | Over 1 year | Total |
|---|---|---|---|---|---|
| Short-term borrowings | $11,428,050 | $ 3,837,979 | $ 922,296 | $ - | $16,188,325 |
| Notes and bills payable | 7,321,261 | - | - | - | 7,321,261 |
| Other payables | 5,636,097 | 107,853 | 330,522 | 181,522 | 6,255,994 |
| Guarantee deposits | - | 659 | - | 289,473 | 290,132 |
| Long-term borrowings | 823,647 | 1,951,550 | 3,167,037 | 25,460,206 | 31,402,440 |
| Bonds payable | - | 126,100 | - | 8,889,950 | 9,016,050 |

| 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 |

| March 31, 2015 | Less than 90 days | Between 91 and 180 days | Between 181 and 365 days | Over 1 year | Total |
|---|---|---|---|---|---|
| Short-term borrowings | $ 9,430,065 | $ 3,360,915 | $ 3,217,419 | $ - | $16,008,399 |
| Notes and bills payable | 6,935,031 | - | - | - | 6,935,031 |
| Other payables | 5,926,727 | 106,633 | 304,870 | 1,309 | 6,339,539 |
| Guarantee deposits | 2,562 | - | - | 282,839 | 285,401 |
| Long-term borrowings | 1,679,729 | 2,027,508 | 4,100,321 | 27,058,345 | 34,865,903 |
| Bonds payable | - | 2,153,700 | - | 9,016,050 | 11,169,750 |

Derivative financial liabilities:

| March 31, 2016 | Less than 90 days | Between 91 and 180 days | Between 181 and 365 days | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate swaps | $ 3,933 | $ 7,443 | $ - | $ - | $ 11,376 |

| 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 contracts | 1 | - | - | - | 1 |

| March 31, 2015 | Less than 90 days | Between 91 and 180 days | Between 181 and 365 days | Over 1 year | Total |
|---|---|---|---|---|---|
| Interest rate swaps | $ - | $ - | $ - | $ 42,582 | $ 42,582 |

(3) 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 on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2016, December 31, 2015 and March 31, 2015 is as follows:

| | March 31, 2016 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Assets** | | | |
| Recurring fair value measurements | | | |
| Available-for-sale financial assets | $ 177,175 | $ - | $ 58,187 |
| **Liabilities** | | | |
| Recurring fair value measurements | | | |
| Financial liabilities at fair value through profit or loss | | | |
| -Interest rate swaps | $ - | $ 19,172 | $ - |

| | December 31, 2015 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Assets** | | | |
| Recurring fair value measurements | | | |
| Available-for-sale financial assets | $ 167,347 | $ - | $ 58,187 |
| **Liabilities** | | | |
| Recurring fair value measurements | | | |
| Financial liabilities at fair value through profit or loss | | | |
| -Interest rate swaps | $ - | $ 19,172 | $ - |
| -Forward exchange contracts | - | 1 | - |
| | $ - | $ 19,173 | $ - |

| | March 31, 2015 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Assets** | | | |
| Recurring fair value measurements | | | |
| Available-for-sale financial assets | $ 157,701 | $ - | $ 58,187 |
| **Liabilities** | | | |
| Recurring fair value measurements | | | |
| Financial liabilities at fair value through profit or loss | | | |
| -Interest rate swaps | $ - | $ 42,582 | $ - |

D. The methods and assumptions the Group used to measure fair value are as follows:

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

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

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

E. For the three months ended March 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. There was no movement in Level 3 for the three months ended March 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: please refer to table 4.

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

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

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

I. Trading in derivative instruments undertaken during the reporting periods: please refer to Notes 6, (13), 6(22) and 12(2).

As of March 31, 2016, 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 | Fair value |
|---|---|---|---|---|---|
| Cheng Shin Tire and Rubber (China) Co., Ltd. | Interest rate swaps | USD 40,000 | 2011.07.14 ~2016.07.29 | ($ 7,443) | ($ 7,443) |

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: please refer to table 9.

