



Stock Code: 2105

CHENG SHIN RUBBER IND. CO., LTD.

2020 Annual General Meeting Handbook

Time and Date: 9:30 a.m., June 16 (Tuesday), 2020

Place: Conference room of the new office building of Cheng Shin Rubber Ind. Co., LTD. located at B2, No. 215, Meigang Rd., Huangcuo Village, Dacun Township, Changhua County

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CHENG SHIN RUBBER IND. CO., LTD.

Agenda of the 2019 Annual General Meeting

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

CHENG SHIN RUBBER IND. CO., LTD.

Agenda of the 2020 Annual General Meeting

Time and Date: 9:30 a.m., Tuesday, June 16, 2020

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. 2019 Business Report
 - ii. Audit Committee’s report on the review of the 2019 Financial Statements
 - iii. Report of the Company’s distribution of compensation to its directors and employees in 2019
 - iv. Report of endorsements and guarantees of obligations provided to third parties by the Company
- IV. Ratifications
 - i. Ratification of the Company’s 2019 Business Report and Financial Statements
 - ii. Ratification of the Company’s 2019 profit distribution
- V. Discussions
 - i. Discussion of the proposed amendments to the Company’s “Articles of Incorporation”
- VI. Election Matters
 - i. Election of directors (the independent directors included)
- VII. Other Matters
 - i. Proposal to release the newly elected directors from non-competition restrictions
- VIII. Motions
- IX. Adjournment

Reports

Reports

Item No. 1 — 2019 Business Report

Explanation:

The 2019 Business Report of the Company can be found on pages 4-6 of this Handbook.

CHENG SHIN RUBBER IND. CO., LTD.

2019 Business Report

In retrospect, the continuation of trade conflicts between China and the US adversely impacted the global economy in 2019. In the beginning of 2020, the two countries have finally reached a consensus on the trade matters and signed the Phase 1 deal of the trade agreement. However, the impact of such agreement to the world remains unknown. For Cheng Shin Rubber Ind. Co., Ltd. (“CST” or “the Group”), the negative growth of the mobile market in China for the past two consecutive years, the over-supplied situation in the tire industry and the rapid growth and expansion of competitors in recent years have bogged CST down to a price war of all product series. These external environmental factors were the challenges we struggled with. As a result, our consolidated operating revenue in 2019 in the amount of NT\$109.5 billion remained at the same level as it was in the previous year.

However, there is an opportunity in every crisis, and it is imperative for us to continue to adapt to the external environments in order to thrive in this recession time. Our technologies are well-received within the industry and we have earned customer trust by demonstrating our product quality, evidenced by the recognition and awards received from numerous tire magazines and test reviews at home and abroad. The MAXXIS proving ground in Kunshan, China is a world-leading facility where various testing of tire performance, durability, noise, and safety are conducted. Many automakers use our facility for the R&D and testing of new vehicles, which provides us opportunities to pitch for new orders. Within the Group, upholding the spirit of “specializing in what we do while preparing for changes, execution always comes first”, we adopt delicacy manufacture management to enhance our product quality and the utilization rate, thereby lower the operational cost. We have also continued to enhance our organizational and management capabilities, strengthen talent development, and cultivate our corporate culture— leading the way to transforming adversity into advantage and to breaking the market limitation with powerful execution.

We have firmly believed in our strategies that “driving the tire repair market (RE) with the vehicles assembly factories (OE),” and “boosting the collaboration between vehicles assembly factories (OE) with the tire repair market (RE).” Our market strategy further incorporates the concept of driving sales with increased numbers of client visits and reinforce the existing client base and enhancing marketing by researches and discovering new markets. Only by understanding the needs of customers and the market trends can the Group overcome the external challenges, transform adversity into advantage, and forge a brand-new future.

Results of Operations in 2019 (IFRS Consolidated and Individual)

(1) Results of operations based on our business plan for 2019

1. Sales and Production

Unit: pcs. in thousands; %

Core Products \ Year	Produced in 2019	Sold in 2019	Sold in 2018	Percentage of increase/decrease
PCR	38,045	39,151	42,511	-7.9%
TBR	4,839	4,793	4,665	2.74%
MC	37,898	37,823	35,491	6.57%
BC	81,693	80,048	71,994	11.19%
TUBE	121,371	120,625	118,032	2.20%
OTHER TIRES	20,182	20,562	20,684	-0.59%

2. Operation Summary

Consolidated

Unit: in NT\$ thousands; %

Item \ Year	2019	2018	Percentage of increase (decrease)
Net Sales	109,507,773	109,221,209	0.26%
Cost of Goods Sold	85,548,240	84,898,267	0.77%
Operating Expenses	16,956,401	16,907,753	0.29%
Operating Profit	7,003,132	7,415,189	-5.56%
Net Profit	3,515,697	3,574,638	-1.65%

Individual

Unit: in NT\$ thousands; %

Item \ Year	2019	2018	Percentage of increase (decrease)
Net Sales	19,497,888	19,374,623	0.64%
Cost of Goods Sold	15,805,867	14,887,361	6.17%
Operating Expenses	3,789,106	3,777,633	0.30%
Operating Profit	-56,880	648,205	-108.78%
Net Profit	3,466,827	3,520,320	-1.52%

(2) Revenue Forecast and Realization

The sales revenue in 2019 totaled NT\$109.5 billion, a realization of 91.87% of the sales forecast, which was NT\$119.2 billion.

