Stock Code: 2105



CHENG SHIN RUBBER IND. CO., LTD.

2017 Annual General Meeting Handbook

Time and Date: 9:30 a.m., June 15, 2017

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 2017 Annual General Meeting

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

CHENG SHIN RUBBER IND. CO., LTD.

Agenda of the 2017 Annual General Meeting

Time and Date: 9:30 a.m., Thursday, June 15, 2017

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. 2016 Business Report.
- ii. Supervisors' report on the review of the 2016 Financial Statements.
- iii. Report of the Company's distribution of dividends to its directors, supervisors and employees in 2016.
- iv. Reports of endorsements and guarantees of obligations provided to third parties by the Company.
- v. Reports of issuance of unsecured ordinary corporate bonds by the Company in 2016.
- vi. Reports of enactment of the Company's "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles".

IV. Ratifications

- i. To ratify the Company's 2016 Business Report and Financial Statements.
- ii. To ratify the Company's 2016 profit distribution.

V. Discussions

- i. To discuss the amendment of the Company's "Articles of Incorporation".
- ii. To discuss the amendment of the Company's "Procedures for Acquisition or Disposal of Assets".
- iii. To discuss the amendment of the Company's "Procedures for Making Endorsements or Guarantees and Loaning of Funds".
- iv. To discuss the amendment of the Company's "Rules for Election of Directors and Supervisors".

VI. Election

i. Re-election of the Company's Directors (including Independent Directors).

VII. Other Proposals

i. Proposal to release the new Directors of the Company from non-compete restrictions.

VIII Motions

IX. Adjournment

Reports

Reports

Item No. 1 - 2016 Business Report

Explanation: The 2016 Business Report of the Company can be found on pages 4-8 of this Handbook.

CHENG SHIN RUBBER IND. CO., LTD. 2016 Business Report

Looking back at 2016, the global economic and trade activities rebounded strongly from the year before. The growth of emerging markets and developing economies accounted for 80% of the global growth. In Taiwan, the domestic monitoring indicator flashed a green light in the second half of the year and the composite scores continued to rise. While exports are growing steadily, there remain uncertainties that would require close monitoring, including the direction of the economic and trade policies of the new US administration, the subsequent development after the UK formally began the process of exiting the EU, the anti-establishment sentiment in Europe, and the successive national elections to be held by a number of major economies in the Eurozone. According to the World Economic Outlook issued by IMF in January 2017, the global growth for 2016 is estimated at 3.1%, in line with the forecast. Global economy points to a pickup in growth this year, with a mild increase to 3.4%. In emerging markets and developing economies, the growth rate is projected to reach 4.6%, driven primarily by the markets in India (7.6%) and China (6.2%)—the two countries will continue to act as the dual engines that fuel global economic activities in 2017.

As the global economy recovers, demands in the tire industry have climbed by 3%, and the average sales price could see an increase with rising raw material costs. The market in China outperformed its counterparts in Europe and the US, propelling other regions to return to growth. Global demand for tires was generally consistent with the economic conditions. Last year, the consolidated operating revenue of the Company was NT\$117.387 billion. Despite the unfavorable factors of price and currency rate, we were able to overcome by a 10.9% volume increase and achieved growth in our year-end operating revenue—up by 0.6% compared to a year earlier. Currently, we have 12 production bases around the world located in China, Southeast Asia and India respectively. The construction of factories under "Project India + Indonesia" have been completed successively and are scheduled to begin production in the second and third quarters of 2017. On one hand, we continue the expansion of manufacturing facilities to increase production capacity. On the other hand, we are enhancing our strategic, technological capabilities by organizational and establishing our systems—Logistics Information Management System (SAP), Manufacturing Execution System

(MES), Customer Relationship Management System (CRM), and Product Lifecycle Management System (PLM). With these upgrades and improvements, we are confident in our ability to deliver continued revenue growth and to attain our business goal of becoming one of the top 5 companies in the tire industry by 2026.

Results of Operations in 2016 and Operating Prospects of 2017

I. Results of Operations in 2016

(1) Results of operations based on our business plan for 2016

1. Sales and Production

Unit: pcs. in thousands; %

Year Major Products	Produced in 2016	Sold in 2016	Sold in 2015	Percentage of increase/decrease
PCR	46,108	46,527	42,823	8.65%
TBR	4,011	3,952	3,126	26.42%
MC	60,848	60,696	50,737	19.63%
BC	68,937	71,610	81,674	-12.32%
TUBE	138,624	139,463	130,593	6.79%
OTHER TIRES	18,292	17,017	15,876	7.19%

2. Operation Summary

IFRS Consolidated

Unit: in thousands in NT\$; %

Year Item	2016	2015	Percentage of increase (decrease)
Net Sales	117,387,519	116,726,293	0.57%
Cost of Goods Sold	81,098,410	81,168,501	-0.09%
Operating Expenses	17,617,527	16,937,412	4.02%
Operating Profit	18,671,582	18,620,380	0.27%
Net Profit	13,346,481	12,839,214	3.95%

IFRS Individual

Unit: in thousands in NT\$; %

Year Item	2016	2015	Percentage of increase (decrease)
Net Sales	20,637,507	21,348,480	-3.33%
Cost of Goods Sold	13,889,311	14,063,907	-1.24%
Operating Expenses	3,965,777	4,027,925	-1.54%
Operating Profit	2,845,044	3,186,455	-10.71%
Net Profit	13,250,903	12,776,655	3.71%

(2) Revenue Forecast and Realization

The sales revenue in 2016 totaled NT\$117.4 billion, a realization of 96% of the sales forecast, which was NT\$122.6 billion.

(3) Financial Position and Profitability Analysis

IFRS Consolidated

Unit: in thousands in NT\$; %

Item Year			2016	2015	% Change
T	Sales Revenue		117,387,519	116,726,293	0.57%
Income Statement	Gross Profit		36,289,109	35,557,792	2.06%
Statement	Net Profit		13,346,481	12,839,214	3.95%
	Return on Assets	(ROA) (%)	8.45	8.12	4.06%
	Return on Equity	(ROE) (%)	14.98	14.38	4.17%
Profitability	As a % of Paid-in Capital	Operating Profit	57.60	57.45	0.26%
		Pre-tax Profit	55.21	53.92	2.39%
	Net Profit Margi	n (%)	11.37	11.00	3.36%
	Earnings Per Sha	are (NT\$)	4.09	3.94	3.81%

IFRS Individual

Unit: in thousands in NT\$; %

Item		Year	2016	2015	% Change
T	Sales Revenue		20,637,507	21,348,480	-3.33%
Income Statement	Gross Profit		6,748,196	7,284,573	-7.36%
Statement	Net Profit		13,250,903	12,776,655	3.71%
	Return on Assets	(ROA) (%)	11.05	10.73	2.98%
	Return on Equity	(ROE) (%)	15.00	14.44	3.88%
Profitability	As a % of	Operating Profit	8.78	9.83	-10.68%
	Paid-in Capital	Pre-tax Profit	48.25	47.56	1.45%
	Net Profit Margin	n (%)	64.21	59.85	7.28%
	Earnings Per Sha	are (NT\$)	4.09	3.94	3.81%

(4) Research and Development

- > Development of the new spare tire products for cars
- ➤ Motorcycle tires—Development of "High performance" product series
- ➤ Bycicle tires—Development of "High performance" product series
- > Development projects on the new tire products for other vehicles
- ➤ Development of MAXXIS' new generation PCR products
- Research project on the technology for TBR products
- ➤ Development of new TBR products
- Research project on the technology for each type of energy-saving tire products

II. Outline of 2017 Business Plan

(1) Business Strategy

- 1. Continuous growth of operating revenue.
- 2. Strengthening strategies and enhancing the organizaation's capacities.
- 3. Glocalization of the Global + Local headquarter.
- 4. Enhancing existing production capacity and establishing new factories, to increase the production capacity.
- 5. Enhancing the capacity of technology R&D and equipment development, to increase the profit.
- 6. Realization of safety, hyhiene, environmental protection and energy management.

(2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Year	2017 Volume Forecast
Item	Sales
PCR	48,956
TBR	4,873
MC	59,163
BC	92,709
TUBE	137,769
OTHER TIRES	16,465
TOTAL	359,935

IFRS Individual

(in pcs. in thousands)

Year	2017 Volume Forecast
Item	Sales
PCR	8,124
TBR	316
MC	6,519
BC	8,007
TUBE	10,665
OTHER TIRES	3,441
TOTAL	37,072

^{*}This forecast is based on the assessment made during the sales meeting of the Company held on January 25, 2017.

(3) Key Production and Distribution Policy

As we enter into the year of 2017, our strategy focuses on customer satisfaction. By understanding the needs of our customers and incorporating local marketing trends, we can enable real-time production planning. On product integration, the production efficiency of our featured products as well as low-volume and customized products will also be optimized through the integration of different production lines.

The strength of our business is the result of our unwavering commitment to excel in the tire industry with a service-oriented and global mindset. We are committed to offering better products and maximizing profits for our customers. Thank you for your continued support, we will endeavor to deliver new value proposition for our shareholders, customers and employees.

Lou, Tsau-Jen

Chairman

三麗

Lou, Tsau-Jen

General Manager



Lo, Yung-Li



Controller

Reports

Item No. 2 - Supervisors' report on the review of the 2016 Financial Statements

Explanation:

The 2016 Financial Statements of the Company have been prepared by 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 adopted by resolution of the Board of Directors and reviewed by the supervisors of the Company. The Supervisors' Report can be found on page 10 of the Handbook.

Supervisors' Report

To the 2017 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2016 Financial Statements (including the consolidated financial statements), which have been audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been reviewed by us, the supervisors of the Company. We have not found any inconsistencies with the Company Act and other relevant laws in our review of the aforementioned documents. Therefore, we, the supervisors, hereby issue this report in compliance with Article 219 of the Company Act.

Tseng, Sung-Chu *Supervisor*

Chiu, Li-Ching *Supervisor*

Chen, Han-Chi *Supervisor*

省形工

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Dated: April 26, 2017

Reports

Item No. 3 - Report of the Company's distribution of dividends to its directors, supervisors and employees in 2016.

Explanation:

- 1. The director, supervisor and employee dividends in 2016 are distributed in accordance with Article 36-1 of the Company's Articles of Incorporation, in response to the 2016 sales revenue and net profit that are generally in line with those in 2015, and taking into account the average distribution amount in 2015.
- 2. The profit in 2016 is NT\$16,222,302,812, setting aside 1.632% of such profit as director and supervisor dividends in the amount of NT\$264,747,982, and setting aside 2% of such profit as employee dividends in the amount of NT\$324,446,056. The aforementioned dividends are distributed in cash.
- 3. The amount of employee dividends in 2016 is recognized as expenses in the same amount as distributed. The amount of director and supervisor dividends in 2016 is recognized as expenses in the amount of NT\$257,123,500, which is less than the distributed amount by NT\$7,624,482. Such amount will be recognized as income adjustment in 2017.

Reports

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

Explanation:

As of December 31, 2016, the total amount under the endorsement and guarantee of obligations provided to third parties by the Company is US\$810,859,000, or approximately NT\$26,158,300,000; the details of which can be found on pages 13-14 of the Handbook. It is hereby reported to annual general meeting pursuant to the Company's Rules Governing Endorsement and Guarantee.

CHENG SHIN RUBBER IND. CO., LTD.

Endorsement and Guarantee to Third Parties

As of December 31, 2016

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	USD 20,000,000	Taipei Fubon Bank	2010.11.10	2017.12.14	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	USD 10,000,000	Shin Kong Bank	2011.03.10	2018.03.16	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	USD 30,000,000	Public Bank	2011.06.21	2018.06.27	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	USD 60,000,000	Mega Bank	2011.08.25	2018.08.25	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	USD 20,000,000	E. SUN Bank	2013.09.04	2017.08.16	
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	USD 15,000,000	Mega Bank	2012.08.03	2019.07.10	
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	USD 30,000,000	First Bank	2012.01.21	2018.01.20	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	Mega Bank	2010.09.09	2017.11.22	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 15,000,000	Shin Kong Bank	2011.02.15	2018.02.15	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 30,000,000	Mega Bank	2011.04.01	2018.04.26	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 30,000,000	Land Bank	2012.06.29	2017.08.22	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 15,000,000	Jih Sun Bank	2013.04.24	2018.07.11	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	SMBC Bank	2014.05.22	2017.06.19	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 10,000,000	Standard Chartered Bank	2014.08.15	2017.08.20	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 25,000,000	BBL Bank	2015.09.15	2017.09.15	
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	USD 20,000,000	HSBC Bank	2015.08.20	2017.08.20	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB1,000,000,000	MIZUHO Bank	2016.02.12	2021.12.18	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB1,000,000,000	SMBC Bank	2016.12.13	2021.12.27	

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

As of December 31, 2016

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	USD 24,000,000	First Bank	2010.08.10	2017.08.10	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	USD 10,000,000	Taipei Fubon Bank	2013.05.06	2018.07.23	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	USD 10,000,000	CTBC Bank	2014.05.27	2017.05.27	
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	Short-term	USD 10,000,000	HSBC Bank	2016.12.12	2017.04.30	
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 Bank	2016.07.26	2023.08.01	
PT. Maxxis International Indonesia	Loan Guarantee	Short-term	USD 15,000,000	Standard Chartered Bank	2016.05.25	2017.05.24	

Reports

Item No. 5 – Reports of issuance of unsecured ordinary corporate bonds by the Company in 2016.

Explanation:

- 1. To repay the debts and improve the Company's financial structure, the Company's Board of Directors has adopted a resolution on July 5, 2016, to issue unsecured ordinary corporate bonds with the total amount to be NT\$5,000,000,000.
- 2. The issuance conditions of the corporate bonds under the aforementioned Board resolution and other relevant matters have been announced on the Market Observation Post System ("MOPS") website.
- 3. The corporate bonds issuance under the aforementioned Board resolution has been filed with the Taipei Exchange and effective upon the ruling by the Taipei Exchange (reference number: Cheng-Kuei-Chai-Tsu no. 10500271791). Such corporate bonds have all been issued on September 26, 2016, with the total issuance amount to be NT\$5,000,000,000, and have been traded since September 26, 2016, upon the approval by the Taipei Exchange (reference number: Cheng-Kuei-Chai-Tsu no. 10500276052; date: September 20, 2016).