B. Ceiling on investments in Mainland China: please refer to table 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 three months ended March 31, 2016: please refer to tables 5, 6 and 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarised 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 three months ended March 31, 2016 and 2015 is as follows:

| | Three-month period ended March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | 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., | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments | Total |
| Revenue | | | | | | |
| Revenue from external customers | $ 4,096,365 | $ 4,949,184 | $ 8,908,457 | $ 3,446,114 | $ 5,795,154 | $ 27,195,274 |
| revenue | 1,273,802 | 279,434 | 174,361 | 265,787 | 1,145,466 | 3,138,850 |
| Total segment revenue | $ 5,370,167 | $ 5,228,618 | $ 9,082,818 | $ 3,711,901 | $ 6,940,620 | $ 30,334,124 |
| Segment income | $ 1,194,258 | $ 616,953 | $ 1,358,338 | $ 391,393 | $ 1,504,376 | $ 5,065,318 |

| | Three-month period ended March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | 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., | MAXXIS INTERNATIONAL (THAILAND) CO., LTD. | All other segments | Total |
| Revenue | | | | | | |
| Revenue from external customers | $ 4,063,361 | $ 5,405,979 | $ 8,403,008 | $ 3,946,083 | $ 5,256,599 | $ 27,075,030 |
| revenue | 1,277,261 | 109,892 | 22,970 | 164,877 | 984,203 | 2,559,203 |
| Total segment revenue | $ 5,340,622 | $ 5,515,871 | $ 8,425,978 | $ 4,110,960 | $ 6,240,802 | $ 29,634,233 |
| Segment income | $ 995,714 | $ 614,525 | $ 884,240 | $ 368,563 | $ 1,156,484 | $ 4,019,526 |

(4) Reconciliation for segment income (loss)

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

| | Three-month periods ended March 31 | |
| --- | --- | --- |
| | 2016 | 2015 |
| Adjusted revenue from reportable segments | $ 30,334,124 | $ 29,634,233 |
| Adjusted revenue from other operating segments | 2,329,996 | 2,145,339 |
| Total operating segments | 32,664,120 | 31,779,572 |
| Elimination of inter-segment revenue | ( 3,318,926) | ( 2,786,167) |
| Total consolidated operating revenue | $ 29,345,194 | $ 28,993,405 |

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

| | Three-month periods ended March 31 | |
| --- | --- | --- |
| | 2016 | 2015 |
| Adjusted income from reportable segments before income tax | $ 5,065,318 | $ 4,019,526 |
| Adjusted income from other operating segments before income tax | 211,811 | 209,550 |
| Total operating segments | 5,277,129 | 4,229,076 |
| Income from elimination of inter-segment revenue | 9,937 | 12,776 |
| Income from continuing operations before income tax | $ 5,287,066 | $ 4,241,852 |

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

Loans to others

Three-month period ended March 31, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. (Note 1) | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the three months ended March 31, 2016 | Balance at March 31, 2016 (Note 5) | 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 Item | Collateral Value | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Other receivables | Yes | $ 3,071,280 | $ 2,988,180 | $ 2,689,362 | 4.75%~5.00% | Note 4 | $ - | Operating capital | $ - | None | $ - | $ 5,191,938 | $ 8,653,231 | Note 6 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Other receivables | Yes | 336,370 | 322,710 | 96,813 | 2.14% | Note 4 | - | Operating capital | - | None | - | 5,191,938 | 8,653,231 | Note 6 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Other receivables | Yes | 2,537,454 | 2,464,239 | 2,122,629 | 1.9967%~4.75% | Note 4 | - | Operating capital | - | None | - | 5,191,938 | 8,653,231 | Note 6 |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN (XIAMEN) INTL AUTOMOBILE CULTURE CENTER CO.,LTD | Other receivables | Yes | 153,564 | 149,409 | 119,527 | 4.75%~5.00% | Note 4 | - | Operating capital | - | None | - | 5,191,938 | 8,653,231 | Note 6 |
| 2 | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Other receivables | Yes | 1,023,760 | 996,060 | 323,720 | 4.75% | Note 4 | - | Operating capital | - | None | - | 8,042,362 | 13,403,937 | Note 6 |

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

(1)The Company is '0'.

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

Note 2: Limit on loans granted by 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 PETREL TIRE (XIAMEN) CO., LTD. to a single party is 60% of CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.'s net assets.

