

CHENG SHIN RUBBER IND. CO., LTD.

2019 Annual General Meeting Handbook

Time and Date: 9:30 a.m., June 14 (Friday),2019

Place: Conference room of the new office building of Cheng Shin

Rubber Ind. Co., LTD. located at B2, No. 215, Meigang Rd., Huangcuo Village, Dacun Township, Changhua County

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CHENG SHIN RUBBER IND. CO., LTD.

Agenda of the 2019 Annual General Meeting

- I. Call the Meeting to Order
- II. Chairperson's Remarks
- III. Reports
- IV. Ratifications
- V. Discussions
- VI. Motions
- VII.Adjournment

CHENG SHIN RUBBER IND. CO., LTD.

Agenda of the 2019 Annual General Meeting

Time and Date: 9:30 a.m., Friday, June 14, 2019

Place: Conference room of the new office building of Cheng Shin Rubber

Ind. Co., LTD. (the "Company") located at B2, No. 215, Meigang

Rd., Huangcuo Village, Dacun Township, Changhua County

- I. Call the Meeting to Order
- II. Chairperson's Remarks
- III. Reports
 - i. 2018 Business Report
 - ii. Audit Committee's report on the review of the 2018 Financial Statements
 - iii. Report of the Company's distribution of dividends to its directors and employees in 2018
 - iv. Report of endorsements and guarantees of obligations provided to third parties by the Company
 - v. Report of the issuance of unsecured ordinary corporate bonds by the Company in 2018
 - vi. Report of the amendments to the Company's "Corporate Governance Best Practice Principles"

IV. Ratifications

- i. Ratification of the Company's 2018 Business Report and Financial Statements
- ii. Ratification of the Company's 2018 profit distribution

V. Discussions

- i. Discussion of the proposed amendments to the Company's "Procedures for Making Endorsements or Guarantees and Loaning of Funds"
- ii. Discussion of the proposed amendments to the Company's "Procedures for Acquisition or Disposal of Assets"
- VI. Motions
- VII. Adjournment

Reports

Reports

Item No. 1 — 2018 Business Report

Explanation: The 2018 Business Report of the Company can be found on pages 4-6 of this Handbook.

CHENG SHIN RUBBER IND. CO., LTD.

2018 Business Report

In 2018, the escalation of trade conflicts between China and the US adversely impacted the global economy. Political and economic uncertainties remained high due to the retaliatory tariffs and trade policies, resulting in the slowdown of global economic growth. In China, there has been a polarizing trend in the tire industry—while industry leaders continued to thrive, other companies either shut down or filed for bankruptcy—the competition becomes increasingly aggressive. For CST, revenue growth from our factories in India and Indonesia was weaker than expected; Tainjin Tafeng transitioned into a logistics and service center for the Group in the northern region. These factors together with currency depreciation contributed to our NT\$109.2 billion consolidated operating revenue in 2018, a 2.75% decline from the previous year.

However, there is an opportunity in every crisis, and it is imperative for us to continue seeking opportunities to break through before the turnaround. Our technologies are well-received from within the industry and we have earned customer trust by demonstrating our product quality, evidenced by the recognition and awards received from numerous tire magazines and test reviews at home and abroad. The MAXXIS proving ground in Kunshan, China is a world-leading facility where various testing of tire performance, durability, noise, and safety are conducted. Many automakers use our facility for the R&D and testing of new vehicles, which gives us a chance to pitch for orders. Within the company, we have continued to enhance our organizational and management capabilities, strengthen talent development, and share success stories— leading the way to transforming adversity into advantage and creating revenue growth.

The direction of our strategy remains focused on the following areas: driving the tire repair market (RE) with the vehicles assembly factories (OE), and boosting the collaboration between vehicles assembly factories (OE) with the tire repair market (RE). The strategy further incorporates the concept of driving sales with marketing; by understanding and responding to the needs of customers and formulating new market strategies to branch out to new or undeveloped markets, it positions us to fulfill our vision in becoming the top five companies in the tire industry by 2026 and create new momentum for the Group.

Results of Operations in 2018 (IFRS Consolidated and Individual)

(1) Results of operations based on our business plan for 2018

118,264

21,567

1. Sales and Production

Year Core Products	Produced in 2018	Sold in 2018	Sold in 2017	Percentage of increase/decrease
PCR	40,562	42,511	43,833	-3.02%
TBR	4,705	4,665	4,793	-2.67%
MC	36,021	35,491	41,227	-13.91%
BC	69.430	71,994	87.037	-17 28%

118,032

20,684

2. Operation Summary

TUBE

OTHER TIRES

IFRS Consolidated

Unit: in NT\$ thousands; %

Unit: pcs. in thousands; %

131,194

17,356

Year Item	2018	2017	Percentage of increase (decrease)
Net Sales	109,221,209	112,309,166	-2.75%
Cost of Goods Sold	84,898,267	86,631,096	-2.00%
Operating Expenses	16,907,753	17,279,578	-2.15%
Operating Profit	7,415,189	8,398,492	-11.71%
Net Profit	3,574,638	5,602,025	-36.19%

IFRS Individual

Unit: in NT\$ thousands; %

Year Item	2018	2017	Percentage of increase (decrease)
Net Sales	19,374,623	19,437,442	-0.32%
Cost of Goods Sold	14,887,361	14,399,280	3.39%
Operating Expenses	3,777,633	3,612,552	4.57%
Operating Profit	648,205	1,338,775	-51.58%
Net Profit	3,520,320	5,541,785	-36.48%

(2) Revenue Forecast and Realization

The sales revenue in 2018 totaled NT\$109.2 billion, a realization of 88.5% of the sales forecast, which was NT\$123.4 billion.

(3) Financial Position and Profitability Analysis

IFRS Consolidated

Item	Year	2018	2017	% Change	
Income	Sales Revenue		109,221,209	112,309,166	-2.75%
Income Statement	Gross Profit		24,322,942	25,678,070	-5.28%
Statement	Net Profit		3,574,638	5,602,025	-36.19%
	Return on Assets	(ROA) (%)	2.83	3.84	-26.30%
	Return on Equity	(ROE) (%)	4.39	6.55	-32.98%
Profitability	As a % of Paid-	Operating Profit	22.88	25.91	-11.69%
-	in Capital	Pre-tax Profit	18.23	25.86	-29.51%
	Net Profit Margin	n (%)	3.27	4.99	-34.47%
	Earnings Per Sha	are (NT\$)	1.09	1.71	-36.26%

IFRS Individual

-					
Item	Year	2018	2017	% Change	
T	Sales Revenue		19,374,623	19,437,442	-0.32%
Income	Gross Profit		4,487,262	5,038,162	-10.93%
Statement	Net Profit		3,520,320	5,541,785	-36.48%
	Return on Assets	(ROA) (%)	3.18	4.79	-33.61%
	Return on Equity	(ROE) (%)	4.36	6.53	-33.23%
Profitability	As a % of Paid-	Operating Profit	2.00	4.13	-51.57%
	in Capital	Pre-tax Profit	15.08	21.60	-30.19%
	Net Profit Margin	n (%)	18.17	28.51	-36.27%
	Earnings Per Sha	re (NT\$)	1.09	1.71	-36.26%

(4) Research and Development

- Development of new spare tire products
- Motorcycle tires development of high performance series
- > Development of new motorcycle radial tire products
- ➤ Bicycle tires development of high performance series
- Development of new MAXXIS ATV tires
- > Development of new TBR tires
- Research project on TBR product technology
- ➤ Development of new MAXXIS PCR/LTR tires
- Research project on the technology for various energy-saving tires

Lou, Tsau-Jen



Lou, Tsau-Jen

General Manager



Chang, Ya-Ching

Unit: in NT\$ thousands; %

Unit: in NT\$ thousands; %



Chairman

Controller

Reports

Item No. 2 – Audit Committee's report on the review of the 2018 Financial Statements

Explanation:

The 2018 Financial Statements of the Company have been adopted by the resolution of the Board of Directors and audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been reviewed by the Audit Committee of the Company. The Audit Committee's Report can be found on page 8 of the Handbook.

Audit Committee's Report

To the 2019 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified independent by the auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Hsu, En-De

Chairman of the Audit Committee

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Dated: March 21, 2019

Reports

Item No. 3 - Report of the Company's distribution of dividends to its directors and employees in 2018.

Explanation:

- 1. The director and employee dividends in 2017 are distributed in accordance with Article 34-1 of the Company's Articles of Incorporation, taking into consideration the 2018 sales revenue and net profit in comparison with those in 2017, and the average distribution amount in 2017.
- 2. Our profit in 2018 is NT\$5,062,691,756, 1.313% of which has been set aside as director dividends, totaling NT\$66,473,143 (excluding independent director dividends); 2% of which has been set aside as employee dividends, totaling NT\$101,253,835. The aforementioned dividends are distributed in cash.
- 3. In 2018, the amount of employee dividends recognized as expenses is consistent with the amount distributed to employees. The amount of director dividends distributed, however, is NT\$8,505,322 less than the amount recognized, which is NT\$74,978,465. The difference will be recognized as income adjustment in 2019.

Reports

Item No. 4 – Report of endorsement and guarantee of obligations provided to third parties by the Company

Explanation:

As of December 31, 2018, the total amount under the endorsement and guarantee of obligations provided to third parties by the Company is US\$761,587,000, or approximately NT\$23,392,145,000; the details of which can be found on pages 11-12 of the Handbook. It is hereby reported to the annual general meeting pursuant to the Company's Rules Governing Endorsement and Guarantee.

CHENG SHIN RUBBER IND. CO., LTD. Endorsement and Guarantee of Obligations to Third Parties

As of December 31, 2018

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	USD 15,000,000	Mega Bank	2012.08.03	2019.07.10	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	Mega Bank	2015.02.16	2020.02.16	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB 1,000,000,000	MIZUHO Bank	2016.02.12	2021.02.18	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB 1,000,000,000	SMBC Bank	2016.12.13	2021.12.27	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	HSBC Bank	2017.07.05	2019.08.16	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	Standard Chartered Bank	2017.08.23	2020.09.21	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 25,000,000	Bangkok Bank	2018.10.15	2020.10.15	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 16,000,000	CTBC Bank	2016.01.25	2021.05.03	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 100,000,000	First Commercial Bank	2016.07.26	2024.08.01	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 30,000,000	Chang Hwa Bank	2017.01.18	2024.01.18	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 20,000,000	The Export-Import Bank of ROC	2017.07.10	2022.09.06	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 40,000,000	Mega Bank	2018.01.03	2025.01.23	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 30,000,000	First Commercial Bank	2018.01.23	2025.02.27	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 20,000,000	Cooperative Bank	2018.07.10	2025.11.28	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 29,000,000	Chang Hwa Bank	2018.07.10	2025.12.27	
PT. Maxxis International Indonesia	Loan Guarantee	Short-term	USD 21,000,000	CTBC Bank	2018.10.31	2019.01.31	
PT. Maxxis International Indonesia	Loan Guarantee	Short-term	USD 18,000,000	Standard Chartered Bank	2018.10.31	2019.10.31	

CHENG SHIN RUBBER IND. CO., LTD. Endorsement and Guarantee to Third Parties

As of December 31, 2018

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 50,000,000	Mega Bank	2016.01.15	2023.02.24	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Taichung Bank	2016.04.01	2021.04.28	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Yuanta Bank	2016.04.29	2021.05.17	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Shanghai Bank	2016.04.29	2021.07.19	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 40,000,000	Cooperative Bank	2016.11.14	2023.11.29	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 30,000,000	MUFG Bank	2016.11.22	2021.12.15	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 40,000,000	HSBC Bank	2017.05.03	2022.05.24	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 9,800,000	Hua Nan Bank	2017.06.30	2022.07.27	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 10,000,000	HSBC Bank	2018.04.27	2019.04.30	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	INR 400,000,000	CTBC Bank	2018.07.12	2019.05.31	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 10,000,000	CTBC Bank	2018.07.12	2019.05.31	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 20,000,000	Bank of America	2018.11.16	2019.11.15	

Reports

Item No. 5 – Report of issuance of unsecured ordinary corporate bonds by the Company in 2018

Explanation:

- 1. To repay debts and improve the Company's financial structure, the Company's Board of Directors has adopted a resolution on May 10, 2018 to issue unsecured ordinary corporate bonds in the total amount of NT\$5,000,000,000.
- 2. The conditions under which the corporate bonds are issued and other relevant matters have been published on the Market Observation Post System ("MOPS") website.
- 3. An application to issue corporate bonds pursuant to the aforementioned Board resolution has been filed with the Taipei Exchange, effective upon receipt of the letter issued by the Taipei Exchange (Zheng-Gui-Cai-Zi No. 10700190951, dated July 16, 2018). The corporate bonds have been fully subscribed on July 25, 2018, with an amount of NT\$5,000,000,000 in total, and have been traded on the Taipei Exchange since July 25, 2018 upon the approval of the Taipei Exchange (Zheng-Gui-Cai-Zi No. 10700196832, dated July 24, 2018).

Reports

Item No. 6 – Report of the amendments to the Company's "Corporate Governance Best Practice Principles"

Explanation:

Provisions of the Company's "Corporate Governance Best Practice Principles" have been amended in compliance with the letter issued by the Taiwan Stock Exchange (Tai-Zheng-Zhi-Li-Zi No. 10700240891). A table of comparison of the current and amended provisions can be found on page 71-94 of this Handbook.

Ratifications

Ratifications

Item No. 1 – Ratification of the 2018 Business Report and Financial Statements (submitted by the Board of Directors)

Explanation:

- 1. The 2018 Business Report and Financial Statements have been prepared by the Board of Directors and the Financial Statements have been audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Business Report and the Financial Statements have been adopted by resolution of the Board of Directors and reviewed by the Audit Committee of the Company. The Audit Committee has not found any inaccuracies in their review of these documents and issued a report accordingly. The Business Report, Audit Committee's Report, and Financial Statements can be found on pages 4-6, 8, and 17-43 of this Handbook.
- 2. The proposal is hereby submitted to the shareholders meeting for ratification.

Resolution:

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18004382

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to the "other matter" section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's financial statements of the current period are stated as follows:

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(30). For the year ended December 31, 2018, the sales revenue amounted to NT\$109,221,209 thousand.

The Group's main business is the manufacturing and sales of various tires and rubber products. The main sources of sales revenue are from the assembly plant and dealers. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of control to the merchandise is completed and sales revenue is recognized. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. Therefore, we included the appropriateness of cut-off on sales revenue as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

- 1. We obtained an understanding of the Group's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements' control of revenue recognition on assembly plant sales.
- 2. We tested the Group's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the appropriateness of cut-off on sales revenue.
- 3. We tailored our audit over sales cut-off through accounts receivable testing based on the confirmation procedures in order to check whether sales revenue and accounts receivable are recorded in the proper period.

Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As of December 31, 2018, the unfinished construction and equipment under acceptance amounted to NT\$8,005,642 thousand.

To maintain market competitiveness, the Group continuously replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves human judgement, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

- 1. We obtained an understanding of the Group's property, plant and equipment process cycle, reviewed the internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
- 2. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
- 3. We verified the status of unfinished construction and uninspected equipment and assessed the reasonableness of the recognition of unfinished construction and uninspected equipment.

Other matter - Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$4,628,825 thousand and NT\$4,390,772 thousand, representing 3% and 2% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and the total liabilities of NT\$1,799,837 thousand and NT\$1,820,861 thousand, both constituting 2% of the consolidated total

liabilities as of December 31, 2018 and 2017, respectively, and total operating revenues of NT\$5,257,000 thousand and NT\$5,198,435 thousand, both representing 5% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter - Parent company only financial statements

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hung, Shu-Hua	Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan March 21, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in

the Republic of China, and their applications in practice.

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

			 December 31, 2018	3	 December 31, 2017	,
	Assets	Notes	 AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 27,809,496	16	\$ 30,918,463	17
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		3,243	=	-	=
1120	Financial assets at fair value	6(3)				
	through other comprehensive					
	income - current		22,886	-	-	-
1125	Available-for-sale financial assets	12(4)				
	- current		-	-	69,188	=
1150	Notes receivable, net	6(4)	2,673,543	1	2,298,485	1
1170	Accounts receivable, net	6(4) and 12(4)	9,861,931	6	9,852,585	6
1180	Accounts receivable - related	7				
	parties		47,976	=	119,288	=
130X	Inventories, net	6(5)	19,362,229	11	19,184,340	11
1410	Prepayments		1,474,843	1	2,400,926	1
1470	Other current assets	8	 1,767,303	1	 1,820,349	1
11XX	Current Assets		63,023,450	36	66,663,624	37
	Non-current assets		<u>.</u>			
1517	Financial assets at fair value	6(3)				
	through other comprehensive					
	income - noncurrent		58,187	-	-	-
1523	Available-for-sale financial assets	12(4)				
	- noncurrent		=	-	58,187	-
1550	Investments accounted for under	6(6)				
	equity method		152,614	-	171,020	-
1600	Property, plant and equipment, net	6(7)	103,254,578	59	105,007,683	59
1760	Investment property, net	6(8)	584,244	-	612,656	-
1840	Deferred income tax assets	6(25)	1,526,629	1	1,076,959	1
1900	Other non-current assets	6(9)	6,163,066	4	5,494,126	3
15XX	Non-current assets		 111,739,318	64	112,420,631	63
1XXX	Total assets		\$ 174,762,768	100	\$ 179,084,255	100
			 <u> </u>		 <u> </u>	

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

				December 31, 2018			December 31, 2017	
	Liabilities and Equity	Notes		AMOUNT	%		AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)(28)	\$	15,569,136	9	\$	18,508,493	10
2120	Financial liabilities at fair value	12(4)						
	through profit or loss - current			=	-		408	=
2130	Contract liabilities - current	6(20) and 12(5)		747,071	-		=	=
2150	Notes payable			623,415	-		822,160	1
2170	Accounts payable			8,953,202	5		8,511,030	5
2200	Other payables	6(11)		6,200,869	4		7,022,033	4
2230	Current income tax liabilities	6(25)		775,306	-		1,277,640	1
2300	Other current liabilities	6(12)(13)(14)(28), 7						
		and 12(5)		11,618,185	7		5,936,600	3
21XX	Current Liabilities			44,487,184	25		42,078,364	24
	Non-current liabilities						<u> </u>	
2530	Corporate bonds payable	6(13)(28)		17,000,000	10		16,800,000	9
2540	Long-term borrowings	6(14)(28) and 7		28,965,884	16		32,659,178	18
2550	Provisions for liabilities -	,,,,		, ,			, ,	
	noncurrent			134,287	=		122,071	=
2570	Deferred income tax liabilities	6(25)		1,341,768	1		1,348,631	1
2600	Other non-current liabilities	6(15)		3,015,639	2		3,184,708	2
25XX	Non-current liabilities	()		50,457,578	29		54,114,588	30
2XXX	Total Liabilities			94,944,762	54		96,192,952	54
2717171	Equity			74,744,702			70,172,732	
	Equity attributable to owners of							
	parent							
	Share capital							
3110	Share capital - common stock	6(16)		32,414,155	19		32,414,155	18
3110	Capital surplus	6(17)		52,717,155	1)		52,414,155	10
3200	Capital surplus	0(17)		52,576	_		52,576	_
3200	Retained earnings	6(18)		32,370			32,310	
3310	Legal reserve	0(10)		14,834,946	8		14,280,767	8
3320	Special reserve			4,430,061	3		3,307,822	2
3350	Unappropriated retained earnings			32,662,342	19		36,580,033	20
3330	Other equity interest	6(19)		32,002,342	19		30,360,033	20
3400	Other equity interest	0(17)	(5,200,298) (3) (,	4,430,061)(2)
31XX	Equity attributable to owners		'	<u>J,200,290</u>) (_			4,430,001)(<u>2</u>)
SIAA	of the parent	1		70 102 702	16		92 205 202	16
36XX	Non-controlling interest			79,193,782	46		82,205,292	46
	G			624,224	-		686,011	1.6
3XXX	Total equity	0		79,818,006	46		82,891,303	46
	Significant contingent liabilities	9						
	and unrecognised contract							
	commitments	11						
	Significant events after the	11						
237237	balance sheet date		ф	104 000 000	1.00	ф	170 004 255	100
3X2X	Total liabilities and equity		\$	174,762,768	100	\$	179,084,255	100

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars, except earnings per share)

				Yea	Years ended December 31				
				2018		2017			
	Items	Notes		AMOUNT	%	AMOUNT	%		
4000	Sales revenue	6(20) and 7	\$	109,221,209	100	\$ 112,309,166	100		
5000	Operating costs	6(5)	(84,898,267) (78) (86,631,096) (77)		
5900	Net operating margin			24,322,942	22	25,678,070	23		
	Operating expenses	7							
6100	Selling expenses		(8,007,567) (7) (8,497,746) (8)		
6200	General and administrative expenses		(3,570,909) (3) (3,690,739) (3)		
6300	Research and development expenses		(5,329,277) (5) (5,091,093) (5)		
6000	Total operating expenses		(16,907,753) (15) (17,279,578) (16)		
6900	Operating profit			7,415,189	7	8,398,492	7		
	Non-operating income and expenses								
7010	Other income	6(21)		1,109,954	1	1,722,315	1		
7020	Other gains and losses	6(22)	(829,831) (1) (454,136)	-		
7050	Finance costs	6(23)	(1,792,314) (1) (1,292,476) (1)		
7060	Share of loss of associates and joint	6(6)							
	ventures accounted for under equity								
	method			6,643	<u>-</u> -	7,674			
7000	Total non-operating income and								
	expenses		(1,505,548) (1) (16,623)	-		
7900	Profit before income tax			5,909,641	6	8,381,869	7		
7950	Income tax expense	6(25)	(2,335,003) (2) (2,779,844) (2)		
8200	Profit for the year		\$	3,574,638	4	\$ 5,602,025	5		

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars, except earnings per share)