Reports

Item No. 6 –Reports of enactment of the Company's "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles".

Explanation:

- 1. To build a fine corporate governance system and strengthen corporate operations, the Company's "Corporate Governance Best Practice Principles" are enacted (please see pages 77-97 of this Handbook) with reference to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies and other relevant laws.
- 2. To build a fine corporate governance system, realize operational ideals and policies, proactively prevent unethical conducts, and ensure sustainable development of the Company, the Company's "Ethical Corporate Management Best Practice Principles" are therefore enacted (please see pages 98-105 of this Handbook).
- 3. To implement corporate governance, develop a sustainable operating environment, maintain public interest, and enhance the disclosure of corporate social responsibility information, the Company's "Corporate Social Responsibility Best Practice Principles" are enacted (please see pages 106-113 of this Handbook) in accorance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" promulgated by the competent authority, the Taiwan Stock Exchange.

Ratifications

Ratifications

Item No. 1 – To ratify the 2016 Business Report and Financial Statements (submitted by the Board of Directors)

Explanation:

- 1. The 2016 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 Supervisors of the Company. The Supervisors have not found any inaccuracies in their review of these documents and delivered a report accordingly. The Business Report, Supervisors' Report, and Financial Statements can be found on pages 4-8, 10, and 19-43 of this Handbook.
- 2. The proposal is hereby submitted for ratification.

Resolution:

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR16004294

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 and its subsidiaries (the "Group") as at December 31, 2016 and 2015, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations 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.

Cut-off on sales revenue

Description

For the accounting policy on revenue recognition, please refer to Note 4(29). For the year ended December 31, 2016, the sales revenue was NT\$117,387,519 thousand.

The Group's main business is manufacturing and sales of various rubber products and tires. The main sources of sales revenue are from the assembly plant and dealers. Sales revenue from the assembly plant are recognised upon shipment of merchandise. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of risk and reward is completed and sales revenue is recognised.

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 tailored our audit over sales cutoff through accounts receivable testing based on the understanding of the Group's policies and procedures employed in the sales process in order to check whether sales revenue and accounts receivable are recorded in the proper period.
- 3. 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 reasonableness of the sales revenue recognition.

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) in the parent company only financial

statements. As of December 31, 2016, the unfinished construction and equipment under acceptance was NT\$ 9,590,929 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 judgment, 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 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 reviewed the purchase contracts of property, plant and equipment and interviewed management in order to assess the reasonableness of the recognition of unfinished construction and uninspected equipment. We sampled unfinished construction to assess the progress of construction and check whether reclassification to finished construction or recognition of obsolete assets is required. Considering all the factors, we assess the reasonableness of the timing of reclassification of unfinished construction and uninspected equipment to property, plant and 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\$4,699,832 thousand and NT\$4,964,734 thousand, both representing 3% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and the total liabilities

of NT\$1,894,862 thousand and NT\$2,425,578 thousand, constituting 2% and 3% of the consolidated total liabilities as of December 31, 2016 and 2015, respectively, and total operating revenues of NT\$5,369,799 thousand and NT\$5,024,129 thousand, representing 5% and 4% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

Other matter - Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of the Group as at and for the years ended December 31, 2016 and 2015.

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 Preparations 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 supervisors, 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 judgment 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

Wu. Du - Fay

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2017

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.

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\underline{\text{CONSOLIDATED BALANCE SHEETS}}} \\ \text{(Expressed in thousands of New Taiwan dollars)}$

	Assets	Notes	 December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	<u>%</u>
	Current assets		_			
1100	Cash and cash equivalents		\$ 28,893,546	17	\$ 22,321,167	14
1125	Available-for-sale financial assets	6(2)				
	- current		141,404	-	167,347	-
1150	Notes receivable, net	6(3)	1,445,339	1	2,242,936	1
1170	Accounts receivable, net	6(4)	10,330,385	6	10,694,137	6
1180	Accounts receivable - related	7				
	parties, net		129,733	-	161,489	-
130X	Inventories, net	6(5)	13,850,002	9	13,213,153	8
1410	Prepayments		1,900,089	1	1,126,046	1
1470	Other current assets	8	 1,463,436	1	2,420,855	2
11XX	Total current assets		 58,153,934	35	52,347,130	32
1	Non-current assets					
1523	Available-for-sale financial assets	6(2)				
	- non-current		58,187	=	58,187	-
1550	Investments accounted for using	6(6)(20)				
	equity method		177,313	-	181,668	-
1600	Property, plant and equipment, net	6(7)	103,156,284	61	106,476,804	64
1760	Investment property, net	6(8)	291,785	-	328,252	=
1840	Deferred income tax assets	6(25)	831,631	1	701,125	=
1900	Other non-current assets	6(9) and 8	 5,495,592	3	5,865,056	4
15XX	Total non-current assets		 110,010,792	65	113,611,092	68
1XXX	Total assets		\$ 168,164,726	100	\$ 165,958,222	100

(Continued)

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\text{CONSOLIDATED BALANCE SHEETS}} \\ \text{(Expressed in thousands of New Taiwan dollars)}$

				December 31, 2016		 December 31, 2015	
	Liabilities and Equity	Notes		AMOUNT	<u>%</u>	 AMOUNT	<u>%</u>
	Current liabilities						
2100	Short-term borrowings	6(10)	\$	12,656,467	8	\$ 16,206,436	10
2120	Financial liabilities at fair value	6(11)					
	through profit or loss - current			-	=	19,173	-
2150	Notes payable			483,645	-	207,011	-
2170	Accounts payable	C(10)		8,260,392	5	6,744,632	4
2200	Other payables	6(12)		7,003,144	4	6,314,880	4
2230	Current income tax liabilities	6(25)		1,377,757	1	1,751,321	1
2300	Other current liabilities	6(13)(14)(15)		10,005,293	6	 6,146,918	4
21XX	Total current liabilities			39,786,698	24	 37,390,371	23
	Non-current liabilities						
2530	Bonds payable	6(14)		11,700,000	7	8,600,000	5
2540	Long-term borrowings	6(15) and 7		22,888,990	14	23,458,920	14
2550	Provisions for liabilities -						
	noncurrent			120,299	=	118,340	=
2570	Deferred income tax liabilities	6(25)		1,836,061	1	2,415,551	2
2600	Other non-current liabilities	6(16)		3,563,290	2	 4,022,456	2
25XX	Total non-current liabilities			40,108,640	24	 38,615,267	23
2XXX	Total liabilities			79,895,338	48	 76,005,638	46
	Equity						
	Equity attributable to owners of						
	parent						
	Share capital	6(17)					
3110	Ordinary shares			32,414,155	19	32,414,155	20
	Capital surplus	6(18)					
3200	Capital surplus			52,576	-	52,576	-
	Retained earnings	6(19)					
3310	Legal reserve			12,955,677	8	11,678,012	7
3320	Special reserve			2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings			42,774,502	25	40,593,212	24
	Other equity interest	6(20)					
3400	Other equity interest		(3,307,822) (<u>2</u>)	1,819,019	1
31XX	Equity attributable to owners						
	of the parent			87,493,251	52	89,161,137	54
36XX	Non-controlling interest			776,137		 791,447	
3XXX	Total equity			88,269,388	52	89,952,584	54
	Significant contingent liabilities	9					
	and unrecognised contract						
	commitments						
	Significant events after the	11					
	balance sheet date						
3X2X	Total liabilities and equity		\$	168,164,726	100	\$ 165,958,222	100

The accompanying notes are an integral part of these consolidated financial statements.

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\text{CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME}} \\ \text{(Expressed in thousands of New Taiwan dollars, except earnings per share data)}$

			Years ended December 31									
				2016		2015						
	Items	Notes	Notes A		%	AMOUNT	%					
4000	Sales revenue	7	\$	117,387,519	100 \$	116,726,293	100					
5000	Operating costs	6(5)	(81,098,410) (69) (81,168,501) (70)					
5900	Gross profit from operation			36,289,109	31	35,557,792	30					
	Operating expenses	7										
6100	Selling expenses		(9,291,874) (8) (9,198,205) (8)					
6200	General & administrative expens	ses	(3,495,535) (3) (3,415,096) (3)					
6300	Research and development exper	nses	(4,830,118) (4) (4,324,111) (3)					
6000	Total operating expenses		(17,617,527) (15) (16,937,412) (14)					
6900	Operating profit			18,671,582	16	18,620,380	16					
	Non-operating income and expen	ses										
7010	Other income	6(21)		1,168,424	1	1,001,299	1					
7020	Other gains and losses	6(22)	(1,045,927) (1) (1,234,867) (1)					
7050	Finance costs	6(23)	(924,222) (1) (948,371) (1)					
7060	Share of profit of associates and	joint 6(6)										
	ventures accounted for under equ	uity										
	method			25,129	-	37,762	-					
7000	Total non-operating income	and										
	expenses		(776,596) (1) (1,144,177) (1)					
7900	Profit before income tax			17,894,986	15	17,476,203	15					
7950	Income tax expense	6(25)	(4,548,505) (4) (4,636,989) (4)					
8200	Profit for the year		\$	13,346,481	11 \$	12,839,214	11					

(Continued)

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\text{CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME}} \\ \text{(Expressed in thousands of New Taiwan dollars, except earnings per share data)}$

				Year ended December 31							
				2016							
	Items	Notes		AMOUNT	%		AMOUNT	%			
	Other comprehensive income										
	Components of other comprehensive										
	income that will not be reclassified to										
0211	profit or loss										
8311	Other comprehensive income, before										
	tax, actuarial losses on defined		, ¢	00 200)		<i>(</i> c	20 021)				
8320	benefit plans Share of other comprehensive		(\$	80,322)	-	(\$	32,031)	-			
8320	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		(1,035)	_	(327)	_			
8349	Income tax related to components of 6(25)	5)	(1,000)		`	321)				
00.7	other comprehensive income that will	• •									
	not be reclassified to profit or loss			13,655	=		5,445	_			
8310	Components of other			,			2015 AMOUNT 32,031) 327) 5,445 26,913) 2,064,897) (29,996 2,797 339,608 1,692,496) (1,719,409) (11,119,805 12,776,655 62,559 12,839,214 11,121,989				
	comprehensive income that will										
	not be reclassified to profit or										
	loss		(67,702)	-	(26,913)	-			
	Components of other comprehensive										
	income that will be reclassified to										
	profit or loss										
8361	Financial statement translation										
	differences of foreign operations		(6,255,531) (5)	(2,064,897) (2)			
8362	Unrealized (loss) gain on valuation of 6(2)	1									
	available-for-sale financial assets		(24,010)	-		29,996	-			
8370	Total share of other comprehensive										
	income of associates and joint										
	ventures accounted for using equity										
	method, components of other										
	comprehensive income that will be		,	2 200)			2 707				
9200	reclassified to profit or loss	5)	(3,298)	-		2,191	-			
8399	Income tax relating to the 6(25	·)									
	components of other comprehensive income			1,045,110	1		220 600	1			
8360	Components of other		-	1,043,110	1		339,000	1			
8300	comprehensive income that will										
	be reclassified to profit or loss		(5,237,729) (4)	(1 602 406) (1.)			
8300	Other comprehensive loss for the year		(\$	5,305,431) (
8500	Total comprehensive income for the		(Ψ	3,303,431) ((ψ	1,710,100)				
0300	year		\$	8,041,050	7	\$	11 119 805	10			
	Profit attributable to:		Ψ	0,041,030	<u> </u>	Ψ	11,117,005	10			
8610	Owners of the parent		\$	13,250,903	11	\$	12 776 655	11			
8620	Non-controlling interest		φ	95,578	11	φ		11			
0020	Tron controlling interest		\$	13,346,481	11	\$		11			
	Comprehensive income		Ψ	13,310, 101		Ψ	12,037,211				
	attributable to:										
8710	Owners of the parent		\$	8,056,360	7	\$	11 121 080	10			
8720	Non-controlling interest		φ	15,310)	,	Ψ	2,184)	10			
0720	ivon controlling interest		(0	8,041,050	 7	\ <u></u>	11,119,805	10			
			Ψ	0,041,030		Ψ	11,117,005	10			
	Earnings per share (in dollars) 6(26	9									
9750	Basic earnings per share	')	\$		4.09	\$		3.94			
,,50	= acre curingo por ciure		Ψ		1.07	Ψ		5.77			
9850	Diluted earnings per share		\$		4.08	\$		3.93			
, 550	- marca can mings per share		Ψ		1.00	Ψ		5.75			

The accompanying notes are an integral part of these consolidated financial statements.