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 PETREL TIRE (XIAMEN) CO., LTD. to others is 100% of CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD.'s net assets.

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

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

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

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

Provision of endorsements and guarantees to others

Three-month period ended March 31, 2016

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Party being endorsed/guaranteed: Relationship with the endorser/ guarantor | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of March 31, 2016 | Outstanding endorsement/ guarantee amount at March 31, 2016 | Actual amount drawn down | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements/ guarantees to the party in Mainland China | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Sub-subsidiary | $ 46,351,245 | $ 8,912,259 | $ 8,631,469 | $ 5,596,753 | $ - | 9.31 | $ 64,891,742 | Y | N | N | Note 2, Note 4 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd. | Sub-subsidiary | 46,351,245 | 3,901,892 | 3,517,539 | 1,294,270 | - | 3.79 | 64,891,742 | Y | N | N | Note 2, Note 4 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS Rubber India Private Limited | Sub-subsidiary | 46,351,245 | 1,674,050 | 1,613,550 | 1,613,550 | - | 1.74 | 64,891,742 | Y | N | N | Note 2, Note 4 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | Sub-subsidiary | 46,351,245 | 4,709,180 | 4,517,940 | 2,554,787 | - | 4.87 | 64,891,742 | Y | N | Y | Note 2, Note 4 |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Sub-subsidiary | 46,351,245 | 1,513,665 | 1,452,195 | 1,129,485 | - | 1.57 | 64,891,742 | 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. $ 64,891,742

Limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. $ 18,540,498

Limit on the Company's endorsements/guarantees to a foreign single affiliate company is 50% of the Company's net assets. $ 46,351,245

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

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

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

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

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

Note 5: Outstanding endorsement/guarantee amount and draw down amount are translated at the spot exchange rates prevailing at June 30, 2016.

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

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

Three-month period ended March 31, 2016

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | As of March 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities (Note 1) | Relationship with the securities issuer | General ledger account | Number of shares/ units | Book value | Ownership (%) | Fair value | Footnote |
| Cheng Shin Rubber Ind. Co., Ltd. | Other fund | - | Current available-for-sale financial assets | - | $ 27,907 | - | $ 27,907 | Note 2 |
| Cheng Shin Rubber Ind. Co., Ltd. | Other ordinary shares | - | Current available-for-sale financial assets | - | 81,063 | - | 81,063 | 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 | - | 68,205 | - | 68,205 | 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. AND SUBSIDIARIES

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

Three-month period ended March 31, 2016

Table 4

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: Original owner who sold the real estate to the counterparty | Relationship between the original owner and the acquirer | Date of the original transaction | Amount | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PT MAXXIS International Indonesia | Construction projects | 2015/11/27 | $ 3,219,528 | $ 50,988 | PT. SMCC UTAMA INDONESIA | Third party | - | - | - | - | 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. AND SUBSIDIARIES

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

Three-month period ended March 31, 2016

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction: Purchases (sales) | Transaction: Amount | Transaction: Percentage of total purchases (sales) | Transaction: Credit term | Differences in transaction terms compared to third party transactions (Note 1): Unit price | Differences in transaction terms compared to third party transactions (Note 1): Credit term | Notes/accounts receivable (payable): Balance | Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable) | Footnote (Note 2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Subsidiary | (sales) | ($ 792,334) | ( 14.8) | Collect within 90 days after shipment of goods | Same | Same | $ 479,646 | 16.7 | Note 4 |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | Subsidiary | (sales) | ( 370,427) | ( 6.9) | Collect within 90 days after shipment of goods | Same | Same | 400,516 | 14.0 | Note 4 |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent | (sales) | ( 135,355) | ( 2.6) | Collect within 60~90 days after shipment of goods | Same | Same | 1,245 | 0.1 | Note 4 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent | (sales) | ( 471,491) | ( 41.1) | Collect within 60~90 days after shipment of goods | Same | Same | 366,653 | 47.7 | Note 4 |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | Same ultimate parent | (sales) | ( 105,637) | ( 9.2) | Collect within 60~90 days after shipment of goods | Same | Same | 91,157 | 11.9 | Note 4 |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN RUBBER CANADA, INC. | Same ultimate parent | (sales) | ( 125,763) | ( 1.9) | Collect within 60~90 days after shipment of goods | Same | Same | 122,595 | 2.7 | Note 4 |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent | (sales) | ( 230,417) | ( 10.7) | Collect within 60~90 days after shipment of goods | Same | Same | 219,366 | 29.2 | Note 4 |
| MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Same ultimate parent | (sales) | ( 147,108) | ( 4.0) | Collect within 60~90 days after shipment of goods | Same | Same | 143,293 | 5.5 | 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. AND SUBSIDIARIES