				Years ended December 31								
				2018			2017					
	Items	Notes		AMOUNT	<u>%</u>		AMOUNT	%				
	Other comprehensive income											
	Components of other comprehensive											
	income that will not be reclassified to profit or loss											
8311	Other comprehensive income, before	6(15)										
0311	tax, actuarial gains on defined benefit											
	plans		\$	29,288	_	\$	19,804	_				
8316	Unrealized loss on valuation of	6(3)(19)	Ψ	27,200		Ψ	17,001					
	equity instruments at fair value	-(-)(-)										
	through profit or loss		(4,633)	_		_	_				
8320	Share of other comprehensive	6(6)										
	income of associates and joint											
	ventures accounted for using equity											
	method, components of other											
	comprehensive income that will not											
02.40	be reclassified to profit or loss	(0.5)		891	-		304	-				
8349	Income tax related to components of											
	other comprehensive income that will			20.026		,	2.267					
0210	not be reclassified to profit or loss			20,036		(3,367)					
8310	Components of other comprehensive income that will											
	not be reclassified to profit or											
	loss			45,582			16,741					
	Components of other comprehensive			45,562			10,741					
	income that will be reclassified to											
	profit or loss											
8361	Financial statements translation	6(19)										
0501	differences of foreign operations	0(17)	(1,246,718) (1)	(1,492,148) (1)				
8362	Unrealized loss on valuation of		,	-,,, (- /		-,,, (- /				
	available-for-sale financial assets			=	_	(9,226)	_				
8370	Share of other comprehensive	6(19)										
	income of associates and joint											
	ventures accounted for using equity											
	method, components of other											
	comprehensive income that will be											
	reclassified to profit or loss			=	-		727	-				
8399	Income tax relating to the	6(19)(25)										
	components of other comprehensive											
	income that will be reclassified to											
	profit or loss that will not be reclassified to profit or loss			207 740			228,042					
8360	Components of other			387,749			220,042					
8300	comprehensive loss that will be											
	reclassified to profit or loss		(858,969) (1)	(1,272,605) (1)				
8300	Other comprehensive loss for the year		(\$	813,387) ((\$	1,255,864) (1)				
8500	Total comprehensive income for the		(<u> </u>	013,307) ((<u> </u>	1,233,004)					
8300	year		2	2,761,251	3	Φ.	4,346,161	4				
	Profit, attributable to:		Ψ	2,701,231		φ	4,340,101					
8610	Owners of the parent		\$	3,520,320	4	\$	5,541,785	5				
8620	Non-controlling interest		Φ	54,318	4	Φ	60,240	5				
8020	Non-controlling interest		\$	3,574,638	<u>-</u>	\$	5,602,025					
	Comprehensive income attributable		Φ	3,374,036		φ	3,002,023					
	Comprehensive income attributable to:											
8710	Owners of the parent		\$	2,823,038	3	\$	4,436,287	4				
8720	Non-controlling interest		φ (2,823,038 61,787)	<i>3</i>	φ (4,436,287 90,126)	4 -				
3720	Tion controlling interest		2	2,761,251	3	\$	4,346,161					
			Ψ	4,101,431		Ψ	7,340,101					
	Earnings per share (in dollars)											
9750	Basic earnings per share	6(26)	\$		1.09	\$		1.71				
7130	Dasie carmings per snare	0(20)	Ψ		1.09	Ψ		1./1				
9850	Diluted earnings per share	6(26)	\$		1.08	\$		1.71				
7030	Differences and mings per share	0(20)	Ψ		1.00	Ψ		1./1				

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars)

					Equity attributable	to owners of the parent						
		Capi	ital surplus		Retained earnings			Other equity interest Unrealised gains (losses) from financial assets				
Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2017 Balance at January 1, 2017 Profit for the year Other comprehensive loss for the 6(19)	\$ 32,414,155	\$ 9,772	\$ 42,804	<u>\$ 12,955,677</u>	\$ 2,604,163	\$ 42,774,502 5,541,785	(\$ 3,358,274)	\$	\$ 50,452	\$ 87,493,251 5,541,785	\$ 776,137 60,240	\$ 88,269,388 5,602,025
Total comprehensive income Appropriation and distribution of 20166(18) earnings			-	<u> </u>	<u> </u>	16,741 5,558,526	(<u>1,113,380</u>) (<u>1,113,380</u>)	<u>-</u>	(<u>8,859</u>) (<u>8,859</u>)	(<u>1,105,498</u>) 4,436,287	(150,366) (90,126)	(<u>1,255,864</u>) 4,346,161
Legal reserve Special reserve Cash dividends	- - -	- - -	- - -	1,325,090	703,659	(1,325,090) (703,659) (9,724,246)	- - -	- - -	- - -	(9,724,246_)	- - -	(9,724,246_)
Balance at December 31, 2017 Year ended December 31, 2018 Balance at January 1, 2018	\$ 32,414,155 \$ 32,414,155	\$ 9,772 \$ 9,772	\$ 42,804 \$ 42,804	\$ 14,280,767 \$ 14,280,767	\$ 3,307,822 \$ 3,307,822	\$ 36,580,033 \$ 36,580,033	(\$ 4,471,654) (\$ 4,471,654)	<u>\$</u> -	\$ 41,593 \$ 41,593	\$ 82,205,292 \$ 82,205,292	\$ 686,011 \$ 686,011	\$ 82,891,303 \$ 82,891,303
Effect of retrospective application and 12(4) retrospective restatement Balance after restatement on			<u>-</u>	<u> </u>	<u> </u>	22,740	<u>-</u>	18,853	(41,593_)	<u> </u>	<u> </u>	<u> </u>
January 1, 2018 Profit for the year Other comprehensive loss for the 6(19)	32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773 3,520,320	(4,471,654_)	18,853		82,205,292 3,520,320	686,011 54,318	82,891,303 3,574,638
year Total comprehensive income Appropriation and distribution of 20176(18) earnings	<u>-</u>			<u> </u>		50,215 3,570,535	(742,864) (742,864)	(4,633) (4,633)		(697,282) 2,823,038	(116,105) (61,787)	(813,387) 2,761,251
Legal reserve Special reserve Cash dividends	- - -	- - -	- - -	554,179 - -	1,122,239	(554,179) (1,122,239) (5,834,548)	- - -			(5,834,548)	- - -	(5,834,548)
Balance at December 31, 2018	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ -	\$ 79,193,782	\$ 624,224	\$ 79,818,006

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

			Years ended December 31					
	Notes		2018	2017				
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax		\$	5,909,641	\$	8,381,869			
Adjustments		φ	3,707,041	φ	0,301,003			
Adjustments to reconcile profit (loss)								
Depreciation	6(7)(24)		12,107,067		11,539,729			
Depreciation Depreciation on investment property	6(8)(24)		24,395		12,308			
Amortization expense	6(24)		68,823		25,859			
Rental expenses for land use right	6(9)		85,596					
Expected reversal of credit impairment loss recognised in	0(9)		65,590		86,624			
profit or loss		(2,352)					
Provision for bad debt expense	12(4)	(2,332)		1 000			
Share of profit of associates and joint ventures accounted	` '		-		4,808			
	6(6)	,	((12)	,	7 (74)			
for using equity method	6(2)(22)	(6,643)	(7,674)			
Net gain on financial assets or liabilities at fair value	6(2)(22)	,	4 702)	,	2 520 \			
through profit or loss	((7)(22)	(4,703)	(2,538)			
Loss on disposal of property, plant and equipment	6(7)(22)		55,917		29,237			
Interest expense	6(7)(23)	,	1,792,314	,	1,292,476			
Interest income	6(21)	(319,105)	(265,335)			
Loss on disposal of investments accounted under equity	6(22)		2.654					
method	((22)		2,654	,	10.000			
Gain on disposal of investments	6(22)		-	(19,828)			
Deferred government grants revenue		(124,878)	(330,449)			
Changes in operating assets and liabilities								
Changes in operating assets								
Financial assets mandatorily measured at fair value								
through profit or loss			41,698		≡			
Notes receivable, net		(375,058)	(853,146)			
Accounts receivable		(7,138)		473,193			
Accounts receivable - related parties			71,312		10,445			
Inventories		(177,889)	(5,228,854)			
Prepayments			222,772	(603,439)			
Other current assets		(52,809)	(359,541)			
Other non-current assets		(107,282)	(2,778)			
Changes in operating liabilities								
Contract liabilities-current		(115,875)		=			
Notes payable		(198,745)		338,515			
Accounts payable			442,172		250,638			
Other payables		(375,935)	(1,183,978)			
Other current liabilities			86,673	(332,185)			
Accrued pension liabilities		(17,589)	Ì	5,671)			
Other non-current liabilities		`	39,018	`	10,723			
Cash inflow generated from operations			19,064,051		13,261,008			
Interest received			327,488		267,855			
Dividends received			9,841		15,000			
Interest paid		(1,738,341)	(1,239,501)			
Income tax paid		(2,836,232)		3,408,985)			
Income tax refunded		`	27,754	`	-			
Net cash flows from operating activities			14,854,561		8,895,377			
The cash hows from operating activities			17,027,201	-	0,093,311			

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

			Years ended December 31					
	Notes		2018	2017				
CASH FLOWS FROM INVESTING ACTIVITIES								
Net changes in financial liabilities at fair value through								
profit or loss		\$	1,024	\$	2,946			
Proceeds from disposal of available-for-sale financial								
assets			-		82,818			
Proceeds from disposal of investments accounted under								
equity method			20,582		-			
Acquisition of property, plant and equipment	6(7)(27)	(12,492,803)	(13,923,156)			
Payment for capitalized interests	6(7)(23)	(118,717)	(23,870)			
Proceeds from disposal of property, plant and equipment			305,011		132,815			
Acquisition of investment properties	6(8)	(1,216)		=			
Acquisition of intangible assets		(180,871)	(22,984)			
Decrease in refundable deposits			89,820		35,192			
Increase in land use right			<u>-</u> _	(192,971)			
Net cash flows used in investing activities		(12,377,170)	(13,909,210)			
CASH FLOWS FROM FINANCING ACTIVITIES								
Increase in short-term loans	6(28)		25,820,195		30,124,923			
Decrease in short-term loans	6(28)	(28,940,895)	(24,097,520)			
Proceeds from issuing bonds	6(13)(28)		5,000,000		7,000,000			
Repayments of bonds	6(13)(28)	(1,900,000)	(1,900,000)			
Proceeds from long-term loans	6(28)		5,321,446		17,491,609			
Repayments of long-term loans	6(28)	(5,803,107)	(10,720,689)			
Increase (decrease) in guarantee deposits received			3,598	(9,634)			
Increase in other payables to related parties	6(28) and 7		2,280		169,005			
(Decrease) increase in other non-current liabilities		(2,083)		4,531			
Cash dividends paid	6(18)	(5,834,548)	(9,724,246)			
Net cash flows (used in) from financing activities		(6,333,114)		8,337,979			
Effect of exchange rate changes on cash and cash equivalents	3		746,756	(1,299,229)			
Net (decrease) increase in cash and cash equivalents		(3,108,967)		2,024,917			
Cash and cash equivalents at beginning of year	6(1)		30,918,463		28,893,546			
Cash and cash equivalents at end of year	6(1)	\$	27,809,496	\$	30,918,463			

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 18004212

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

Opinion

We have audited the accompanying balance sheets of Cheng Shin Rubber Ind. Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants (please refer to the "other matter" section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the report of other independent accountants are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(29). For the years ended December 31, 2018, the sales revenue amounted to NT\$19,374,623 thousand.

The Company's main business is the manufacturing and sales of various tires and rubber products. The main sources of sales revenue are from the assembly plant and dealers. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of control to the merchandise is completed and sales revenue is recognised. The sales revenue recognition process involves many manual controls and adjustments are likely to occur. As a result, the timing of sales revenue recognition could be inappropriate. The aforementioned issue arises from the Company's subsidiaries, recognised under investments accounted for using equity method. Therefore, we included the appropriateness of cut-off on sales revenue of the Company as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

1. We obtained an understanding of the Company's sales revenue cycle, reviewed internal control process and contracts of assembly plant sales in order to assess the effectiveness of managements'

control of revenue recognition on assembly plant sales.

- 2. We tested the Company's sales transactions around the year-end date to check whether assembly plant sales are recorded in the proper period. We also tested whether changes in inventory and cost of goods sold were carried over and recorded in the proper period in order to assess the appropriateness of cut-off on sales revenue.
- We tailored our audit over sales cut-off through accounts receivable testing based on the confirmation procedures in order to check whether sales revenue and accounts receivable are recorded in the proper period.

Timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(14). For the details of property, plant and equipment, please refer to Note 6(7). As of December 31, 2018, the unfinished construction and equipment under acceptance amounted to NT\$1,053,091 thousand.

To maintain market competitiveness, the Company continuously replaces old production lines with new ones and incurs significant amounts of capital expenditures every year. The unfinished construction and uninspected equipment are measured at cost. When the finished construction's inspection report is issued and the uninspected equipment is ready for use, they are reclassified to property, plant and equipment and starts accrual of depreciation expense. The inspection process involves human judgement, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. Therefore, we indicated that the audit of timing of depreciation recognition after reclassification of unfinished construction and uninspected equipment to property, plant and equipment as one of the key areas of focus for this year.

How our audit addressed the matter

The procedures that we have conducted in response to the above key audit matter are summarized as follows:

- 1. We obtained an understanding of the Company's property, plant and equipment process cycle, reviewed internal control process and purchase contracts of property, plant and equipment in order to assess the effectiveness of managements' control of timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment.
- 2. We tailored our audit over fixed asset classification to check whether reclassification of assets are correct and recorded in the proper period.
- 3. We verified the status of unfinished construction and uninspected equipment and assessed the reasonableness of the recognition of unfinished construction and uninspected equipment.

Other matter - Scope of the Audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$2,828,988 thousand and NT\$2,569,911 thousand, both representing 2% of total assets as of December 31, 2018 and 2017, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$690,601 thousand and NT\$679,796 thousand, representing 24% and 14% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hung, Shu-Hua	Wu, Der Feng					
For and on behalf of PricewaterhouseCoopers, Taiwan						
March 21, 2019						

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars)

	Accepto	Natar	December 31, 2018				December 31, 2017		
	Assets Current assets	Notes		AMOUNT	<u>%</u>		AMOUNT	<u>%</u>	
1100		((1)	dr	10,000,105	1.1	ф	12 002 672	1.0	
1100	Cash and cash equivalents	6(1)	\$	12,820,135	11	\$	12,002,673	10	
1110	Financial assets at fair value	6(2)		2 242					
1100	through profit or loss - current	6(2)		3,243	=		-	=	
1120	Financial assets at fair value	6(3)							
	through other comprehensive								
	income - current			22,886	-		-	=	
1125	Available-for-sale financial assets	12(4)							
	- current			=	-		69,188	-	
1150	Notes receivable, net	6(4) and 7		28,017	-		23,503	-	
1170	Accounts receivable, net	6(4)		1,251,493	1		1,181,128	1	
1180	Accounts receivable - related	7							
	parties			1,611,889	1		1,648,216	1	
130X	Inventories, net	6(5)		3,358,079	3		3,446,903	3	
1410	Prepayments			263,624	-		416,157	=	
1470	Other current assets	7 and 8		533,141	1		646,276	1	
11XX	Current Assets			19,892,507	17		19,434,044	16	
	Non-current assets								
1517	Financial assets at fair value	6(3)							
	through other comprehensive								
	income - noncurrent			58,187	=		-	=	
1523	Available-for-sale financial assets	12(4)							
	noncurrent			-	-		58,187	-	
1550	Investments accounted for using	6(6)							
	equity method			81,045,015	68		84,129,266	70	
1600	Property, plant and equipment, net	6(7)(26)		16,326,183	14		15,747,604	13	
1760	Investment property, net	6(8)		290,562	-		291,173	-	
1780	Intangible assets			70,740	=		94,890	=	
1840	Deferred income tax assets	6(24)		1,153,491	1		726,996	1	
1900	Other non-current assets			1,024	=		1,515	=	
15XX	Non-current assets			98,945,202	83		101,049,631	84	
1XXX	Total assets		\$	118,837,709	100	\$	120,483,675	100	

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars)

				December 31, 2018		December 31, 2017		
	Liabilities and Equity	Notes		AMOUNT	%		AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)(27)	\$	500,000	=	\$	-	=
2120	Financial liabilities at fair value	12(4)						
	through profit or loss - current			-	=		408	=
2130	Contract liabilities - current	6(19) and 12(5)		127,663	=		-	=
2170	Accounts payable			1,313,078	1		1,313,171	1
2180	Accounts payable - related parties	s 7		31,509	-		34,919	-
2200	Other payables	6(10) and 7		1,825,048	2		2,237,619	2
2230	Current income tax liabilities	6(24)		571,305	1		971,856	1
2300	Other current liabilities	6(11)(12)(13)(27)		8,675,481	7		3,220,903	3
21XX	Current Liabilities			13,044,084	11		7,778,876	7
	Non-current liabilities							
2530	Corporate bonds payable	6(12)(27)		17,000,000	14		16,800,000	14
2540	Long-term borrowings	6(13)(27)		7,500,000	6		11,548,000	9
2570	Deferred income tax liabilities	6(24)		1,341,768	1		1,348,631	1
2600	Other non-current liabilities	6(14)		758,075	1		802,876	1
25XX	Non-current liabilities			26,599,843	22		30,499,507	25
2XXX	Total liabilities			39,643,927	33		38,278,383	32
	Equity			<u> </u>			_	
	Share capital							
3110	Shares capital - common stock	6(15)		32,414,155	27		32,414,155	27
	Capital surplus							
3200	Capital surplus	6(16)		52,576	-		52,576	-
	Retained earnings	6(17)						
3310	Legal reserve			14,834,946	13		14,280,767	12
3320	Special reserve			4,430,061	4		3,307,822	3
3350	Unappropriated retained earnings			32,662,342	27		36,580,033	30
	Other equity interest	6(18)						
3400	Other equity interest		(5,200,298)	(4)	(4,430,061) (<u>4</u>)
3XXX	Total equity			79,193,782	67		82,205,292	68
	Significant contigent liabilities and	i 9						
	unrecognised contract							
	commitments							
	Significant events after the	11						
	balanec sheet date							
3X2X	Total liabilities and equity		\$	118,837,709	100	\$	120,483,675	100

The accompanying notes are an integral part of these parent company only financial statements.

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars, except earnings per share)

				Years ended December 31							
				2018		2017					
	Items	Notes		AMOUNT	<u>%</u>	AMOUNT	%				
4000	Sales revenue	6(19) and 7	\$	19,374,623	100 \$	19,437,442	100				
5000	Operating costs	6(5)	(14,887,361) (77)(14,399,280) (74)				
5900	Net operating margin			4,487,262	23	5,038,162	26				
5910	Unrealized profit from sales		(61,424)	- (86,835)	<u>-</u>				
5950	Gross profit from operation			4,425,838	23	4,951,327	26				
	Operating expenses										
6100	Selling expenses		(1,811,255) (10) (1,848,802) (10)				
6200	General and administrative										
	expenses		(627,510) (3)(649,194) (3)				
6300	Research and development										
	expenses		(1,338,868) (<u>7</u>)(1,114,556)(6)				
6000	Total operating expenses		(3,777,633) (20) (3,612,552)(19)				
6900	Operating profit			648,205	3	1,338,775	7				
	Non-operating income and										
	expenses										
7010	Other income	6(20) and 7		1,526,407	8	1,444,222	8				
7020	Other gains and losses	6(21)		361,293	2 (531,557) (3)				
7050	Finance costs	6(22)	(357,835) (2)(338,104) (2)				
7070	Share of profit of associates and										
	joint ventures accounted for										
	using equity method			2,708,390	14	5,089,259	26				
7000	Total non-operating income										
	and expenses			4,238,255	22	5,663,820	29				
7900	Profit before income tax			4,886,460	25	7,002,595	36				
7950	Income tax expense	6(24)	(1,366,140) (<u>7</u>)(1,460,810) (7)				
8200	Profit for the year		\$	3,520,320	18 \$	5,541,785	29				

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars, except earnings per share)

					s ended Dece		
				2018		2017	
	Items	Notes		AMOUNT	%	AMOUNT	%
	Other comprehensive income						
	Components of other						
	comprehensive income that will						
0211	not be reclassified to profit or loss						
8311	Other comprehensive income,	6(14)					
	before tax, actuarial losses on		¢	20. 200	1 ¢	10.004	
0216	defined benefit plans	((2)	\$	29,288	1 \$	19,804	-
8316	Unrealized loss on valuation of	6(3)					
	equity instruments at fair value		,	4 (22)			
0220	through profit or loss		(4,633)	=	≘	-
8330	Share of other comprehensive						
	income of associates and joint						
	ventures accounted for using						
	equity method, components of	_					
	other comprehensive income that						
	will not be reclassified to profit or loss			0.0.1		204	
0240		((24)		891	=	304	-
8349	Income tax related to	6(24)					
	components of other						
	comprehensive income that will						
	not be reclassified to profit or			20.026	,	2.267)	
0210	loss			20,036		3,367)	
8310	Components of other						
	comprehensive income that						
	will not be reclassified to			45 500	1	16 741	
	profit or loss			45,582	<u> </u>	16,741	
	Components of other						
	comprehensive income that will						
0261	be reclassified to profit or loss						
8361	Financial statements translation		,	4 400 5400 /			
02/2	differences of foreign operations	10(4)	(1,130,613) (6)(1,341,422) (7)
8362	Unrealized loss on valuation of	12(4)				2 0 4 1	
0200	available-for-sale financial assets	1		-	-	3,041	-
8380	Share of other comprehensive						
	income of associates and joint						
	ventures accounted for using						
	equity method, components of						
	other comprehensive income that						
	will be reclassified to profit or				,	11 000)	
8399	loss	6(24)		-	- (11,900)	-
0399	Income tax relating to the	6(24)					
	components of other			207 740	2	220 042	1
9260	comprehensive income Components of other			387,749	<u> </u>	228,042	1
8360	comprehensive loss that will						
	be reclassified to profit or						
	loss		1	740 0641 (45.7	1,122,239) (6)
9200	Other comprehensive loss for the		(742,864) (<u>4</u>) (1,122,239)(<u> </u>
8300	•		<i>(</i>	(07 202) (23.74	1 105 400) (6)
0.500	year		(<u>3</u>	<u>697,282</u>) (<u>3</u>) (<u>\$</u>	1,105,498) (<u>6</u>)
8500	Total comprehensive income for		dr	2 020 020	1.5 d	4 406 007	2.0
	the year		\$	2,823,038	15 \$	4,436,287	23
o =	Earnings per share (in dollars)	< (2.5)					<u>. </u>
9750	Basic earnings per share	6(25)	\$		1.09 \$		1.71
9850	Diluted earnings per share	6(25)	\$		1.08 \$		1.71

The accompanying notes are an integral part of these parent company only financial statements.