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\text{CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY}}$

(Expressed in thousands of New Taiwan dollars)

						Equity attrib			the parent							
			Capital Su	urplus			Retaine	d Earnings		Other equi						
	Notes	Share capital - common stock	ry stock actions		on sale ssets	Legal reserve	Special	U reserve	nappropriated retained earnings	Financial statement translation differences of foreign operations	Unreal gain on or availab r-sa finan asse	loss lole-fo ale cial		n-cont g inte		tal equity_
Year ended December 31, 2015																
Balance at January 1, 2015		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 10,076,45	52 \$	2,604,163	\$ 39,169,270	\$ 3,402,	402 \$	44,370	\$ 87,763,394	\$	793,631	\$ 88,557,025
Appropriations of 2014 earnings:																
Legal reserve		-	-		-	1,601,56	50	-	(1,601,560))	-	-	-		-	-
Cash dividends	6(19)	-	-		-		-	-	(9,724,246	5)	-	-	(9,724,246)		-	(9,724,246)
Profit for the year		-	-		-		-	-	12,776,65	5	-	-	12,776,655		62,559	12,839,214
Other comprehensive (loss) income for the year	6(20)	- _	 <u>-</u>		<u>-</u>		<u> </u>		(26,912	<u>3</u>) (<u>1,658,</u>	<u> </u>	30,330	(1,654,666_)	(64,743)	(_1,719,409)
Balance at December 31, 2015		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 11,678,01	\$	2,604,163	\$ 40,593,212	\$ 1,744,	<u>\$19</u>	74,700	\$ 89,161,137	\$	791,447	\$ 89,952,584
Year ended December 31, 2016																
Balance at January 1, 2016		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 11,678,01	2 \$	2,604,163	\$ 40,593,212	\$ 1,744,	319 \$	74,700	\$ 89,161,137	\$	791,447	\$ 89,952,584
Appropriations of 2015 earnings:																
Legal reserve		-	-		-	1,277,66	55	-	(1,277,665	5)	-	-	-		-	-
Cash dividends	6(19)	-	-		-		-	-	(9,724,246	5)	-	-	(9,724,246)		-	(9,724,246)
Profit for the year		-	-		-		-	-	13,250,900	3	-	-	13,250,903		95,578	13,346,481
Other comprehensive loss for the year	6(20)		 <u>-</u>	_	-		<u> </u>	<u> </u>	(67,702	2) (5,102,;	<u>593</u>) (24,248) (5,194,543_)	(110,888)	(5,305,431_)
Balance at December 31, 2016		\$ 32,414,155	\$ 9,772	\$	42,804	\$ 12,955,67	<u>\$</u>	2,604,163	\$ 42,774,500	(\$ 3,358,	<u>274</u>) <u>\$</u>	50,452	\$ 87,493,251	\$	776,137	\$ 88,269,388

$\frac{\text{CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES}}{\text{CONSOLIDATED STATEMENTS OF CASH FLOWS}} \\ (\text{Expressed in thousands of New Taiwan dollars})$

			Years ended	December 31		
	Notes		2016		2015	
CASH FLOWS FROM OPERATING ACTIVITIES						
_		ф	17 004 006	ф	17 476 202	
Profit before tax		\$	17,894,986	\$	17,476,203	
Adjustments						
Adjustments to reconcile profit (loss)	6(7)(24)		11 545 062		11 262 020	
Depreciation Depreciation on investment property	6(8)(24)		11,545,063		11,363,038	
Rental expenses for land use right	6(9)		727 91,597		969 89,803	
Share of profit of associates and joint	6(6)		91,397		69,603	
ventures accounted for using equity method	0(0)	(25,129)	,	37,762)	
Net gain on financial assets or liabilities at	6(7)(22)	(23,129)	(31,102)	
fair value through profit or loss	0(1)(22)	(18,829)	,	28,266)	
Loss on disposal of property, plant and	6(7)(22)	(10,029)	(20,200)	
equipment	0(1)(22)		151,637		77,370	
Provision for bad debt expense	6(4)		131,037		254	
Interest expense	6(7)(23)		924,222		948,371	
Interest income	6(21)	(179,998)	(194,775)	
Gain on disposal of investments	0(21)	(475)		194,773)	
Deferred government grants written-off		(151,920)		116,409)	
Changes in operating assets and liabilities		(131,720)	(110,402)	
Changes in operating assets and matrices Changes in operating assets						
Notes receivable, net			797,597		905,986	
Accounts receivable - related parties			31,756		16,616	
Accounts receivable			363,774		485,471	
Inventories		(636,849)		3,359,545	
Prepayments		(774,043)		497,248	
Other current assets		(175,644	(366,060)	
Other non-current assets			25,911	(21,778)	
Changes in operating liabilities			23,711	(21,770)	
Notes payable			276,634		149,529	
Accounts payable			1,515,760	(1,494,548)	
Other payables			422,706	`	165,948	
Other current liabilities			316,526		72,089	
Accrued pension liabilities		(159,287)		4,380	
Cash inflow generated from operations		\	32,588,010		33,353,222	
Interest received			166,549		196,954	
Dividends received			25,152		33,888	
Interest paid		(918,391)	(964,235)	
Income tax paid		(4,596,725)	ì	5,181,149)	
Net cash flows from operating activities		\	27,264,595	`	27,438,680	
r			,=,=.	-	,,	

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Expressed in thousands of New Taiwan dollars)

	Years ended			December 31			
	Notes		2016		2015		
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from capital reduction of							
available-for-sale financial assets		\$	2,408	\$	-		
Proceeds from disposal of property, plant and							
equipment			61,892		196,678		
Payment for capitalized interests	6(7)(23)(27)	(43,328)	(37,230)		
Acquisition of property, plant and equipment	6(7)(27)	(14,044,132)	(11,349,555)		
Decrease (increase) in refundable deposits		(52,855)		230,981		
Acquisition of land use rights			-	(2,284,925)		
Proceeds from disposal of land use rights			-		75,745		
Decrease in other non-current liabilities		(3,019)	(1,981)		
Net cash flows used in investing activities CASH FLOWS FROM FINANCING ACTIVITIES		(14,079,034)	(13,170,287)		
Increase in short-term loans			17,575,154		17,862,179		
Decrease in short-term loans		(20,155,605)				
Proceeds from issuing bonds	6(14)		5,000,000				
Repayments of bonds	6(14)		, , -	(2,000,000)		
Increase in long-term loans			10,528,429		8,050,954		
Decrease in long-term loans		(8,931,033)	(10,122,171)		
Decrease in guarantee deposits received		(23,777)	(7,862)		
Increase (decrease) in other payables to related	7						
parties			55,404	(152,760)		
Cash dividends paid	6(19)	(9,724,246)	(9,724,246)		
Net cash flows used in financing activities		(5,675,674)	(13,079,113)		
Effect of exchange rate changes on cash and cash							
equivalents		(937,508)	(34,192)		
Net increase in cash and cash equivalents			6,572,379		1,155,088		
Cash and cash equivalents at beginning of year	6(1)		22,321,167		21,166,079		
Cash and cash equivalents at end of year	6(1)	\$	28,893,546	\$	22,321,167		

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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. as at December 31, 2016 and 2015, 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, the accompanying financial statements present fairly, in all material respects, the financial position of CHENG SHIN RUBBER IND. CO., LTD. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparations 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 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 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 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.

Cut-off on sales revenue

Description

For the accounting policy on revenue recognition, please refer to Note 4(28). For the year ended December 31, 2016, the sales revenue was NT\$20,637,507 thousand. The operating income for the consolidated financial statements amounted to NT\$117,387,519 thousand.

The Company's main business is manufacturing and sales of various rubber products and tires. The main sources of sales revenue are from the assembly plant and dealers. Sales revenue from the assembly plant are recognised upon shipment of merchandise. In accordance with the contract terms with the assembly plant, as inspections are completed in the assembly plant, the transfer of risk and reward 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 issues applied to the Company. Therefore, we indicated that the audit of timing of sales revenue recognition 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:

- 4. 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.
- 5. We tailored our audit over sales cutoff through accounts receivable testing based on the understanding of the Company's policies and procedures employed in the sales process in order to check whether sales revenue and accounts receivable are recorded in the proper period.
- 6. 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 reasonableness of the sales revenue recognition.

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(14). For the details of property, plant and equipment, please refer to Note 6(7) in the parent company only financial statements. As of December 31, 2016, the unfinished construction and equipment under acceptance was NT\$596,738 thousand. Unfinished construction and uninspected equipment amounted to NT\$9,590,929 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 judgment, thus, the timing of reclassification and accrual of depreciation expense could be inappropriate. The aforementioned issues applied to the Company. 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:

- 4. 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.
- 5. We tailored our audit over fixed asset classification to check whether reclassification of assets are accurate and recorded in the proper period.
- 6. We reviewed the purchase contracts of property, plant and equipment and interviewed management in order to assess the reasonableness of the recognition of unfinished construction and uninspected equipment. We sampled unfinished construction to assess the progress of construction and check whether reclassification to finished construction or recognition of obsolete assets is required. Considering all the factors, we assess the reasonableness of the timing of reclassification of unfinished construction and uninspected equipment to property, plant and equipment

Other matter – Scope of the audit

As described in Note 6(6), we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The balances of investments accounted for using equity method were NT\$2,804,969 thousand and NT\$2,539,156 thousand, both representing 2% of the total assets as of December 31, 2016 and 2015, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$1,043,489 thousand and NT\$795,889 thousand, representing 13% and 7% of the total comprehensive income for the years then ended, respectively. These financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, is based solely on the audit reports of the other independent accountants.

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 Preparations 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 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 supervisors, 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 judgment and maintain professional skepticism throughout the audit. We also:

- 7. 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.
- 8. 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.
- 9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 10. 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.
- 11. 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.
- 12. 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

War Der-Ferg

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2017

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

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

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

			 December 31, 2016		 December 31, 2015	
-	Assets	Notes	 AMOUNT		 AMOUNT	<u>%</u>
	Current assets					
1100	Cash and cash equivalents	6(1)	\$ 11,754,387	10	\$ 8,933,048	7
1125	Available-for-sale financial assets	6(2)				
	- current		66,147	=	100,055	=
1150	Notes receivable, net	6(3) and 7	22,314	-	25,209	-
1170	Accounts receivable, net	6(4)	1,369,219	1	1,406,253	1
1180	Accounts receivable - related	7				
	parties, net		1,318,036	1	934,590	1
130X	Inventories, net	6(5)	1,717,092	1	2,077,886	2
1410	Prepayments		438,764	=	198,894	-
1470	Other current assets	7	 644,523	1	 710,099	1
11XX	Total current assets		 17,330,482	14	 14,386,034	12
	Non-current assets					
1523	Available-for-sale financial assets	6(2)				
	- non - current		58,187	-	58,187	-
1550	Investments accounted for using	6(6)				
	equity method		88,625,721	72	90,614,333	74
1600	Property, plant and equipment, net	6(7)(26)	16,052,715	13	16,761,445	14
1760	Investment property, net	6(8)	291,785	=	328,252	=
1840	Deferred income tax assets	6(24)	458,853	1	286,970	-
1900	Other non-current assets	8	 1,251		 16,067	=
15XX	Total non-current assets		 105,488,512	86	 108,065,254	88
1XXX	Total assets		\$ 122,818,994	100	\$ 122,451,288	100

(Continued)

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

	*******			December 31, 2016		December 31, 2015	
	Liabilities and Equity	Notes		AMOUNT	<u>%</u>	AMOUNT	<u>%</u>
	Current liabilities						
2100	Short-term borrowings	6(9)	\$	450,000	-	\$ -	-
2120	Financial liabilities at fair value	6(10)					
	through profit or loss - current			-	-	7,415	-
2170	Accounts payable			957,958	1	964,368	1
2180	Accounts payable - related parties	7		19,683	=	14,945	-
2200	Other payables	6(11) and 7		2,561,326	2	2,501,181	2
2230	Current income tax liabilities	6(24)		971,551	1	1,412,819	1
2300	Other current liabilities	6(12)		4,447,598	4	589,945	=
21XX	Total current liabilities			9,408,116	8	5,490,673	4
	Non-current liabilities						
2530	Bonds payable	6(13)		11,700,000	10	8,600,000	7
2540	Long-term borrowings	6(14)		11,548,998	9	15,867,000	13
2570	Deferred income tax liabilities	6(24)		1,836,061	1	2,415,551	2
2600	Other non-current liabilities	6(15)		832,568	1	916,927	1
25XX	Total non-current liabilities			25,917,627	21	27,799,478	23
2XXX	Total liabilities			35,325,743	29	33,290,151	27
	Equity						
	Share capital						
3110	Ordinary shares	6(16)		32,414,155	26	32,414,155	27
	Capital surplus	6(17)					
3200	Capital surplus			52,576	=	52,576	=
	Retained earnings	6(18)(25)					
3310	Legal reserve			12,955,677	11	11,678,012	10
3320	Special reserve			2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings			42,774,502	35	40,593,212	33
	Other equity interest	6(19)					
3400	Other equity interest		(3,307,822) (3)	1,819,019	1
3XXX	Total equity			87,493,251		<u> </u>	73
	Significant contingent liabilities	9		, , , , , , , , , , , , , , , , , , ,			
	and unrecognised commitments						
	Significant events after the	11					
	balance sheet date						
3X2X	Total liabilities and equity		¢	122,818,994	100	\$ 122,451,288	100
J212/1	zomi momines and equity		Ψ	122,010,994	100	Ψ 122, 731, 200	100

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

CHENG SHIN RUBBER IND. CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars, except earnings per share data)