(3) Financial Position and Profitability Analysis

Consolidated

Unit: in NT\$ thousands; %

Year			2019	2018	%
Item					Change
Income Statement	Sales Revenue		109,507,773	109,221,209	0.26%
	Gross Profit		23,959,533	24,322,942	-1.49%
	Net Profit		3,515,697	3,574,638	-1.65%
Profitability	Return on Assets (ROA) (%)		2.89	2.83	2.12%
	Return on Equity (ROE) (%)		4.46	4.39	1.59%
	As a % of Paid-in Capital	Operating Profit	21.61	22.88	-5.55%
		Pre-tax Profit	17.98	18.23	-1.37%
	Net Profit Margin (%)		3.21	3.27	-1.83%
	Earnings Per Share (NT\$)		1.07	1.09	-1.83%

Individual

Unit: in NT\$ thousands; %

Year			2019	2018	%
Item					Change
Income Statement	Sales Revenue		19,497,888	19,374,623	0.64%
	Gross Profit		3,692,021	4,487,262	-17.72%
	Net Profit		3,466,827	3,520,320	-1.52%
Profitability	Return on Assets (ROA) (%)		3.20	3.18	0.63%
	Return on Equity (ROE) (%)		4.43	4.36	1.61%
	As a % of Paid-in Capital	Operating Profit	-0.18	2.00	-109%
		Pre-tax Profit	13.88	15.08	-7.96%
	Net Profit Margin (%)		17.78	18.17	-2.15%
	Earnings Per Share (NT\$)		1.07	1.09	-1.83%

(4) Research and Development

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

Lou, Tsau-Jen



Chairman

Lou, Tsau-Jen

General Manager



Chang, Ya-Ching

Controller



Reports

Item No. 2 – Audit Committee’s report on the review of the 2019 Financial Statements

Explanation:

The 2019 Financial Statements of the Company have been adopted by the resolution of the Board of Directors and audited and certified by independent auditors, Grace Hung and Joseph Chou, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been reviewed by the Audit Committee of the Company. The Audit Committee’s Report can be found on page 8 of the Handbook.

Audit Committee's Report

To the 2020 Annual General Meeting of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2019 Business Report, Financial Statements (including individual and consolidated financial statements) and the proposed profit distribution, of which the Financial Statements have been audited and certified by the independent auditors, Grace Hung and Joseph Chou, of PricewaterhouseCoopers Taiwan, and an audit report has been issued. The Business Report, Financial Statements and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

A handwritten signature in black ink, consisting of three Chinese characters: 許恩得 (Hsu, En-De). The signature is written in a cursive style and is positioned above a light blue horizontal line.

Hsu, En-De

Chairman of the Audit Committee

Dated: March 24, 2020

Reports

Item No. 3 - Report of the Company's distribution of compensation to its directors and employees in 2019.

Explanation:

1. The director and employee compensation in 2019 are distributed in accordance with Article 34-1 of the Company's Articles of Incorporation, taking into consideration the 2019 sales revenue and net profit in comparison with those in 2018, and the average distribution amount in 2018.
2. Our profit in 2019 is NT\$4,652,631,518, 1.313% of which has been set aside as director's compensation, totaling NT\$61,089,052 (excluding independent director's compensation); 2% of which has been set aside as employee's compensation, totaling NT\$93,052,630. The aforementioned compensation are distributed in cash.
3. In 2019, the amount of director's compensation and employee's compensation recognized as expenses is consistent with the amount distributed to directors and employees.

Reports

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

Explanation:

As of December 31, 2019, the total amount under the endorsement and guarantee of obligations provided to third parties by the Company is US\$726,577,000, or approximately NT\$21,782,789,000; the details of which can be found on pages 11-12 of the Handbook. It is hereby reported to the annual general meeting pursuant to the Company's Rules Governing Endorsement and Guarantee.

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

As of December 31, 2019

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB1,000,000,000	MIZUHO Bank	2016.02.12	2021.02.18	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB1,000,000,000	Sumitomo Mitsui Banking Corporation	2016.12.13	2022.03.17	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 20,000,000	Standard Chartered Bank	2017.08.23	2020.09.21	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	USD 25,000,000	Bangkok Bank	2018.10.15	2020.10.15	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 16,000,000	CTBC Bank	2016.01.25	2021.05.03	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 100,000,000	First Commercial Bank	2016.07.26	2023.08.01	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 30,000,000	Chang Hwa Commercial Bank	2017.01.05	2024.01.18	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 20,000,000	The Export-Import Bank of ROC	2017.07.10	2022.09.06	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 40,000,000	Mega Bank	2018.01.03	2025.01.23	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 30,000,000	First Commercial Bank	2018.01.23	2025.02.27	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 20,000,000	Cooperative Bank	2018.07.10	2025.11.28	
PT. Maxxis International Indonesia	Loan Guarantee	Long-term	USD 29,000,000	Chang Hwa Commercial Bank	2018.07.10	2025.12.27	
PT. Maxxis International Indonesia	Loan Guarantee	Short-term	USD 21,000,000	CTBC Bank	2019.12.31	2020.12.31	
PT. Maxxis International Indonesia	Loan Guarantee	Short-term	USD 18,000,000	Standard Chartered Bank	2019.10.31	2020.10.31	

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

As of December 31, 2019

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 50,000,000	Mega Bank	2016.01.15	2023.02.24	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 40,000,000	Cooperative Bank	2016.11.14	2023.11.29	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 40,000,000	HSBC Bank	2017.05.03	2022.05.24	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 9,800,000	Hua Nan Bank	2017.06.30	2022.07.27	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Mega Bank	2019.07.29	2024.08.16	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Yuantan Bank	2019.10.04	2024.10.28	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 20,000,000	Taichung Commercial Bank	2019.10.25	2024.11.18	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Long-term	USD 30,000,000	The Export-Import Bank of ROC	2019.11.20	2024.12.16	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 10,000,000	HSBC Bank	2019.05.01	2020.04.30	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	INR1,050,000,000	Standard Chartered Bank	2019.05.01	2020.04.30	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	INR 400,000,000	CTBC Bank	2019.05.31	2020.05.31	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 10,000,000	CTBC Bank	2019.05.31	2020.05.31	
Maxxis Rubber India Pvt. Ltd.	Loan Guarantee	Short-term	USD 20,000,000	Bank of America	2019.11.15	2020.11.14	

Ratifications

Ratifications

Item No. 1 – Ratification of the 2019 Business Report and Financial Statements (submitted by the Board of Directors)

Explanation:

1. The 2019 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 Joseph Chou, of PricewaterhouseCoopers Taiwan. The Business Report and the Financial Statements have been adopted by resolution of the Board of Directors and reviewed by the Audit Committee of the Company. The Audit Committee has not found any inaccuracies in their review of these documents and issued a report accordingly. The Business Report, Audit Committee's Report, and Financial Statements can be found on pages 4-6, 8, and 15-40 of this Handbook.
2. The proposal is hereby submitted to the shareholders meeting for ratification.