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2018 AND 2017 (Expressed in thousands of New Taiwan dollars)

			 Capita	l surplus		Retained earnings		Other equity interest							
	Notes	Share capital - common stock	sury stock	Gai	n on sale of	Legal reserve	Special reserve		nappropriated ained earnings	Financial statements translation differences of foreign operations	(los finan meas value ti comp	alised gains ses) from ncial assets sured at fair hrough other prehensive ncome	avail	alized gain or loss on able-for-sale incial assets	Total equity
Year ended December 31, 2017															
Balance at January 1, 2017		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 12,955,677	\$ 2,604,163	\$	42,774,502	(\$ 3,358,274)	\$	<u> </u>	\$	50,452	\$ 87,493,251
Profit for the year		-	Ē		-	-	-		5,541,785	-		-		-	5,541,785
Other comprehensive loss for the year	6(18)		 		<u>-</u>			_	16,741	(_1,113,380)			(8,859)	(1,105,498_)
Total comprehensive income(loss)			 		-				5,558,526	(_1,113,380)		<u>-</u>	(8,859)	4,436,287
Appropriation and distribution of 2016 earnings:															
Legal reserve		Ē	=		=	1,325,090	-	(1,325,090)	÷		÷		Ē	÷
Special reserve		-	-		-	-	703,659	(703,659)	-		-		-	-
Cash dividends	6(17)	<u> </u>	 		<u>-</u>			(9,724,246)						(9,724,246_)
Balance at December 31, 2017		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 14,280,767	\$ 3,307,822	\$	36,580,033	(\$4,471,654)	\$	=	\$	41,593	\$ 82,205,292
Year ended December 31, 2018															
Balance at January 1, 2018		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 14,280,767	\$ 3,307,822	\$	36,580,033	(\$ 4,471,654)	\$	-	\$	41,593	\$ 82,205,292
Effect of retrospective application and retrospective restatement	12(4)		 		<u>-</u>				22,740			18,853	(41,593)	
Balance after restatement on January 1, 2018		32,414,155	 9,772		42,804	14,280,767	3,307,822		36,602,773	(4,471,654)		18,853	_	<u>-</u>	82,205,292
Profit for the year		-	-		-	-	-		3,520,320	-		-		-	3,520,320
Other comprehensive income (loss) for the year	6(18)		 		=			_	50,215	(742,864_)	(4,633)		<u>-</u>	(697,282_)
Total comprehensive income (loss)			 		<u>-</u>			_	3,570,535	(742,864_)	(4,633)		<u>-</u>	2,823,038
Appropriation and distribution of 2017 earnings:															
Legal reserve		-	-		÷	554,179	-	(554,179)	-		-		=	-
Special reserve		ē	Ξ		=	-	1,122,239	(1,122,239)	÷		÷		=	=
Cash dividends	6(17)	-	 -		-	-		(5,834,548)	-		<u>-</u>	_	-	(5,834,548_)
Balance at December 31, 2018		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 14,834,946	\$ 4,430,061	\$	32,662,342	(<u>\$ 5,214,518</u>)	\$	14,220	\$	<u>-</u>	\$ 79,193,782

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

(Years ended December 31,					
	Notes		2018		2017			
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax		\$	4,886,460	\$	7,002,595			
Adjustments		Φ	4,000,400	Φ	7,002,393			
Adjustments Adjustments to reconcile profit (loss)								
Unrealised gain on inter-company transaction			20,551		60,927			
Depreciation	6(7)(23)		1,483,656		1,591,687			
Amortization expense	6(23)		35,551		18,165			
Depreciation on investment property	6(8)(23)		611		612			
Net gain on financial assets or liabilities at fair	6(2)(21)		011		012			
value through profit or loss	0(2)(21)	(4,703)	(2,538)			
Loss on disposal of investments accounted for	6(21)		1,705)		2,550)			
using equity method	- ()		2,654		1,946			
Gain on disposal of property, plant and			2,00.		1,5.5			
equipment		(160,336)	(161,814)			
Share of profit of associates and joint ventures		`	, ,	`	, ,			
accounted for using equity method		(2,708,390)	(5,089,259)			
Interest income	6(20)	Ì	177,277)		154,215)			
Interest expense	6(22)		357,835		338,104			
Effect of exchange rate changes on cash and cash								
equivalents			68,959	(549,719)			
Changes in operating assets and liabilities								
Changes in operating assets								
Financial assets mandatorily measured at fair								
value through profit or loss		,	41,698	,	1 100 >			
Notes receivable		(4,514)	(1,189)			
Accounts receivable		(70,365)	,	188,091			
Accounts receivable - related parties Inventories			36,327 74,978	(330,180)			
Other current assets				(1,729,811)			
Other non-current assets			221,275	}	84,396) 38)			
Changes in operating liabilities			-	(30)			
Contract liabilities-current			42,432		_			
Accounts payable		(93)		355,213			
Accounts payable - related parties		(3,410)		15,236			
Other payables		(88,268)	(697,732)			
Accrued pension liabilities		ì	18,171)		12,334)			
Other current liabilities		Ì	17,524)	`	21,454			
Cash inflow generated from operations		,	4,019,936		780,805			
Interest received			139,757		156,860			
Dividends received			5,118,286		8,912,898			
Interest paid		(349,183)		327,623)			
Income tax paid		(1,722,502)	(1,991,403)			
Income tax refunded			27,754					
Net cash flows from operating activities			7,234,048		7,531,537			

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars)

(r			Years ended	ed December 31,		
	Notes		2018		2017	
CASH FLOWS FROM INVESTING ACTIVITIES						
Net changes on financial assets or liabilities at fair						
value through profit or loss		\$	1,025	\$	2,946	
Acquisition of investments accounted for using						
equity method		(468,390)	(878,101)	
Proceeds from disposal of investments accounted for						
using equity method			20,582		-	
Proceeds returned from liquidation of investee						
accounted for using equity method			-		97,000	
Acquisition of property, plant and equipment	6(7)(26)	(2,397,391)	(859,902)	
Proceeds from disposal of property, plant and						
equipment			132,906		218,839	
Acquisition of intangible assets		(11,401)	(10,453)	
Decrease (increase) in refundable deposits			491	(226)	
Net cash flows used in investing activities		(2,722,178)	(1,429,897)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase in short-term loans	6(27)		1,000,000		2,440,000	
Decrease in short-term loans	6(27)	(500,000)	(2,890,000)	
Proceeds from issuing bonds	6(12)(27)		5,000,000		7,000,000	
Repayments of bonds	6(27)	(1,900,000)	(1,900,000)	
Proceeds from long-term loans	6(27)		300,000		5,700,000	
Repayments of long-term loans	6(27)	(1,690,667)	(7,028,331)	
Decrease in guarantee deposits received		(234)	(496)	
Cash dividends paid	6(17)	(5,834,548)	(9,724,246)	
Net cash flows used in financing activities		(3,625,449)	(6,403,073)	
Effect of exchange rate changes on cash and cash						
equivalent		(68,959)		549,719	
Net increase in cash and cash equivalents			817,462		248,286	
Cash and cash equivalents at beginning of year	6(1)		12,002,673		11,754,387	
Cash and cash equivalents at end of year	6(1)	\$	12,820,135	\$	12,002,673	

Ratifications

Item No. 2 – Ratification of the Company's 2018 profit distribution (submitted by the Board of Directors)

Explanation:

- 1. The Board has adopted a proposal for the distribution of the Company's 2018 profits, which has been reviewed and reported by the Audit Committee and hereby submitted to the meeting of the shareholders for ratification.
- 2. After setting aside the legal reserve, the 2018 after-tax earnings together with the undistributed earnings from the previous year shall amount to a total distributable earnings of NT\$31,540,074,908. In accordance with the Articles of Incorporation of the Company, the Board of Directors proposes to distribute cash dividends in the amount of NT\$3,565,557,090 to the shareholders at NT\$1.1 per share. The profit distribution shall be allocated out of the 2018 earnings. If the 2018 earnings are insufficient for the current profit distribution, then the distribution shall be allocated out of the 2017 undistributed earnings. The cumulative undistributed earnings after distribution will be NT\$27,974,517,818. (See "Profit Distribution" on page 45 of this Handbook.)
- 3. It is proposed that after the profit distribution has been approved at the shareholders meeting, the Board of Directors will be authorized to set the ex-dividend date. Dividends will be distributed pro rata according to the shareholder register as of the record date. Cash dividends paid to shareholders that are under NT\$1 shall be categorized as "other income" of the Company.
- 4. The proposal is hereby submitted to the shareholders meeting for ratification.

Resolution:

CHENG SHIN RUBBER IND. CO., LTD. Profit Distribution Year Ended December 31, 2018

(NT\$)

Beginning balance of retained earnings	\$29,069,066,933
Less adjustment of 2018 retained earnings	72,955,380
Adjusted beginning balance of retained earnings	29,142,022,313
Net Income of 2018	3,520,319,807
Less 10% legal reserve appropriated	(352,031,980)
Less 10% special reserve appropriated	(770,235,232)
Earnings available for distribution	31,540,074,908
<u>Distribution items</u> :	
Cash dividends (at NT\$1.10 per share)	(3,565,557,090)
Balance of 2018 retained earnings	\$27,974,517,818

Lou, Tsau-Jen
Chairman



Lou, Tsau-Jen
General Manager



Chang, Ya-Ching



Discussions

Discussions

Item No. 1 – Amendments to the Company's "Procedures for Making Endorsements or Guarantees and Loaning of Funds" (proposed by the Board of Directors)

Explanation:

- The Board has proposed to amend relevant provisions under the Company's "Procedures for Acquisition or Disposal of Assets" pursuant to the notice issued by the Financial Supervisory Commission dated March 7, 2019 (Jin-Guan-Zheng-Shen-Zi No. 1080304826). A table of comparison of the current and amended provisions can be found on pages 48-51 of this Handbook.
- 2. The "Procedures for Making Endorsements or Guarantees and Loaning of Funds" shall be effective upon the approval by the Audit Committee and resolutions adopted at the Board of Directors' meeting and the shareholders meeting. The proposal is hereby submitted to the shareholders meeting for approval.

Resolution:

Cheng Shin Rubber Ind. Co., LTD.

Comparison of Current and Amended Provisions of the Company's Procedures for Making Endorsements or Guarantees and Loaning of Funds

	Amended Provisions				Curr	Current Provisions			
Article 8	Guidelines	for	Conduct	ing	Guidelines	for	Conducting	Amended to	
	Endorsement	ts and G	uarantees		Endorsemen	ts and (Guarantees	reflect	
	(omitted)				(omitted)			regulatory	
	III. When m	aking e	ndorsement	or I	II. When ma	aking e	ndorsement or	changes	
	guarantee	that	exceeds	the	guarantee	that	exceeds the		
	maximum	amount	specified in	the	maximum	amour	nt specified in		
	Procedures	s to sa	atisfy busin	ness	the Pro	cedures	to satisfy		
	demands,	and suc	h endorsem	nent	business	demand	ds, and such		
	or guaran	itee is	in complia	nce	endorseme	ent or g	guarantee is in		
	with the c	ondition	s set out in	the	compliance	e with	the conditions		
	Procedures	s, the (Company sl	hall	set out in	n the P	Procedures, the		
	obtain app	roval fro	om the Board	d of	Company	shall o	btain approval		
	Directors.	At leas	st half of	the	from the l	Board o	f Directors. At		
	directors	shall	act as jo	oint	least half	of the	directors shall		
	guarantors	in the	event that	the	act as jo	int gua	rantors in the		
	Company	suffers	any loss fr	rom	event that	the Co	ompany suffers		
	exceeding	the max	ximum amo	ount	any loss	from	exceeding the		
	of endor	sement	or guarar	ntee	maximum	a	mount of		
	allowed. T	The Com	pany shall a	also	endorseme	ent c	or guarantee		
	amend	the	Procedu	ıres	allowed.	The C	Company shall		
	accordingl	y and su	ubmit the sa	ame	also am	end th	e Procedures		
	to the sha	areholdei	rs' meeting	for	according	ly and	submit the		
	ratification	n. If su	ch proposal	lis	same to	the	shareholders'		
	not adopte	ed at th	e sharehold	ers'	meeting f	or ratifi	cation. If such		
	meeting, tl	he Comp	oany shall er	nact	proposal	is not a	adopted at the		
	a plan to e	eliminate	the amoun	t in	sharehold	ers' r	neeting, the		
	excess wi	thin a s	pecified per	riod	Company	shall e	nact a plan to		
	of time. W	Where the	e Company	has	eliminate	the am	ount in excess		
	independe	nt dire	ctors on	the	within a	specifi	ied period of		
	Board, it	shall	take into	full	time. Wh	ere the	Company has		
	considerat	ion the	opinions	of	independe	nt dire	ectors on the		
	each inde	pendent	director w	hen	Board, it	shall	take into full		

making the aforementioned endorsements or guarantees. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

consideration the opinions of each independent director when making the aforementioned endorsements or guarantees, and the independent directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.

Article 9 Announcement and Reporting Procedures

- I. The Company shall publish on the Market Observation Post System by the tenth (10th) day of each month the balance of endorsements and guarantees made by the Company and its subsidiaries in the previous month.
- II. In the event that the amount of endorsement and guarantee reaches any of the following standards, the Company shall file and publish the information on the Market Observation Post System within two (2) days from the Date of Occurrence:

i.

ii. ...

iii. The balance of endorsements and guarantees made by the Company and its subsidiaries for a single

Announcement and Reporting Procedures

- I. The Company shall publish on the Market Observation Post System by the tenth (10th) day of each month the balance of endorsements and guarantees made by the Company and its subsidiaries in the previous month.
- II. In the event that the amount of endorsement and guarantee reaches any of the following standards, the Company shall file and publish the information on the Market Observation Post System within two (2) days from the Date of Occurrence:

i.

ii.

iii. The balance of endorsements and guarantees made by the Company and its subsidiaries for a single

Amended to reflect regulatory changes

enterprise reaches NT\$ 10 million or more, and the aggregate amount of endorsements guarantees for, book value of equity method investment in. and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's net worth as stated in its latest financial statements

iv.

III.

IV.

V. The "Date of Occurrence" in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the Board of Directors' resolution, or other date when the party receiving such endorsement or guarantee and the amount of the transaction can be confirmed.

enterprise reaches NT\$ 10 million or more, and the aggregate amount of all endorsements guarantees for investment of a longterm nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's net worth as stated in its financial latest statements.

iv.

III.

IV.

V. The "Date of Occurrence" in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the Board of Directors' resolution, or other date when the counterparty and the amount of the transaction can be confirmed.

Article | Enactment and Amendment

13

The Procedures shall be adopted with the approval of a majority of all members of the Audit Committee and shall be submitted to the Board of Directors' meeting. In the event that the Company fails to obtain the approval of a majority of all members of the Audit Committee,

Enactment and Amendment

The Procedures shall be adopted with the approval of a majority of all members of the Audit Committee and shall be submitted to the Board of Directors' meeting. In the event that the Company fails to obtain the approval of a majority of all members of the Audit Committee, the Procedures may be adopted with the approval of two thirds of all the Directors. After being adopted at the Board of

Amended to reflect regulatory changes

	T		
	the Procedures may be adopted with	Directors' meeting, the Procedures shall be submitted to the	
	the approval of two thirds of all the	shareholders' meeting for its	
	directors. After being adopted at the	approval. The same procedures shall apply to the amendments of	
	Board of Directors' meeting, the	the Procedures. In the event of any	
	Procedures shall be submitted to the	dissent or reservation expressed by	
	shareholders' meeting for its	the Independent Directors, such opinions shall be noted in the	
	approval. The decision of the Audit	minutes of the Board of Directors'	
	Committee shall be recorded in the	meeting.	
	minutes of the Board of Directors'		
	meeting.		
	After being adopted at the Board of		
	Directors' meeting, the Procedures		
	shall be submitted to the		
	shareholders' meeting for its		
	approval. The same procedures shall		
	apply to the amendments of the		
	Procedures. In the event of any		
	dissent or reservation expressed by		
	the Independent Directors, such		
	opinions shall be noted in the		
	minutes of the Board of Directors'		
	meeting.		
Article	These Procedures has been approved	These Procedures have been	Amended to
16	by the shareholders meeting dated	approved by the shareholders	include the
	May 27, 2003 These Procedures	meeting dated May 27, 2003	last
	have been approved by the	These Procedures have been	amendment
	shareholders meeting dated June 15,	approved by the shareholders	date of the
	2017. These Procedures have been	meeting dated June 15, 2017.	Procedures
	approved by the shareholders		
	meeting dated June 14, 2019.		

Discussions

Item No. 2 – Amendments to the Company's "Procedures for Acquisition or Disposal of Assets" (proposed by the Board of Directors)

Explanation:

- 1. The Board has proposed to amend relevant provisions under the Company's "Procedures for Acquisition or Disposal of Assets" pursuant to the notice issued by the Financial Supervisory Commission dated November 26, 2018 (Jin-Guan-Zheng-Fa-Zi No. 10703410725). A table of comparison of the current and amended provisions can be found on pages 53-68 of this Handbook.
- 2. The "Procedures for Acquisition or Disposal of Assets" shall be effective upon the approval by the Audit Committee and resolutions adopted at the Board of Directors' meeting and the shareholders meeting. The proposal is hereby submitted to the shareholders meeting for approval.

Resolution:

Cheng Shin Rubber Ind. Co., LTD.

Comparison of Current and Amended Provisions of the Company's Procedures for Acquisition or Disposal of Assets

	Amended Provisions	Current Provisions	Commentary
Article 2	Scope of Assets	Scope of Assets	Amended to
	I	I	reflect
	II	II	regulatory changes
	III	III	changes
	IV	IV	
	V. Right-of-use assets.	V. Derivatives: forward contracts,	
	VI. Derivatives: forward contracts,	options contracts, futures	
	options contracts, futures	contracts, leverage contracts,	
	contracts, leverage contracts,	and swap contracts and	
	and swap contracts whose value	compound contracts	
	is derived from a specified	combining the above	
	interest rate, financial	products , whose value is	
	instrument price, commodity	derived from assets, interest	
	price, foreign exchange rate,	rates, foreign exchange rates,	
	index of prices or rates, credit	indexes or other interests. The	
	rating or credit index, or	term "forward contracts" does	
	other variable; or hybrid	not include insurance contracts,	
	contracts combining the	performance contracts, after-	
	above contracts; or hybrid	sales service contracts, long-	
	contracts or structured	term leasing contracts, or long-	
	products containing	term purchase (sales)	
	embedded derivatives. The	agreements.	
	term "forward contracts" does	VI. Assets acquired or disposed of	
	not include insurance contracts,	through mergers, spin-offs,	
	performance contracts, after-	acquisitions, or transfers of	
	sales service contracts, long-	shares in accordance with the	
	term leasing contracts, or long-	law: refers to assets acquired or	
	term purchase (sales) <u>contracts</u> .	disposed of through mergers,	
	VII. Assets acquired or disposed	spin-offs, or acquisitions	
	of through mergers, spin-offs,	conducted under the Business	
	acquisitions, or transfers of	Mergers and Acquisitions Act,	
	shares in accordance with the	Financial Holding Company	
	law: refers to assets acquired or	Act, Financial Institutions	
	disposed of through mergers,	Merger Act and other acts, or	
	spin-offs, or acquisitions	transfer of shares from another	
	conducted under the Business	company through the issuance	
	Mergers and Acquisitions Act,	of new shares of its own as the	
		2	ı

	Financial Holding Company	consideration ("Share	
	Act, Financial Institutions	Transfer") under Article 156,	
	Merger Act and other acts, or	paragraph 6 of the Company	
	transfer of shares from another	Act.	
	company through the issuance	VII. Other major assets.	
	of new shares of its own as the	7	
	consideration ("Share		
	Transfer") under Article 156-3		
	of the Company Act.		
	VIII. Other major assets.		
Article 3	Evaluation Procedures	Evaluation Procedures	Amended to
	I	I	reflect
	II	II	regulatory changes
	III	III	changes
	IV. For the acquisition or disposal	IV. For the acquisition or disposal	
	of intangible assets or right-of-	of memberships or other	
	use assets thereof or	intangible assets where the	
	memberships where the	transaction amount reaches	
	transaction amount reaches 20%	20% of the Company's paid-in	
	of the Company's paid-in	capital or NTD 300 million or	
	capital or NTD 300 million or	more, except for the	
	more, except for the	transactions with government	
	transactions with domestic	agencies, the Company shall	
	government agencies, the	engage a certified public	
	Company shall engage a	accountant prior to the Date of	
	certified public accountant prior	Occurrence of the event to	
	to the Date of Occurrence of the	provide an opinion regarding	
	event to provide an opinion	the reasonableness of the	
	regarding the reasonableness of	transaction price in compliance	
	the transaction price in	with the provisions of the	
	compliance with the provisions	Statements of Auditing	
	of the Statements of Auditing	Standards No. 20 published by	
	Standards No. 20 published by	the ROC Accounting Research	
	the ROC Accounting Research	and Development Foundation.	
	and Development Foundation.	V	
	V	VI	
	VI	VII	
	VII		
Article 5	Filing Procedures	Filing Procedures	Amended to
	I. In the event that any of the	<u> </u>	reflect
	following occurs when the	following occurs when the	regulatory changes

Company acquires or disposes of its assets, the Company shall, based on the nature of the transaction file relevant documents on the website designated by the competent authority within two days from the Date ofOccurrence according to the format and provided content by appendices (see Appendix II to Appendix VIII)

i. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property and rightof-use assets thereof from or to a related party where the transaction amount reaches 20% more of Company's paid-in capital, 10% more of Company's total assets or NTD 300 million or more: provided that this shall not the trade apply to **domestic** government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued domestic securities investment trust enterprises.

ii.

iii.....

iv. Where the type of asset acquired or disposed of is equipment or <u>right-of-use</u> <u>assets</u> for business use, the

Company acquires or disposes of its assets, the Company shall, based on the nature of the transaction file relevant documents on the website designated by the competent authority within two days from the Date ofOccurrence according to the format and provided content by appendices (see Appendix II to Appendix VIII)

i. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% more of the Company's paid-in capital, 10% or more of Company's total assets or NTD 300 million or more; provided that this shall not apply to the trade government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

ii.

iii.

iv. Where the type of asset acquired or disposed of is equipment for business use, the counterparty is not a related party, and the transaction amount is NTD 1

- counterparty is not a related party, and the transaction amount is NTD 1 billion or more.
- v. Where land is acquired under an arrangement on engaging others to build on the Company's own lands. engaging others to build on rented lands. ioint construction and allocation of housing units. ioint construction and allocation of ownership percentages or construction ioint and the separate sale, counterparty is not a related party, and the amount Company the expects to invest in the transaction is NTD 500 million or more.
- vi. Where an asset transaction other than any of those referred to in the proceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paidin capital or NTD 300 million or more; provided that this shall not apply to ofthe following circumstances:
 - A. Trading of **domestic** government bonds.
 - B. Trading of securities at the stock exchange or over the counter, or

- billion or more.
- v. Where land is acquired under an arrangement on engaging others to build on the Company's own lands, engaging others to build on rented lands. ioint construction and allocation housing units, joint construction and allocation of ownership percentages or ioint construction and separate sale, and the Company amount the expects to invest in the transaction is NTD 500 million or more.
- vi. Where an asset transaction other than any of those referred to in the proceding five subparagraphs, disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NTD 300 million or more; provided that this shall not apply to of following the any circumstances:
 - A. Trading of government bonds.
 - B. Trading of securities at the **domestic or foreign** stock exchange or over the counter, or purchase of the ordinary corporate bonds or the general bank debentures without equity characteristics

purchase of the ordinary corporate bonds or the general bank debentures without equity characteristics that are offered and issued in the domestic primary market investment as professionals (excluding subordinated debt and the subscription redemption of securities investment trust funds and futures trust funds).

C.

The above transaction amount shall be calculated as follows:

A.

B.

C. The cumulative transaction amount of real property or right-ofuse asset acquisitions and disposals (cumulative acquisitions and disposals respectively) under the development same project within the preceding year.

D.

E. The 10% threshold under these Procedures shall be calculated according to the value of total assets specified in the most recent individual financial report of the Company prepared under

that are offered and issued in the domestic primary market as investment professionals.

C.

The above transaction amount shall be calculated as follows:

Α.

B.

C. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions disposals and respectively) under the same development within project the preceding year.

D.

E. The 10% threshold under these Procedures shall be calculated according to the value of total assets specified in the most recent individual financial report of the Company prepared under Regulations the Governing Preparation of Financial Reports by Securities Issuers. In the event that the Company's share has no par value or has a par value other than NTD 10, the transaction amount as 20% of the Company's paid-in capital shall he

Regulations the Governing Preparation of Financial Reports by Securities Issuers. In the event that the Company's share has no par value or has a par value other than NTD 10. the transaction amount as 20% of the Company's paid-in capital shall be calculated as 10% of the equity owned by the Company's parent company; NTD 20 billion of the equity owned bv the Company's parent company shall be the threshold instead NTD 10 billion of the paid-in capital of the Company....

calculated as 10% of the equity owned by the Company's parent company....