					Years ended	Decemb	ner 31	
				2016	rears chucu	Decenil	2015	
	Items	Notes		AMOUNT	%		AMOUNT	%
4000	Sales revenue	7	\$	20,637,507	100	\$	21,348,480	100
5000	Operating costs	6(5)	(13,889,311)	(67)	(14,063,907) (<u>66</u>)
5900	Net operating margin			6,748,196	33		7,284,573	34
5910	Unrealized loss (profit) from sales			62,625		(70,193)	
5950	Gross profit from operation			6,810,821	33		7,214,380	34
	Operating expenses					-	· · · · · · · · · · · · · · · · · · ·	
6100	Selling expenses	7	(2,229,808)	(11)	(2,508,537) (12)
6200	General & administrative expenses		(751,999)	(3)	(644,711) (3)
6300	Research and development expenses		(983,970)	(5)	(874,677) (4)
6000	Total operating expenses	6(23)	(3,965,777)	(19)	(4,027,925) (19)
6900	Operating profit	-(-)	\	2,845,044	14	`	3,186,455	15
	Non-operating income and expenses					-		
7010	Other income	6(20) and 7		1,491,751	7		1,396,912	6
7020	Other gains and losses	6(21)	(127,257)	-		622,982	3
7050	Finance costs	6(22)	ì	359,095)	(2)	(378,023) (2)
7070	Share of profit of associates and joint	6(6)	`	223,032)	(2)	`	510,025) (-,
	ventures accounted for using equity	5(5)						
	method			11,790,290	57		10,588,102	50
7000	Total non-operating income and			11,750,250			10,500,102	
7000	expenses			12,795,689	62		12,229,973	57
7900	Profit before income tax			15,640,733	76		15,416,428	72
7950	Income tax expense	6(24)				,		
8200	•	0(24)	(2,389,830)	(12)	(2,639,773) (<u>12</u>)
8200	Profit for the year	5/40) / 3 4)	<u>a</u>	13,250,903	- 04	Þ	12,776,655	00
	Other comprehensive income	6(19)(24)						
	Components of other comprehensive							
	income that will not be reclassified to profit							
0211	or loss	6(1.5)						
8311	Other comprehensive income, before tax,	6(15)		00.000			22 224	
0220	actuarial losses on defined benefit plans		(\$	80,322)	=	(\$	32,031)	-
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		(1,035)	=	(327)	-
8349	Income tax related to components of other	6(24)						
	comprehensive income that will not be							
	reclassified to profit or loss			13,655			5,445	
8310	Components of other comprehensive							
	income that will not be reclassified to							
	profit or loss		(67,702)		(26,91 <u>3</u>)	
	Components of other comprehensive							
	income that will be reclassified to profit or							
	loss							
8361	Other comprehensive income, before tax,							
	exchange differences on translation		(6,147,703)	(30)	(1,997,691) (9)
8362	Other comprehensive income, before tax,							
	available-for-sale financial assets		(31,974)	-		41,124	-
8380	Total share of other comprehensive income							
	of associates and joint ventures accounted							
	for using equity method			7,726	-	(10,794)	-
8399	Income tax relating to the components of	6(24)						
	other comprehensive income			1,045,110	5		339,608	1
8360	Components of other comprehensive							
	income that will be reclassified to							
	profit or loss		(5,126,841)	(25)	(1,627,753) (8)
8300	Other comprehensive income for the year		(\$	5,194,543)	$(\frac{25}{25})$	(\$	1,654,666) (8)
8500			<u>¢</u>		39	`==		52
0200	Total comprehensive income for the year		Ф	8,056,360	39	\$	11,121,989	
	Davis saminas mas al	((25)						
0750	Basic earnings per share	6(25)	A		4 00	¢.		2.07
9750	Basic earnings per share		\$		4.09	\$		3.94
	Diluted earnings per share	6(25)						
9850	Diluted earnings per share		\$		4.08	\$		3.93

CHENG SHIN RUBBER IND. CO., LTD. PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY (Expressed in thousands of New Taiwan dollars)

			Ca _I	oital	Surplus		Reta	ined Earnings	S	Other equ			
	Notes	Share capital	Treasury st		Gain on sale of assets	Legal reserve		Special reserve	Unappropriate d retained earnings	Financial statement translation differences of foreign operations	gai ava	nrealized n or loss on ilable-for -sale inancial assets	Total equity
Year ended Decemer 31, 2015													
Balance at January 1, 2015		\$ 32,414,155	\$ 9,7	772	\$ 42,804	\$ 10,076,452	\$	2,604,163	\$ 39,169,276	\$ 3,402,402	\$	44,370	\$ 87,763,394
Appropriations of 2014 earnings:													
Legal reserve		-		-	-	1,601,560		-	(1,601,560)	-		-	-
Cash dividends	6(18)	-		-	-	-		-	(9,724,246)	-		-	(9,724,246)
Profit for the year		-		-	-	-		-	12,776,655	-		-	12,776,655
Other comprehensive (loss) income for the year	6(19)	<u>-</u>		<u>-</u>		<u> </u>		<u>-</u>	(26,913_)	(1,658,083)	30,330	(1,654,666_)
Balance at December 31, 2015		\$ 32,414,155	\$ 9,	772	\$ 42,804	<u>\$ 11,678,012</u>	\$	2,604,163	\$ 40,593,212	\$ 1,744,319	\$	74,700	\$ 89,161,137
Year ended Decemer 31, 2016													
Balance at January 1, 2016		\$ 32,414,155	\$ 9,7	772	\$ 42,804	\$ 11,678,012	\$	2,604,163	\$ 40,593,212	\$ 1,744,319	\$	74,700	\$ 89,161,137
Appropriations of 2015 earnings:													
Legal reserve		-		-	-	1,277,665		-	(1,277,665)	-		-	-
Cash dividends		-		-	-	-		-	(9,724,246)	-		-	(9,724,246)
Profit for the year		-		-	-	-		-	13,250,903	-		-	13,250,903
Other comprehensive loss for the year				<u>-</u>				<u>-</u>	(67,702)	(5,102,593) (24,248)	(5,194,543_)
Balance at December 31, 2016		\$ 32,414,155	\$ 9,	<u>772</u>	\$ 42,804	\$ 12,955,677	\$	2,604,163	\$ 42,774,502	(\$ 3,358,274) <u>\$</u>	50,452	\$ 87,493,251

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

	Years ended					
	Notes		2016		2015	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		\$	15,640,733	\$	15,416,428	
Adjustments		Ψ	15,040,755	Ψ	13,410,420	
Adjustments to reconcile profit (loss)						
Unrealised (gain) loss on inter-company						
transactions		(35,944)		37,230	
Depreciation	6(7)		1,624,454		1,549,388	
Depreciation on investment property	6(8)		727		969	
Net gain on financial assets or liabilities at						
fair value through profit or loss		(7,415)	(14,992)	
Gain on disposal of investments		ì	475)	`	, , , , , , , , , , , , , , , , , , ,	
Gain on disposal of property, plant and		`	,			
equipment		(206,811)	(238,298)	
Share of profit of associates and joint	6(6)					
ventures accounted for using equity method		(11,790,290)	(10,588,102)	
Interest income	6(20)	(104,899)	(79,485)	
Interest expense	6(22)		368,259		390,816	
Unrealised foreign exchange gain			=	(1,360)	
Effect of exchange rate changes on cash and						
cash equivalents		(359,834)	(78,381)	
Changes in operating assets and liabilities						
Changes in operating assets						
Notes receivable, net			2,895		9,578	
Accounts receivable			37,034		355,726	
Accounts receivable - related parties		(383,446)		398,346	
Inventories			,	(54)	
Other current assets		(141,507)		78,427	
Changes in operating liabilities						
Accounts payable		(6,410)	(236,455)	
Accounts payable - related parties			4,738	(3,399)	
Other payables			79,568	(236,458)	
Accrued pension liabilities		(164,341)	(4,436)	
Other current liabilities		(2,347)	(19,255)	
Cash inflow generated from operations			4,915,483		6,736,233	
Interest received			86,879		82,858	
Dividends received		,	7,781,595	,	8,330,064	
Interest paid		(350,801)	(388,108)	
Income tax paid		(2,523,708)	(2,978,536)	
Net cash flows from operating activities			9,909,448		11,782,511	

(Continued)

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

	Years ended			l December 31			
	Notes		2016		2015		
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from capital reduction of		ф	2 400	ď			
available-for-sale financial assets		\$	2,408	\$	-		
Acquisition of investments accounted for using		,	44 500	,	2 (12 000)		
equity method		(44,502)	(2,613,800)		
Proceeds from disposal of property, plant and			5 .6.4.00				
equipment			766,139		802,781		
Acquisition of property, plant and equipment	6(7)(26)	(1,530,309)		1,763,027)		
Payment for capitalized interests	6(7)(26)	(9,141)	(12,793)		
Decrease in refundable deposits			50		313,409		
Net cash flows used in investing							
activities		(815,355)	(3,273,430)		
CASH FLOWS FROM FINANCING ACTIVITIES							
Increase (decrease) in short-term loans			450,000	(53,034)		
Decrease in long-term loans	6(13)	(4,358,002)	(4,216,667)		
Increase in long-term loans			2,000,000		7,000,000		
Decrease in guarantee deposits received		(340)	(299)		
Proceeds from issuing bonds	6(13)		5,000,000		-		
Repayments of bonds			-	(2,000,000)		
Cash dividends paid	6(18)	(9,724,246)	(9,724,246)		
Net cash flows used in financing							
activities		(6,632,588)	(8,994,246)		
Effect of exchange rate changes on cash and cash							
equivalents			359,834		78,381		
Net increase (decrease) in cash and cash equivalents			2,821,339	(406,784)		
Cash and cash equivalents at beginning of year	6(1)		8,933,048		9,339,832		
Cash and cash equivalents at end of year	6(1)	\$	11,754,387	\$	8,933,048		

Ratifications

Item No. 2 – Proposal of the 2016 profit distribution (submitted by the Board of Directors)

Explanation:

- 1. The Board has adopted a proposal for the distribution of the Company's 2016 profits, which has been reviewed by the Supervisors.
- 2. After setting aside the legal reserve, the 2016 after-tax earnings together with the undistributed earnings from the previous year shall amount to a total distributable earnings of NT\$40,745,750,097. In accordance with the Articles of Incorporation of the Company, the Board of Directors proposes to distribute cash dividends in the amount of NT\$9,724,246,608 to the shareholders at NT\$3 per share. The profit distribution shall be allocated out of the 2016 earnings. If the 2016 earnings are insufficient for the current profit distribution, then the distribution shall be allocated out of the 2015 undistributed earnings. The cumulative undistributed earnings after distribution will be NT\$31,021,503,489. (The details of which may be found on page 45 of the Earnings Allocation Table in 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 paid out to the shareholders whose names are on the shareholder register as of the record date. Cash dividends to shareholders that are under NT\$1 shall be categorized as "other income" of the Company.
- 4. The proposal is hereby submitted for ratification.

Resolution:

CHENG SHIN RUBBER IND. CO., LTD.

Profit Distribution Year Ended December 31, 2016

三月	(NT\$)
Beginning balance of retained earnings	29,591,299,516
Less adjustment of 2016 retained earnings	(67,702,447)
Adjusted beginning balance of retained earnings	29,523,597,069
Net Income of 2016	13,250,902,641
Less 10% legal reserve appropriated	(1,325,090,264)
Less 10% special reserve appropriated	(703,659,349)
Earnings available for distribution	40,745,750,097
<u>Distribution items</u> :	
Cash dividends (at NT\$3 per share)	(9,724,246,608)
Balance of 2016 retained earnings	31,021,503,489

Lou, Tsau-Jen
Chairman



Lou, Tsau-Jen
General Manager



Lo, Yung-Li
Controller



Discussions

Discussions

Item No. 1 – Proposal of the amendment of the Company's "Articles of Incorporation" (submitted by the Board of Directors)

Explanation:

To comply with the regulations promulgated by the securities authorities, upon expiration of the term of the Company's current Directors and Supervisors, the Company shall establish the Audit Committee in replace of the Supervisors. As such, it is proposed to amend relevant articles in the Company's Articles of Incorporation. For more details, please refer to the provisions comparison table on page 48-52 of this Handbook.

Resolution:

Cheng Shin Rubber Ind. Co., Ltd. Comparison Table for Amendment of the Company's Articles of Incorporation

	T		D C
Article	Amended Provision	Original Provision	Reason for Amendment
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 rest of this Article omitted)	competent authority.	Amended in response to the establishment of the Audit Committee.
24	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.	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 and supervisor 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	Amended in response to the establishment of the Audit Committee.

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 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 <u>36</u> herein.	In response to the amendment of the articles.
	Section V Audit Committee	Section V <u>Supervisors</u>	Amended in response to the establishment of the Audit Committee.
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.	Subject to Article 26-3 of the Securities and Exchange Act, the Company shall have two to three supervisors, who shall be elected from the legally competent persons at the shareholders' meetings and hold office for three years; re-elected supervisors may serve consecutive terms. The supervisors shall comply with the rules of the securities regulatory authorities concerning minimum share ownership.	Amended in response to the establishment of the Audit Committee.
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.	The supervisors shall have the following powers and duties: 1. Audit the financial position of the Company; 2. Inspect books and records of the Company; 3. Examine the operating conditions of the Company; 4. Supervise the employees of the Company and report any unlawful conduct or neglect of duties; and 5. Other powers and duties as prescribed by the laws and regulations.	Amended in response to the establishment of the Audit Committee.
28	The Company's Board of Directors may establish all types of functional committees. The functional committee of each	The supervisors may attend the meetings of the Board of Directors to state their opinions, provided that the supervisors have no right	Amended in response to the establishment of the Audit

			a •••
	type shall, in accordance with	to vote on matters.	Committee.
	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.		
29	The Company may have one or	The Company may have a general	The original
	more managers. The managers	manager, and one or more vice	Article 31
	shall manage all the Company's	president(s) and assistant	moved
	businesses in accordance with	manager(s). The general manager	
	the decisions adopted by the	shall be nominated by the	amended in
	Company's Board of Directors'	Chairman of the Board and	response to the
	meeting.	appointed by the Board of	business needs.
	The engagement, discharge and	Directors by a vote of the majority	
	remuneration of the managers	of the directors. The vice	
	shall be adopted by at least a	president(s) and assistant	
	majority of the Dsirectors	manager(s) shall be nominated by	
	present at a meeting attended	the general manager and	
	by at least a majority of the	appointed by the Board of	
	Directors holding office.	Directors by a vote of the majority	
		of the directors. The foregoing	
		shall also apply to the removal of	
		managerial officers of the	
		Company. The compensation of	
		the managerial officers shall	
		comply with Article 29 of the	
		Company Act and the	
		Remuneration Rules of the	
		Company.	
29-1	D.L. I	The Board of Directors is	The original
27-1	<u>Deleted.</u>		article deleted
		compensation of the supervisors by	in response to
		referencing the standards within	the
		the industry.	establishment
			of the Audit
			Committee.
30	The general manager shall have	In performing their duties,	The original
	the power of general supervision	supervisors shall sign and affix	article deleted
	on the business and operations of	their personal seals on the	due to the
	the Company, subject, however, to	financial statements reviewed by	abolishment of
	the directions of the Board of	him/her, and submit a report at the	Supervisors;
	Directors. In the event that the	shareholders' meeting.	the original
	general manager is unable to carry		Article 32
	out his duties, the vice		moved
	president(s) shall assume such		forward;
	duties of the general manager		amended in
	autos of the Bonoral manager		response to the
			business needs.
31	The Company's organizational	The Company may numbers	The original
31		The Company may purchase	article deleted
	1	liability insurance for the	
	employment of employees at all	supervisors during their tenures,	due to the

32	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. 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.	which shall cover the supervisors' liabilities arising from the performance of their duties 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.	abolishment of Supervisors; the original Article 32 moved forward; amended in response to the business needs. The original Article 34 moved forward.
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.	After the end of each fiscal year, the Board of Directors shall prepare the following reports and submit such reports to the supervisors 30 days prior to the annual general meeting, and a report shall be prepared by the supervisors and submitted to such meeting of shareholders for approval. 1. Business report; 2. Financial statements; and 3. Proposal(s) regarding distribution of profits or offsetting of losses.	Amended in response to the establishment of the Audit Committee; the original Article 35 moved forward.
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	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.	The original Article 36 moved forward.