Resolution:

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19004620

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

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the “other matter” section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(32). For the year ended December 31, 2019, the sales revenue amounted to NT\$109,507,773 thousand.

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

How our audit addressed the matter

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

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

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

Description

For the accounting policy on property, plant and equipment, please refer to Note 4(15). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2019, the unfinished construction and equipment under acceptance amounted to NT\$5,563,842 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$5,017,732 thousand and NT\$4,628,825 thousand, both representing 3% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and the total liabilities of NT\$1,767,827 thousand and

NT\$1,799,837 thousand, both representing 2% of the consolidated total liabilities as of December 31, 2019 and 2018, respectively, and total operating revenues of NT\$5,585,826 thousand and NT\$5,257,000 thousand, both representing 5% of consolidated total net operating revenue for the years then ended, respectively. Those financial statements and the information disclosed in Note 13 were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of the Group as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hung, Shu-Hua

Zhou, Jian Hong

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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

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

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
Current assets					
1100	Cash and cash equivalents	\$ 25,501,222	16	\$ 27,809,496	16
1110	Financial assets at fair value through profit or loss - current	-	-	3,243	-
1120	Financial assets at fair value through other comprehensive income - current	25,935	-	22,885	-
1150	Notes receivable, net	3,761,453	2	2,673,543	1
1170	Accounts receivable, net	8,938,927	5	9,861,931	6
1180	Accounts receivable - related parties	54,053	-	47,976	-
130X	Inventories	17,949,870	11	19,362,229	11
1410	Prepayments	1,214,726	1	1,474,843	1
1470	Other current assets	1,483,789	1	1,767,304	1
11XX	Current Assets	<u>58,929,975</u>	<u>36</u>	<u>63,023,450</u>	<u>36</u>
Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	58,187	-	58,187	-
1550	Investments accounted for under equity method	157,489	-	152,614	-
1600	Property, plant and equipment, net	95,889,585	59	103,254,578	59
1755	Right-of-use assets	5,518,534	3	-	-
1760	Investment property, net	550,156	-	584,244	-
1840	Deferred income tax assets	1,986,139	1	1,526,629	1
1900	Other non-current assets	950,164	1	6,163,066	4
15XX	Non-current assets	<u>105,110,254</u>	<u>64</u>	<u>111,739,318</u>	<u>64</u>
1XXX	Total assets	<u>\$ 164,040,229</u>	<u>100</u>	<u>\$ 174,762,768</u>	<u>100</u>

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2100 Short-term borrowings		\$ 16,843,366	10	\$ 15,569,136	9
2130 Current contract liabilities		935,619	1	747,071	-
2150 Notes payable		1,122,276	1	623,415	-
2170 Accounts payable		7,793,330	5	8,953,202	5
2200 Other payables		5,587,574	3	6,200,869	4
2230 Current income tax liabilities		755,825	-	775,306	-
2280 Current lease liabilities		139,374	-	-	-
2300 Other current liabilities		10,226,810	6	11,618,185	7
21XX Current Liabilities		<u>43,404,174</u>	<u>26</u>	<u>44,487,184</u>	<u>25</u>
Non-current liabilities					
2530 Corporate bonds payable		14,500,000	9	17,000,000	10
2540 Long-term borrowings		23,302,050	14	28,965,884	16
2550 Provisions for liabilities - non-current		141,841	-	134,287	-
2570 Deferred income tax liabilities		1,313,834	1	1,341,768	1
2580 Non-current lease liabilities		569,553	-	-	-
2600 Other non-current liabilities		2,838,090	2	3,015,639	2
25XX Non-current liabilities		<u>42,665,368</u>	<u>26</u>	<u>50,457,578</u>	<u>29</u>
2XXX Total Liabilities		<u>86,069,542</u>	<u>52</u>	<u>94,944,762</u>	<u>54</u>
Equity					
Equity attributable to owners of parent					
Share capital					
3110 Share capital - common stock		32,414,155	20	32,414,155	19
Capital surplus					
3200 Capital surplus		52,576	-	52,576	-
Retained earnings					
3310 Legal reserve		15,186,978	9	14,834,946	8
3320 Special reserve		5,200,298	3	4,430,061	2
3350 Unappropriated retained earnings		31,445,921	19	32,662,342	19
Other equity interest					
3400 Other equity interest		(6,904,245)	(4)	(5,200,298)	(3)
31XX Equity attributable to owners of the parent		<u>77,395,683</u>	<u>47</u>	<u>79,193,782</u>	<u>45</u>
36XX Non-controlling interest		<u>575,004</u>	<u>1</u>	<u>624,224</u>	<u>1</u>
3XXX Total equity		<u>77,970,687</u>	<u>48</u>	<u>79,818,006</u>	<u>46</u>
Significant contingent liabilities and unrecognised contract commitments					
Significant events after the balance sheet date					
3X2X Total liabilities and equity		<u>\$ 164,040,229</u>	<u>100</u>	<u>\$ 174,762,768</u>	<u>100</u>

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue		\$ 109,507,773	100	\$ 109,221,209	100
5000 Operating costs		(85,548,240)	(78)	(84,898,267)	(78)
5900 Net operating margin		23,959,533	22	24,322,942	22
Operating expenses					
6100 Selling expenses		(8,170,109)	(8)	(8,007,567)	(7)
6200 General and administrative expenses		(3,638,136)	(3)	(3,570,909)	(3)
6300 Research and development expenses		(5,148,156)	(5)	(5,329,277)	(5)
6000 Total operating expenses		(16,956,401)	(16)	(16,907,753)	(15)
6900 Operating profit		7,003,132	6	7,415,189	7
Non-operating income and expenses					
7010 Other income		894,228	1	1,109,954	1
7020 Other gains and losses		(356,865)	-	(829,831)	(1)
7050 Finance costs		(1,719,849)	(2)	(1,792,314)	(1)
7060 Share of profit of associates and joint ventures accounted for under equity method		6,653	-	6,643	-
7000 Total non-operating revenue and expenses		(1,175,833)	(1)	(1,505,548)	(1)
7900 Profit before income tax		5,827,299	5	5,909,641	6
7950 Income tax expense		(2,311,602)	(2)	(2,335,003)	(2)
8200 Profit for the year		\$ 3,515,697	3	\$ 3,574,638	4