Article 6

Asset Appraisal Procedures

In the event of the Company's acquisition or disposal of real property, equipment or right-ofuse assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with domestic government agencies, engaging others to build on their own lands. engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, Company shall obtain an appraisal report from a professional appraiser prior to the Date of Occurrence and

Asset Appraisal Procedures

In the event of the Company's acquisition or disposal of real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with government agencies, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the Date of Occurrence and shall comply with the following provisions. In the event that the Amended to reflect regulatory changes

shall comply with the following Company acquires or disposes of	
provisions. In the event that the assets through court auction	
Company acquires or disposes of procedures, the evidentiary	
assets through court auction documentation issued by the court	
procedures, the evidentiary may serve as a substitute for the	
documentation issued by the court appraisal report or the certified	
may serve as a substitute for the public accountant's opinion.	
appraisal report or the certified I. In the event that, due to special	
public accountant's opinion. circumstances, the transaction	
I. In the event that, due to special price shall refer to a limited	
circumstances, the transaction price, a specified price or a	
price shall refer to a limited special price, the transaction	
price, a specified price or a shall be adopted at the Board of	
special price, the transaction Directors' meeting, and the	
shall be adopted at the Board of same procedure shall apply to	
Directors' meeting, and the the future changes to the terms	
same procedure shall apply to and conditions of the	
subsequent changes to the transaction.	
terms and conditions of the II	
transaction.	
II	
III	
IV	
The second of th	nded to
Subsidiary's Acquisition or Subsidiary's Acquisition or reflect	
Disposal of Assets Disposal of Assets regulation change	-
I	505
II	
III III	
IV	
The filing standard <u>regarding</u> The filing standard for the	
paid-in capital and total assets for subsidiary subject to Article 5	
the subsidiary subject to Article 5 paragraph I of the Procedures in the	
paragraph I of the Procedures in the preceding paragraph shall be 20%	
preceding paragraph shall be the of the Company's paid-in capital	
same standard applicable to the or 10% of the Company's total	
Company. <u>assets</u> .	
111 1111 11 110 110 110 110 110 110 110	nded to
In the event that the Company In the event that the Company reflecting in the event that the Company regularity regularity.	
engages in any acquisition or engages in any acquisition or change	-
disposal of real property or right- disposal of real property from or to	

of-use assets thereof from or to a related party or engages in any acquisition or disposal of assets other than real property or rightof-use assets thereof from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NTD 300 million or more, except for the trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the implementation unit submitted the following matters to the Audit Committee and the Board of Directors and the matters has been approved the Audit by Committee and the Board of Directors:

I.

II.

III. In the event that the Company acquires real property or rightof-use assets thereof from a related party, information regarding the evaluation of the reasonableness of the anticipated terms ofthe transaction in accordance with Article 12 or the proviso of Article 13.

IV.....

V.

VI....

a related party or engages in any acquisition or disposal of assets other than real property from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NTD 300 million or more, for the trading except government bonds, bonds under repurchase and resale agreements. or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until implementation unit submitted the following matters to the Audit Committee and the Board of Directors and the matters has been approved by the Audit Committee and the Board of Directors:

I.

II.

III. In the event that the Company acquires real property from a related party, information regarding the evaluation of the reasonableness of the anticipated terms of the transaction in accordance with Article 12 or the proviso of Article 13

IV.

V.

VI.

VII.

i.

ii. With respect to the

VII.

- i.
- ii. With respect to the following transactions between the Company and its subsidiary, or between companies in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may proceed with the transaction according to the provisions in Article 4, paragraph 1, subparagraph v of these Procedures, which shall subsequently be submitted to and ratified at the next Board of Directors' meeting.
 - A. acquisition or disposal of equipment or right-of-use assets for business use;
 - B. <u>acquisition or disposal</u> of real property for business use. . . .

acquisition or disposal of machinery or equipment for business use between Company and subsidiary, the Board of Directors may proceed with the transaction according to the provisions in Article 4, paragraph 1, subparagraph v of these Procedures, which subsequently shall submitted to and ratified at the next Board of Directors' meeting. . . .

Article 12 Evaluation of the Reasonableness of Transaction

In the event that the Company acquires real property or right-of-use assets thereof from a related party, except for the situation where the related party acquired the real property or right-of-use assets thereof through inheritance or as a gift, where more than five years has lapsed between the time the related party executed the agreement to acquire the real property or right-of-use assets thereof and the execution date of the current

Evaluation of the Reasonableness of Transaction

In the event that the Company acquires real property from a related party, except for the situation where the related party acquired the real property through inheritance or as a gift, where more than five years has lapsed between the time the related party executed the agreement to acquire the real property and the execution date of the current transaction, or where the real property is acquired by the related party through executing a

Amended to reflect regulatory changes

transaction, where the real property or right-of-use assets thereof is acquired by the related party through executing joint development agreement, or through the agreement engaging the related party to build on the real property or right-of-use assets thereof, either on its own land or on a rented land, or where the real property or right-of-use assets thereof are acquired for business use from a subsidiary of the Company or a company in which it directly or indirectly holds 100% of the issued shares or authorized capital, the reasonableness of the transaction costs shall be evaluated by the following means. The Company shall also engage a certified public accountant review the appraisal and render an opinion.

I.

II.

III. In the event that the land and the building thereon are combined as a single property purchased or leased in one transaction, the transaction costs of the land and the building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph I or II.

joint development agreement, or through the agreement engaging the related party to build on the real property, either on its own land or on a rented land, the reasonableness of the transaction costs shall be evaluated by the following means. The Company shall also engage a certified public accountant to review the appraisal and render an opinion.

I.

II.

III. In the event that the land and the building thereon are combined as a single property purchased in one transaction, the transaction costs of the land and the building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph I or II.

Article 13 | Pr

Procedures to be Complied with when the Estimated Transaction Costs are Lower than the Transaction Price

In the event that the transaction costs estimated in accordance with

Procedures to be Complied with when the Estimated Transaction Costs are Lower than the Transaction Price

In the event that the transaction costs estimated in accordance with

Amended to reflect regulatory changes

the preceding Article are lower than the transaction price, except for any of the following circumstances and there are objective evidence and opinions on reasonableness have been obtained from a real property professional appraiser and certified public account. the Company shall with comply paragraph 3 of this Article.

I.

i.

- ii. Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in floor or area in accordance with standard property sales or leasing market practices.
- II. Where the Company acquiring real property, or obtaining right-of-use assets under a real property lease, from a related party provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

If there is any other evidence indicating that the acquisition of real property by the Company from a related party involves transaction irregularities, the procedures provided in the the preceding Article are lower than the transaction price, except for any of the following circumstances and there are objective evidence and opinions on reasonableness have been obtained from a real property professional appraiser and certified public account, the Company shall with comply paragraph 3 of this Article.

I.

i.

- ii. **Completed** transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms similar are after calculation of reasonable price discrepancies in floor or area in accordance with standard property market practices.
- transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar after taking into account reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- II. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are

preceding two paragraphs shall apply.

The term "transactions for the

acquisition of neighboring land"

in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the published value of the land being close to that of the subject matter; the term "similar land area" refers to transactions by unrelated parties where the land area is not less than 50% of the land area of the transaction's subject matter. The term "within the preceding year" refers to the year preceding the date of the acquisition of the real property or right-of-use assets thereof. In the event that the Company acquires real property or rightof-use assets thereof from a related party, and the evaluation the transaction costs conducted in accordance with the preceding Article are all lower than the transaction price, and none of the cirmstances in

 A special reserve shall be set aside in accordance with Article 41 paragraph 1 of the Securities and Exchange Act against the difference between the transaction price of real

paragraph 1 of this Article

applies, the following actions

shall be taken:

similar to the terms of transactions **completed** for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

If there is any other evidence indicating that the acquisition of real property by the Company from a related party involves transaction irregularities, the procedures provided in the preceding two paragraphs shall apply.

"transactions The term **completed** for the acquisition of neighboring land" in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the published value of the land being close to that of the subject matter; the term "similar land area" refers to transactions completed unrelated parties where the land area is not less than 50% of the land area of the transaction's subject matter. The term "within the preceding year" refers to the year preceding the date of the acquisition of the real property.

In the event that the Company acquires real property from a related party, and the evaluation of the transaction costs conducted in accordance with

- property or right-of-use assets thereof and evaluated costs, and may not be distributed or used for capital increase issuance of bonus shares. The Company may not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or assets have the been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there other evidence confirming that the transaction is not unreasonable. the and competent authority has granted its approval.
- ii. Members of the Audit Committee that are Independent Directors shall handle the matter in accordance with Article 218 of the Company Act.
- iii. Actions that have been taken in accordance with the preceding two subparagraphs shall be reported to the shareholders' meeting, and details the of the transaction shall be disclosed in the annual report as well as prospectus.

- the preceding Article are all lower than the transaction price, and none of the cirmstances in paragraph 1 of this Article applies, the following actions shall be taken:
- A special reserve shall be set aside in accordance with Article 41 paragraph 1 the of Securities Exchange Act against the difference between the real property transaction price and the evaluated costs, and may not be distributed or used for capital increase issuance of bonus shares. The Company may not utilize such special until it reserve has recognized loss a decline in market value of the assets it purchased at a premium, or the assets have been disposed of. adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that the transaction is not unreasonable. and the competent authority has granted its approval.
- ii. Members of the Audit Committee that are Independent Directors shall handle the matter in accordance with Article 218 of the Company Act.
- iii. Actions that have been

taken in accordance with subparagraph I and II shall be reported to the shareholders' meeting, and details of transaction shall be disclosed in the annual report as well as the prospectus. Article 25 Article 25 Professional appraisers and their Professional appraisers and their appraisal officers, certified public appraisal officers, certified public accountants. accountants, attorneys and attorneys and securities underwriters, who securities underwriters, who provide the Company with provide the Company with appraisal reports or opinions shall appraisal reports or opinions, shall meet the following requirements: not be a related person of any I. They have not previously party to the transaction. received a final and nonappealable sentence imprisonment for one year or more for a violation of Regulations Governing the Acquisition and Disposal of Assets by Public Companies, the Company Act, Banking Act, Insurance Act, Financial Holding Company Act, or the **Business Entity Accounting** Act, or for fraud, breach of trust, embezzlement, forgery, occupational crime. However, this provision does not apply if three years have passed since the completion of the sentence, expiration of the term of probation, or grant of a pardon. II. They shall not be a related

the

to

party or de facto related party

party

of

any

transaction.

III. If the Company is required to obtain appraisal reports from two or more professional appraisers, such professional appraisers or appraisal officers shall not be related parties or de facto related parties of each other.

The professionals referred to in the preceding paragraph shall comply with the following provisions when preparing and issuing an appraisal report or opinion letter:

- I. Prior to accepting an assignemnt, they shall carefully evaluate their own professional capabilities, practice experience, and independence.
- II. When working on assignment, they shall adopt and implement adequate operating procedures formulating a conclusion and use the conclusion as the basis for issuing the report or opinion letter. The procedures implemented, data collected, and conclusion reached shall fully and accurately recorded in the working papers.
- III. They shall conduct an itemby-item evaluation on the completeness, accuracy, and reasonableness of the sources of data, parameters, and

	information used as the basis		
	of the appraisal report or		
	opinion letter.		
	IV. They shall issue a statement		
	attesting to the professional		
	competence and independence		
	of the personnel who are		
	involved in the preparation		
	and issuance of the report or		
	opinion letter, and that they		
	have evaluated and found that		
	the information used is		
	reasonable and accurate, and		
	that they have complied with		
	applicable laws and		
	regulations.		
Article 29	These Procedures are adopted at the	These Procedures are adopted at the	Amended to
	annual general meeting of	annual general meeting of	include the last amendment
	shareholders on May 27, 2003	shareholders on May 27, 2003	date of the
	These Procedures are adopted at the	These Procedures are adopted at the	Procedures
	annual general meeting of	\mathcal{E}	
	shareholders on June 15, 2017.	shareholders on June 15, 2017.	
	These Procedures are adopted at the	These Procedures are adopted at the	
	annual general meeting of	annual general meeting of	
	shareholders on June 14, 2018.	shareholders on June 14, 2018.	
	These Procedures are adopted at		
	the annual general meeting of		
	shareholders on June 14, 2019.		

Motions

Adjournment

Other Matters

Details of accepting shareholder proposals for the 2019 Annual General Meeting:

Explanation:

- 1. According to Article 172-1 of the Company Act, a shareholder who holds 1% or more of the total issued and outstanding shares may submit one proposal in writing to the Company to be discussed at the shareholders meeting; the proposal may only address one matter, and may not contain more than 300 Chinese characters.
- 2. Shareholder proposals must be submitted during the period from April 7, 2019 to April 17, 2019. As required by law, the Company has published the information regarding shareholder proposals on the MOPS website.
- 3. As of April 17, 2019, the Company has not received any written submission of shareholder proposals.

Annex I

Cheng Shin Rubber Ind. Co., LTD. Corporate Governance Best Practice Principles

2016.11.09 approved by Board resolution 2017.04.26 approved by Board resolution

Chapter 1 General Principles

Article 1

For establishing sound corporate governance systems, Cheng Shin Rubber Ind. Co., Ltd. (the "Company") formulates these Principles with reference to "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to frame effective corporate governance structure, and discloses the Principles through the Market Observatory Post System.

Article 2

The Principles shall be established by the Company pursuant to the following principles in addition to complying relevant laws, articles of incorporation, contracts entered with the Taiwan Stock Exchange Corporation ("TWSE"), and other relevant regulations:

- 1. Protect the rights and interests of shareholders.
- 2. Strengthen the powers of the Board of Directors (the "Board").
- 3. Fulfill the function of the Audit Committee.
- 4. Respect the rights and interests of stakeholders.
- 5. Enhance transparency of information.

Article 3

The Company shall follow "Regulations Governing Establishment of Internal Control Systems by Public Companies" and take overall operational activities of itself and its subsidiaries into consideration to establish and fully implement an internal control system, and shall conduct continuing reviews of the system in order to ensure its adaption to the changes of the Company's internal and external environment, and the continued effectiveness of its design and implementation.

The Company shall perform full self-assessments of its internal control system; its Board and management shall review the results of the self-assessments by each department and the reports of the internal audit department at least annually. The Audit Committee shall also attend to and supervise these matters.

The Company may establish channels and mechanisms of communication between the Audit Committee and chief internal auditors.

The management of the Company shall give weight to the internal audit department and its personnel, authorize them fully rights, and urge them to conduct audits effectively, to evaluate deficiencies of the internal control system and assess the efficiency of Company's operations for ensuring that the system could continuously and effectively operate, and to assist the Board and the management to perform their duties certainly so as to implement a sound corporate governance system.

The appointment, dismissal, performance review and evaluation, and compensation of the internal auditing personnel shall be reported to the Board or submitted by the chief auditor to the chairperson of the Board for approval.

Article 3-1

Pursuant to applicable laws, the Company has corporate governance personnel in place and has appointed a chief corporate governance officer as the most senior officer to be in charge of corporate governance matters. The chief corporate governance officer shall be a licensed attorney or accountant or shall have experience in a management position at a securities, financial, or futures institution, or at a public company, handling legal, financial, stock, or corporate governance matters.

"Corporate governance matters" in the preceding paragraph shall at least include the following:

- 1. Coordinate Board meetings and shareholders meetings pursuant to proper legal procedures.
- 2. Prepare minutes of the Board meetings and shareholders meetings
- 3. Assist directors in the onboarding process and continuing education.
- 4. Furnish all the information required for the directors to carry out their duties and responsibilities.
- 5. Offer guidance to directors in legal compliance.

Other matters as provided in the Company's Articles of Incorporation or contracts.

Chapter II

Protecting Shareholders' Rights and Interests

Section 1

Encouraging Shareholders to Participate in Corporate Governance

Article 4

The corporate governance system of the Company shall protect shareholders' rights and interests and treat all shareholders equitably.

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

Article 5

The Company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings; the matters which shall be resolved by shareholders meetings shall be faithfully implemented in accordance with the rules for the meetings. The resolution shareholders meeting adopted shall be consistent with laws, regulations, as well as with the Articles of Incorporation of the Company.

Article 6

The Board of the Company shall properly arrange the agenda and procedures for shareholders meetings, formulate the principles and procedures for shareholders' nomination for independent directors and submissions of shareholders proposals, and shall dispose shareholders' proposal submitted in accordance with laws and regulations properly. Shareholders meetings shall be arranged at a convenient location with sufficient time allowed and with numbers of qualified personnel assigned to deal with attendance registrations. Shareholders shall not be arbitrary requested to provide with additional evidentiary documents beyond those presenting their eligibility to attend, and shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to deliver statements.

A shareholders meeting convened by the Board may be presided by the chairperson of the Board with the attendance of a majority of the directors (including at least one independent director) and the chairman of the Audit Committee in person, as well as the attendance of at least one member representing each functional committee, and the attendance details should be recorded in the shareholders meeting minutes.

The Company shall encourage shareholders to actively participate in corporate governance, and may commit shareholders meeting matters to a professional shareholder services agent, so that shareholders meetings can proceed on a lawful, effective and secure basis. The Company may upload annual reports, financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently through various measures and various means and methods, and exploit technologies for information disclosure and casting of votes casting, and adopt electronic voting in order to enhance shareholders' attendance rates at shareholders meetings and ensure that shareholders are able to exercise the rights at such meetings in accordance with laws.

The Company employing electronic voting at a shareholders meeting may avoid raising extraordinary motions and amendments to original proposals.

The Companies may arrange for shareholders to vote on each separate proposal listed in the shareholders meeting agenda, and on the same day following conclusion of the meeting, enter the voting results, namely the number of votes cast for and against and the number of abstention on the Market Observation Post System ("MOPS").

Article 8

The Company shall record the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, the essential points of the proceedings and the results of the meeting in the shareholders meeting minutes pursuant to the Company Act and other applicable laws and regulations. The meeting minutes shall record the method of voting adopted for the election of directors (including independent directors), and the total number of votes for the elected directors (including independent directors).

The shareholders meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 9

The chairperson of the shareholders meetings shall be fully acquaint and comply with the rules governing the proceedings of the shareholders meetings established by the company, ensure the proceedings of the meetings smoothly, and may not adjourn the meetings at will. For the purpose of protecting the rights and interests of most shareholders, if the chairperson declares the adjournment of the meeting with a violation of the rules governing the proceedings of the shareholders meetings, the members of the Board other than the

chairperson of the shareholders meeting may promptly assist the attending shareholders in electing a new chairperson to continue the meeting by a resolution adopted by a majority of the votes representing the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

The Company shall give weight to shareholders' right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information of Company's financial conditions, operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To protect shareholders' rights and interests and ensure duly implementation of equal treatment to shareholders, the Company shall establish internal rules prohibiting insiders of the Company from trading securities by exploiting the information not disclosed to the market.

Article 11

The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statistical forms and books prepared by the Board and the reports submitted by the Audit Committee, and may adopt profit distributions and deficit offsetting by resolution. The shareholders meeting may appoint an inspector to proceed with above examinations.

Pursuant to Article 245 of the Company Act, the shareholders may apply to the court for appointing an inspector in examining the accounting records, assets, and specified items, transaction documents and records of the Company.

The Board, Audit Committee and managers of the Company shall fully cooperate with the inspectors in respect of the examinations as stipulated in the preceding two paragraphs without any circumvention, interference or rejection.

Article 12

With respect to material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and regulations, and shall establish relevant

operating procedures hereto, which shall be reported to and approved by the shareholders meeting so as to protect the rights and interests of the shareholders.

Section 2

Establishing a Mechanism for Interaction with Shareholders

Article 13

For protecting the rights and interests of the shareholders, the Company may designate dedicated personnel to properly deal with shareholders' proposals, inquiries, and disputes.

The Company shall properly deal with any litigations duly lodged by shareholders pursuant to laws as a result of the facts that shareholders' rights and interests were damaged by a resolution adopted at a shareholders meeting or a Board meeting violating applicable laws, regulations, or the Articles of Incorporation of the Company, or by a breach of applicable laws, regulations or the Articles of Incorporation of the Company by any directors and managers when performing their duties.

The Company may establish internal procedures for appropriate tackling with the matters referred to in the preceding two paragraphs, keep written records for future examinations, and incorporate the procedures in its internal control system for management purposes.

Article 13-1

The Board of the Company is responsible for establishing a mechanism for interaction with shareholders in order to enhance mutual understanding in respect of the key development to the Company.

Article 13-2

In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the Board of the Company together with managers and independent directors shall jointly proceed in an efficient manner to understand shareholders' views and concerns, and interpret Company's policies explicitly, in order to procure shareholders' support.

Section 3

Corporate Governance Relationships

Between the Company and Its Affiliated Enterprises

Article 14

The Company shall clearly define the authority and responsibility between itself and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall duly implement risk assessments and establish appropriate firewalls.

Article 15

Unless otherwise provided by the laws and regulations, a manager of the Company may not concurrently serve as a manager of its affiliated enterprises.

A director of the Company who engages in any transaction fell within Company's operation scope for himself or on other's behalf shall explain the essential details of such actions to the shareholders meeting and obtain its approval.

Article 16

The Company shall establish sound managerial objectives and procedures for finance, operations, and accounting in accordance with applicable laws and regulations, and shall together with its affiliated enterprises properly conduct an overall risk assessment to major corresponding banks, customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17

If the Company and its affiliated enterprises engage in inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated in transaction contracts, and non-arm's length transactions shall be prohibited.

All transactions or contracts conducted or signed by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

- 1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any non-arm's length business practice or adverse operations.
- 2. The representative of it shall follow the rules regulated by the Company with respect to the exercise of rights and participation of resolution, shall exercise his/her voting right in good faith and for the best interest of all shareholders at a shareholders meeting, and shall exercise the fiduciary duty and duty of care as a director.
- 3. It shall comply with relevant laws, regulations and the Articles of Incorporation of the Company in nominating independent directors and shall not act beyond the authority granted by the shareholders meeting or Board meeting.
- 4. It shall not improperly intervene in Company's decision-making or obstruct Company's operation activities.
- 5. It shall not restrict or impede Company's management of production by means of unfair competition such as monopolizing procurement or sealing sales channels.
- 6. The representative appointed by a corporate shareholder when it is elected as a director of the Company shall meet the professional qualifications the Company required, and should not be replaced by the corporate shareholder arbitrarily.

Article 19

The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall periodically disclose important information about its shareholders holding more than 10 percent of the outstanding shares of the Company regarding pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares in order to facilitate other shareholders' supervision.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the Company or the shareholding stake thereof is on the top 10 list; provided however that the Company may establish a lower shareholding threshold in the light of the actual status of shareholding stake that may be sufficient to control the Company.

Chapter III

Enhancing the Functions of the Board of Directors

Section 1

Structure of the Board of Directors

Article 20

The Board of the Company shall direct company strategies, supervise the management, and be responsible to the Company and shareholders; the various procedures and arrangements of its corporate governance system shall ensure the Board exercising their authorities in compliance with laws, regulations, Articles of Incorporation of the Company, and the resolutions of shareholders meetings.

The structure of the Board shall be consisted of no less than five members in consideration of Company's business scale, the shareholdings of its major shareholders, and practically operational

The composition of the Board shall be determined by the consideration of diversification, and an appropriately diversified policy shall be regulated based on the Board's operations, Company's operation dynamics, and development needs. The composition of the Board shall also be determined by the consideration of gender equality, and the members of the Board shall equip with required professional background for performing their duties (e.g., law, accounting, industry, finance, marketing or technology), skills and accomplishments. To achieve desirable goals of corporate governance, the Board shall overall possess the following abilities:

- 1. Ability to make operational discretions.
- 2. Ability to perform accounting and financial analysis.
- 3. Ability to conduct management and administration.
- 4. Ability to manage crisis issues.
- 5. Knowledge of the industry.
- 6. An international market perspective.
- 7. Ability to lead.
- 8. Ability to make policy decisions.