34-1	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. 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' 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.	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 and supervisor 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 and supervisor 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.	In response to the establishment of the Audit Committee.
	Article 35 – Article 36	Article 37 – Article 38	Articles moved forward.
37	The original Articles of Incorporation were adopted on December 15, 1969. Amended thereafter on June 25, 1971; April 25, 1972; (omitted) June 15, 2016; June 15, 2017.	The original Articles of Incorporation were adopted on December 15, 1969. Amended thereafter on June 25, 1971; April 25, 1972; (omitted) June 15, 2016.	The original Article 39 moved forward; amendment date added.

Discussions

Item No. 2 – Proposal of the amendment of the Company's "Procedures for Acquisition or Disposal of Assets" (submitted by the Board of Directors)

Explanation:

- 1. To comply with the ruling promulgated by the Securities and Futures Bureau, Financial Supervisory Commission (reference number: Jin--Guan-Cheng-Fa-Tsu no. 10600012965; date: February 9, 2017), and in response to the Company's establishment of the Audit Committee in replace of the Supervisors, relevant provisions under the Company's "Procedures for Acquisition or Disposal of Assets" are hereby amended. For more details, please refer to the provisions comparison table on page 54-60 of this Handbook.
- 2. The "Procedures for Acquisition or Disposal of Assets" shall be effective upon resolutions adopted at the Board of Directors' meeting and the shareholders' meeting. The proposal is hereby submitted for resolution.

Resolution:

Cheng Shin Rubber Ind. Co., Ltd. Comparison Table for Amendment of the Company's Procedures for Acquisition or Disposal of Assets

Amended Provision	Original Provision	Reason for
		Amendment
Article 4 Operation Procedures:	Article 4 Operation Procedures:	Amended in
I. Authorized amount and authorization	I. Authorized amount and authorization	response to
level	level	the
i. Securities:	i. Securities:	establishment
ii. Transaciton of derivatices:	ii. Transaciton of derivatices:	of the Audit
iii. Transaction with the related	iii. Transaction with the related	Committee.
parties or the Company's	parties or the Company's	
subsidiary (as defined in the	subsidiary (as defined in the	
Regulations Governing the	Regulations Governing the	
Preparation of Financial Reports	Preparation of Financial Reports	
by Securities Issuers): the	by Securities Issuers): the	
Company may only execute the transaction agreement and pay the	Company may only execute the transaction agreement and pay the	
transaction agreement and pay the transaction price after it prepares	transaction price after it prepares	
relevant documents in accordance	relevant documents in accordance	
with the provisions in Chapter 2	with the provisions in Chapter 2	
of these Procedures, which shall	of these Procedures, which shall	
be adopted at the Audit	be adopted at the Board of	
Committee and the Board of	Directors' meeting and shall be	
Directors' meeting.	submitted to the Supervisors for	
(The rest of this Article omitted)	recognition.	
	(The rest of this Article omitted)	
Article 5 Announcement and Filing	Article 5 Announcement and Filing	Amended in
Procedures:	Procedures:	response to
I. In the event of any of the following	I. In the event of any of the following	the
occurs when the Company acquires or	occurs when the Company acquires	amendment
disposes of its assets, the Company	or disposes of its assets, the Company	of relevant
shall, based on the nature of the	shall, based on the nature of the	laws.
transaction announce and file relevant	transaction announce and file relevant	
documents on the website designated	documents on the website designated	
by the competent authority within two	by the competent authority within	
days from the Date of Occurrence	two days from the Date of	
according to the format and content	Occurrence according to the format	
provided by the appendix (as	and content provided by the appendix	
Appendix II to Appendix VIII): i. Acquisition or disposal of real	(as Appendix II to Appendix VIII):i. Acquisition or disposal of real	
1. Acquisition or disposal of real property from or to a related	property from or to a related	
party, or acquisition or disposal	party, or acquisition or disposal	
of assets other than real	of assets other than real	
property from or to a related	property from or to a related	
party where the transaction	party where the transaction	
amount reaches 20% or more of	amount reaches 20% or more of	
the Company's paid-in capital,	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. ...

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 billion or more.
- Where land is acquired under an arrangement on engaging build others to on the Company's own lands, engaging others to build on lands. rented ioint construction and allocation of housing units, ioint construction and allocation of ownership percentages 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.

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 **redemption** of domestic money market funds.

ii. ...

iii. ..

- iv. Where an asset transaction other than any of those referred to in the subparagraphs i, ii and iii, 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 bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
 - C. Where the type of asset acquired or disposed of is equipment or machinery for business use, the counterparty is not a related party, and the transaction amount is less than NTD 500 million.
 - D. 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

- 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.
- C. Trading of bonds under repurchase/resale agreements, or subscription or repurchase of money market funds issued by domestic securities investment trust enterprises.

. . . .

- 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.

(The rest of this Article omitted)

ownership percentages
or joint construction and
separate sale, and the
amount the Company
expects to invest in the
transaction is less than
NTD 500 million.

. . .

- 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.

(The rest of this Article omitted)

(The rest of this Afticle officed)

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 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

Amended in response to the amendment of relevant laws.

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.

(The rest of this Article omitted)

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

I. ...

II. ...

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 month to 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 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.

(The rest of this Article omitted)

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,

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.

(The rest of this Article omitted)

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

I. ..

Π. .

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 month to 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 Board of Directors and the Supervisors.

(The rest of this Article omitted)

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,

Amended in response to the establishment of the Audit Committee.

Amended in response to the establishment of the Audit Committee.

or subscription or repurchase of money funds issued by market 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:

(omitted)

- 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. Items that have been approved by the Audit Committee and the Board of Directors shall not be counted in when calculating the transaction amount

ii. ...

(The rest of this Article omitted)

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

(omitted) . . .

I.

II.

i.

- ii. The Independent Director members of the Audit Committee shall deal with the matter in accordance with Article 218 of the Company Act.
- iii.

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

subscription or redemption or domestic money market funds, Company may not proceed to enter into a transaction agreement or make a payment the implementation unit has submitted the following matters to the Board of Directors and the Supervisors and the matters has been approved by the Board of Directors and recognized by the Supervisors:

(omitted)

- VII. The restrictive terms of this transaction and other important agreements in connection with the transaction.
 - The transaction amount in the preceding paragraph shall mean the transaction amount of the year preceding the Date of Occurrence of this transaction. Items that have been approved by the Board of Directors and recognized by the Supervisors shall not be counted in when calculating the transaction amount

ii. ...

(The rest of this Article omitted)

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

(omitted)

I.

II.

i.

The Supervisors shall deal ii. with the matter in accordance with Article 218 of the Company Act.

iii. ... Amended in response to the establishment of the Audit Committee.

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 Amended in response to the establishment of the Audit Committee.

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.

(The rest of this Article omitted)

When Article 18 the Company participates in merger, spin-off, acquisition, Share Transfer, share swap 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 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

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 Supervisors** of the breach in writing.

(The rest of this Article omitted)

18 When Article the Company participates in merger, spin-off, acquisition or Share Transfer, it shall, prior to convening the Board of Directors' meeting to resolve 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

Amended in response to the establishment of the Audit Committee.

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 Company shall deliver the Director's objection to each Supervisor. The Board of Directors shall take each Independent Director's opinion Amended in response to the establishment of the Audit Committee.

reservation, such an objection or reservation shall be recorded in the minutes of the Board of Directors' meeting.

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, 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 27 After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to each Supervisor and then to the shareholders' meeting for approval before the Procedures take effect. The same procedure shall apply to any amendment to these Procedures thereafter. If any Director expressly objects to the contents of the Procedures and such an objection is put in record or represented in writing, the Company shall submit objection to each Supervisor. 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.

Amended in response to the establishment of the Audit Committee.

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.

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 15th, 2013. 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.

Amendment date added.

Discussions

Item No. 3 – Proposal of the amendment of the Company's "Procedures for Making Endorsements or Guarantees and Loaning of Funds" (submitted by the Board of Directors)

Explanation:

- 1. Upon expiration of the term of the Company's current Directors and Supervisors, the Company should establish the Audit Committee in replace of the Supervisors. Furthermore, relevant provisions under the Company's "Procedures for Making Endorsements or Guarantees and Loaning of Funds" are hereby amended in response to the Company's business needs. For more details, please refer to the provisions comparison table on page 62-65 of this Handbook.
- 2. The amended Procedures for Making Endorsements or Guarantees and Loaning of Funds shall be effective upon resolutions adopted at the Board of Directors' meeting and the shareholders' meeting. The proposal is hereby submitted for resolution.

Resolution:

Cheng Shin Rubber Ind. Co., Ltd. Comparison Table for Amendment of the Company's Procedures for Making Endorsements or Guarantees and Loaning of Funds

Loaning of Funds			
Amended Provision	Original Provision	Amendment	
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 therefrom, 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	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 therefrom, the internal auditors shall promptly notify all the supervisors 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	Reason for Amendment Amended in response to the establishment of the Audit Committee.	
specified period of time. The auditing unit shall also submit relevant	or within a specified period of time. The auditing unit shall also submit		
rectification plans to the Audit Committee, implement the rectification plans in accordance with the planned timeline and reported to the Board of Directors.	relevant rectification plans to <u>each</u> <u>supervisor</u> , implement the rectification plans in accordance with the planned timeline and reported to the Board of Directors.		
III	III		
Article 10: Procedures for controlling and	Article 10: Procedures for controlling and	Amended in	
managing endorsements and guarantees by	managing endorsements and guarantees	response to	
the subsidiaries	by the subsidiaries	the	
I. Where the subsidiaries intends to	I. Where the subsidiaries intends to	establishment	
make endorsement or guarantee for	make endorsement or guarantee for	of the Audit	
others, such company shall also enact	others, such company shall also	Committee.	
the procedures for making	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.

(The rest of this Article omitted)

Article 12: 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 Directors, for a specific borrowing counterparty, within a certain resolved bv credit line the subsidiary's Board of Directors, and within a period not exceeding one vear, to grant loans 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

- 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 **each supervisor**.

(The rest of this Article omitted)

Article 12: 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.

Enact the
"Procedures
to control the
loaning of
funds by the
subsidiaries";
content of the
original
Article 12
moved to the
new Article
15.

- 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 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 submitted to the shareholders' meeting

Article 13: Enactment and amendment After adoption of the Procedures by the Board of Directors, the Procedures shall be submitted to each supervisor and to the shareholders' meeting for Where approval. any director expresses dissent and such dissent is recorded in the minutes or stated in a written statement, the Company shall submit the dissenting opinions to each supervisor and to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

Amended in response to the establishment of the Audit Committee.

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.	Where the Company has established the position of independent directors, when the Procedures are submitted to the Board of Directors for discussion in accordance with the aforementioned provisions, the Board shall fully consider 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 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 15: This Procedures has been approved by the shareholder's meeting dated 27 May, 2003(omitted) This Procedures has been approved by the shareholder's meeting dated 18 June, 2013.	Content of the original Article 12 moved to the new Article 15.
Article 16: This Procedures has been approved by the shareholder's meeting dated 27 May, 2003(omitted) 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.	Newly added article.	Amendment date added.

Discussions

Item No. 4 – Proposal to discuss the amendment of the Company's "Rules for Election of Directors and Supervisors". (submitted by the Board of Directors)

Explanation:

- 1. Upon expiration of the term of the Company's current Directors and Supervisors, the Company should establish the Audit Committee in replace of the Supervisors. Therefore, relevant provisions under the Company's "Rules for Election of Directors and Supervisors" are hereby amended accordingly. For more details, please refer to the provisions comparison table on page 67-69 of this Handbook.
- 2. The amended "Rules for Election of Directors and Supervisors" shall be effective upon resolutions adopted at the Board of Directors' meeting and the shareholders' meeting. The proposal is hereby submitted for resolution.

Resolution:

Cheng Shin Rubber Ind. Co., Ltd. Comparison Table for Amendment of the Company's Rules for Election of Directors and Supervisors

Amended Provision	Original Provision	Reason for Amendment
Rules for Election of Directors	Rules for Election of Directors and Supervisors	Amended in response to the establishment
		of the Audit Committee.
Article 1 Except as otherwise provided by relevant laws or Cheng Shin Rubber Ind. Co., LTD.'s (the "Company") Articles of Incorporation, the election of the directors of the Company shall comply with the Rules for Election of Directors (the "Rules").	Article 1 Except as otherwise provided by relevant laws or Cheng Shin Rubber Ind. Co., LTD.'s (the "Company") Articles of Incorporation, the election of the directors and supervisors of the Company shall comply with the Rules for Election of Directors and Supervisors	Amended in response to the establishment of the Audit Committee.
Article 2 For the election of directors_of the Company, the number of votes exercisable in respect of each share shall be the same as the number of directors to be elected. The Board of Directors shall prepare the ballots in the number equal to the number of directors to be elected, with the number of voting rights being noted on the ballots, and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots. For the aforementioned ballots, the total number of voting rights per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. If the votes are cast through electronic methods, the ballots will not be printed out.	(the "Rules"). Article 2 For the election of directors and supervisors of the Company, the number of votes exercisable in respect of each share shall be the same as the number of directors or supervisors to be elected. The Board of Directors shall prepare the ballots in the number equal to the number of directors or supervisors to be elected, with the number of voting rights being noted on the ballots, and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots. For the aforementioned ballots, the total number of voting rights per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. If the votes are cast through electronic methods, the ballots will not be printed out.	Amended in response to the establishment of the Audit Committee.