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

Three-month period ended March 31, 2016

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Creditor | Counterparty | Relationship with the counterparty | Balance as at March 31, 2016 | Turnover rate | Overdue receivables: Amount | Overdue receivables: Action taken | Amount collected subsequent to the balance sheet date (Note 1) | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Subsidiary (Note 5) | $ 480,065 | Note 4 | - | - | $ 333,682 | - |
| Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | Subsidiary (Note 5) | 400,781 | Note 4 | - | - | 165,928 | - |
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International (Thailand) Co., Ltd. | Sub-subsidiary (Note 5) | 399,779 | Note 3 | - | - | 191,206 | - |
| Cheng Shin Rubber Ind. Co., Ltd. | Cheng Shin Rubber (Vietnam) IND Co., Ltd. | Sub-subsidiary (Note 5) | 110,681 | Note 3 | - | - | 94,944 | - |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent (Note 5) | 101,156 | 0.79 | - | - | 26,535 | - |
| CHENG SHIN RUBBER (XIAMEN) IND., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | Same ultimate parent (Note 5) | 174,516 | Note 4 | - | - | 1,046 | - |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | Same ultimate parent (Note 5) | 369,383 | Note 4 | - | - | 132,927 | - |
| CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | CHENG SHIN RUBBER CANADA, INC. | Same ultimate parent (Note 5) | 122,595 | 1.02 | - | - | 48,459 | - |
| CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | Same ultimate parent (Note 5) | 219,366 | 1.11 | - | - | 150,024 | - |
| MAXXIS International (Thailand) Co., Ltd. | CHENG SHIN RUBBER USA, INC. | Same ultimate parent (Note 5) | 143,293 | 1.28 | - | - | 52,992 | - |

Note 1: Subsequent collection is the amount collected as of May 5, 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. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Three-month period ended March 31, 2016

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount (Note 4) | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 1 | Sales | $ 792,334 | Collect within 90 days after shipment of goods | 2.70% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER USA, INC. | 1 | Accounts receivable | 479,646 | Collect within 90 days after shipment of goods | 0.28% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | 1 | Sales | 370,427 | Collect within 90 days after shipment of goods | 1.26% |
| 0 | Cheng Shin Rubber Ind. Co., Ltd. | CHENG SHIN RUBBER CANADA, INC. | 1 | Accounts receivable | 400,516 | Collect within 90 days after shipment of goods | 0.24% |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Sales | 471,491 | Collect within 60~90 days after shipment of goods | 1.61% |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Accounts receivable | 366,653 | Collect within 60~90 days after shipment of goods | 0.22% |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | 3 | Other receivables | 2,689,362 | Pay interest quarterly | 1.59% |
| 1 | XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Other receivables | 2,122,629 | Pay interest quarterly | 1.25% |
| 2 | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Sales | 230,417 | Collect within 60~90 days after shipment of goods | 0.79% |
| 2 | CHENG SHIN TIRE & RUBBER (CHONGQING) CO., LTD. | CHENG SHIN TIRE & RUBBER (CHINA) CO., LTD. | 3 | Accounts receivable | 219,366 | Collect within 60~90 days after shipment of goods | 0.13% |
| 3 | CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | CHENG SHIN RUBBER (XIAMEN) IND., LTD. | 3 | Other receivables | 323,720 | Pay interest quarterly | 0.19% |