The Company shall establish a fair, impartial, and transparent procedure for the election of directors in accordance with the principles of protections to shareholders' rights and interests so as to encourage shareholders' participation, and shall adopt the cumulative voting mechanism pursuant to the Company Act to fully reflect shareholders' views.

If the number of directors falls below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the following shareholders meeting. If the number of directors falls short by one-third of the total number prescribed by the Articles of Incorporation, or if all the independent directors are discharged, the Company shall convene a special shareholders meeting within 60 days following the occurrence of it for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the Company shall comply with the laws and regulations; restrictions on the share transferring of each director and the creation, release, or changes of any pledges on the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22

The Company may, pursuant to the Company Act, specify in the Articles of Incorporation about its adoption of the candidate nomination system for elections of independent directors, carefully evaluate the qualifications of the nominees and whether any of the conditions set forth in Article 30 of the Company Act pursuant to Article 192-1 of the Company Act exists.

Article 23

Explicit distinctions of the responsibilities and duties shall be drawn between the chairperson of the Board of the Company and its general manager.

The chairperson of the Board of the Company may not act as the general manager concurrently. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of kinship, the number of independent directors may be increased. If it is necessary to set up a functional committee, they shall be explicitly imposed with the responsibilities and duties.

Section 2

System for Independent Director

Article 24

The Company shall appoint two or more independent directors in accordance with its Articles of Incorporation, and the number of independent directors shall be not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and their shareholdings there shall be restricted. Unless otherwise specified in relevant laws and regulations, the independent directors may not act as directors(including independent directors) or supervisors concurrently in more than five TWSE/GTSM listed companies. They shall maintain their independence within the scope of their directorial duties, and shall not have any direct or indirect interest in the Company.

If the Company and its affiliated enterprises and organizations, and another company and its affiliated enterprises and organizations nominate any director, supervisor or managerial officer of each other as a candidate for an independent director, the Company shall, at the time upon receiving the nominations for independent directors, disclose the fact and explain the suitability of the candidate.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are actually controlled by the Company.

Change of status between independent directors and non-independent directors during the period of their tenure is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies", and the rules and regulations of the TWSE.

Article 25

The Company shall submit the following matters to the Board for approval by resolution as provided in the Securities and Exchange Act. In the event an independent director has a dissenting opinion or qualified opinion, it shall be recorded in the minutes of Board meeting:

- 1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for material financial or operational actions, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- 3. A matter involved in the personal interest of a director.
- 4. A significant asset or derivatives transaction.
- 5. A significant monetary loan to others, endorsement, or provision of guarantee for others.
- 6. The offering, issuance, or private placement of any equity-type securities.
- 7. The appointment, discharge, or compensation of an attesting CPA.
- 8. The appointment or discharge of a financial, accounting, or internal auditing officer.
- 9. Any other material matter required by the competent authority.

The Company shall stipulate the scope of duties of the independent directors and entitle them with manpower and physical support related to the exercise of their power. The Company or other Board members shall not obstruct, refuse or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors in accordance with the relevant laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into account. Different but reasonable remuneration from that of other directors may be stipulated for the independent directors.

Section 3

Functional Committees

Article 27

For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of the Company may, in consideration of the scale of the Company, business nature, and the number of Board members, set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and may, based on concepts of corporate social responsibility and sustainable operation, set up environmental

protection, corporate social responsibility, or other committees, and expressly specify those in the Articles of Incorporation of the Company.

Functional committees shall be responsible to the Board and submit their proposals to the Board for approval, provided that the implementation of supervisor's duties conducted by the Audit Committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall establish organizational rules to be adopted by Board of resolution. The organizational rules shall contain the matters including the numbers, tenure, and powers of committee members, as well as the meeting rules and resources as provided by the Company to exercise power of committee.

Article 28

The Company shall establish the Audit Committee in accordance with relevant laws.

The Audit Committees shall be comprised of all the independent directors and shall not be less than three people, one of whom shall be the chairperson and at least one of whom shall have accounting or financial expertise.

The exercise of powers by the Audit Committee and the independent directors shall follow the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of TWSE/TPEx.

Article 28-1

The Company shall establish a Remuneration Committee and is advised to have independent directors fill over half of the seats on the Committee. The professional qualifications of the committee members, the exercise of their powers, the adoption of the organizational rules, and related matters shall be dealt with pursuant to the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

To improve the quality of financial report, the Company had set up a deputy for the principal accounting officer.

To enhance the professional abilities of the deputy accounting officer as referred in the preceding paragraph, the deputy accounting officer shall continuously receive training following the training schedule of the principal accounting officer.

Accounting personnel preparing financial related statements shall also participate in relevant professional development courses annually; those courses may be Company's internal training or may be provided by professional training institutions for principal accounting officers.

The Company shall appoint a professional, responsible, and independent attesting CPA to perform regular examinations over the financial status and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the examination, concrete measures for improvement or suggestions for prevention provided by the attesting CPA, the Company shall faithfully exercise improvement actions, may establish channels or mechanisms for communication between the independent directors and the attesting CPA, regulates internal operation procedures, and incorporates it into Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA appointed by the Company regularly (at least once annually). In the event that the Company appoints the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacement and report evaluated result to the Board.

Article 30

The Company may appoint a professional and competent legal counsel to provide duly legal consultation services to the Company, or to assist the Board, the Audit Committee and the management to improve their knowledge of laws, to prevent the Company or its staff from any infraction of laws or regulations, and to ensure that corporate governance matters proceed under the relevant legal framework and the regulatory procedures.

In the event the directors, the Audit Committee or the management are involved in a litigation or a dispute with shareholders as a result of performing their legal duties, the

Company shall, in consideration of actual necessity, appoint a legal counsel to provide assistance.

Independent directors may appoint a legal counsel, CPA, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their duties, at the expense of the Company.

Section 4

Rules for the Proceedings and Decision-Making Procedures of Board Meetings

Article 31

The Board of the Company shall convene a meeting at least once every quarter, or convene at any time in case of emergency. To convene a Board meeting, a meeting notice specifying the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date together with sufficient meeting materials enclosed therein. If the meeting materials are inadequate, a director is entitled to ask more information or request a postponement of the meeting with the consent of the Board.

The Company shall adopt rules of procedure for Board meetings, which shall follow the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

Article 32

Directors of the Company shall exercise a high level of self-discipline. If the interest of a director (or a juristic person represented by the director) is involved in any proposal raised by the Board, which may cause damage to the Company, the director shall explain at Board meeting, avoid the meeting automatically, and shall not participate in discussion or voting, neither act as another director's proxy to exercise voting rights on that proposal.

Article 33

With regard to the matters which shall be submitted to the Board specified in Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend Board meeting in person, and shall not be represented by a non-independent director via proxy. If an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of Board meeting. If an independent director cannot attend Board meeting in person to express

his or her dissenting or qualified opinion, he or she shall provide a written opinion in advance unless there are justifiable reasons for his/her failure to do so, and the opinion shall be recorded in the minutes of Board meeting.

In the event that an independent director has expressed any dissent or reservationas to an item of business which is on record or stated in a written statement, in addition to recording the opinion in the meeting minutes, the Company shall also publish and file the said opinion on the MOPS two hours before the start of trading hours on the next business day after the date of the Board meeting.

During a Board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, may be informed of their attendance to the meetings, make reports on the current business status of the Company and respond to inquiries raised by directors. Where necessary, a CPA, legal counsel, or other professionals may be invited to sit in at the meetings to assist the directors in understanding the current conditions of the Company in order to adopt an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

The personnel of the Company attending Board meetings shall correctly record the meeting details, as well as a summary, the method of resolution, and voting results of all the proposals in accordance with relevant regulations.

The minutes of Board meetings shall be signed or stamped by the chairperson and recorder of the meeting, and sent to each director within 20 days after the meeting; the director attendance records shall be considered as part of the meeting minutes, treated as Company important files, and kept safe permanently during the existence of the Company.

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Company shall record by audio or video the entire proceedings of a Board meeting and preserve the records for at least 5 years; the preservation may take place via electronic means. In the event before the end of the preservation period as referred in the preceding paragraph a lawsuit is raised with respect to a resolution of a Board meeting, the relevant audio or video records shall be preserved for a further period, for which the preceding paragraph does not apply.

Where a Board meeting is held via video conference, the audio and video records of the meeting form a part of the meeting minutes and shall be preserved permanently.

When a resolution of the Board violates laws, regulations, the Articles of Incorporation, or resolutions adopted in the shareholders meeting, and thus causes any damage to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

The Company shall submit the following matters to the Board for discussion:

- 1. Company's business plans.
- 2. Annual and semi-annual financial report, with the exception of the semi-annual financial report which is no need to be audited and attested by CPA in accordance with relevant laws and regulations.
- 3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and review of the effectiveness of the internal control system.
- 4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for material financial or operational actions, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
- 5. The offering, issuance, or private placement of any equity-type securities.
- 6. The performance assessment and the standard of remuneration to the managers.
- 7. The structure and system of director's remuneration.
- 8. The appointment or discharge of a financial, accounting, or internal audit officer.
- 9. A donation to a related party or a significant donation to a non-related party; provided that a public-interest donation of disaster relief for a material natural disaster may be submitted to the next Board meeting for retroactive recognition.
- 10. Any matter specified in Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or Board meeting, or any such significant matter as may be prescribed by the competent authority.

Except for matters which shall be submitted to the Board for discussion as referred in the preceding paragraph, when the Board is in recess, it may authorize its power to others in accordance with laws, regulations, or Articles of Incorporation of the Company. The level of delegation, the contents or matters to be authorized shall be clearly specified, and general authorization is not permitted.

The Company shall delegate appropriate department or personnel to execute matters adopted by Board's resolutions in consistent with the planned schedule and objectives, and shall also follow up on those matters and faithfully review their implementation.

The Board shall remain informed of the progress of implementation and discuss in subsequent meetings to ensure the actual implementation of Board's management decisions.

Section 5

Fiduciary Duty, Duty of Care and Responsibility of Directors

Article 37

Members of the Board shall faithfully implement their duties and perform the duty of care of a good administrator, and shall exercise their powers with a high level of self-discipline and prudence. Unless the matters otherwise reserved by law or the Article of Incorporation of the Company to be adopted by a resolution in shareholders meetings, members of the Board shall ensure that all matters are dealt with according to the resolutions of the Board.

Article 37-1

The Company may establish a succession plan for the management, which shall be periodically evaluated by the Board to ensure sustainable operation.

Article 38

If a resolution of the Board violates laws, regulations or the Company's Articles of Incorporation, at the request of shareholders holding shares continuously for a year or at an independent director's notice to discontinue the implementation of the resolution, members of the Board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material damage, members of the Board shall immediately handle such matter in accordance with the preceding paragraph, and report to an independent director.

Article 39

Pursuant to the Articles of Incorporation or a resolution adopted by a shareholders meeting, the Company may take out liability insurance for directors with respect to regulatory liabilities resulting from the exercise of duties during their tenures to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoing or negligence of a director.

After taking out or renewing liability insurance for directors, the Company may report the material matters such as insured value, scope and premium rate of such insurance at the most recent Board meeting.

Article 40

When directors being newly-elected or during their tenures, members of the Board of the Company may continuously participate in training courses of finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated by the "Rules Governing Implementation of Continuing Education for Directors of TWSE/GTSM Listed Companies" covering subjects relating to corporate governance, and shall ensure that employees at all levels will enhance their professionalism and knowledge of law.

Chapter IV Empowering the Audit Committee

Article 41

The members of the Audit Committee shall be fully acquaint with the relevant laws and regulations, understand the rights, obligations, and duties of directors, and the functions, duties and operation of each department, attend Board meetings to participate in their operations, and deliver his/her opinions when appropriate so as to early control or discover any abnormal situation.

Article 42

The Audit Committee shall supervise the implementation of Company's operations, and the performance of duties by directors and managers, and pay attention to the enforcement of the internal control system in order to reduce the financial and operational risks to the Company. When a director of the Company, for himself/herself or on others' behalf, enters into a sale/purchase transaction or loan contract, or conducts any legal act with the Company, an independent director member of the Audit Committee shall act as the representative of the Company.

Members of the Audit Committee may investigate the operational and financial status of the Company from time to time, and the relevant departments in the Company shall provide the books or documents required for the review, transcription, or copying of records.

When reviewing the finance or operation of the Company, members of the Audit Committee may appoint attorneys or CPAs on the Company's behalf to perform such review; however, the Company shall inform the relevant persons of their confidentiality obligations.

The Board or managers shall submit reports in accordance with the request of members of the Audit Committee and shall not for any reason circumvent, obstruct, or refuse the inspection of members of the Audit Committee.

When members of the Audit Committee perform their duties, the Company shall provide necessary assistance as needed, and the reasonable expenses of it shall be borne by the Company.

Article 44

For the Audit Committee to timely discover any possible irregular conduct in the Company, the Company shall establish a channel to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, the Audit Committee shall take appropriate measures timely to prevent the expansion of the irregular conduct, and file a report to the relevant competent authorities or units if necessary.

When an independent director, general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is replaced, the Audit Committee shall investigate the reasons closely.

In the event that the Audit Committee neglects its duties and causes harm to the Company, the Audit Committee shall be liable to the Company.

Article 45

When exercising his/her supervisory power separately, each member of the Audit Committee may, taking the overall interests of the Company and shareholders into account, convene a meeting to exchange opinions among all members of the Audit Committee when he or she feels necessary, but shall not obstruct each member of the Audit Committee in exercising his/her duties independently.

Chapter V Respecting Stakeholders' Rights

Article 46

The Company shall maintain clear channels for communication with its corresponding banks, other creditors, employees, consumers, suppliers, community, or other stakeholders, shall respect and safeguard their legal rights, and may designate a dedicated stakeholders zone on the website.

In the event any of a stakeholder's legal right or interest is infringed, the Company shall deal with such matter in a proper manner and in good faith.

Article 47

The Company shall provide sufficient information to corresponding banks and other creditors to facilitate their evaluation of the operational and financial status of the Company and its decision-making process. When any of their legal right or interest is infringed, the Company shall respond positively and assist creditors to obtain compensation through proper means.

Article 48

The Company shall establish channels for communication with employees and encourage employees to communicate directly with the management, directors, or the Audit Committee so as to properly reflect employees' opinions to the management and financial status of the Company, and material decisions in respect of employee welfare.

Article 49

When developing general business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give weight to Company's social responsibility.

Chapter VI

Improving Information Transparency

Section 1

Enhancing Information Disclosure

Article 50

The Company shall duly perform its obligations in accordance with relevant laws, regulations, and the rules of the TWSE.

The Company is advised to file and publish the annual financial report within two months after the end of a fiscal year, and to file and publish the quarterly financial reports for the first three quarters of the year as well as monthly operating report before the end of the prescribed period.

The Company shall establish an internet-based reporting system for public information, appoint dedicated personnel for collecting and disclosing the information of the Company, and place a spokesperson system to ensure proper and timely disclosure of the information that might affect the decisions of shareholders and stakeholders.

Article 51

For enhancing the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions, are capable of coordinating among departments for collecting relevant information, and represent the company in making statements independently.

The Company shall appoint one or more acting spokespersons, among whom shall make statements independently on Company's behalf while the spokesperson cannot perform his/her duties; provided that the order of authority shall be established to avoid any confusions.

For duly implementing the spokesperson system, the Company shall unify the process for delivering external statements, require the management and employees to maintain the confidentiality of financial and operational secrets, and prohibit them from arbitrary disclosing any such information.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

The Company shall utilize the convenience of the Internet and set up a website containing the information in respect of the Company's finance, operation, and corporate governance for shareholders and stakeholders' reference, and may furnish financial, corporate governance, and other relevant information in English.

For avoidance of misleading information, the website as referred in the preceding paragraph shall be maintained by dedicated personnel, and the information recorded thereof shall be accurate, detailed and updated on a timely basis.

Article 53

The Company shall hold an investor conference in compliance with the regulations of TWSE, and shall keep an audio or video record of the meeting. The financial and operational information provided in the investor conference shall be disclosed on the MOPS, and any inquiry could be made through the website established by the Company, or through other channels, in accordance with the TWSE rules.

Section 2

Disclosure of Information on Corporate Governance

Article 54

The Company shall disclose the following information with regard to corporate governance in the fiscal year in accordance with laws and regulations and TWSE rules, and keep those updated:

- 1. Corporate governance framework and rules.
- 2. Shareholding structure and the rights and interests of shareholder (including concrete and explicit dividend policy).
- 3. Structure of the Board, professional ability and independence of Board members.
- 4. Responsibility and duties of the Board and managers.
- 5. Composition, duties and independence of the Audit Committee.
- 6. Composition, duties and operation of the remuneration and other functional committees.
- 7. The remuneration paid to the directors, general manager and vice general manager in the most recent fiscal year; the analysis of the percentage of total remuneration to net profit after tax in individual or separated financial report; the policy, standard and package of remuneration payment; the procedure for determining remuneration and the connection with the operation performance and future risk exposure.

- 8. The progress of training of directors.
- 9. Stakeholders' rights, relationship, channel for complaint, concerned issues, and appropriate mechanism for Company's response.
- 10. Handling details subject to information disclosure required by law and regulations.
- 11. The enforcement of corporate governance, differences between the corporate governance principles stipulated by the Company and these Principles, and the reason for the differences.
- 12. Other information with regard to corporate governance.

The Company may, viewing the actual performance of the corporate governance system, disclose concrete plans and measures to improve the corporate governance system through appropriate mechanisms.

Chapter VII Supplementary Provisions

Article 55

The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement to the Company's own corporate governance mechanisms, so as to enhance their effectiveness.

Article 56

These Principles and any amendaments thereof shall be adopted by Board resolutions and shall be reported to the shareholders meetings.

These Principles were adopted by Board resolution on November 9, 2016.

The first amendment of these Principles was adopted by Board resolution on April 26, 2017. The second amendment of these Principles was adopted by Board resolution on March 21, 2019.

Annex II

Cheng Shin Rubber Ind. Co., LTD. Articles of Incorporation

Section I General Provisions

Article 1

The name of the company is CHENG SHIN RUBBER IND. CO., LTD. (正新橡胶工業股份有限公司) (the "Company"), which is duly organized as a company limited by shares under the Company Act of Taiwan.

Article 2

The business to be operated by the Company is as follows:

- 1. C801990 Manufacturing of other chemical materials
- 2. C802160 Manufacturing of sticky tapes
- 3. C804010 Manufacturing of tires
- 4. C804020 Manufacturing of industrial rubber products
- 5. C804990 Manufacturing of other rubber products
- 6. CB01010 Manufacturing of machinery and equipment
- 7. F112040 Wholesale of Petrochemical Fuel Products
- 8. F212050 Retail of petroleum products
- 9. F401010 International trade
- 10. ZZ99999 All business not prohibited or restricted by law, except for those subject to special approval

Article 3

The total amount of investments by the Company may exceed forty percent of the paid-in capital of the Company.

Article 4

The headquarters of the Company is located in Changhua County, Taiwan. The Company may establish branches or subsidiaries in Taiwan or overseas as the Company may require upon resolution by the board of directors of the Company ("Board or "Board of Directors").

Article 5

The Company may act as a guarantor for companies in the same industry.

Section II Shares

Article 6

The registered capital of the Company shall be thirty two billion four hundred fourteen million one hundred fifty five thousand three hundred sixty New Taiwan Dollars (NT\$32,414,155,360), divided into three billion two hundred forty one million four hundred fifteen thousand five hundred thirty six (3,241,415,536) shares, with a par value of ten New Taiwan Dollars (NT\$10) per share, which are fully issued.

Article 7

The Company's shares shall be registered and numbered, and shall bear the signatures or personal seals of at least three directors, and be issued upon certification in accordance with the law.

The Company may issue shares without certificates, and such shares shall be registered with a central securities depository.

Article 8

The Company's shares shall be handled according to the "Regulations Governing the Administration of Shareholder Service of Public Companies" prescribed by the competent authority.

Article 9

Registration for the transfer of shares shall be completed sixty (60) days before the date of each annual meeting, thirty (30) days before the date of each special meeting, or five (5) days before the date on which dividends, bonus, or any other distributions will be paid or made by the Company.

Section III Shareholders' Meeting

Article 10

There are two types of shareholders' meeting of the Company, the annual meeting and special meeting.

Annual meetings shall be convened by the Board of Directors annually within six (6) months after the end of each fiscal year.

Special meetings shall be convened as required in accordance with applicable laws and regulations.

Article 11

Notice shall be given to the shareholders by mail or electronic transmission at least thirty (30) days prior to an annual meeting, and at least fifteen (15) days prior to a special meeting, stating the date, place, and purpose of the meeting. Notice to shareholders holding less than a thousand (1,000) shares may be given by public announcement.

Article 11-1

A shareholder holding one percent or more of the total issued and outstanding shares may submit a proposal in writing to be discussed at the annual meeting, provided that only one matter may be included in such proposal. Any proposal that includes more than one matter shall be disregarded and excluded from the meeting agenda. The relevant process shall comply with the Company Act and all applicable laws and regulations.

Article 12

A shareholder who is unable to attend the shareholders' meeting may authorize another person to attend as proxy using the form provided by the Company affixed with the seal that such shareholder left in the Company's safekeeping, which sets forth the scope of the authorization. The proxy process is governed by Article 177 of the Company Act and the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" prescribed by the competent authority.

Article 13

The shareholders' meetings shall be presided by the Chairman of the Board. If the Chairman of the Board is on leave or unable to exercise his powers and duties for any reason, the chairperson of the meetings shall be appointed pursuant to Article 208 of the Company Act. If the meeting is convened by a person with the authority to convene other than the Board of Directors, such person shall act as the chairperson at that meeting; if there are more than one person with the authority to convene, the chairperson for the meeting shall be appointed from among them.

Article 14

Except as otherwise provided by applicable law, the shareholders' resolutions shall be adopted upon the approval of a majority of the voting shares present at the meeting, which is attended by holders of a majority of the total issued and outstanding shares of the Company.

The shareholders may exercise their voting rights by mail or electronic transmission in accordance with the applicable laws and regulations. The notice of the shareholders' meeting shall specify the instructions for voting by mail or electronic transmission.

Article 15

Except for the shares with restricted voting right or without voting rights under the Company Act, each share of the Company is entitled to one vote.

A shareholder who exercises his voting rights by mail or electronic transmission will be deemed to have waived his rights to vote on any ad hoc motions and amendments to the original proposals at such meeting.

Article 16

The resolutions adopted at the shareholders' meeting shall be made into minutes, which shall be signed by or affixed with seal of the chairperson of the meeting and distributed to all shareholders within 20 days after the meeting. The distribution of the meeting minutes shall comply with Article 183 of the Company Act.

Minutes of the meeting shall include the date and place of the meeting, the name of the chairperson at the meeting, the method for adopting the resolutions, and summary and results of the proceedings. Minutes of the meetings shall be kept for as long as the Company is in existence.

The attendance register and proxy forms shall be kept for at least one year; provided, however, records concerning an action initiated by a shareholder pursuant to Article 189 of the Company Act shall be kept until the conclusion of the lawsuit.