Article 3

The Company's directors shall be elected by shareholder's meeting via persons with legal capacity. The number of directors of the Company to be elected shall be in accordance with the number specified in the Company's Articles of Incorporation. The votes shall be cast and calculated through electronic methods. A candidate to whom the ballots cast representing the highest number of votes shall be deemed an elected director. If two or more candidates receive the same number of votes, which consequently exceeds the number of directors to be elected, such candidates shall draw lots to decide the winner. If such candidate(s) is(/are) not present, the chairman shall draw lots on behalf of the candidate(s).

If, in accordance with the preceding paragraph, in the event that it is confirmed that the elected director is inconsistent with his/her personal information, or does not meet the requirements provided by the relevant laws or regulations, the election of such director shall be void.

Article 3

The Company's directors and be supervisors shall elected by shareholder's meeting via persons with legal capacity. The number of directors and supervisors of the Company to be elected shall be in accordance with the number specified in the Company's Articles of Incorporation. The votes shall be cast and calculated through electronic methods. A candidate to whom the ballots cast representing the highest number of votes shall be deemed an elected director or supervisor. If two or more candidates receive the same number of votes, which consequently exceeds the number of directors or supervisors to be elected, candidates shall draw lots to decide the winner. If such candidate(s) is(/are) not present, the chairman shall draw lots on behalf of the candidate(s).

If, in accordance with the preceding paragraph, anv candidate concurrently elected as both a director and a supervisor, he or she shall decide to be either a director or a supervisor by the end of the shareholders' **meeting**. In the event that it is confirmed that the elected director or supervisor is his/her inconsistent with personal information, or does not meet the requirements provided by the relevant laws or regulations, the election of such director or supervisor shall be void.

Amended in response to the establishment of the Audit Committee.

Article 5

For the election of directors, the Board of Directors shall set up a ballot box, which shall be examined in public by the persons supervising the casting of ballots, before the ballots are cast.

Article 5

For the election of directors <u>and</u> <u>supervisors</u>, the Board of Directors shall set up a ballot box, which shall be examined in public by the persons supervising the casting of ballots, before the ballots are cast.

Amended in response to the establishment of the Audit Committee.

Article 8

The counting of the ballots voting for the directors shall be conducted in public in the venue of the shareholders' meeting.

Article 8

The counting of the ballots voting for the directors **and supervisors** shall be conducted in public in the venue of the

Amended in response to the establishment

The ballots shall be counted during the shareholders' meeting immediately after they are cast. The results, including the list of elected directors and the number of votes voting for such candidates, shall be announced by the chairman or other person designated by the chairman at such a shareholders' meeting.	shareholders' meeting. The ballots shall be counted during the shareholders' meeting immediately after they are cast. The results, including the list of elected directors and supervisors and the number of votes voting for such candidates, shall be announced by the chairman or other person designated by the chairman at such a shareholders' meeting.	of the Audit Committee.
Article 9 The Board of Directors of the Company shall deliver a written notification to each of the elected directors.	Article 9 The Board of Directors of the Company shall deliver a written notification to each of the elected directors and supervisors .	Amended in response to the establishment of the Audit Committee.
Article 12 The Rules are enacted at the annual general meeting of shareholders on May 29 th , 2002. The Rules are amended at the annual general meeting of shareholders on June 13 th , 2008. The Rules are amended at the annual general meeting of shareholders on June 4 th , 2009. The Rules are amended at the annual general meeting of shareholders on June 18 th , 2013. The Rules are amended at the annual general meeting of shareholders on June 18 th , 2017.	Article 12 The Rules are enacted at the annual general meeting of shareholders on May 29 th , 2002. The Rules are amended at the annual general meeting of shareholders on June 13 th , 2008. The Rules are amended at the annual general meeting of shareholders on June 4 th , 2009. The Rules are amended at the annual general meeting of shareholders on June 18 th , 2013.	Amendment date added.

Election

Election

Item No. 1 – Proposal of re-election of the Company's Directors (including Independent Directors) (submitted by the Board of Directors)

Explanation:

- 1. The term of the Company's current Directors and Supervisors commenced on June 17, 2014, and expires on June 16, 2017. Therefore, it is proposed to hold the re-election in this 2017 Annual General Meeting.
- 2. According to the regulations under the Company's Articles of Incorporation, the Company shall establish the Audit Committee in replace of the Supervisors. The re-election of Directors shall elect 11 Directors (including 3 Independent Directors). The term of the Directors shall be 3 years, from June 15, 2017 to June 14, 2020. The elected Directors are eligible for re-elections.
- 3. Among the number of Directors to be elected, the election of Independent Directors adopts the candidate nomination system, in which the Independent Directors are elected at the shareholders' meeting from the independent director candidate list. Below is relevant information of the independent director candidate list adopted at the Board of Directors' meeting:

No.	Name	Education	Major Experiences	Number of
				Shareholding
1	Hsu, En-De		Professor, Department of	
		Program on Case	Accounting, Tunghai	
		Method and	University	0
		Participant-centered	Dean, Center for	
		Learning, Business	International Internship	
		School, Harvard	Development, Tunghai	
		University, USA	University	
		Ph. D., Accounting,	Dean, Center for the	
		National Taiwan	Research of Accounting and	
		University	Industry, Tunghai	
			University	
2	Too, Jui-Rze	Ph. D., Chemical	Professor, Department of	
		Engineering, Kansas	BioIndustry Technology, Da	0
		State University, USA	Yeh University	
3	Chen,	Master's Degree,	Accountant/Leading	0
	Shuei-Jin	Department of	partner, Yuan Sheng	

	Business	Certified Public	
	Administration,	Accountants	
	National Chung Cheng	Accountant, Deloitte	
	University	Taiwan	

4. The proposal is hereby submitted for election of Directors.

Election results:

Other Proposals

Other Proposals

Item No. 1 –Proposal to release the new Directors of the Company from non-compete restrictions (submitted by the Board of Directors)

Explanation:

- 1. According to Article 209 paragraph 1 of the Company Act, "a director, who does anything for himself or on behalf of others that falls within the scope of the Company's business, shall explain at the shareholders' meeting the essential contents of such act and secure the approval from the shareholders' meeting". Therefore, this proposal is submitted for resolution by the 2017 Annual General Meeting.
- 2. The proposal is hereby submitted for resolution.

Resolution:

Motions

Adjournment

Other Matters

Details of accepting shareholder proposals for the 2017 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, 2017 to April 17, 2017. As required by law, the Company has posted information regarding shareholder proposals on the MOPS website.
- 3. As of April 17, 2017, 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 the regulations of "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 adoption or amendment of its internal control system shall be submitted to the Board for approval by resolution; if an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of Board meeting. 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 Committees and chief internal auditors. The effectiveness assessments of the Company's internal control system shall be approved by one half or more of the Audit Committee members, and shall be adopted at the Board meeting.

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.

To implement the internal control system, strengthen the professional abilities of the internal auditor and to further improve and maintain the quality and implementing result of the audit, the Company shall have a deputy in place for the internal auditing personnel.

The qualification requirements and stipulations on the internal auditor set out in the "Criteria Governing Establishment of Internal Control System by Public Reporting Companies" shall apply to the deputy as referred to in the preceding paragraph.

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 board chairperson with attendance in person of a majority of the directors and independent directors, and the attendance details should be recorded in the shareholders meeting minutes.

Article 7

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 notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently through various measures and paths, and exploit technologies for information disclosure and votes casting in order to enhance shareholders' attendance rates at shareholders meetings and ensure 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").

If the Company distributes souvenirs at the shareholders meeting, it shall not conduct with differential treatment or discrimination.

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 and assets of the Company.

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

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

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.

Article 18

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.

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 needs.

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.

Article 21

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, examines in advance the qualifications, education, working experience, background of the independent director candidates recommended by a shareholders or Board meeting, and the existence of any other matters set forth in Article 30 of the Company Act, and provide the results of the examinations to shareholders for their reference in order to elect competent directors.

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.

The Company shall, in accordance with Article 192-1 of the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate such system in the Articles of Incorporation; and the shareholders shall elect the independent directors from among the nominees listed in the roster of candidates. Independent and non-independent directors shall be elected at the same time but with separated ballots pursuant to Article 198 of the Company Act.

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.

Article 26

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 restrict or obstruct 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.

Article 28-1

The Company shall establish a Remuneration Committee; the professional qualifications for 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."

The Remuneration Committee shall exercise the due care of a good administrator to perform the duties listed below, and shall submit its recommendations for Board's

deliberation:

- 1. Prescribing and periodically reviewing the policies, systems, standards, and structures of performance evaluation and remuneration to directors, supervisors and managers.
- 2. Periodically evaluating and prescribing the remuneration of directors and managers.

Upon performing the duties as referred in the preceding paragraph, the Remuneration Committee shall follow the principles set forth below:

- With respect to the performance assessments and remuneration to directors and managers of the Company, it shall refer to the general pay levels adopted by peer companies, and take the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure into account.
- 2. It shall not lead the directors or managers to engage in the activities for pursuing remuneration exceeding the risks that the Company is able to tolerate.
- 3. It shall take the characteristics of the industry and the nature of the Company's business into consideration when determining the ratio of bonuses for the short-term performance to the directors and senior management and the time to pay part of variable remuneration.

Article 29

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 a dissenting or qualified opinion which is on record or stated in a written statement, in addition to record the opinion in the meeting minutes, it shall also be publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of 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.
- 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 the 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 to be submitted to a 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. Any resolution of the Board involving the Company's business development and a significant decision direction shall be prudently considered and shall not affect the effectiveness and implementation of corporate governance.

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 purchase 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 purchasing or renewing liability insurance for directors, the Company may report the material matters such as insured value, scope and 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.

Article 43

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 be cooperative to provide the books or documents required for the Audit Committee's review.

Whent reviewing the finance or operation of the Company, the Audit Committee may

appoint attorneys or CPAs on 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 the Audit Committee and shall not for any reason obstruct, circumvent, or refuse the Audit Committee's inspection.

When the Audit Committee performs its duties, the Company shall provide necessary assistance as needed by the Audit Committee, 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.

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 perform its obligations faithfully in accordance with the relevant laws, regulations, and the rules of the TWSE.

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.

Article 52

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 revisions thereof shall be adopted by Board resolutions and shall be reported to the shareholders meetings.

These Principles was adopted by Board resolution on Nov 9 2016.

The first amendment of these Principles was adopted by Board resolution on Apr 26 2017.

Annex II

Cheng Shin Rubber Ind. Co., LTD.

Ethical Corporate Management Best Practice Principles

Article 1 Purpose and Scope of Application

This Principles is adopted by the Company for the purpose of establishing and fostering a culture of ethical corporate management and establishing a conducive environment for business operation. The scope of application of the Principles covers the Company's subsidiaries.

Article 2 Prohibition of Unethical Conduct

When engaging in business activities, the directors, managerial officers, employees, and mandataries of the Company, or persons who in substance control the Company (collectively, the "Personnel of the Company") shall not, for purposes of acquiring or maintaining such benefits, directly or indirectly offer, make promises of, request, or accept any improper benefits, or engage in other unethical conducts, including breach of ethics, unlawful acts, or breach of fiduciary duty.

The counterparties of the conducts referred to in the preceding paragraph include public servants, political candidates, political parties or members of political parties, state-run or privately-owned businesses or institutions and their directors, supervisors, managerial officers, employees, persons who in substance control the Company, or stakeholders.

Article 3 Types of Benefits

"Benefits" in these Principles means anything of value, including money, gratuities, commissions, positions, services, preferential treatment, rebates, facilitating payment, entertainment, dining, or any other item of value in whatever form or name. Benefits received or given in accordance with normal social etiquette, which are occasional and not at risk of affecting specific rights and obligations, are excluded.

Article 4 Legal Compliance

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, applicable rules of the Taiwan Stock Exchange and Taipei Exchange, and other relevant laws or regulations governing business conduct, as the underlying premise to implement ethical corporate management.

Article 5 Company Policy

The Company shall, based on the business philosophies of honesty, transparency, and responsibility, set policies using ethics as a foundation, and establish good corporate governance and risk

management systems so as to create a business environment for sustainable development.

Article 6 Scope of the Prevention Programs

When establishing the Prevention Programs, the Company shall analyze which activities within its business scope are at a higher risk for Unethical Conduct, and strengthen relevant preventive measures.

The Prevention Programs referred to in the preceding paragraph shall at least include preventive measures against the following conducts:

- (1) Offer and acceptance of bribes.
- (2) Making illegal political contributions.
- (3) Improper charitable donations or sponsorship.
- (4) Offer or acceptance of unreasonable gifts or hospitality, or other improper benefits.
- (5) Misappropriation of trade secrets and infringement of trademarks, patents, copyrights, and other intellectual property rights.
- (6) Engaging in unfair competitive practices.
- (7) Directly or indirectly harming the rights and interests, health, and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 7 Anti-Bribery

When conducting business, Personnel of the Company shall not directly or indirectly offer, promise to offer, request, or accept improper benefits of any kind to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 8 Prohibition on Illegal Political Contributions

When directly or indirectly making contributions to political parties, or organizations or individuals participating in political activities, Personnel of the Company shall comply with the Political Donations Act and the Company's relevant internal operating procedures, and shall not make any such contributions in exchange for commercial gain or business advantage.

Political contributions by the Company shall be made in accordance with the following provisions, reported to Chairman of Directors of the Parent Company for approval, and a notification given to the responsible personnel or unit, and it shall be made only after the amount of contributions being approved by the final approval level pursuant to the list of right of approval:

- (1) It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made.
- (2) A written record of the decision-making process shall be kept.
- (3) Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.

(4) In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related government agencies shall be avoided.

Article 9 Prohibition on Improper Charitable Donations or Sponsorship

When making or offering charitable donations or sponsorship, Personnels of the Company shall comply with applicable laws and regulations and the Company's internal operating procedures, and shall not engage in any acts that are considered bribery in disguise.