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		\$ 4,820	-	\$ 29,288	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss		3,050	-	(4,633)	-
8320	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		722	-	891	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(964)	-	20,036	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>7,628</u>	<u>-</u>	<u>45,582</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(2,190,282)	(2)	(1,246,718)	(1)
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss		<u>426,749</u>	<u>1</u>	<u>387,749</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>(1,763,533)</u>	<u>(1)</u>	<u>(858,969)</u>	<u>(1)</u>
8300	Other comprehensive loss for the year		<u>(\$ 1,755,905)</u>	<u>(1)</u>	<u>(\$ 813,387)</u>	<u>(1)</u>
8500	Total comprehensive income for the year		<u>\$ 1,759,792</u>	<u>2</u>	<u>\$ 2,761,251</u>	<u>3</u>
	Profit attributable to:					
8610	Owners of the parent		\$ 3,466,827	3	\$ 3,520,320	4
8620	Non-controlling interest		<u>48,870</u>	<u>-</u>	<u>54,318</u>	<u>-</u>
			<u>\$ 3,515,697</u>	<u>3</u>	<u>\$ 3,574,638</u>	<u>4</u>
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,767,458	2	\$ 2,823,038	3
8720	Non-controlling interest		<u>(7,666)</u>	<u>-</u>	<u>(61,787)</u>	<u>-</u>
			<u>\$ 1,759,792</u>	<u>2</u>	<u>\$ 2,761,251</u>	<u>3</u>
	Earnings per share (in dollars)					
9750	Basic earnings per share		<u>\$ 1.07</u>		<u>\$ 1.09</u>	
9850	Diluted earnings per share		<u>\$ 1.07</u>		<u>\$ 1.08</u>	

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Capital surplus			Retained earnings			Other equity interest					
	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total		
	\$ 32,414,155	\$ 9,772	\$ 42,804	\$14,280,767	\$ 3,307,822	\$ 36,580,033	(\$ 4,471,654)	\$ -	\$ 41,593	\$ 82,205,292	\$ 686,011	\$ 82,891,303
	-	-	-	-	-	22,740	-	18,853	(41,593)	-	-	-
	<u>32,414,155</u>	<u>9,772</u>	<u>42,804</u>	<u>14,280,767</u>	<u>3,307,822</u>	<u>36,602,773</u>	<u>(4,471,654)</u>	<u>18,853</u>	<u>-</u>	<u>82,205,292</u>	<u>686,011</u>	<u>82,891,303</u>
	-	-	-	-	-	3,520,320	-	-	-	3,520,320	54,318	3,574,638
	-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)	(116,105)	(813,387)
	-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038	(61,787)	2,761,251
	-	-	-	554,179	-	(554,179)	-	-	-	-	-	-
	-	-	-	-	1,122,239	(1,122,239)	-	-	-	-	-	-
	-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)	-	(5,834,548)
	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$14,834,946</u>	<u>\$ 4,430,061</u>	<u>\$ 32,662,342</u>	<u>(\$ 5,214,518)</u>	<u>\$ 14,220</u>	<u>\$ -</u>	<u>\$ 79,193,782</u>	<u>\$ 624,224</u>	<u>\$ 79,818,006</u>
	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$14,834,946</u>	<u>\$ 4,430,061</u>	<u>\$ 32,662,342</u>	<u>(\$ 5,214,518)</u>	<u>\$ 14,220</u>	<u>\$ -</u>	<u>\$ 79,193,782</u>	<u>\$ 624,224</u>	<u>\$ 79,818,006</u>
	-	-	-	-	-	3,466,827	-	-	-	3,466,827	48,870	3,515,697
	-	-	-	-	-	4,578	(1,706,997)	3,050	-	(1,699,369)	(56,536)	(1,755,905)
	-	-	-	-	-	3,471,405	(1,706,997)	3,050	-	1,767,458	(7,666)	1,759,792
	-	-	-	352,032	-	(352,032)	-	-	-	-	-	-
	-	-	-	-	770,237	(770,237)	-	-	-	-	-	-
	-	-	-	-	-	(3,565,557)	-	-	-	(3,565,557)	-	(3,565,557)
	-	-	-	-	-	-	-	-	-	-	(41,554)	(41,554)
	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$15,186,978</u>	<u>\$ 5,200,298</u>	<u>\$ 31,445,921</u>	<u>(\$ 6,921,515)</u>	<u>\$ 17,270</u>	<u>\$ -</u>	<u>\$ 77,395,683</u>	<u>\$ 575,004</u>	<u>\$ 77,970,687</u>

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 5,827,299	\$ 5,909,641
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation		12,682,025	12,107,067
Depreciation expense on right-of-use assets		246,190	-
Depreciation on investment property		23,995	24,395
Amortization expense		102,729	68,823
Rental expenses for land use right		-	85,596
Expected credit loss		29,461	3,337
Share of profit of associates and joint ventures accounted for using equity method	(	6,653)	(6,643)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		2,383	(4,703)
Loss on disposal of property, plant and equipment		66,705	55,917
Impairment loss on non-financial assets		278,592	-
Interest expense		1,719,849	1,792,314
Interest income	(	295,566)	(319,105)
Loss on disposal of investments accounted for using equity method		-	2,654
Deferred government grants revenue	(	117,831)	(124,878)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		-	41,698
Notes receivable, net	(	1,087,910)	(375,058)
Accounts receivable		894,661	(12,827)
Accounts receivable - related parties	(	6,077)	(71,312)
Inventories		1,412,359	(177,889)
Prepayments		239,607	222,772
Other current assets		127,023	(52,809)
Other non-current assets		161,965	(107,282)
Changes in operating liabilities			
Contract liabilities - current		188,548	(115,875)
Notes payable		498,861	(198,745)
Accounts payable	(	1,159,872)	(442,172)
Other payables		31,528	(375,935)
Other current liabilities		67,971	86,673
Accrued pension liabilities		2,203	(17,589)
Other non-current liabilities		54,420	39,018
Cash inflow generated from operations		21,984,465	19,064,051
Interest received		292,320	327,488
Dividends received		2,500	9,841
Interest paid	(	1,758,533)	(1,738,341)
Income tax paid	(	2,440,090)	(2,836,232)
Income tax refund received		204,699	27,754
Net cash flows from operating activities		18,285,361	14,854,561