Section IV Board of Directors

Article 17

Subject to Article 26-3 of the Securities and Exchange Act, the Company shall have nine to eleven directors, who shall be elected from legally competent persons at the shareholders' meeting and hold office for three years; re-elected directors may serve consecutive terms.

There shall be at least three independent directors among the number of directors to be elected referred to in the preceding paragraph, and the independent directors shall represent at least one-fifth of the Board. The independent directors shall be elected at the shareholders' meeting using the candidate nomination system and from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.

The election of independent directors and non-independent directors shall be held concurrently, provided that the number of independent directors and non-independent directors elected are calculated separately. The directors shall comply with the rules of the securities regulatory authorities concerning minimum share ownership.

Article 18

The Chairman of the Board shall be elected from among the directors, and the Vice Chairman may be elected in the same manner. The Chairman of the Board shall have the authority to represent the Company and preside at the shareholders' meeting and Board meeting of the Company.

Article 19

The Board of Directors shall have the following powers and duties:

- 1. Review and adopt material rules of the Company;
- 2. Decide on the business directions of the Company;
- 3. Approve budgets and financial statements;
- 4. Submit proposals regarding distribution of profits;
- 5. Submit proposals regarding capital increase or reduction;
- 6. Sale and purchase and investment of real property;
- 7. Appoint and remove key management of the Company;
- 8. Guarantee for companies in the same industry;
- 9. Decide on adjustment of the organizational structure and other important matters of the Company;
- 10. Prepare and review annual and quarterly financial statements; and
- 11. Other powers and duties conferred by the Company Act or by the shareholders at the shareholders' meeting.
- 12. According to the Company Act, actions taken under the aforementioned powers and duties of the Board shall be reported to or approved by the shareholders at shareholders' meeting whenever necessary.

Article 20

In case that the vacancies in the office of directors reach one-third of the Board, the Board of Directors shall convene a special meeting of the shareholders within sixty (60) days to elect new directors to fill the vacancies. A director elected to fill such vacancy shall hold office for the unexpired term of the director whose office was vacant.

The meeting of the Board of Directors shall be held at least once every quarter and may be called in case of emergency or upon the request of more than one-half of the directors. The meeting of the Board of Directors shall be convened by delivery a notice to each director via mail, email, or fax.

Article 22

The Chairman of the Board shall preside at all meetings of the Board of Directors. If the Chairman of the Board is on leave or cannot exercise his powers and duties for any reason, a chairperson shall be appointed pursuant to Article 208 of the Company Act.

Article 23

The directors shall attend all meetings of the Board of Directors in person. If a director is unable to attend the meeting due to special circumstances, such director may appoint another director as his proxy. If participation by means of video conferencing is made available at a meeting, directors who participate in the meeting by such means shall be deemed to have attended such meeting in person. A director who appoints another director as his proxy to attend the meeting shall fill out a proxy form setting forth the scope of authorization with respect to the matters to be discussed at such meeting. A director may only be appointed as a proxy by one other director. A director who resides overseas may, in writing, appoint a shareholder residing in Taiwan as his proxy to regularly attend the meetings of the Board of Directors.

Article 24

Except as otherwise provided by the Company Act, resolutions of the Board of Directors shall be adopted by at least a majority of the directors present at a meeting attended by at least a majority of the directors holding office.

Minutes of the Board meetings shall be signed by or affixed with seals of the chairperson and the secretary for the meeting. A copy of the minutes shall be distributed to each director within 20 days after the meeting and shall be classified as important company records and properly maintained for as long as the Company is in existence.

The preparation and distribution of the meeting minutes specified in paragraph 1 may be done through electronic means.

Article 24-1

The Board of Directors is authorized to determine the compensation of the directors by referencing the standards within the industry; provided, however, independent directors shall not participate in the distribution of earnings as set forth in Article 34-1 herein.

The Company may purchase liability insurance for the directors during their tenures, which shall cover the directors' liabilities arising from the performance of their duties.

Section V Audit Committee

Article 26

The Company establishes the Audit Committee in accordance with relevant laws. The Audit Committee consists of all the Independent Directors, and the number of committee members shall be 3 persons or more. Among the committee members, one should be the convener, and there should be at least 1 person with accounting or financial expertise.

The number of Audit Committee members, their term, duties, meeting rules and the resources to be provided when exercising their duties shall be regulated by the organizational rules of the Audit Committee.

Article 27

The Company establishes the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The duties of the Supervisors provided under the Company Act, the Securities and Exchange Act and other relevant laws shall become duties of the Audit Committee.

Article 28

The Company's Board of Directors may establish all types of functional committees. The functional committee of each type shall, in accordance with the regulations provided by the competent authority, enact the rules governing the exercise of its duties. These rules shall be effective upon the resolution adopted by the Board of Directors' meeting.

Section VI Managerial Personnel and Employees

Article 29

The Company may have one or more managers. The managers shall manage all the Company's businesses in accordance with the decisions adopted by the Company's Board of Directors' meeting.

The engagement, discharge and remuneration of the managers shall be adopted by at least a majority of the Dsirectors present at a meeting attended by at least a majority of the Directors holding office.

The general manager shall have the power of general supervision on the business and operations of the Company, subject, however, to the directions of the Board of Directors. In the event that the general manager is unable to carry out his duties, the vice president(s) shall assume such duties of the general manager.

Article 31

The Company's organizational structure, headcounts and employment of employees at all job levels shall be determined by the Board of Directors.

With the resolutions adopted by the Company's Board of Directors' meeting, the Company may engage one or more consultant.

Section VII Accounting

Article 32

The fiscal year of the Company shall begin on January 1 and end on December 31 of each year. At the end of the fiscal year, the accounts of the Company shall be closed.

Article 33

After the end of each fiscal year, the Board of Directors shall prepare the reports provided under Article 228 of the Company Act and submit such reports to the annual general meeting for ratification

Article 34

If the Company has pre-tax earnings for the fiscal year after the accounts are closed, the Company shall first set aside an amount to pay any business income tax due, offset the losses of previous years, and set aside ten percent (10%) of the residual amount as the legal reserve, and shall, pursuant to applicable laws and regulations, set aside a portion of the after-tax earnings for its special reserve. To the extent that there is any balance of the Company's after-tax earnings remaining, the total earnings available for distribution shall consist of the remainder of such balance and the retained earnings from the previous year. The Board of Directors may propose a profit distribution plan for approval at the shareholders' meeting. The dividends to the shareholders under such plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall not be lower than ten percent (10%) of the total dividends declared.

Article 34-1

To the extent that the Company has profit in the year, the Company shall set aside at least 2% of such profit as employee dividends and no more than 3% of such profit as director dividends, provided that the Company shall first offset the cumulative losses, if any. Employee dividends shall be distributed in the form of shares or cash, and director dividends shall be distributed in the form of cash. The distribution of dividends shall be approved by more than one half of the Directors present at the Board of Directors' meeting attended by at least two-thirds of all Directors, and shall be reported at the shareholders' meeting. The recipients of employee dividends in the form of shares or cash in accordance with the preceding subparagraph may include the employees of the Company's subsidiaries who meet certain conditions; the terms of the distribution shall be decided by the Board of Directors.

Section VIII Miscellaneous

Article 35

The organizational charter and by-laws of the Company shall be separately adopted by the Board of Directors.

Article 36

Matters not specified in this Articles of Incorporation shall be governed by the Company Act.

Article 37

The original Articles of Incorporation were adopted on December 15, 1969. Amended thereafter on June 25, 1971; April 25, 1972; October 25, 1972; November 25, 1973; May 1, 1974; May 30, 1975; September 16, 1976; May 16, 1977; June 30, 1977; March 16, 1978; August 16, 1978; February 20, 1979; August 20, 1980; May 24, 1981; June 13, 1982; May 15, 1983; April 8, 1984; April 21, 1985; April 27, 1986; April 25, 1987; May 9, 1988; April 20, 1989; April 20, 1990; April 23, 1991; April 23, 1992; April 17, 1993; April 21, 1994; April 21, 1995; April 23, 1996; April 24, 1997; April 24, 1998; April 23, 1999; April 25, 2000; April 25, 2001; May 29, 2002; May 27, 2003; May 25, 2004; June 14, 2005; June 13, 2006; June 15, 2007; June 13, 2008; June 4, 2009; June 15, 2010; June 15, 2011; June 15, 2012; June 18, 2013; June 17, 2014. June 15, 2016; June 15, 2017.

Lo, Tsai-Jen

Chairman of the Board

CHENG SHIN RUBBER IND. CO., LTD.

Annex III

Cheng Shin Rubber Ind. Co., LTD.

Procedures for Making Endorsements or Guarantees and Loaning of Funds (non-amended)

Article 1: Purpose

The Procedures for Making Endorsements or Guarantees and Loaning of Funds (the "Procedures") are hereby enacted for the Cheng Shin Rubber Ind. Co., LTD. (the "Company") to abide by when making endorsements or guarantees. This Procedures are enacted in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated on 18 December 2002, by Order No. Taiwan-Finance-Securities-VI-09101619 of the Securities and Futures Commission, Ministry of Finance. Matters not specified in the Procedures shall be other governed by relevant laws and regulations.

Article 2: Scope of the Procedures

The endorsement or guarantees refereed in this Procedures includes:

- I. Financing endorsements or guarantees, which shall mean the discounted bill financing, endorsements or guarantees made for the purposes of another company's financing needs, and issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.
- II. Customs duty endorsements or guarantees, which shall mean the endorsements or guarantees made for the Company itself or other companies in connection with customs duty matters.
- III. Other endorsements or guarantees, which shall mean the endorsements or guarantees made in connection with matters beyond the scope of the preceding two paragraphs.
- IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

Article 3: Endorsements or Guarantees Parties

The Company may make endorsements or guarantees for the following parties:

- I. The company that the Company is doing business with.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- III. The company that holds, directly or indirectly, more than fifty percent (50%) of the Company's voting shares.

The companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements or guarantees for each other, and the amount of such endorsements or guarantees may not exceed ten percent (10%) of the net worth of the Company, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Company holds, directly or indirectly, one hundred percent (100%) of the voting shares.

Where all shareholders making Capital Contribution to a jointly invested company make endorsements or guarantees for such company in proportion to their

shareholding ratio, such endorsements or guarantees may be made free of the restrictions under the preceding two paragraphs.

The "Capital Contribution" under the preceding paragraph refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the voting shares.

Article 4: Maximum Amount of Endorsements or Guarantees

The aggregate amount of endorsements and guarantees the Company make for other companies shall not exceed seventy percent (70%) of the Company's net worth. The aggregate amount of endorsements and guarantees the Company make for a single enterprise shall not exceed twenty percent (20%) of the Company's net worth; while the aggregate amount of endorsements and guarantees the Company make for a single foreign affiliated company shall not exceed fifty percent (50%) of the Company's net worth.

The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for other companies shall not exceed 70% of the Company's net worth. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single enterprise shall not exceed 20% of the Company's net worth; while the aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single foreign affiliated company shall not exceed 50% of the Company's net worth.

If the aggregate amount of endorsements or guarantees the Company and its subsidiaries as a whole reach 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.

The net worth shall be decided in accordance with the latest financial statement audited or reviewed by a certified public accountant.

Article 5: Decision Making and Authorization Level

The Company may not make endorsements or guarantees without prior approval of the Board of Directors, provided that, for the purpose of efficiency, the Board of Directors may authorize the Chairman to make endorsement or guarantee decisions within the fifty percent (50%) of the Company's net worth, and report such endorsement or guarantee to the Board of Directors for ratification afterwards and the circumstances in relation to the consequence shall be reported to the Shareholder's meeting for its record.

Where the Company has established the position of independent directors, the endorsements and guarantees made for others shall take each independent director's opinions into full account, and the independent directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.

Article 6: Procedures for Making Endorsements and Guarantees

I. Where a company intends to use an endorsement or guarantee within its amount, this company shall provide its basic information and financial information and fill out the application form to file an application with the Company's financial department. The Company's financial department shall carefully conduct risk assessment. The items to be assessed shall include necessity and reasonableness, the influence on the Company's operational risks, financial conditions and shareholders' rights and interests, whether a

- collateral is required and the appraisal of the collateral.
- II. The personnel at the Company's financial department shall compile relevant information and the results of assessment provided in the preceding paragraph. Where the aggregate amount of endorsements and guarantees at the time does not exceed fifty percent (50%) of the Company's net worth, such endorsement or guarantee shall be made after being submitted to the general management for decision, and shall be reported to the Board of Directors for ratification afterwards. Where the aggregate amount of endorsements and guarantees at the time exceed fifty percent (50%) of the Company's net worth, such endorsement or guarantee shall be submitted to Board of Directors for approval, and the Company shall process the application in accordance with the resolution of the Board of Directors.
- III. The endorsement and guarantee records kept by the Company's financial department shall list, in detail, the party that has received the endorsement or guarantee and the amount, the date the endorsement or guarantee is approved by the Board of Directors or the Chairman, the date of the endorsement or guarantee, items to be carefully assessed under the Procedures, the content of the collateral, the collateral's appraised value, and the conditions and the date when the Company is released from the obligations of endorsement or guarantee.
- IV. Where the endorsed and guaranteed company repay the money, it shall inform the Company of its repayment to release the Company's from endorsement and guarantee liability, and shall publish the repayment on the endorsement and guarantee records.
- V. The Company's financial department shall, according to the provisions of No. 9 of Financial Accounting Standards, timely evaluate and record the contingent loss arising from the endorsement or guarantee, and properly disclose the information of such endorsement or guarantee in the financial report. The Company's financial department shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures and submit an appropriate audit report.

Article 7: Safekeeping of and procedures for the Company's chop

The endorsement and guarantee chop is the Company's chop with which the Company files registration with the Ministry of Economic Affairs. The endorsement and guarantee chop shall be safe-kept by personnel approved by the Board of Directors, and the same procedure shall apply to any changes thereafter. The endorsement and guarantee chop or signature to make endorsement and guarantee shall be affixed pursuant to the operating procedures provided by the Company. When the Company makes guarantee for a foreign company, the guarantee letter issued by the Company shall be executed by the person authorized by the Board of Directors.

Article 8: Guidelines for conducting endorsements and guarantees

- I. The Company's internal auditors shall audit, at least quarterly, the Procedures and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Audit Committee in writing.
- II. In the event of any change of condition resulting in violation of Article 3 of the Procedures, which was in compliance with the Procedures at the time of

endorsement or guarantee, or violation of exceeding the amount under Article 4 of the Procedures due to change of calculation basis based on which the maximum amount of endorsement or guarantee is calculated, the auditing unit shall urge the financial department to eliminate the entire endorsement or guarantee amount or the amount exceeding the maximum amount for such party when the contract expires or within a specified period of time. The auditing unit shall also submit relevant rectification plans to the Audit Committee, implement the rectification plans in accordance with the planned timeline and reported to the Board of Directors.

III. Where the Company needs to make endorsement or guarantee that exceeds the maximum amount specified in the Procedures to satisfy its business demands, and where such endorsement or guarantee is in compliance with the conditions set out in the Procedures, the Company shall obtain approval from the Board of Directors, and at least half of the directors shall act as joint guarantors for any loss that may be caused to the Company by the endorsement or guarantee exceeding the maximum amount. The Company shall also amend the Procedures accordingly and submit the same to the shareholders' meeting for ratification. If such proposal is not adopted at the shareholders' meeting, the Company shall enact a plan to eliminate the amount in excess within a specified period of time. Where the Company has established the position of independent directors, when it makes the aforementioned endorsements or guarantees, it shall take into full consideration the opinions of each independent director, and the independent directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.

Article 9: Announcement and reporting procedures

- I. The Company shall announce on the Market Observation Post System by the tenth (10th) day of each month the previous month's balance of endorsements and guarantees made by the Company and its subsidiaries.
- II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two (2) days from the Date of Occurrence on the Market Observation Post System:
 - i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.
 - ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.
 - iii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more and the aggregate amount of all endorsements and guarantees for, investment of a long-term nature in, and balance of loans to such enterprise reaches thirty percent (30%) or more of Company's net worth as stated in its latest financial statement.
 - iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest

financial statement.

- III. The Company shall announce and report on the Market Observation Post System on behalf of any of its subsidiaries that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to each subparagraph of the preceding paragraph.
- IV. The Company shall evaluate or record the contingent loss arising from the endorsement or guarantee, and properly disclose the information in relation to such endorsement or guarantee in the financial report. The Company shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.
- V. The "Date of Occurrence" in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the Boards of Directors' resolution, or other date when the counterparty and the amount of the transaction can be confirmed.

Article 10: Procedures for controlling and managing endorsements and guarantees by the subsidiaries

- I. Where the subsidiaries intends to make endorsement or guarantee for others, such company shall also enact the procedures for making endorsements and guarantees and comply with these procedures.
- II. The subsidiaries shall prepare by the fifth (5th) day (non-inclusive) of every month a detailed list of endorsements and guarantees made for others in the prior month, and deliver such list to the Company.
- III. The subsidiaries shall audit, at least quarterly, its procedures for making endorsements and guarantees and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered therefrom, the internal auditors shall promptly notify the Company's auditing unit in writing, and the Company's auditing unit shall deliver the written information to the Audit Committee.
- IV. When the Company's auditors conduct auditing in accordance with the annual auditing plan in the subsidiaries, the auditors shall also look into the implementation status of such company's procedures for making endorsements and guarantees for others. In the event of any violations discovered therefrom, the auditors shall keep track of the rectification process, and prepare a tracking report to submit to the General Manager.
- V. For circumstances in which an entity for which the company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 5 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 11: The capital of a company shall not be lend to any other person.

Article12: Procedures to control the loaning of funds by the subsidiaries

- In the event of the loaning of funds between the subsidiaries of the Company, the Chairman may be authorized by the Board of Directors, for a specific borrowing counterparty, within a certain credit line resolved by the subsidiary's Board of Directors, and within a period not exceeding one year, to grant loans in installments or to make a revolving credit line available for the counterparty to draw down. For the purpose of the aforementioned "certain credit line", the funds loaned by any of the subsidiaries to any single entity shall not exceed 10% of the net worth on the most recent financial statements of the Company.
- II. In the event of the subsidiary's loaning of funds, the Company shall require this subsidiary to enact in accordance with relevant laws its operating procedures for loaning of funds, and such subsidiary shall follow such operating procedures. The enactment and amendments of the aforementioned operating procedures by the subsidiary shall be effective upon the approval of the Company's Board of Directors' meeting.
- III. The subsidiary shall prepare the books setting forth its loaning of funds in the past month before the fifth day (not included) of each month, and shall submit such books to the Company.
- IV. The internal audit personnel of the subsidiary shall audit, at least once every quarter, the operating procedures for loaning of funds and the implementation status of these procedures, and shall prepare written records of it. In the event of any material breach of these procedures, the personnel shall promptly notify the Company's audit department in writing. The Company's audit department shall submit such written information to the Audit Committee.
- V. When the Company's audit personnel conduct the audit of the subsidiaries pursuant to the annual audit plan, such personnel shall also audit the implementation status of the subsidiaries' operating procedures for loaning of funds. In the event of any defect found in such implementation, the personnel shall keep track of the subsidiaries' improvements.

Article 13: Enactment and amendment

The Procedures shall be adopted with the approval by one half or more of the Audit Committee members, and shall be submitted to the Board of Directors' meeting. In the event that the Procedures are not approved by one half or more of the Audit Committee members, the Procedures may be adopted with the approval by two thirds or more of all the Directors. After adopted at the Board of Directors' meeting, the Procedures shall be submitted to the shareholders' meeting for its approval. The same procedures shall apply to the amendments of the Procedures. In the event of any dissenting or qualified opinions expressed by the Independent Directors, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Article 14: "Subsidiary" and "parent company" as referred to in this Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in this Procedures means the balance

sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 15: Penalty

Where the Company's managers or personnel in charge violate the Procedures, the Company may assess such manager or personnel's performance in accordance with the Company's human resource regulations and the employees' handbook, and give proper penalties according to the seriousness of the violation.

Article 16: This Procedures has been approved by the shareholder's meeting dated 27 May, 2003.

This Procedures has been approved by the shareholder's meeting dated 13 June, 2006.

This Procedures has been approved by the shareholder's meeting dated 13 June, 2008.

This Procedures has been approved by the shareholder's meeting dated 4 June, 2009

This Procedures has been approved by the shareholder's meeting dated 15 June, 2010.

This Procedures has been approved by the shareholder's meeting dated 18 June, 2013.

This Procedures has been approved by the shareholder's meeting dated 15 June, 2017.

Annex IV

Cheng Shin Rubber Ind. Co., LTD. Procedures for Acquisition or Disposal of Assets (non-amended)

Chapter 1 General Provisions

Article 1 Purpose and Legal Basis:

To enhance asset management and implement information disclosure, Cheng Shin Rubber Ind. Co., LTD. (the "Company") hereby enacts and amends the Procedures for Acquisition or Disposal of Assets (the "Procedures") in accordance with Article 36-1 of the Securities and Exchange Act and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Securities and Futures Bureau, Financial Supervisory Commission.

Article 2 Scope of Assets:

- I. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interests in a fund, domestic beneficial interest certificates, domestic and foreign funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- II. Real property (including land, houses and buildings, investment property, rights to use land, and construction enterprise inventory) and equipment.
- III. Memberships.
- IV. Patents, copyrights, trademarks, franchise rights and other intangible assets.
- V. Derivatives: forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, longterm leasing contracts, or long-term purchase (sales) agreements.
- VI. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfers of shares in accordance with the law: refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or transfer of shares from another company through the issuance of new shares of its own as the consideration ("Share Transfer") under Article

156, paragraph 6 of the Company Act.

VII. Other major assets.

Article 3 Evaluation Procedures:

- I. In the event of the Company's acquiring or disposing of securities investment or conducting derivative product transactions, the Company's financial and accouting department shall conduct relevant benefit analysis and assess potential risks. In the event of the Company's acquiring or disposing of real property and other assets, each unit shall propose a capital expenditure plan in advance providing the feasibility analysis regarding the purpose of such acquisition or disposal and expected benefits. In the event that the Company engages in any acquisition or disposal of assets from or to a related party, in addition to evaluating the reasonableness of the terms of the transaction in accordance with Chapter 2 of these Procedures, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in accordance with the preceding provisions.
- In the event of the Company's acquisition or disposal of securities, the II. Company shall obtain the most recent financial statements of the target company, which has been audited or reviewed by a certified public accountant, or other relevant information prior to the Date of Occurrence as a reference to the evaluation of the transaction price. If the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, the Company shall engage a certified public accountant prior to the Date of Occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert, he certified public accountant shall do so in accordance with the provisions of Statements of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. However, this requirement does not apply to publicly quoted prices of securities that have an active market, or where otherwise provided by the regulations announced by the Financial Supervisory Commission.
- III. In the event of the Company's acquisition or disposal of real property or other fixed assets where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with governments, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall, prior to the Date of

- Occurrence, obtain an appraisal report from a professional appraiser who is objective and unbiased, and shall comply with the asset appraisal procedures specified in these Procedures.
- IV. For the acquisition or disposal of memberships or other intangible assets where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with governments, the Company shall engage a certified public accountant prior to the Date of Occurrence of the event to provide an opinion regarding the reasonableness of the transaction price in compliance with the provisions of the Statements of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation.
- V. When the Company participates in merger, spin-off, acquisition or Share Transfer, the Company shall, prior to convening the Board of Directors to resolve on the relevant matters, engage a certified public accountant, an attorney or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property to shareholders, and shall submit it to the Board of Directors for deliberation and resolution. However, the Company is not required to obtain the aforesaid professional's opinion on the reasonableness of the transaction in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, or in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.
- VI. The price determination methods and reference for the Company's acquisition or disposal of assets shall, in addition to referring to the profesisonal appraisals and the certified public accountant's and other profesisonal's opinions under the preceding paragraphs, be in accordance with the following provisions:
 - i. In the event of the Company's acquisition or disposal of securities listed on the Taiwan Stock Exchange or Taipei Exchange, the price shall be determined by the price of the shares or the bonds during the transaction.
 - ii. In the event of the Company's acquisition or disposal of securities not listed on the Taiwan Stock Exchange or Taipei Exchange, the price shall be determined by taking into account the earnings per share, techniques and profitability, future development potential, market interest, coupon rate of the bonds and credibility of the debtor, as well as the most recent transaction prices.
 - iii. In the event of the Company's acquisition or disposal of memberships, the price shall be determined by taking into account

the potential benefits and the most recent transaction prices. In the event of the Company's acquisition or disposal of patents, copyrights, trademarks, franchise rights and other intangible assets, the price shall be determined by taking into account the international or market practice, service life and such asset's influence on the Company's techniques and business.