Charitable donations or sponsorships by the Company shall be provided in accordance with the following provisions and reported to Chairman of Directors of the Parent Company for approval, and a notification shall be given to the responsible personnel or unit. The amount of donations or sponsorships shall be provided only after being approved by the final approval level pursuant to the list of right of approval:

- (1) It shall be in compliance with the laws and regulations of the country where the Company is doing business.
- (2) A written record of the decision making process shall be kept.
- (3) A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
- (4) After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

Article 10 Prohibition on Acceptance of Unreasonable Gifts, Hospitality, and Other Improper Benefits

Personnel of the Company shall not directly or indirectly offer or accept any unreasonable gifts, hospitality, or other improper benefits so as to establish business relationships or influence business transactions.

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 3, the conduct of the given personnel of the Company shall comply with the provisions of the Principles and the relevant procedures shall have been carried out:

- (1) It shall be in compliance with the laws and regulations of the country where the Company is doing business.
- (2) The conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
- (3) The conduct has its basis in ordinary social activities that are attended or others are invited to hold in line with accepted social custom, commercial purposes, or developing relationships.
- (4) Invitations to guests or attendance at commercial activities or factory visits in relation to

- business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance.
- (5) Attendance at folk festivals that are open to and invite the attendance of the general public.
- (6) Rewards, emergency assistance, condolence payments, or honorariums from the management.
- (7) Money, property, or other benefits offered to or accepted from relatives or frequently contacting friends.
- (8) Property received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative.
- (9) Other conduct that complies with the rules of the Company.

Article 11 Prohibition on Infringement of Intellectual Property Rights

Personnel of the Company shall, sign the non-disclosure agreement while being employed, and comply with applicable laws and regulations, the Company's internal operating procedures, and contractual provisions that are relevant to intellectual property. Without the consent of the intellectual property right holder, the Company and the aforementioned persons shall not use, disclose, dispose of, destroy any intellectual property, or take other actions that infringe upon intellectual property rights.

Article 12 Prohibition on Unfair Competition

The Company engages in business activities in accordance with the applicable competition laws and regulations, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by way of customer, supplier, geographic, or line of business allocation.

Article 13 Prevent Products or Services from Harming Stakeholders

In the course of research and development, procurement, manufacture, provision, or sale of the products and services, Personnel of the Company shall comply with applicable laws and regulations and international standards to ensure information transparency and safety of the Company's products and services, and shall develop and make public its policy aimed to protect the rights and interests of the consumers and other stakeholders, and implement such policy in its business activities, in order to prevent its products or services from directly or indirectly harming the rights and interests, healthy, and safety of consumers or other stakeholders. In the event that there are sufficient facts to determine that the Company's products or services are in danger of harming the safety and health of the consumers or other stakeholders, the Company shall, in principle, recall those products or suspend those services immediately.

Article 14 Organization and Responsibilities

Personnel of the Company shall exercise the duty of care of a good administrator and urge the Company to prevent Unethical Conduct, and at all times review the effectiveness of the preventive

measures and continue to make improvements, so as to ensure the implementation of its ethical corporate management policies.

To facilitate sound ethical corporate management, the Company shall be in charge of the following matters:

- (1) Assist in incorporating ethics and moral values into the Company's business strategies and adopt relevant anti-corruption measures in compliance with applicable laws and regulations to ensure ethical corporate management.
- (2) Establish programs to prevent Unethical Conduct and, in each program, set out the standard operating procedures and conduct guidelines with respect to the Company's business operations.
- (3) Map out the internal organization, structure, and allocation of responsibilities, and set up mutual "checks and balances" mechanisms for those activities within the business scope that are at a higher risk for Unethical Conduct.
- (4) Promote and coordinate outreach training programs with respect to the Company's ethical policies.
- (5) Develop a reporting system and ensure the effectiveness of its implementation.
- (6) Assist the Board of Directors and management in reviewing and assessing the operational effectiveness of the preventive measures adopted for the purpose of implementing ethical corporate management, and assess, based on its periodic review, the compliance status of the relevant operating procedures and prepare reports of the foregoing.

Article 15 Regulatory Compliance of Business Operations

Personnel of the Company shall comply with applicable laws and regulations and the Prevention Programs when conducting business.

Article 16 Avoiding Conflicts of Interest

The Company shall adopt policies for preventing conflicts of interest in order to identify, monitor, and manage the risks of Unethical Conduct that may result from such conflicts of interest, and offer appropriate means for directors, managerial officers, and other stakeholders attending or present at the board meetings to voluntarily explain whether a potential conflict of interest exists between such person and the Company.

If a proposal at the Board of Directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the Company's directors, managerial officers, or other stakeholders attending or present at such meeting, such person shall disclose the essential details of the conflict at such meeting; if the interests of the Company are in danger of being harmed, such person shall not participate in the discussion and the vote and shall recuse himself during the discussion and the vote, and shall not act as proxy for another director to exercise voting rights. The directors shall exercise self-discipline among themselves and shall not support one another in an inappropriate manner.

Personnel of the Company shall not take advantage of their positions in or influence on the Company

to obtain improper benefits for themselves, their spouses, parents, children, or any other person.

Article 17 Accounting and Internal Control

The Company shall establish effective accounting and internal control systems for those business activities at a higher risk for Unethical Conduct; the Company shall not keep off-the-books accounts or secret accounts, and shall conduct reviews regularly to ensure that the design and implementation of the systems remain effective.

The internal audit unit of the Company shall periodically review its compliance status with the systems referred to in the preceding paragraph, and prepare audit reports and submit the same to the Board of Directors. The internal audit unit may engage a certified public accountant to carry out the audit, or engage professionals if necessary.

Article 18 Operating Procedures and Conduct Guidelines

The Company shall establish operating procedures and conduct guidelines in accordance with Article 6 hereof setting forth specific guidelines for the Personnel of the Company on how to conduct business, the details of which shall cover at least the following matters:

Standards for determining whether improper benefits have been offered or accepted.

- (1) Standards for determining whether improper benefits have been offered or accepted.
- (2) Procedures for making lawful political contributions.
- (3) Procedures and standard donation amount for making or offering legitimate charitable donations or sponsorship.
- (4) Rules for avoiding job-related conflicts of interest and the procedures for reporting and handling reported incidents.
- (5) Confidentiality rules for confidential and commercially sensitive information obtained in the course of business.
- (6) Regulations and procedures for dealing with suppliers, clients and business counterparties involved in Unethical Conduct.
- (7) Procedures for dealing with violations of the Principles.
- (8) Disciplinary actions for offenders.

Article 19 Educational Training and Review

The Chairman of the Board, general manager, or senior management of the Company shall periodically communicate the importance of corporate ethics to the Company's directors, employees, and mandataries.

The Company shall periodically offer educational training and outreach programs to its directors, managerial officers, employees, mandataries and controlling persons, and invite the Company's business counterparties to participate, in order to ensure their understanding of the Company's commitment, policies and Prevention Programs with respect to ethical corporate management and the consequences of committing Unethical Conduct.

The Company shall incorporate its ethical corporate management policies into its employee performance evaluation and human resources policies, and establish a clear and effective rewards and disciplinary system.

Article 20 Reporting System

The Company has the whistleblower mailbox, human resources and audit unit to allow whistleblowers to submit reports. Whistleblowers may also report to the independent directors, managers, immediate supervisor, or other appropriate personnel. Outside whistleblowers may report to the whistleblower mailbox or through contacting other supervisors of the Company. Dedicated unit handling whistle-blowing matters shall keep the whistleblowers' identity and contents of information confidential in order to protect the whistleblowers from improper treatment due to their whistle-blowing.

Any reported incident involving a director or senior management, the dedicated unit shall report to the independent directors. If a material violation is discovered after investigation or if the Company is in danger of incurring significant damage, the dedicated unit or investigation unit handling the reported incidents shall immediately prepare a report and notify the independent directors in writing.

The Company shall link the execution efficiency of ethical management and the successfulness of reporting to employee performance evaluations and human resources policy.

If any personnel of the Company violates moral conduct or ethical conduct, the Company shall sign a report for imposing treatments of the personnel in accordance with applicable laws and regulations or the personnel policy and procedures of the Company. The Company shall timely disclose on its intranet or in its conference information of the violation cases and the actions taken in response.

If the punished personnel find the treatment improper and infringes his/her lawful rights, it may appeals to the independent directors or managerial officers, human resource and audit unit officers, immediate supervisors or other appropriate personnel for remedies.

Article 21 Information Disclosure

The Company shall create quantitative data to promote ethical corporate management and to continue to analyze and assess the effectiveness of its promotion of its ethical corporate management policies. The Company shall also disclose on its website, annual report, and prospectus the measures taken to implement ethical corporate management, the status of such implementation, the aforementioned quantitative data, and the effectiveness of its promotion, and shall publish the details of its Principles on the Market Observation Post System.

Article 22 Review and Amendment of Ethical Corporate Management Policies and Measures

The Company shall at all times monitor the development of local and international regulations concerning ethical corporate management and encourage its directors, managerial officers, and employees to make suggestions, in order to review and improve the ethical corporate management policies and measures adopted, in order to improve the effectiveness of its ethical corporate

management implementation.

Article 23 Implementation

The Principles of the Company shall be implemented after the approval of the Board of Directors, and shall be reported to the shareholders' meeting. The same procedure shall apply to any amendments thereafter.

The Company has established the independent directors. Whenever the Principles are submitted to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration the opinions of each independent director, and shall record in the minutes of the board meeting any objections or express reservations made by such independent director. If an independent director is unable to attend the board meeting in person to make objections or express reservations, such independent director shall provide a written opinion prior to the meeting, unless a legitimate reason to do otherwise exists, and such opinion shall be recorded in the minutes of the board meeting.

Article 24 Stipulation and Amendment Date

This Principles has been approved by the Board of Directors on November 9th, 2016.

The first amentdment of this Principles has been approved by the Board of Directors on April 26th,2017.

Annex III

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

Chapter 1 General Principles

Article 1

In order to fulfill corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, Cheng Shin Rubber Ind. Co., LTD. hereby adopts this Principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" promulgated by the competent authority to be followed by the company.

Article 2

The Principles applies to Cheng Shin Rubber Ind. Co., LTD, including the entire operations of each such company and its business group (hereinafter the "Company").

The Company actively fulfill their corporate social responsibility in the course of their business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on corporate social responsibility.

Article 3

In fulfilling corporate social responsibility initiatives, the Company shall, in its corporate management guidelines and business operations, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance.

Article 4

To implement corporate social responsibility initiatives, the Company is advised to follow the principles below:

- 1. Exercise corporate governance.
- 2. Foster a sustainable environment.
- 3. Preserve public welfare.
- 4. Enhance disclosure of corporate social responsibility information.

Article 5

In establishing of this Principles, the Company shall take into consideration the correlation between

the development of domestic and international corporate social responsibility principles and corporate core business operations, and the effect of the operation of the Company as a whole on stakeholders. The Principles shall be approved by the board of directors and then reported to the shareholders meeting.

When a shareholder proposes a motion involving corporate social responsibility, the company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

Chapter 2 Exercising Corporate Governance

Article 6

The Company is advised to follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article 7

The directors of the Company shall exercise the due care of good administrators to urge the company to perform its corporate social responsibility initiatives, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its corporate social responsibility policies.

The board of directors of the Company is advised to give full consideration to the interests of stakeholders, including the following matters, in the company's performance of its corporate social responsibility initiatives:

- 1. Identifying the company's corporate social responsibility mission or vision, and declaring its corporate social responsibility policy, systems or relevant management guidelines;
- 2. Making corporate social responsibility the guiding principle of the company's operations and development, and ratifying concrete promotional plans for corporate social responsibility initiatives; and
- 3. Enhancing the timeliness and accuracy of the disclosure of corporate social responsibility information.

The board of directors shall appoint executive level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors. The handling procedures and the responsible person for each relevant issue shall be concrete and clear.

Article 8

The Company, on a regular basis, organizes education and training on the implementation of corporate social responsibility initiatives, including promotion of the matters prescribed in

paragraph 2 of the preceding article.

Article 9

For the purpose of managing corporate social responsibility initiatives, the Company shall, as necessary, establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the corporate social responsibility policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The Company adopts reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

The employee performance evaluation system is combined with corporate social responsibility policies, and that a clear and effective incentive and discipline system is established.

Article 10

The Company shall, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important corporate social responsibility issues which they are concerned about.

Chapter 3 Fostering a Sustainable Environment

Article 11

The Company follows relevant environmental laws, regulations and international standards to properly protect the environment and shall endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article 12

The Company endeavors to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article 13

The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems shall include the following tasks:

- 1. Collecting sufficient and up-to-date information to evaluate the impact of the company's business operations on the natural environment.
- 2. Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.

3. Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article 14

The Company shall, as required, establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

Article 15

The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

- 1. Reduce resource and energy consumption of their products and services.
- 2. Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
- 3. Improve recyclability and reusability of raw materials or products.
- 4. Maximize the sustainability of renewable resources.
- 5. Enhance the durability of products.
- 6. Improve efficiency of products and services.

Article 16

To improve water use efficiency, the Company shall properly and sustainably use water resources and establish relevant management measures as required by the industrial nature.

In consideration of the nature of the industry and its operation, the Company shall timely construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article 17

The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall include the following:

- 1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
- 2. Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.

Chapter 4 Preserving Public Welfare

Article 18

The Company complies with relevant laws and regulations, and the International Bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Company, to fulfill its responsibility to protect human rights, complies with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and shall ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company provides an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised shall be clear, convenient, and unobstructed. A company shall respond to any employee's grievance in an appropriate manner.

Article 19

The Company provides information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the countries where the companies have business operations.

Article 20

The Company is advised to provide safe and healthful work environments for their employees, including necessary health and first aid facilities and shall endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company timely organizes training on safety and health for their employees on a regular basis.

Article 21

The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The Company appropriately reflects the corporate business performance or achievements in the employee remuneration policy, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article 22

The Company establishes a platform to facilitate regular two way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The Company respects the employee representatives' rights to bargain for the working conditions, and provides the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives.

Article 23

The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. The Company shall also develop the relevant strategies and specific measures for implementation.