(Continued)

CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes in financial assets and liabilities at fair value through profit or loss		\$ 860	\$ 1,025
Proceeds from disposal of investments accounted for using equity method		-	20,582
Acquisition of property, plant and equipment	(	8,587,584)	(12,492,803)
Payment for capitalized interests	(	20,319)	(118,717)
Proceeds from disposal of property, plant and equipment		167,489	305,011
Acquisition of investment properties		-	(1,216)
Acquisition of intangible assets	(	68,548)	(180,871)
Decrease in refundable deposits		33,102	89,820
Net cash flows used in investing activities	(	8,475,000)	(12,377,169)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		21,205,751	25,820,195
Decrease in short-term loans	(	19,745,431)	(28,940,895)
Proceeds from issuing bonds		-	5,000,000
Repayments of bonds	(	4,800,000)	(1,900,000)
Proceeds from long-term loans		13,030,724	5,321,446
Repayments of long-term loans	(	17,357,382)	(5,803,107)
(Decrease) increase in guarantee deposits received	(	6,828)	3,598
Increase in other payables to related parties		-	2,280
Repayments of principal portion of lease liabilities	(	113,705)	-
Decrease in other non-current liabilities		-	(2,083)
Cash dividends paid	(	3,565,557)	(5,834,548)
Cash dividends paid to non-controlling interest	(	41,554)	-
Net cash flows used in financing activities	(	11,393,982)	(6,333,114)
Effect of exchange rate changes on cash and cash equivalents	(	724,653)	746,755
Net decrease in cash and cash equivalents	(	2,308,274)	(3,108,967)
Cash and cash equivalents at beginning of year		27,809,496	30,918,463
Cash and cash equivalents at end of year	\$	25,501,222	\$ 27,809,496

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 19003197

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

Opinion

We have audited the accompanying balance sheets of Cheng Shin Rubber Ind. Co., Ltd. (the “Company”) as at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the “other matter” section of our report), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

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

Key audit matters

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

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

Appropriateness of cut-off on sales revenue

Description

For the accounting policy of revenue recognition, please refer to Note 4(31). For the year ended December 31, 2019, the sales revenue amounted to NT\$19,497,888 thousand.

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

How our audit addressed the matter

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

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

sales.

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

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

Description

For the accounting policy of property, plant and equipment, please refer to Note 4(14). For the details of property, plant and equipment, please refer to Note 6(7). As at December 31, 2019, the unfinished construction and equipment under acceptance amounted to NT\$1,673,323 thousand.

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

How our audit addressed the matter

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

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

Other matter – Scope of the audit

We did not audit the financial statements of certain investments recognised under the equity method that are included in the financial statements. The balances of investments accounted for under equity method were NT\$3,249,905 thousand and NT\$2,828,988 thousand, representing 3% and 2% of total assets as at December 31, 2019 and 2018, respectively; and the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$723,598 thousand and NT\$690,601 thousand, representing 41% and 24% of the total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal

control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Hung, Shu-Hua

Wu, Der Feng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2020

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

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

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents		\$ 8,525,572	8	\$ 12,820,135	11
1110	Financial assets at fair value through profit or loss - current		-	-	3,243	-
1120	Financial assets at fair value through other comprehensive income - current		25,935	-	22,885	-
1150	Notes receivable, net		22,919	-	28,017	-
1170	Accounts receivable, net		1,161,388	1	1,251,493	1
1180	Accounts receivable - related parties		1,379,208	1	1,611,889	1
130X	Inventories		2,564,562	2	3,358,079	3
1410	Prepayments		128,780	-	263,624	-
1470	Other current assets		555,502	1	533,142	1
11XX	Current Assets		14,363,866	13	19,892,507	17
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current		58,187	-	58,187	-
1550	Investments accounted for using equity method		79,687,896	71	81,045,015	68
1600	Property, plant and equipment, net		16,688,254	15	16,326,183	14
1755	Right-of-use assets		107,294	-	-	-
1760	Investment property, net		289,951	-	290,562	-
1780	Intangible assets, net		40,633	-	70,740	-
1840	Deferred income tax assets		1,618,542	1	1,153,491	1
1900	Other non-current assets		1,335	-	1,024	-
15XX	Non-current assets		98,492,092	87	98,945,202	83
1XXX	Total assets		\$ 112,855,958	100	\$ 118,837,709	100

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018					
			AMOUNT	%	AMOUNT	%				
Current liabilities										
2100	Short-term borrowings		\$	2,450,000	2	\$	500,000	-		
2130	Contract liabilities - current			99,878	-		127,663	-		
2170	Accounts payable			1,047,861	1		1,313,078	1		
2180	Accounts payable - related parties			45,165	-		31,509	-		
2200	Other payables			1,750,638	2		1,825,048	2		
2230	Current income tax liabilities			404,309	-		571,305	1		
2280	Lease liabilities - current			34,501	-		-	-		
2300	Other current liabilities			5,335,864	5		8,675,481	7		
21XX	Current Liabilities			11,168,216	10		13,044,084	11		
Non-current liabilities										
2530	Corporate bonds payable			14,500,000	13		17,000,000	14		
2540	Long-term borrowings			7,130,000	6		7,500,000	6		
2570	Deferred income tax liabilities			1,293,851	1		1,341,768	1		
2580	Lease liabilities - non-current			69,640	-		-	-		
2600	Other non-current liabilities			1,298,568	1		758,075	1		
25XX	Non-current liabilities			24,292,059	21		26,599,843	22		
2XXX	Total liabilities			35,460,275	31		39,643,927	33		
Equity										
Share capital										
3110	Shares capital - common stock			32,414,155	29		32,414,155	27		
Capital surplus										
3200	Capital surplus			52,576	-		52,576	-		
Retained earnings										
3310	Legal reserve			15,186,978	13		14,834,946	13		
3320	Special reserve			5,200,298	5		4,430,061	4		
3350	Unappropriated retained earnings			31,445,921	28		32,662,342	27		
Other equity interest										
3400	Other equity interest		(6,904,245)	(6)	(5,200,298)	(4)
3XXX	Total equity			77,395,683	69		79,193,782	67		
Significant contingent liabilities and unrecognised contract commitments										
Significant events after the balance sheet date										
3X2X	Total liabilities and equity		\$	112,855,958	100	\$	118,837,709	100		