- iv. In the event of the Company's acquisition or disposal of real property and other fixed assets, the price shall be determined by taking into account the announced current value, appraised value, actual transaction price or book value of neighboring real property and supplier's quotation. In the event of the Company's acquisition of real property from a related party, the Company shall calculate the price in accordance with the provisions in Chapter 2 of the Procedures to evaluate the reasonablness of the transaction price.
- v. In the event of the Company's transaction of derivatives, the price shall be determined by taking into account the futures market conditions and the trend of the, exchange rate and interest rate.
- vi. In the event of the Company's participation in merger, spin-off, acquisition or Share Transfer, the price shall be determined by taking into account the nature of business, earnings per share, asset value, techniques and profitability, capacity and future growth potential.
- VII. Date of Occurrence: refers to the earlier of the date of contract execution, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolution, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; however, in the event that investments require the approval of the competent authority, the earlier of the aforementioned date or the date of receiving approval by the competent authority shall apply.
- VIII. The transaction amount in the preceding seven paragraphs shall be calculated pursuant to Article 5, paragraph 1 herein. The term "within the preceding year" refers to the year preceding the Date of Occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or the certified public accountant's opinion have been obtained shall not be counted towards the transaction amount.

Article 4 Operation Procedures:

- I. Authorized amount and authorization level
 - i. Securities: the Company's general manager is authorized to decide the transaciton price within the amount specified under Article 7 of the Procedures. If the transaction price meets the announcement

and filing standard under Article 5, such a transaction shall be submitted to the Chairman or the general manager for record on the next day, and shall also be submitted to the most recent Board of Directors' meeting for recognition. In the event of the Company's acquisition or disposal of shares, corporate bonds that are not listed on the Taiwan Stock Exchange or Taipei Exchange or the securities from the private placement, and the transaction price meets the announcement and filing standard, such a transaction may only be conducted after the resolution is adopted at the Board of Directors' meeting. In addition, the Company's investment in China may only be conducted after the resolution is adopted at the shareholders' meeting, or after the shareholders' meeting authorizes the Board of Directors to conduct such an investment, and with the approval of the Investment Commission, the Ministry of Economic Affairs.

ii. Transaciton of derivatices

- A. Hedge transactions: the Chairman or the person designated by the general manager is authorized to, taking into account the Company's revenue and the changes of risk exposure, conduct the transaction with the single or cumulative transaction amount to be USD 200 million (including equivalent currency) or less. If the transaction amount exceeds USD 200 million, such a transaction may only be conducted with the Chairman's or the general manager's approval.
- B. Non-hedge transactions: to lower the risks, the transaction with the single or cumulative transaction amount to be USD 50 million (including equivalent currency) or less shall be approved by the Chairman or the general manager. If the transaction amount exceeds USD 50 million, such a transaction may only be conducted after the resolution is adopted at the Board of Directors' meeting.
- C. In order for the Company's authorization to be under the supervision of the bank, the authorized persons shall notify the bank of the authorization.
- D. The derivative transactions conducted in accordance with the preceding provisions shall be submitted to the Board of Directors' meeting after the transaction.
- iii. Transaction with the related parties or the Company's subsidiary (as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers): the Company may only execute the transaction agreement and pay the transaction price after it prepares relevant documents in accordance with the

- provisions in Chapter 2 of these Procedures, which shall be adopted at the Audit Committee and the Board of Directors' meeting.
- iv. The Company participates in merger, spin-off, acquisition or Share Transfer: the Company shall comply with the relevant procedures and prepare relevant documents in accordance with the provisions in Chapter 4 of these Procedures. In the event of the Company's participation in merger, spin-off or acquisition, except as otherwise provided by other laws, such a transaction shall be adopted at the shareholders' meeting. In the event of the Company's participation in Share Transfer, such a transaction shall be adopted at the Board of Directors' meeting.
- Others: the Company shall comply with the operating procedures provided by its rules regarding its internal control system and levels of authorization. In the event that the transaction amount is below the announcement and filing standard, the tranaction shall be submitted to the Chairman for approval. In the event that the transaction amount reaches the announcement and filing standard under Article 5, the transaction shall first be submitted to the Chairman for approval, except for the acquisition or disposal of machinery and equipment for business use which may be reported to the Board of Directors' meeting for ratification after the transaction is made, other types of transaction shall be adopted at the Board of Directors' meeting before the transaction is made. In the event of any transaction that falls into the scope of the transaction under Article 185 of the Company Act, such a transaction shall be adopted at the shareholders' meeting before the transaction is made.

II. Implementation unit and transaction procedures

The implementation unit for the Company's securities investment and derivative transactions shall be the financial and accounting department and the Chairman or the person designated by the general manager. The implementation unit for the Company's real property and other asset transaction shall be the department using the asset and the unit with relevant duties. The implementation unit for the Company's participation in merger, spin-off, acquisition or Share Transfer shall be the Chaiman or the implementation unit designated by the general manager. After the acquisition or disposal of assets is evaluated and approved in accordance with relevant regulations, the implementation unit may proceed with the contract execution, transaction price payment or receipt, delivery and examination and shall comply with the relevant internal control procedures based on the nature of the assets. For the

Company's acquisition of real propertyfrom related parties, derivative transations and participation in merger, spin-off, acquisition or Share Transfer, the Company shall comply with the relevant provisions in Chapter 2 to Chapter 4 of these Procedures.

Article 5 Announcement and Filing Procedures:

- In the event of any of the following occurs when the Company acquires or disposes of its assets, the Company shall, based on the nature of the transaction announce and file relevant documents on the website designated by the competent authority within two days from the Date of Occurrence according to the format and content provided by the appendix (as Appendix II to Appendix VIII),:
 - i. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets or NTD 300 million or more; provided that this shall not apply to the trade of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.
 - ii. Merger, spin-off, acquisition or Share Transfer.
 - iii. Losses from derivative transactions reaching the upper limits on aggregate losses of all transactions or the loss of individual transactions set forth in Chapter 3 Article 14 paragraph 4 of the Procedures.
 - iv. Where the type of asset acquired or disposed of is equipment for business use, the counterparty is not a related party, and the transaction amount is NTD 1 billion or more.
 - v. Where land is acquired under an arrangement on engaging others to build on the Company's own lands, engaging others to build on rented lands, joint construction and allocation of housing units, joint construction and allocation of ownership percentages or joint construction and separate sale, and the amount the Company expects to invest in the transaction is NTD 500 million or more.
 - vi. Where an asset transaction other than any of those referred to in the proceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20% or more of the Company's paid-in capital or NTD 300 million or more; provided that this shall not apply to any of the following circumstances:

- A. Trading of government bonds.
- B. Trading of securities at the domestic or foreign stock exchange or over the counter, or purchase of the ordinary corporate bonds or the general bank debentures without equity characteristics that are offered and issued in the domestic primary market as investment professionals.
- C. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

The above transaction amount shall be calculated as follows:

- A. The amount of any individual transaction.
- B. The cumulative transaction amount of the acquisitions or disposals of the same type of assets with the same counterparty within the preceding year.
- C. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals respectively) under the same development project within the preceding year.
- D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals respectively) of the same security within the preceding year.
- E. The 10% of the Company's total assets under these Procedures shall be calculated according to the value of total assets specified in the most recent individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. In the event that the Company's share has no par value or has the par value other than NTD 10, the transaction amount as 20% of the Company's paid-in capital shall be calculated as 10% of the equity owned by the Company's parent company.

The term "within the preceding year" as used in the preceding subparagraph refers to the year preceding the Date of Occurrence of the current transaction. Items duly announced in accordance with the regulations under the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" shall not be counted into the transaction amount.

II. The Company shall compile monthly reports on the status of derivative transactions engaged in up to the end of the preceding month by itself and the subsidiary which are not domestic public companies and upload the information in the format prescribed in the appendix hereto, by the 10th day of each month, onto the information filing website designated

- by the competent authority.
- III. When the Company at the time of public announcement makes an error or omission in an item required by the regulations to be publicly announced and so is required to correct it, all the items shall be publicly announced again in their entirety within two days from the day the Company knows of such error or omission.
- IV. Where any of the following circumstances occurs with respect to a transaction that the Company has already announced and filed in accordance with paragraph I of this Article, a public report of relevant information shall be made on the website designated by the competent authority within two days from the Date of Occurrence:
 - i. Changes, termination or rescission of an executed contract relating to the original transaction.
 - ii. The merger, spin-off, acquisition or Share Transfer is not completed by the scheduled date set forth in the contract.
 - iii. Changes to the information originally publicly announced and filed.

Article 6 Asset Appraisal Procedures:

In the event of the Company's acquisition or disposal of real property or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NTD 300 million or more, except for the transactions with governments, engaging others to build on their own lands, engaging others to build on rented land, or acquiring or disposing of equipment for business use, the Company shall obtain an appraisal report from a professional appraiser prior to the Date of Occurrence and shall comply with the following provisions. In the event that the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may serve as a substitute for the appraisal report or the certified public accountant's opinion.

- I. In the event that, due to special circumstances, the transaction price shall refer to a limited price, a specified price or a special price, the transaction shall be adopted at the Board of Directors' meeting, and the same procedure shall apply to the future changes to the terms and conditions of the transaction.
- II. In the event that the transaction amount is NTD 1 billion or more, the Company shall obtain appraisals from two or more professional appraisers.
- III. In the event that the appraisal results of the professional appraisers encounter any of the following circumstances, except for all of the appraisal results of the assets to be acquired exceeding the transaction amount, or all of the appraisal results of the assets to be disposed of less

than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statements of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation and to provide a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

- i. Where the discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
- ii. Where the discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- IV. The period between the date of the appraisal report issued by a professional appraiser and the execution date of the agreement shall not exceed three months; provided, however, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, the original professional appraiser may still issue an opinion.

Article 7 Scope and Amount of Investment:

In addition to the acquisition of assets for business use, the Company and its subsidiary may also invest in real property for non-business use and in securities within the following amount. In calculating the amount under paragraph IV and V, the investment made to set up a company or to be the director or supervisor as long term investment may be excluded.

- I. For the Company's investment in the real property for non-business use, the total investment amount shall not exceed 50% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the total investment amount shall not exceed 30% of its net value in the most recent financial statements.
- II. For the Company's investment in securities, the total investment amount shall not exceed 30% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the total investment amount shall not exceed 20% of its net value in the most recent financial statements.
- III. For the Company's investment in a specific security, the investment amount shall not exceed 20% of the Company's net value in the most recent financial statements. If the investment is made by the Company's subsidiary, the investment amount shall not exceed 10% of its net value in the most recent financial statements.
- IV. For the investment in the company listed on the Taiwan Stock Exchange or Taipei Exchange by the Company or the Company's subsidiary, the net investment amount shall not exceed 10% of the net value of the

- Company or the Company's subsidiary respectively in the most recent financial statements of the entity making such investment.
- V. The shares of individual company listed on the Taiwan Stock Exchange or Taipei Exchange held by the Company and the Company's subsidiaries collectively shall not exceed 10% of the invested company's issued and outstanding shares.

Article 8 Control of the Company's Subsidiary's Acquisition or Disposal of Assets:

- I. The Company's subsidiary shall also enact its "Procedures for the Acquisition or Disposal of Assets" according to Tai-Tsai-Cheng-Yi No. 0910006105 announced by the, Securities and Futures Bureau, Financial Supervisory Commission. Such procedures shall be adopted at the subsidiary's Board of Directors' meeting and shareholders' meeting, and the same procedure shall apply to the future amendments to the procedures.
- II. The definition of a subsidiary shall refer to the provisions under Article 8 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (IFRS) and No. 27 and No. 28 of the International Accounting Standards.
- III. In the event of the Company's subsidiary's acquisition or disposal of assets, the subsidiary shall comply with its own "internal control system" and "Procedures for the Acquisition or Disposal of Assets". The Company's subsidiary shall submit in writing a list and the details of the assets it acquired or disposed of in the previous monthto the Company in writing by the 10th day of each month. The subsidiary's acquisition or disposal of assets shall be one of the auditing items of the Company's auditing unit each month, and the auditing results of this item shall be a required item in the auditing report to the Audit Committee and the Board of Directors.
- IV. In the event that the Company's subsidiary is not a public company and that the acquisition or disposal of assets by the subsidiary reaches the announcement and filing standard, the subsidiary shall notify the Company on the Date of Occurrence, and the Company shall make the announcement and filing on the designated website in accordance with relevant regulations.

The announcement and filing standard for the subsidiary in accordance with Article 5 paragraph I of the Procedures in the preceding paragraph shall be 20% of the Company's paid-in capital or 10% of the Company's total assets.

Article 9 Punishment:

In the event that any of the Company's employees dealing with acquisition and disposal of assets violates these Procedures, the employee shall be periodically evaluated in accordance with the Company's rules and shall be punished based on the seriousness of the violation.

Chapter 2 Related Party Transaction

Article 10 Basis of Definition and Determination:

The Company's acquisition of assets from its related party includes the Company's acquisition of assets by purchasing or exchanging. The definition of a related party shall refer to the regulations under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. When determining whether a trading counterparty is a related party, both the legal formalities and the substance of the relationship shall be considered.

In the event that the Company engages in any acquisition or disposal of assets from or to a related party, in addition to following the resolution procedures and evaluating the reasonableness of the terms of the transaction in accordance with Chapter 2 of these Procedures, if the transaction amount reaches 10% of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or the opinion of a certified public accountant in accordance with the preceding provisions.

Article 11 Resolution Procedures:

In the event that the Company engages in any acquisition or disposal of real property from or to a related party or engages in any acquisition or disposal of assets other than real property from or to a related party, and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NTD 300 million or more, except for the trading of government bonds, bonds under repurchase and resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction agreement or make a payment until the implementation unit has submitted the following matters to the Audit Committee and the Board of Directors and the matters has been approved by the Audit Committee and the Board of Directors:

I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.

- II. The reasons for choosing the related party as a trading counterparty.
- III. In the event that the Company acquires real property from a related party, information regarding the evaluation of the reasonableness of the anticipated terms of the transaction in accordance with Article 12 or the proviso of Article 13.
- IV. The date and price at which the related party originally acquired the real property, its original trading counterparty, and the counterparty's relationship with the Company and the related party.
- V. Monthly cash flow forecasts for the coming year commencing from the anticipated month of executing the agreement, and the evaluation of the necessity of the transaction and the reasonableness of the funds utilization.
- VI. The appraisal report provided by a professional appraiser and the opinion of a certified public accountant obtained in accordance with the preceding Article.
- VII. The restrictive terms of this transaction and other important agreements in connection with the transaction.
 - i. The transaction amount in the preceding paragraph shall mean the transaction amount of the year preceding the Date of Occurrence of this transaction, which shall be calculated according to Article 5, paragraph 1 herein. Items that have been approved by the Audit Committee and Board of Directors according to these Procedures shall not be counted in when calculating the transaction amount.
 - ii. With respect to the acquisition or disposal of machinery or equipment for business use between the Company and its subsidiary, the Board of Directors may proceed with the transaction according to the provisions in Article 4, paragraph 1, subparagraph v of these Procedures, which shall subsequently be submitted to and ratified at the next Board of Directors' meeting.

In the event that matters are submitted to the Board of Directors for discussion according to the preceding paragraph, the Board of Directors shall take each Independent Director's opinion into full consideration. If an Independent Director objects to or expresses reservation about any matter, it shall be recorded in the minutes of the Board of Directors' meeting.

If the Company has established an Audit Committee, matters which require the ratification of the Audit Committee pursuant to the preceding paragraph shall be approved by a majority of all members of the Audit Committee and submitted to the Board for resolution. If the Company fails to obtain the approval of a majority of all members of the Audit Committee, such matters may be adopted by the approval of at least two-thirds of all members of the Board. The resolution of the Audit Committee shall be recorded in the meeting minutes of the Board.

Article 12 Evaluation of the Reasonableness of Transaction:

In the event that the Company acquires real property from a related party, except for the situation where the related party acquired the real property through inheritance or as a gift, where more than five years has lapsed between the time the related party executed the agreement to acquire the real property and the execution date of the current transaction, or where the real property is acquired by the related party through executing a joint development agreement, or through the agreement engaging the related party to build on the real property, either on its own land or on a rented land, the reasonableness of the transaction costs shall be evaluated by the following means. The Company shall also engage a a certified public accountant to check the appraisal and render a specific opinion.

- I. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The term "necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, however, that it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. In the event that the related party previously created a mortgage on the real property as security for a loan from a financial institution, the total loan value evaluated by the financial institution towards the real property; provided, however, that the actual cumulative amount loaned by the financial institution shall have reached 70% or more of the financial institution's evaluated loan value of the real property, and the period of the loan shall have been one year or more. This shall not apply if the financial institution is a related party of one of the trading counterparties.
- III. In the event that the land and the building thereupon are combined as a single property purchased in one transaction, the transaction costs of the land and the building may be evaluated separately in accordance with either of the methods listed in the preceding subparagraph I or II.

Article 13 Procedures to be complied with when the Estimated Transaction Costs are Lower than the Transaction Price:

In the event that the transaction costs estimated in accordance with the preceding Article are lower than the transaction price, except for any of the following circumstances and there are objective evidence and opinions on reasonableness have been obtained from a real property professional appraiser and a certified public account, the Company shall comply with the paragraph 3 of this Article.

- I. Where the related party acquires undeveloped land or leases land for development, it may provide evidence of compliance with any of the following conditions:
 - i. Where undeveloped lands are evaluated in accordance with the preceding Article and where buildings are evaluated according to the related party's construction costs plus reasonable construction profit, the cumulative value exceeds the actual transaction price. The term "reasonable construction profit" shall be the average gross operating profit margin of the related party's construction division over the most recent three years, or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - ii. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring lands, where the land area and the transaction terms are similar after the calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices.
 - iii. Completed leasing transactions by unrelated parties for other floors of the same property within the preceding year, where the transaction terms are similar after the calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- II. Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring land of a similar size by unrelated parties within the preceding year.

If there is any other evidence indicating that the acquisition of real property by the Company from a related party involves transaction irregularities, the procedures provided in the preceding two paragraphs shall apply.

The term "transactions completed for the acquisition of neighboring

land" in the preceding paragraph refers to the land on the same or adjacent block and within a distance of no more than 500 meters from the subject matter of the transaction, or the announced value of the land being close to that of the subject matter; the term "similar land area" refers to transactions completed by unrelated parties where the land area is not less than 50% of the land area of the transaction's subject matter. The term "within the preceding year" refers to the year preceding the date of the acquisition of the real property.

In the event that the Company acquires real property from a related party, and the evaluation of the transaction costs conducted in accordance with the preceding Article are all lower than the transaction price, and none of the cirmstances in paragraph 1 of this Article applies, the following actions shall be taken:

- i. A special reserve shall be set aside in accordance with Article 41 paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the evaluated costs, and may not be distributed or used for capital increase or issuance of bonus shares. The Company may not utilize such special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that the transaction is not unreasonable, and the competent authority has granted its approval.
- ii. The Independent Director members of the Audit Committee shall deal with the matter in accordance with Article 218 of the Company Act.
- iii. Actions that have been taken in accordance with subparagraph I and II shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report as well as the prospectus.

Chapter 3 Control of Derivative Transactions

Article 14 Principles and Guidelines for the Transaction:

I. Types of derivatives: the types of derivatives the Company may transact include forward contracts, options, interest or foreign exchange rates swaps, futures and compound contracts combining the products mentioned above. If the Company intends to transact other types of derivatives, the transaction shall comply with the authorized

- amount and authorization level provided in Article 4, paragraph 1 herein.
- II. Operation or hedge strategies: the derivative transactions made by the Company can be categorized into hedge oriented and non-hedge oriented (transaction oriented) transactions. The Company's derivative transaction strategies shall be mainly focusing on avoiding the risks derived from its business operations, and thus the Company shall mainly choose the derivatives that can avoid the Company's risks derived from the foreign currency income, expenses, assets or liabilities produced during the Company's business operations. In the event of any change to the objective circumstances, the Company may also invest in non-hedge oriented derivatives when proper, so as to increase the Company's non-operating income or decrease the Company's non-operating loss. In addition, the Company shall mainly choose the financial institutions that are the Company's business counterparties as the trading counterparties, so as to avoid the credit risks. The Company shall clearly define the type of such transaction as hedge oriented transaction or the financial operations for investment profit before the transaction is conducted, so as to serve as the basis for accounting record.

III. Transaction amount:

- i. Hedge transactions: the upper limit for hedge transactions shall be the net position of foreign currencies after the assets and liabilities are both considered (including the net position that is anticipated to occur in the future).
- ii. Non-hedge transactions: the transaction amount shall not exceed USD 100 million. Before the transaction, the person responsible for conducting the transaction shall prepare a foreign currency trend analysis report, providing the analysis of trend in foreign currency market and the suggested trading options, and shall obtain the relevant approval before the transaction.

Level of authorization for hedge and non-hedge transaction amount:

		NT 4 1 4	
Authorized	Transaction	Net cumulative position	
persons	amount per day		
Foreign currency	USD 5M or less	USD 10M or less	
trading personnel			
Head of financial	USD 20M or less	USD 30M or less	
department			
General manager	Above USD 20M	USD 50M or less	

iii. Level of authorization for derivative transaction amount:

Authorized	Transaction	Net cumulative	
persons	amount per day	position	
Foreign currency	USD 2M or less	USD 5M	
trading personnel		(included) or less	
Head of financial	USD 2oM	USD 2oM	
department	(included) or less	(included) or less	
General manager	USD 20M or more	USD 50M or less	

- iv. For the transaction amount exceeding the above authorized amount, the transaction shall be submitted to the Board of Directors' meeting.
- IV. Upper limit of loss for all and individual contract
 - i. Upper limit of loss for an inidividual contract and all contracts shall be 20% of the transaction amount.
 - ii. If the transaction is entered for a specific purpose, a stop-loss point shall be established to avoid losses exceeding the above limit after the position is created. The stop-loss point shall be 20% of the transaction amount for all contracts or an individual contract. Once the amount of losses exceeds the stop-loss point, the situation shall be promptly reported to the general manager and the Board of Directors, who shall then devise an action plan.