Article 24

The Company takes responsibility for their products and services, and takes marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the Company shall ensure the transparency and safety of their products and services. The Company is advised to further establishes and discloses policies on consumer rights and interests pursuant to the nature of the industry and its operation, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article 25

The Company ensures the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

The Company shall follow relevant laws, regulations and international guidelines when marketing or labeling their products and services and shall not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article 26

The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, shall comply with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and shall protect personal data provided by consumers.

Article 27

The Company is advised to timely assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and shall cooperate with their

suppliers to jointly implement the corporate social responsibility initiative.

Prior to engaging in commercial dealings, the Company is advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions with those against corporate social responsibility policy.

When the Company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article 28

The Company is advised to, through equity investment, commercial activities, endowments, volunteering service or other charitable professional services etc., participates in citizen organizations relating to community development and community education to promote community development and to enhance community acceptance.

Chapter 5 Enhancing Disclosure of Corporate Social Responsibility Information

Article 29

The Company shall disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies and shall fully disclose relevant and reliable information relating to their corporate social responsibility initiatives to improve information transparency.

Relevant information relating to corporate social responsibility which the Company shall disclose includes:

- 1. The policy, systems or relevant management guidelines, and concrete promotion plans for corporate social responsibility initiatives, as resolved by the board of directors.
- 2. The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- 3. Goals and measures for realizing the corporate social responsibility initiatives established by the companies, and performance in implementation.
- 4. Major stakeholders and their concerns.
- 5. Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- 6. Other information relating to corporate social responsibility initiatives.

Article 30

The Company adopts internationally widely recognized GRI Sustainability Reporting Guidelines when producing corporate social responsibility reports, to disclose the status of their

implementation of the corporate social responsibility policy. The reports are advised to include:

- 1. The policy, system, or relevant management guidelines and concrete promotion plans for implementing corporate social responsibility initiatives.
- 2. Major stakeholders and their concerns.
- 3. Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- 4. Future improvements and goals.

Chapter 6 Supplementary Provisions

Article 31

The Company shall at all times monitor the development of domestic and foreign corporate social responsibility standards and the change of business environment so as to examine and improve their established corporate social responsibility framework and to obtain better results from the implementation of the corporate social responsibility policy.

Article 32

The Principles shall be implemented after the approval of the Board of Directors, and shall be reported to the shareholders' meeting. The same procedure shall apply to any amendments thereafter.

This Principles has been approved by the Board of Directors on November 9th, 2016.

Annex IV

Cheng Shin Rubber Ind. Co., LTD. Articles of Incorporation (non-amended)

Section I General Provisions

Article 1

The name of the company is CHENG SHIN RUBBER IND. CO., LTD. (正新橡膠工業股份有限公司) (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 two 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.

Article 21

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 and supervisor 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 36 herein.

Article 25

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 Supervisors

Article 26

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

The supervisors shall comply with the rules of the securities regulatory authorities concerning minimum share ownership.

Article 27

The supervisors shall have the following powers and duties:

- 1. Audit the financial position of the Company;
- 2. Inspect books and records of the Company;
- 3. Examine the operating conditions of the Company;
- 4. Supervise the employees of the Company and report any unlawful conduct or neglect of duties; and
- 5. Other powers and duties as prescribed by the laws and regulations.

Article 28

The supervisors may attend the meetings of the Board of Directors to state their opinions, provided that the supervisors have no right to vote on matters.

Article 29

In performing their duties, supervisors shall sign and affix their personal seals on the financial statements reviewed by him/her, and submit a report at the shareholders' meeting.

Article 29-1

The Board of Directors is authorized to determine the compensation of the supervisors by referencing the standards within the industry.

Article 30

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

Section VI Managerial Personnel and Employees

Article 31

The Company may have a general manager, and one or more vice president(s) and assistant manager(s). The general manager shall be nominated by the Chairman of the Board and appointed by the Board of Directors by a vote of the majority of the directors. The vice president(s) and assistant manager(s) shall be nominated by the general manager and appointed by the Board of Directors by a vote of the majority of the directors. The foregoing shall also apply to the removal of managerial officers of the Company. The compensation of the managerial officers shall comply with Article 29 of the Company Act and the Remuneration Rules of the Company.

Article 32

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 33

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

Section VII Accounting

Article 34

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 35

After the end of each fiscal year, the Board of Directors shall prepare the following reports and submit such reports to the supervisors 30 days prior to the annual general meeting, and a report shall be prepared by the supervisors and submitted to such meeting of shareholders for approval.

- 1. Business report;
- 2. Financial statements; and
- 3. Proposal(s) regarding distribution of profits or offsetting of losses.

Article 36

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 36-1

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 and supervisor

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 and supervisor 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 37

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

Article 38

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

Article 39

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.

Lo, Tsai-Jen

Chairman of the Board

CHENG SHIN RUBBER IND. CO., LTD.

Annex V

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.
- II. In the event of the Company's acquisition or disposal of securities, the 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, 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. 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.
- V. 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.

VI. 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.

Article 4 Operation Procedures:

- I. Authorized amount and authorization level
 - 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 Board of Directors' meeting and shall be submitted to the Supervisors for recognition.
- 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.
- v. 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 reaches the announcement and filing standard under Article 5, except for the acquisition or disposal of machinery and equipment for business use, which may be reported to the Board of Directors' meeting for recognition 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:

- I. 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 redemption of domestic money market funds.
 - 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 an asset transaction other than any of those referred to in the subparagraphs i, ii and iii, 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 bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
 - C. Where the type of asset acquired or disposed of is equipment or machinery for business use, the counterparty is not a related party,

- and the transaction amount is less than NTD 500 million.
- D. 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 less than NTD 500 million

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.
- 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.
- V. 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.

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 Board of Directors and the Supervisors.
- 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.

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 redemption of domestic money market funds, 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 Board of Directors and the Supervisors and the matters has been approved by the Board of Directors and recognized by the Supervisors:

- 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. Items that have been approved by the Board of Directors and recognized by the Supervisors 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 authorize, according to the provisions in Chapter 1 of these Procedures, the Chairman to approve the transaction within

certain amount. The Chairman's approval shall subsequently be submitted to and ratified by 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.

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.

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 Supervisors 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 be adopted at the Board of Directors' meeting in advance.
- Operation or hedge strategies: the derivative transactions made by the II. 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:

- 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.
- iii. Level of authorization for derivative transaction amount:

Authorized persons	Transaction	Net cumulative
	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. Hedge transaction: there is no upper limit of loss for hedge transactions because hedge transactions are conducted based on the Company's actual needs and the potential risks of such transactions are already under prior assessment and control.
- ii. Non-hedge transaction: after the position is created, a stop-loss point shall be established to avoid above quata losses. The stop-loss point shall be 20% of the transaction amount, and the amount of the cumulative loss for the year shall not exceed USD 500,000.

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 Supervisors 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 or Share Transfer, it shall, prior to convening the Board of Directors' 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 shall submit it to the Board of Directors for deliberation and resolution.
- 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.
- Dates of material events: including the dates of executing the letter of intent II. 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, spin-off, 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:

- 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 Company shall deliver the Director's objection to each Supervisor. 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** After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to each Supervisor and then to the shareholders' meeting for approval before the Procedures take effect. The same procedure shall apply to

any amendment to these Procedures thereafter. If any Director expressly objects to the contents of the Procedures and such an objection is put in record or represented in writing, the Company shall submit the objection to each Supervisor. 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 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.

Annex VI

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 therefrom, the internal auditors shall promptly notify all the supervisors 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 each supervisor, 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 each supervisor.
- 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.

Article 12: 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 13: Enactment and amendment

After adoption of the Procedures by the Board of Directors, the Procedures shall be submitted to each supervisor and to the shareholders' meeting for approval. Where any

director expresses dissent and such dissent is recorded in the minutes or stated in a written statement, the Company shall submit the dissenting opinions to each supervisor and to the shareholders' meeting for discussion. The same shall apply to any amendments to the Procedures.

Where the Company has established the position of independent directors, when the Procedures are submitted to the Board of Directors for discussion in accordance with the aforementioned provisions, the Board shall fully consider 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 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: 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.

Cheng Shin Rubber Ind. Co., LTD. Rules for Election of Directors and Supervisors

(non-amended)

Article 1 Except as otherwise provided by relevant laws or Cheng Shin Rubber Ind. Co., LTD.'s (the "Company") Articles of Incorporation, the election of the directors and supervisors of the Company shall comply with the Rules for Election of Directors and Supervisors (the "Rules").

Article 2 For the election of directors and supervisors of the Company, the number of votes exercisable in respect of each share shall be the same as the number of directors or supervisors to be elected. The Board of Directors shall prepare the ballots in the number equal to the number of directors or supervisors to be elected, with the number of voting rights being noted on the ballots, and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots. For the aforementioned ballots, the total number of voting rights per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates. If the votes are cast through electronic methods, the ballots will not be printed out.

The election of independent directors shall adopt the nomination system provided by Article 192-1 of the Company Act. The independent directors and non-independent directors shall be elected in the same election, and the number of independent/non-independent directors elected shall be calculated separately. The shareholders shall elect the independent directors from the nomination list.

Article 3 The Company's directors and supervisors shall be elected by shareholder's meeting via persons with legal capacity. The number of directors and supervisors of the Company to be elected shall be in accordance with the number specified in the Company's Articles of Incorporation. The votes shall be cast and calculated through electronic methods. A candidate to whom the ballots cast representing the highest number of votes shall be deemed an elected director or supervisor. If two or more candidates receive the same number of votes, which consequently exceeds the number of directors or supervisors to be elected, such candidates shall draw lots to decide the winner. If such candidate(s) is(/are) not present, the chairman shall draw lots on behalf of the candidate(s).

If, in accordance with the preceding paragraph, any candidate is concurrently elected as both a director and a supervisor, he or she shall decide to be either a director or a supervisor by the end of the shareholders' meeting. In the event that it is confirmed that the elected director or supervisor is inconsistent with his/her personal information, or does not meet the requirements provided by the relevant laws or regulations, the election of such director or supervisor shall be void.

- Article 4 Before the beginning of the election, the chairman shall designate a number of shareholders to supervise the casting of the ballots and a number of persons to count the ballots, each of which shall then respectively perform their relevant functions accordingly.
- Article 5 For the election of directors and supervisors, the Board of Directors shall set up a ballot box, which shall be examined in public by the persons supervising the casting of ballots, before the ballots are cast.
- Article 6 In the event that the candidate is a shareholder of the Company, the voters voting for such candidate shall fill in in the "candidate" column on the ballot such candidate's account name and shareholder account number. In the event that the candidate is not a shareholder of the Company, the voters voting for such candidate shall fill in in the "candidate" column on the ballot such candidate's name and ID number. In the event that the candidate is a government or a corporate shareholder, the voters voting for such candidate shall fill in the "candidate" column on the ballot with the name of such government or corporate shareholder, or the name of such government or corporate shareholder together with the name of such government's or corporate shareholder's representative; when there are multiple representatives, the names of all representatives shall be listed.
- Article 7 A ballot is deemed void if any of the following circumstances occurs:
 - 1. Any ballot cast in violation of the Rules.
 - 2. Any blank ballot.
 - 3. Any ballot with illegible writing rendering it unrecognizable, or any ballot with corrections.
 - 4. Where the candidate voted for is a shareholder of the Company, such candidate's account name and shareholder account number filled in in the ballot is inconsistent with that on the shareholder registry. Where the candidate voted for is not a shareholder of the Company, such candidate's name or ID number is verified to be incorrect.
 - 5. Any ballot with characters other than the candidate's account name (name) or shareholder account number (ID number) and the allocated number of voting rights.

- 6. Any ballot without the candidate's account name (name) or shareholder account number (ID number).
- 7. Any ballot that is cast with the names of two or more candidates.
- Article 8 The counting of the ballots voting for the directors and supervisors shall be conducted in public in the venue of the shareholders' meeting. The ballots shall be counted during the shareholders' meeting immediately after they are cast. The results, including the list of elected directors and supervisors and the number of votes voting for such candidates, shall be announced by the chairman or other person designated by the chairman at such a shareholders' meeting.
- Article 9 The Board of Directors of the Company shall deliver a written notification to each of the elected directors and supervisors.
- Article 10 Matters not specified in the Rules shall be governed by the Company Act, the Company's Articles of Incorporation and any other relevant laws and regulations.
- Article 11 The Rules and any amendments thereafter shall become effective upon resolution at the shareholders' meeting.
- Article 12 The Rules are enacted at the annual general meeting of shareholders on May 29th, 2002.

The Rules are amended at the annual general meeting of shareholders on June 13th, 2008.

The Rules are amended at the annual general meeting of shareholders on June 4th, 2009.

The Rules are amended at the annual general meeting of shareholders on June 18th, 2013.

Annex VIII

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.



CHENG SHIN RUBBER IND. CO., LTD. Shareholding status of Directors and Supervisors As of April 17, 2017

Position	Name	Number of Shares	Ownership Percentage (%)
Chairman	Luo, Tsai-Jen	283,225,502	8.74%
Director	Chen, Yun-Hwa	40,570,531	1.25%
Director	Chen, Shiu-Hsiung	57,819,456	1.78%
Director	Horning Yih Investment Corporation (Representative: Lee, Chin-Chang)		0.34%
Director	Horning Yih Investment Corporation (Representative: Wu, Hsuan-Mail)	11,131,695	
Director	Horning Yih Investment Corporation (Representative: Lin, Hung-Yu)		
Independent Director	Hsu, En-Dz	0	0.00%
Independent Director	Too, Jui-Rze	0	0.00%
Share Ownership of All Directors		392,747,184	12.11%
Supervisor	Chiu, Li-Ching	27,996,793	0.86%
Supervisor	Tseng, Sung-Chu	21,688,580	0.67%
Supervisor	Chen, Han-Chi	6,534.867	0.20%
Share Ownership of All Supervisors		56,220,240	1.73%

Note: The corporate shareholder "Horning Yih Investment Corporation" has one more seat in the Board of Directors, yet it has not appointed a representative for that position.

Minimum share ownership by all directors of the Company: 77,793,972 shares Minimum share ownership by all supervisors of the Company: 7,779,397 shares Minimum share ownership by all directors and supervisors of the Company: 85,573,369 shares