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Years ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue		\$ 19,497,888	100	\$ 19,374,623	100
5000	Operating costs		(15,805,867)	(81)	(14,887,361)	(77)
5900	Net operating margin		3,692,021	19	4,487,262	23
5910	Unrealized loss (profit) from sales		40,205	-	61,424	-
5950	Gross profit from operation		3,732,226	19	4,425,838	23
	Operating expenses					
6100	Selling expenses		(1,882,641)	(10)	(1,811,255)	(10)
6200	General and administrative expenses		(659,712)	(3)	(627,510)	(3)
6300	Research and development expenses		(1,246,753)	(6)	(1,338,868)	(7)
6000	Total operating expenses		(3,789,106)	(19)	(3,777,633)	(20)
6900	Operating (loss) profit		(56,880)	-	648,205	3
	Non-operating income and expenses					
7010	Other income		1,482,241	8	1,526,407	8
7020	Other gains and losses		(18,771)	-	361,293	2
7050	Finance costs		(306,641)	(2)	(357,835)	(2)
7070	Share of profit of associates and joint ventures accounted for using equity method		3,398,541	17	2,708,390	14
7000	Total non-operating income and expenses		4,555,370	23	4,238,255	22
7900	Profit before income tax		4,498,490	23	4,886,460	25
7950	Income tax expense		(1,031,663)	(5)	(1,366,140)	(7)
8200	Profit for the year		\$ 3,466,827	18	\$ 3,520,320	18
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		\$ 4,820	-	\$ 29,288	1
8316	Unrealized gain(loss) on valuation of equity instruments at fair value through profit or loss		3,050	-	(4,633)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		722	-	891	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(964)	-	20,036	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		7,628	-	45,582	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(2,133,746)	(11)	(1,130,613)	(6)
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss		426,749	2	387,749	2
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(1,706,997)	(9)	(742,864)	(4)
8300	Other comprehensive loss for the year		(\$ 1,699,369)	(9)	(\$ 697,282)	(3)
8500	Total comprehensive income for the year		\$ 1,767,458	9	\$ 2,823,038	15
9750	Basic earnings per share		\$ 1.07		\$ 1.09	
9850	Diluted earnings per share		\$ 1.07		\$ 1.08	

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Capital surplus		Retained earnings			Other equity interest				
	Notes	Share capital - common stock	Treasury stock transactions	Gain on sale of assets	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2018											
Balance at January 1, 2018		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,280,767	\$ 3,307,822	\$ 36,580,033	(\$ 4,471,654)	\$ -	\$ 41,593	\$ 82,205,292
Effect of retrospective application and retrospective restatement		-	-	-	-	-	22,740	-	18,853	(41,593)	-
Balance after restatement on January 1		32,414,155	9,772	42,804	14,280,767	3,307,822	36,602,773	(4,471,654)	18,853	-	82,205,292
Profit for the year		-	-	-	-	-	3,520,320	-	-	-	3,520,320
Other comprehensive income (loss) for the year		-	-	-	-	-	50,215	(742,864)	(4,633)	-	(697,282)
Total comprehensive income (loss)		-	-	-	-	-	3,570,535	(742,864)	(4,633)	-	2,823,038
Appropriation and distribution of 2017 earnings:											
Legal reserve		-	-	-	554,179	-	(554,179)	-	-	-	-
Special reserve		-	-	-	-	1,122,239	(1,122,239)	-	-	-	-
Cash dividends		-	-	-	-	-	(5,834,548)	-	-	-	(5,834,548)
Bala December 31, 2018		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ -	\$ 79,193,782
Year e ecember 31, 2019											
Bala January 1, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 14,834,946	\$ 4,430,061	\$ 32,662,342	(\$ 5,214,518)	\$ 14,220	\$ -	\$ 79,193,782
Profit for the year		-	-	-	-	-	3,466,827	-	-	-	3,466,827
Other comprehensive income (loss) for the year		-	-	-	-	-	4,578	(1,706,997)	3,050	-	(1,699,369)
Total comprehensive income (loss)		-	-	-	-	-	3,471,405	(1,706,997)	3,050	-	1,767,458
Appropriation and distribution of 2018 earnings:											
Legal reserve		-	-	-	352,032	-	(352,032)	-	-	-	-
Special reserve		-	-	-	-	770,237	(770,237)	-	-	-	-
Cash dividends		-	-	-	-	-	(3,565,557)	-	-	-	(3,565,557)
Balance at December 31, 2019		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 15,186,978	\$ 5,200,298	\$ 31,445,921	(\$ 6,921,515)	\$ 17,270	\$ -	\$ 77,395,683

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,498,490	\$ 4,886,460
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealised (loss) gain on inter-company transaction	(	66,038)	20,551
Depreciation		1,517,236	1,483,656
Depreciation expense on right-of-use assets		49,790	-
Depreciation on investment property		611	611
Amortization expense		45,506	35,551
Net gain on financial assets or liabilities at fair value through profit or loss		2,383	(4,703)
Loss on disposal of investments accounted for using equity method		-	2,654
Gain on disposal of property, plant and equipment	(	150,244)	(160,336)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(	3,398,541)	(2,708,390)
Interest income	(	134,367)	(177,277)
Interest expense		306,641	357,835
Effect of exchange rate changes on cash and cash equivalents	(	221,900)	68,959
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		-	41,698
Notes receivable		5,098	(4,514)
Accounts receivable		90,105	(70,365)
Accounts receivable - related parties		232,681	36,327
Inventories		790,750	74,978
Other current assets		111,236	221,275
Changes in operating liabilities			
Contract liabilities - current	(	27,785)	42,432
Accounts payable	(	265,217)	(93)
Accounts payable - related parties		13,656	(3,410)
Other payables		37,530	(88,268)
Accrued pension liabilities	(	8,461)	(18,171)
Other current liabilities		383	(17,524)
Cash inflow generated from operations		3,429,543	4,019,936
Interest received		114,370	139,757
Dividends received		3,290,468	5,118,286
Interest paid	(	337,126)	(349,183)
Income tax paid	(	1,285,843)	(1,722,502)
Income tax refund received		-	27,754
Net cash flows from operating activities		5,211,412	7,234,048