V. Duties and responsibilities

- i. Trading personnel: the Company's derivative trading personnel shall be designated by the Chairman or the general manager. Such trading personnel shall be responsible for, within the scope of authorization, enacting the trading strategies, implementing trading instructions, disclosing future transaction risks and providing up-to-date information to relevant departments for their reference.
- ii. Confirmation personnel: the financial department shall be responsible for confirming the transactions, keeping the transactions on the books in accordance with relevant regulations, maintaining transaction records, conducting periodic fair market price evaluation towards the position held, providing the evaluation results to the trading personnel and disclosing the matters related to the derivatives in the financial report.
- iii. Closing personnel: responsible for derivative transaction closings.

VI. Performance evaluation guidelines

- i. Hedge transaction: performance shall be evaluated based on the profits and losses incurred from the costs of the foreign exchange rate and the interest rate on the Company's books and the derivative transactions which the Company is engaged in. The evaluation shall be conducted at least twice a month, and the results of the evaluation shall be submitted to the management for their reference.
- ii. Non-hedge transaction: performance shall be evaluated based on the profits and losses actually incurred. The evaluation shall be conducted at least once a week, and the results of the evaluation shall be submitted to the management for their reference.

Article 15 Risk Management Measures:

The scope and measures of risk management for the Company's derivative transactions are as follows:

- I. Consideration of credit risks: the trading counterparty shall mainly be the financial institutions or the futures brokers that have business relationship with the Company, have good reputation and are able to provide professional information.
- II. Consideration of market risks: future price fluctuation in the derivative market may result in uncertain losses, and thus, after the position is created, the stop-loss point shall be strictly followed.
- III. Consideration of liquidation risks: in order to ensure the liquidity of the derivative products, the trading institution shall have sufficient equipments, information and ability to trade in any market.
- IV. Consideration of operational risks: in order to avoid operational risks, the Company shall strictly abide by the rules regarding authorized transaction amount and operating procedures.
- V. Cash flow risk management: in order to ensure stable turnover of the Company's working capital, the Company shall engage in derivative transactions with its own capital, and shall take the capital demands resulted from the anticipated revenues and expenses within the following three months into consideration.
- VI. Consideration of legal risks: in order to avoid legal risks, any contract the Company executes with financial institutions shall mainly be internationally standardized documents.
- VII. Consideration of product risks: in order to avoid the losses derived from misusing derivative products, the internal trading personnel shall have complete and accurate professional knowledge toward the derivative products to be traded.

VIII. Consideration of risks in closing with cash: in order to ensure

- sufficient cash for payment upon closing, the authorized trading personnel shall not only strictly follow the rules regarding the authorization amount but also pay attention to the Company's cash flow at all times.
- IX. The trading personnel, confirmation personnel and closing personnel shall not hold concurrent positions.
- X. The confirmation personnel shall periodically confirm with the banks about the Company's account statements or request the banks to issue letter of confirmation, and check whether the total transaction amount exceeds the upper limit provided by the Procedures at all times.
- XI. The personnel repsonsible for risk assessment, supervision and control shall be in the different departments and shall report to the Board of Directors or the senior management not responsible for transaction or position decision making.
- XII. The Company shall evaluate the held position at least once a week; provided that the hedge transactions entered into for business needs shall be evaluated at least twice a month. The evaluation reports shall be submitted to the senior management (general manager or head of auditing department) authorized by the Board of Directors.

Article 16 Internal Audit System:

- I. The internal audit personnel of the Company shall be responsible for understanding periodically the appropriateness of internal controls concerning the derivative transactions, conducting monthly audit towards the trading department's compliance status of the operating procedures regarding the derivative transactions, and preparing audit report accordingly. In the event of any material breach, the internal audit personnel shall immediately report to the Chairman or the general manager and the senior management designated by the Board of Directors and shall notify the Audit Committee of the breach in writing.
- II. The audit personnel of the Company shall incorporate the audit towards the derivative transactions into the audit plan, file to the competent authority the implementation status of annual audit plan of the previous year by the end of Febuary each year, and file to the competent authority the improvements on any irregular situations by the end of May, at the latest, of that year.

Article 17 Methods of Periodic Evaluation and Irregular Situation Treatment:

I. The Company shall conduct periodic evaluation of derivative transactions every week, prepare a report setting forth the weekly

loss and profit and uncovered position of non-hedge transactions, and submit the report to the senior management authorized by the Board of Directors and the Chairman or the general manager, so as to serve as their reference for management performance evalution and risk assessment.

- II. The senior management designated by the Company's Board of Directors shall pay attention to the supervision and control of derivative transaction risks at all times. The Board of Directors shall evaluate whether the performance of the derivative transactions is consistent with the Company's current operational strategies and whether the risks the Company bears are under the tolerable level by the Company.
- III. The senior management authorized by the Company's Board of Directors shall manage the derivative transactions according to the following principles:
 - i. Evaluate periodically whether the existing risk management measures are appropriate and strictly comply with the "Regulations Governing the Acquisition and Disposal of Assets" enacted by the competent authority and relevant regulations under these Procedures.
 - ii. Supervise the transaction and loss/benefit status, take necessary measures in response to irregular situations, and report to the Board of Directors immediately.
 (In the event that the Company has Independent Directors, the Independent Directors shall attend the aforementioned Board of Directors' meeting and give their opinions.)
- IV. When engaging in derivative transactions, the Company shall prepare a log book, in which the derivative transactions' types, amounts, the Board of Directors' approval dates, periodic evaluation reports and the matters to be periodically evaluated by the Board of Directors and the senior management authorized by the Board of Directors shall be recorded in detail.

Chapter 4 Merger, Spin-off, Acquisition or Share Transfer

Article 18 When the Company participates in merger, spin-off, acquisition, Share Transfer, share swap or other enterprise merger and acquisition matters, it shall, prior to convening the Audit Committee' meeting to resolve the relevant matters, engage a certified public accountant, an attorney or an underwriter to provide an opinion on the reasonableness of the share exchange ratio, acquisition price or distribution of cash or other property

to shareholders, and the Audit Committee shall submit it to the Board of Directors for deliberation and resolution.

The requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.

Article 19 When the Company participates in merger, spin-off or acquisition, it shall prepare a public report to shareholders setting forth the important contractual contents and the relevant matters prior to the shareholders' meeting. The above public report, together with the professional opinion prepared in accordance with the preceding Article and the notice of shareholders' meeting, shall be delivered to the shareholders for their reference regarding the resolution of the merger, spin-off or acquisition; provided that the above contents in this Article shall not apply if any provision of other laws and/or regulations exempts the Company from convening a shareholders' meeting to approve the merger, spin-off or acquisition. In the event that the shareholders' meeting of any of the companies participating in the merger, spin-off or acquisition fails to convene or resolve a resolution for any reason, or the proposal is not adopted at the shareholders' meeting, the Company shall immediately publicly explain the reason, the follow-up measures and the date of the next shareholders' meeting.

Article 20 Unless otherwise provided by law or approved by the competent authority in advance, when the Company participates in merger, spin-off or acquisition, its Board of Directors' meeting and shareholders' meeting shall be held on the same day as other participating company's Board of Directors' meeting and shareholders' meeting to resolve the matters relating to the merger, spin-off or acquisition. When the Company participates in Share Transfer, its Board of Directors' meeting shall be held on the same day as other participating company's Board of Directors' meeting. When participating in merger, spin-off, acquisition or Share Transfer, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall prepare a complete written record including the following information and preserve the record for five years for reference:

> Relevant personnel's basic information: including the titles, names and ID numbers (or passport numbers in the case of foreign

nationals) of all persons involved in the plan or implementation of the plan of any merger, spin-off, acquisition or Share Transfer prior to the disclosure of the information.

- II. Dates of material events: including the dates of executing the letter of intent or memorandum of understanding, engaging a financial or legal advisor, executing the contract and convening the Board of Directors' meeting.
- III. Important documents and meeting minutes: including the plans of merger, spin-off, acquisition or Share Transfer, any letter of intent or memorandum of understanding, material contracts and minutes of the Board of Directors' meeting.

When participating in merger, spin-off, acquisition or Share Transfer, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall, within two days commencing from the date of the resolution adopted at the Board of Directors' meeting, report to the competent authority the documents prepared in accordance with subparagraph I and II of the preceding paragraph in the prescribed format and via the information system on the internet.

In the event that any of the companies participating in the merger, spinoff, acquisition or Share Transfer is not a company listed on the Taiwan Stock Exchange or the Taipei Exchange, the company listed on the Taiwan Stock Exchange or the Taipei Exchange shall execute an agreement with such a company and comply with the regulations under paragraph 3 and 4.

Article 21 Share Exchange Ratio and Acquisition Price:

Except for any of the following circumstances, the share exchange ratio and acquisition price for the merger, spin-off, acquisition or Share Transfer shall not change, clauses specifying conditions where changes are permitted shall be included in the merger, spin-off, acquisition or Share Transfer agreements.

- I. Increase of cash capital, and issuance of convertible corporate bonds, bonus shares, corporate bonds with stock warrants, preferred stock with stock warrants, certificates of stock options and other equity securities.
- II. An action, such as disposal of major assets, that affects the Company's financial operations.
- III. An event, such as major disasters or major evolution in technology, that affects shareholders' equity or the price of securities.
- IV. An adjustment where any of the companies participating in the merger, spin-off, acquisition or Share Transfer buys back the

- treasury stocks in accordance with the laws.
- V. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition or Share Transfer.
- VI. Other terms and conditions that the contract stipulates may be amended and that have been publicly disclosed.

Article 22 Matters Required to be Included in the Contract:

In the event that the Company participates in merger, spin-off, acquisition or Share Transfer, the contract shall set forth the Company's rights and obligations, the amendable Share Exchange ratio or purchase price conditions under the preceding Article, and the followings matters:

- I. Handling of breach of contract.
- II. Principles for handling the previously issued equity securities or purchased treasury stocks of a company that is extinguished or spun-off.
- III. The amount and principles of the purchase of treasury stocks in accordance with the laws after the date of the participating companies' calculation of the Share Exchange ratio.
- IV. Procedures for handling the increase or decrease in the number of participating entities or companies.
- V. The estimated progress of the plan and estimated completion date.
- VI. If the plan is not completed within the scheduled timeframe, the scheduled date for convening the legally mandated shareholders' meeting and the relevant procedures.

Article 23 Other Matters to be Attended to by the Company when the Company is Participating in Merger, Spin-off, Acquisition or Share Exchange:

- I. Require persons who participate in or are privy to the Company's merger, spin-off, acquisition or Share Transfer to provide undertakings of confidentiality in writing, in which the persons undertake not to disclose the contents of the relevant information and not to trade, in their own names or under the name of another person, in any stocks or other equity securities of any company related to the merger, spin-off, acquisition, or Share Transfer prior to the public disclosure of information.
- II. After public disclosure of the information regarding the merger, spin-off, acquisition, or Share Transfer, if the Company intends to further carry out a merger, spin-off, acquisition or Share Transfer with another company, the Company shall carry out anew the procedures or legal actions that had originally been completed

toward the merger, spin-off, acquisition or Share Transfer; except that where the number of participating companies decreases and the Company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the authority, the Company may be exempted from calling another shareholders' meeting to resolve on the matter anew.

III. Where any of the companies participating in the merger, spin-off, acquisitions or Share Transfer is not a public company, the Company shall enter into an agreement with such a non-public company and shall comply with the provisions under Article 21 and the preceding two paragraphs of the Procedures.

Chapter 5 Other Material Matters

- **Article 24** The Company, when acquiring or disposing of assets, shall keep all relevant contracts, meeting minutes, log books, appraisal reports and opinions issued by certified public accountants, attorneys or underwriters at the Company's office. Except as otherwise provided by other laws or regulations, such documents shall be preserved for at least 5 years.
- **Article 25** Professional appraisers and their appraisal officers, certified public accountants, attorneys and securities underwriters, who provide the Company with appraisal reports or the opinions, shall not be a related person of any party to the transaction.
- Article 26 In the event that the acquisition or disposal of assets requires the approval from the Board of Directors in accordance with these Procedures or other laws, if a Director expressly objects to the transaction and such an objection is put in record or represented in writing. The Board of Directors shall take each Independent Director's opinion into full consideration; if an Independent Director raises objection or expresses his/her reservation, such an objection or reservation shall be recorded in the minutes of the Board of Directors' meeting.
- Article 27 The Procedures shall be adopted with the approval by one half or more of the Audit Committee members, and shall be submitted to the Board of Directors' meeting. In the event that the Procedures are not approved by one half or more of the Audit Committee members, the Procedures may be adopted with the approval by two thirds or more of all the Directors. After adopted at the Board of Directors' meeting, the Procedures shall be

submitted to the shareholders' meeting for its approval. The same procedures shall apply to the amendments of the Procedures. If an Independent Director raises objection or expresses his/her reservation, such an objection or reservation shall be recorded in the minutes of the Board of Directors' meeting.

Article 28 Relevant laws and regulations shall apply to matters not provided by these Procedures.

Article 29 These Procedures are adopted at the annual general meeting of shareholders on May 27th, 2003. These Procedures are adopted at the annual general meeting of shareholders on June 15th, 2007. These Procedures are adopted at the annual general meeting of shareholders on June 4th, 2009. These Procedures are adopted at the annual general meeting of shareholders on June 15th, 2012. These Procedures are adopted at the annual general meeting of shareholders on June 18th, 2013. These Procedures are adopted at the annual general meeting of shareholders on June 17th, 2014. These Procedures are adopted at the annual general meeting of shareholders on June 15th, 2017. These Procedures are adopted at the annual general meeting of shareholders on June 14th, 2018.

Annex V

Cheng Shin Rubber Ind. Co., LTD.

Rules and Procedures of the Shareholders' Meeting

Article 1

Unless otherwise required by the law, the shareholders' meeting of Cheng Shin Rubber Ind. Co., LTD. (the "Company") shall be conducted in accordance with the Rules and Procedures of the Shareholders' Meeting (the "Rules").

Article 2

The Company shall, in the notice of the shareholders' meeting, specify the time and place for shareholder registration, and other important matters.

Registration for shareholders referred to in the preceding paragraph shall begin at least thirty minutes before the meeting. There shall be clear signs and sufficient and adequate staff at the registration desk.

The Company shall provide an attendance register for shareholders to sign in, or require the attending shareholders to submit their sign-in cards in lieu of signing the register.

The calculation of the number of shares present shall be based on the attendance register or sign-in cards submitted by the shareholders and those shares whose votes are exercised by mail or electronically via the internet.

Article 3

Each shareholder is entitled to one vote for every share held. Except for those shares without voting rights under Article 179 of the Company Act, the attendance and votes at a shareholders' meeting shall be determined based on the number of shares present.

A shareholder may exercise his voting rights by mail or electronically via the internet on those matters presented at the shareholders' meeting convened by the Company. Where the voting right may be exercised by mail or electronically via the internet, the Company shall set forth in the notice the instructions for voting by mail and electronically via the internet. A shareholder who exercises his voting rights by mail or electronically via the internet shall be deemed to have attended the shareholders' meeting in person; provided, however, such shareholder shall be deemed to have waived his voting rights to vote on any ad hoc motions and amendments to the original proposals at the shareholders' meeting.

Article 4

The shareholders' meeting shall be held in the city or county where the Company is located or at any other place that is convenient for the shareholders to attend and appropriate to convene such meeting, and shall commence at a time no earlier than 9:00 a.m. and no later than 3:00 p.m.

Article 5

If a shareholders' meeting is convened by the board of directors of the Company (the "Board" or "Board of Directors"), the Chairman of the Board shall preside at such meeting. If the Chairman of the Board is on leave or unable to exercise his powers and duties for any reason, the Vice Chairman of the Board shall preside at such meeting. The Chairman of the Board shall designate a managing director to preside as the chairman if a Vice Chairman is not appointed, or if the Vice Chairman of the Board is on leave or unable to exercise his powers and duties for any reason. If no managing director of the Company is appointed, the Chairman of the Board shall designate a director to preside as the chairperson. If the Chairman of the Board fails to designate a chairperson for the meeting, the managing director or the directors shall nominate one from among themselves to preside at the meeting.

The Vice Chairman of the Board, a managing director, or a director who is designated as the chairperson for the meeting pursuant to the preceding paragraph shall have held office for at least six months and be familiar with the financial and business condition of the Company. The same requirements shall apply if the chairperson for the meeting is a director representative of a juristic person.

If the shareholders' meeting is convened by a person with the authority to convene other than the Board of Directors, such person shall act as the chairperson at that meeting.

Article 6

The Company may designate legal counsels, certified public accountants, and other relevant personnel to attend and observe the shareholders' meeting.

Staff at the shareholders' meetings shall wear ID badges or arm badges.

Article 7

The entire process of the shareholders' meeting shall be tape-recorded or videotaped, which must be kept for at least one year; provided, however, records concerning an action initiated by a shareholder pursuant to Article 189 of the Company Act shall be kept until the conclusion of the lawsuit.

Article 8

Upon the scheduled meeting time, the chairperson shall call the meeting to order when the number of shares present constitutes more than one-half of the total issued and outstanding shares. If the number of shares present does not constitute the quorum under the law at the scheduled meeting time, the chairperson may postpone the meeting. A meeting may be postponed up to two times, with the total adjournment time not exceeding one hour. If, after two postponements, the number of shares present does not constitute more than one-third of the total issued and outstanding shares, the chairman shall declare the adjournment of such meeting due to lack of quorum. If, after two postponements, the number of shares present does not constitute more than one-half of the total issued and outstanding shares but represent more than one-third of the total issued and outstanding shares, tentative resolutions may be adopted in accordance with Paragraph 1, Article 175 of the Company Act.

If, after the tentative resolutions have been adopted, the number of shares represented by the shareholders present reaches more than one-half of the total issued and outstanding shares before the meeting is adjourned, the chairperson may re-submit the foregoing tentative resolutions for approval at the meeting in accordance with Article 174 of the Company Act.

Article 9

The agenda for the shareholders' meeting shall be set by the Board of Directors if such meeting is convened by the Board of Directors. Unless otherwise resolved by resolution at the meeting, the meeting shall be carried out in accordance with the scheduled agenda.

The preceding paragraph shall apply *mutatis mutandis* to meetings convened by any person, other than the Board of Directors, with the authority to convene such meeting.

In respect of the scheduled agenda referred to in the preceding two paragraphs, the chairman may not, absent a resolution, unilaterally announce the adjournment of the meeting before all of the items on the scheduled agenda have been resolved (including ad hoc motions).

After the meeting is adjourned, the shareholders shall not elect another chairperson to resume such meeting at the same location or seek an alternative venue.

Article 10

Prior to speaking at the meeting, an attending shareholder shall submit a slip of paper summarizing his/her/its comments and/or questions and specifying his/her/its shareholder account number (or the attendance ID number) and the account name of the shareholder, in order for the chairman to determine the speaking order.

An attending shareholder who submits a slip of paper but does not speak at the meeting is deemed to have not spoken. In the event of any inconsistency between the the contents of shareholder's speech and those recorded on the slip, the contents of shareholder's speech shall prevail.

When an attending shareholder is speaking at the meeting, no other shareholder shall interrupt the speaking shareholder unless otherwise permitted by the chairperson and such speaking shareholder; the chairperson shall stop any such violations.

Article 11

Unless otherwise permitted by the chairperson, a shareholder may only speak, up to two times, on a single proposal, each time no more than five minutes in length.

The chairman may stop the speech of any shareholder that is in violation of the preceding paragraph or exceeds the scope of the proposal.

Article 12

If a juristic person is entrusted to attend the shareholders' meeting, such juristic person may only appoint one person to be its representative at the meeting.

If a shareholder who is a juristic person appoints two or more representatives to attend the meeting, only one representative may speak on any given proposal.

Article 13

After the speech is given by an attending shareholders, the chairman may personally respond or designate relevant personnel to respond.

Article 14

If the chairman believes that the discussion for a proposal has reached a level where a vote may be called, the chairman may make an announcement to end such discussion and call for a vote.

The counting of ballots shall be conducted in a public space at the meeting venue. Once all the ballots have been counted, the voting results, including the number of votes cast, shall be announced and recorded in writing.

Article 15

The person(s) supervising the casting of the ballots and the person(s) counting the ballots are designated by the chairperson, provided that the person(s) supervising the casting of the ballots shall be a shareholder. The voting results shall be announced at the meeting and recorded in writing.

The preparation and distribution of the minutes of the shareholders' meeting may be done by way of entering the information into the Market Observation Post System and posting it as a public announcement.

Article 16

The chairman may, at his or her discretion, set time for recess during the meeting. If the meeting venue becomes unavailable before all of the items on the agenda have been resolved (including ad hoc motions), the shareholders may, by resolution, seek an alternative venue and resume the meeting.

Article 17

Except as otherwise provided under the Company Act and/or the Company's Articles of Incorporation, a resolution shall be adopted with the approval of more than one-half of the votes of the shareholders present.

If, in the course of the vote, no objections are made by the shareholders present after inquiry by the chairperson and no electronic votes are cast against a proposal, such proposal is deemed to be adopted with the same effect as if it had been adopted through a voting process.

Shareholders who exercise their voting rights by mail or electronically via the internet shall comply with Article 177-2 of the Company Act.

Article 18

In the event that there is an amendment to or a replacement for the original proposal, the chairperson shall decide on the order in which such proposal will be voted along with the original proposal, provided that if one of such proposal has been approved, the other proposals will be deemed to be vetoed and no further action will be necessary.

Article 19

The chairman may direct patrol personnel (or security personnel) to assist in maintaining the order of the meeting. Such patrol personnel (or security personnel) shall wear arm badges marked "Patrol Personnel" while assisting in maintaining the order of the meeting.

Article 20

The Rules and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.

Article 21

The Rules became effective as of April 24, 1998 upon resolution at the shareholders' meeting. The Rules have been amended by resolution at the shareholders' meetings held on June 4, 2009, June 15, 2012, and June 18, 2013 respectively.

Annex VI

CHENG SHIN RUBBER IND. CO., LTD. Share Ownership of Directors As of April 16, 2019

Position	Name	Number of Shares	Ownership Percentage (%)
Chairman	Luo, Tsai-Jen	283,225,502	8.74%
Director	Xie Shun Investment Co., Ltd. (Representative Chen, Shiu-Hsiung)	15,580,000	0.48%
Director	Jiu Shun Investment Co., Ltd. (Representative: Chen, Yun-Hwa)	13,391,000	0.41%
Director	Hong Jing Investment Co., Ltd. (Representative: Chiu, Li-Ching)	33,292,000	1.03%
Director	Min Xin Investment Co., Ltd. (Representative: Cheng, Han-Chi)	6,425,000	0.20%
Director	Tseng, Shung-Chu	22,488,580	0.69%
Director	Horning Yih Investment Corporation (Representative: Lee, Chin-Chang)	11,131,695	0.34%
Director	Horning Yih Investment Corporation (Representative: Lin, Hung-Yu)	11,131,093	
Independent Director	Hsu, En-Dz	0	0.00%
Independent Director	Too, Jui-Rze	0	0.00%
Independent Director	Chen, Shuei-Jin	0	0.00%
Share Ownership of All Directors		384,263,777	11.89%

^{*}The Company has an Audit Committee established. Therefore, there are no supervisors.

Minimum share ownership by all directors of the Company: 77,793,972 shares