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

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

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

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

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

Information on investees

Three-month period ended March 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at March 31, 2016 | Initial investment amount: Balance as at December 31, 2015 | Shares held as at March 31, 2016: Number of shares | Shares held as at March 31, 2016: Ownership (%) | Shares held as at March 31, 2016: Book value | Net profit (loss) of the investee for the three-month period ended March 31, 2016 | Investment income(loss) recognised by the Company for the three-month period ended March 31, 2016 (Note 1) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Cheng Shin Rubber Ind. Co., Ltd. | MAXXIS International Co., Ltd. | Cayman Islands | Holding company | $ 912,218 | $ 912,218 | 35,050,000 | 100.00 | $ 47,129,665 | $ 964,555 | $ 964,555 | 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 | 28,035,177 | 1,707,168 | 1,707,168 | 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 | 10,733,753 | 684,024 | 684,024 | 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 | 2,435,455 | 73,022 | 73,022 | 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 | 524,943 | 60,775 | 60,775 | 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 | 167,235 | ( 51) | ( 50) | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | NEW PACIFIC INDUSTRY COMPANY LIMITED | Taiwan | Processing and sales of various anti-vibration rubber and hardware | 50,001 | 50,000 | 5,000,000 | 50.00 | 175,519 | 14,019 | 7,010 | 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 | 44,142 | ( 10,762) | ( 10,762) | 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 | 13,387 | - | - | Note 2 |
| Cheng Shin Rubber Ind. Co., Ltd. | PT MAXXIS INTERNATIONAL INDONESIA | Indonesia | Production and sales of various types of tires | 2,461,355 | 2,461,355 | 79,997,000 | 100.00 | 2,420,288 | ( 34,433) | ( 34,433) | 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 | 1,826,095 | 369,997,000 | 100.00 | 1,831,837 | 36,756 | 36,756 | Subsidiary Note 3 |
| Cheng Shin Rubber Ind. Co., Ltd. | Maxxis(Taiwan) Trading Co., LTD. | Taiwan | Wholesale and retail of tires | 10,000 | - | 1,000,000 | 100.00 | 10,000 | - | - | Subsidiary Note 3 |

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

Information on investees

Three-month period ended March 31, 2016

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Initial investment amount | | Shares held as at March 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business activities | Balance as at March 31, 2016 | Balance as at December 31, 2015 | Number of shares | Ownership (%) | Book value | Net profit (loss) of the investee for the three-month period ended March 31, 2016 | Investment income(loss) recognised by the Company for the three-month period ended March 31, 2016 (Note 1) | Footnote |
| MAXXIS International Co., Ltd. | MAXXIS International (HK) Ltd. | Hong Kong | Holding company | $ - | $ - | 226,801,983 | 100.00 | $ 37,047,335 | $ 957,228 | $ 957,228 | Sub-subsidiary Note 3 |
| CST Trading Ltd. | Cheng Shin International (HK) Ltd. | Hong Kong | Holding company | - | - | 246,767,840 | 100.00 | 27,918,072 | 1,710,172 | 1,710,172 | Sub-subsidiary Note 3 |
| 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 | 11,203,741 | 684,024 | 684,024 | 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 | 8,551,252 | 391,393 | 391,393 | 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 | 2,649,165 | 292,695 | 292,695 | Sub-subsidiary Note 3 |

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

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

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

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

Information on investments in Mainland China

Three-month period ended March 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2016: Remitted to Mainland China | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2016: Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 | Net income of investee for the three-month period ended March 31, 2016 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the three-month period ended March 31, 2016 | Book value of investments in Mainland China as of March 31, 2016 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2016 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $ 5,632,375 | 2 | $ 910,834 | $ - | $ - | $ 910,834 | $ 696,791 | 100.00 | $ 696,791 | $ 26,288,551 | $ 12,688,608 | (Notes 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 | 7,241,625 | 2 | 2,385,506 | - | - | 2,385,506 | 1,538,692 | 100.00 | 1,541,618 | 26,062,111 | 10,073,179 | (Notes 2, 4, 6, 8) |
| CHENG SHIN TOYO (KUNSHAN) MACHINERY CO., LTD. | Plastic machinery, molds and its accessory products | 273,573 | 2 | 68,602 | - | - | 68,602 | 17,881 | 50.00 | 8,941 | 364,158 | 273,332 | (Notes 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 | 3,218,500 | 2 | - | - | - | - | 533,309 | 100.00 | 533,309 | 5,237,851 | 245,763 | (Notes 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 | 579,330 | 2 | - | - | - | - | 14,527 | 100.00 | 14,527 | 2,088,570 | 643,457 | (Notes 2, 6, 7) |