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net changes on financial assets or liabilities at fair value through profit or loss		\$ 860	\$ 1,025
Acquisition of investments accounted for using equity method		-	(468,390)
Proceeds from disposal of investments accounted for using equity method		-	20,582
Acquisition of property, plant and equipment	(	1,996,606)	(2,397,391)
Proceeds from disposal of property, plant and equipment		138,313	132,906
Acquisition of intangible assets	(	15,399)	(11,401)
(Increase) decrease in refundable deposits	(	311)	491
Net cash flows used in investing activities	(	1,873,143)	(2,722,178)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		3,950,000	1,000,000
Decrease in short-term loans	(	2,000,000)	(500,000)
Proceeds from issuing bonds		-	5,000,000
Repayments of bonds	(	4,800,000)	(1,900,000)
Proceeds from long-term loans		6,050,000	300,000
Repayments of long-term loans	(	7,460,000)	(1,690,667)
Decrease in guarantee deposits received	(	80)	(234)
Repayments of principal portion of lease liabilities	(	29,095)	-
Cash dividends paid	(	3,565,557)	(5,834,548)
Net cash flows used in financing activities	(	7,854,732)	(3,625,449)
Effect of exchange rate changes on cash and cash equivalents		221,900	(68,959)
Net (decrease) increase in cash and cash equivalents	(	4,294,563)	817,462
Cash and cash equivalents at beginning of year		12,820,135	12,002,673
Cash and cash equivalents at end of year	\$	8,525,572	\$ 12,820,135

Ratifications

Item No. 2 – Ratification of the Company’s 2019 profit distribution (submitted by the Board of Directors)

Explanation:

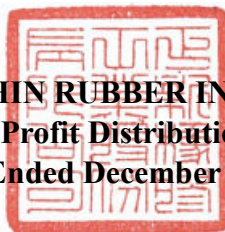
1. The Board has adopted a proposal for the distribution of the Company’s 2019 profits, which has been reviewed and reported by the Audit Committee and hereby submitted to the meeting of the shareholders for ratification.
2. After setting aside the legal reserve, the 2019 after-tax earnings together with the undistributed earnings from the previous year shall amount to a total distributable earnings of NT\$29,395,291,786. In accordance with the Articles of Incorporation of the Company, the Board of Directors proposes to distribute cash dividends in the amount of NT\$3,241,415,536 to the shareholders at NT\$1 per share. The profit distribution shall be allocated out of the 2019 earnings. If the 2019 earnings are insufficient for the current profit distribution, then the distribution shall be allocated out of the 2018 undistributed earnings. The cumulative undistributed earnings after distribution will be NT\$26,153,876,250. (See “Profit Distribution” on page 41 of this Handbook.)
3. It is proposed that after the profit distribution has been approved at the shareholders meeting, the Board of Directors will be authorized to set the ex-dividend date. Dividends will be distributed pro rata according to the shareholder register as of the record date and rounded down to the nearest dollar after discount any cents. The remaining amount shall be treated as “other income” of the Company.
4. The proposal is hereby submitted to the shareholders meeting for ratification.

Resolution:

CHENG SHIN RUBBER IND. CO., LTD.

Profit Distribution

Year Ended December 31, 2019



	(NT\$)
Beginning balance of retained earnings	\$ 27,974,517,818
Less adjustment of 2019 retained earnings	4,577,304
Adjusted beginning balance of retained earnings	<u>27,979,095,122</u>
Net Income after tax of 2019	3,466,826,566
Less 10% legal reserve appropriated	(346,682,657)
Less 10% special reserve appropriated	<u>(1,703,947,245)</u>
Earnings available for distribution	<u>29,395,291,786</u>
<u>Distribution items:</u>	
Cash dividends (at NT\$1. per share)	<u>(3,241,415,536)</u>
Balance of 2019 retained earnings	<u>\$26,153,876,250</u>

Lou, Tsau-Jen

Chairman



Lou, Tsau-Jen

General Manager



Chang, Ya-Ching

Controller



Discussions

Discussions

Item No. 1 – Amendments to the Company’s “Articles of Incorporation” (proposed by the Board of Directors)

Explanation:

1. The Board has proposed to amend relevant provisions under the Company’s “Articles of Incorporation” pursuant to the notice issued by the Financial Supervisory Commission dated April 25, 2019 (Jin-Guan-Zheng-Jiao-Zi No. 1080311451). In accordance with the notice above, a listed company shall adopt a candidates nomination system for election of the directors and such adoption shall be expressly stipulated in the Company’s “Articles of Incorporation”; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. A table of comparison of the current and amended provisions can be found on pages 45-47 of this Handbook.
2. The “Articles of Incorporation” shall be effective upon the approval by the Audit Committee and resolutions adopted at the Board of Directors’ meeting and the shareholders meeting. The proposal is hereby submitted to the shareholders meeting for approval.

Resolution:

Cheng Shin Rubber Ind. Co., LTD.

Comparison of Current and Amended Provisions of the Company's Articles of Incorporation

No.	Amended Provisions	Current Provisions	Commentary
Article 7	<u>The Company's shares may be exempted from printing any share certificate for the shares issued, and shall register the issued shares with a centralized securities depository enterprise and follow the regulations of that enterprise.</u>	<p>I. <u>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.</u></p> <p>II. The Company may issue shares without certificates, and such shares shall be registered with a central securities depository.</p>	Amended to reflect regulatory changes to Article 162-2 of the Company Act.
Article 17	<p>I. Subject to Article 26-3 of the Securities and Exchange Act, the Company shall have nine to eleven directors, <u>with adoption of a candidates nomination system, the directors</u> shall be elected from <u>the nominees listed in the roster of director candidates</u> at the shareholders' meeting and hold office for three years; re-elected directors may serve consecutive terms.</p> <p>II. 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 restrictions on professional qualifications, share ownership,</p>	<p>I. Subject to Article 26-3 of the Securities and Exchange Act, the Company shall have nine to eleven directors, who shall be elected from <u>legally competent persons</u> at the shareholders' meeting and hold office for three years; re-elected directors may serve consecutive terms.</p> <p>II. 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 <u>using the candidate nomination system and from among a list of</u></p>	Amended to reflect regulatory changes to Paragraph 1 to Article 192-1 of the Company Act and Article 216-1 of the Company Act.