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

Information on investments in Mainland China

Three-month period ended March 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2016 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 | Net income of investee for the three-month period ended March 31, 2016 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the three-month period ended March 31, 2016 | Book value of investments in Mainland China as of March 31, 2016 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2016 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| CHENG SHIN PETREL TIRE (XIAMEN) CO., LTD. | A. Radial tire and other various tire products<br>B. Reclaimed rubber, adhesive, tape and other rubber products<br>C. Plastic machinery, molds and its accessory products | $ 4,184,050 | 2 | $ - | $ - | $ - | $ - | ($ 8,577) | 100.00 | ($ 8,577) | $ 13,415,532 | $ 3,524,680 | (Notes 2, 3, 6, 7) |
| XIAMEN CHENG SHIN ENTERPRISE CO., LTD. | A. Radial tire and other various tire products<br>B. Reclaimed rubber, adhesive, tape and other rubber products<br>C. Plastic machinery, molds and its accessory products | 1,448,325 | 2 | - | - | - | - | 213,064 | 100.00 | 213,064 | 8,653,231 | 3,390,466 | (Notes 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<br>B. Management of racing tracks | 643,700 | 2 | - | - | - | - | ( 10,052) | 100.00 | ( 10,052) | 552,022 | - | (Notes 6, 8) |
| CHIN CHOU CHENG SHIN ENTERPRISE CO., LTD. | Distribution of rubber and components of tires | 174,020 | 2 | - | - | - | - | ( 3,054) | 95.00 | ( 2,901) | 174,081 | - | (Notes 6, 7) |
| CHENG SHIN LOGISTIC (XIAMEN) CO., LTD. | International container transportation business | 71,656 | 2 | - | - | - | - | 11,468 | 49.00 | 5,620 | 201,402 | - | (Notes 6, 7) |
| CHENG SHIN RUBBER (ZHANGZHOU) IND CO., LTD. | A. Tires and tubes<br>B. Reclaimed rubber, adhesive, tape and other rubber products<br>C. Plastic machinery, molds and its accessory products | 4,723,400 | 2 | - | - | - | - | 229,702 | 100.00 | 229,702 | 6,214,158 | 132,360 | (Notes 5 ,6, 7) |

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

Information on investments in Mainland China

Three-month period ended March 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2016 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2016: Remitted to Mainland China | Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015 | Net income of investee for the three-month period ended March 31, 2016 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the three-month period ended March 31, 2016 | Book value of investments in Mainland China as of March 31, 2016 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2016 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CHENG SHIN(ZHANGZHOU) MECHANICAL & ELECTRICAL ENGINEERING CO., LTD. | Manufacturing and sales of equipment | $ 99,440 | 2 | $ - | $ - | $ - | $ - | $ 52 | 50.00 | $ 26 | $ 83,733 | $ - | (Notes 6, 7) |
| XIAMEN ESTATE CO., LTD. | Construction and trading of employees' housing | 1,640,760 | 2 | - | - | - | - | 795 | 100.00 | 795 | 1,617,394 | - | (Notes 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:

(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 32.185: USD 1 and NTD 4.972: RMB 1 prevailing on March 31, 2016.

Note 7: Investment income (loss) was recognized 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 recognized 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 was RMB $5 million and paid-in capital was collected on April 1, 2016.

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

Ceiling on investments in Mainland China

Three-month period ended March 31, 2016

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2016 (Note 1) | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 2) |
|---|---|---|---|
| Cheng Shin Rubber Ind. Co., Ltd. | $ 3,955,537 | $ 21,657,287 | $ - |

Note 1: Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2016 was USD$122,900 thousand and the total investment amount approved by the Investment Commission, MOEA, was USD$672,900 thousand.

Note 2: According to 'Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area', the Company acquired the operations headquarters certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, R.O.C. and thus, the investments amount in Mainland China is unlimited.