No.	Amended Provisions	Current Provisions	Commentary
	<p>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.</p> <p>III. 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.</p>	<p><u>candidates</u>. 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.</p> <p>III. 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.</p>	
<p>Article 20</p>	<p>In case that the vacancies in the office of directors reach one-third of the Board <u>or if all independent director have been dismissed</u>, 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.</p>	<p>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.</p>	<p>Amended to reflect regulatory changes to Article 14-2 of the Securities and Exchange Act.</p>

No.	Amended Provisions	Current Provisions	Commentary
Article 27	The original Articles of Incorporation were adopted on December 15, 1969. Amended thereafter on June 25, 1971; April 25, 1972; ...June 15, 2016; June 15, 2017; <u>June 16, 2020.</u>	The original Articles of Incorporation were adopted on December 15, 1969. Amended thereafter on June 25, 1971; April 25, 1972; ...June 15, 2016; June 15, 2017.	Amended to include the last amendment date of the Articles of Incorporation

Election Matters

Election Matters

Item No. 1 –Election of directors (independent directors included) (Proposed by board of directors)

Explanation:

1. The tenure of the Company's current directors began on June 15, 2017 and expires on June 14, 2020. The election of new directors is proposed to be held in the 2020 annual general meeting.
2. Pursuant to the Articles of Incorporation, eleven directors, including three independent directors, will be elected in the proposed election. The newly elected directors will have a tenure of three years beginning on June 16, 2020 and expiring on June 15, 2023 and the directors are eligible for re-election.
3. The election of independent directors adopts the nomination system. The shareholders shall elect the independent directors from among the independent director nominees listed in the roster of independent director candidates. Please find the roster of independent director candidates approved by the board of the directors as follows:

Serial Number	Name	Education	Experience	Holding Shares
1	Hsu, En-De	Program on Case Method and Participant-Centered Learning, Business School, Harvard University, USA; Ph.D., Accounting, National Taiwan University	Professor in Department of Accounting and Dean of Center for International Internship Development, Tunghai University; Dean of Center for the Research of Accounting and Industry, Tunghai University	0
2	Chen, Shuei-Jin	Master's Degree, Department of Business Administration, National Chung Cheng University	Certified Public Accountant and Managing Partner, Yuan Sheng Certified Public Accountants; Partner, Deloitte	0
3	Chen, Tzu-Chen	Master of law, National Taiwan Ocean University	Judge, Taipei District Court; Judge, Taiwan High Court; Judge, Taipei High Administrative Court	2,155

4. The proposal is hereby submitted to the shareholders meeting for resolution.

Election results:

Other Matters

Other Matters

Item No. 1 – Releasing the Newly Elected Directors from the Non-Competition Restrictions
(Proposed by board of directors)

Explanation:

1. Pursuant to Article 209 Paragraph 1 of Company Act in Taiwan, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. In accordance to the law mentioned above, it is proposed to release the newly elected independent directors, directors and their representatives from the non-competition restrictions, while the complementary explanation regarding the releasing scope and detail information will be provided at the scene before the shareholders meeting begin to discuss the proposal.
2. The proposal is hereby submitted to the shareholders meeting for resolution.

Resolution:

Motions

Adjournment

Annex I

Cheng Shin Rubber Ind. Co., LTD.

Articles of Incorporation

(Before Amendments)

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 three independent directors among the number of directors to be elected referred to in the preceding paragraph, and the independent directors shall represent at least one-fifth of the Board. The independent directors shall be elected at the shareholders'

meeting using the candidate nomination system and from among a list of candidates. The restrictions on professional qualifications, share ownership, concurrent positions held, the manner of nomination, the election of the independent directors, and other related matters shall comply with applicable laws and regulations prescribed by the competent authority.

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

Article 18

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

Article 19

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

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

Article 20

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

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 within 20 days after the meeting and shall be classified as important company records and properly maintained for as long as the Company is in existence.

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

Article 24-1

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

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

Audit Committee

Article 26

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

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

Article 27

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

Article 28

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

Section VI

Managerial Personnel and Employees

Article 29

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

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

Article 30

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

Article 31

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

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

Section VII Accounting

Article 32

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

Article 33

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

Article 34

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

The dividends to the shareholders under such plan shall be ten to eighty percent (10-80%) of the total distributable earnings, from which the cash dividends shall not be lower than ten percent (10%) of the total dividends declared.

Article 34-1

To the extent that the Company has profit in the year, the Company shall set aside at least 2% of such profit as employee compensation and no more than 3% of such profit as director compensation, provided that the Company shall first offset the cumulative losses, if any.

Employee compensation shall be distributed in the form of shares or cash, and director compensation shall be distributed in the form of cash. The distribution of compensation 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 compensation in the form of shares or cash in accordance with the preceding subparagraph may include the employees of the Company's subsidiaries who meet certain conditions; the terms of the distribution shall be decided by the Board of Directors.

Section VIII Miscellaneous

Article 35

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

Article 36

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

Article 37

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

Lo, Tsai-Jen

Chairman of the Board

CHENG SHIN RUBBER IND. CO., LTD

AnnexII

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 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 shareholder, the chairman may personally respond or designate relevant personnel to respond.

Article 14

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

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

Article 15

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

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

Article 16

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

Article 17

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

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

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

Article 18

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

Article 19

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

Article 20

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

Article 21

The Rules became effective as of April 24, 1998 upon resolution at the shareholders' meeting.

The Rules have been amended by resolution at the shareholders' meetings held on June 4, 2009, June 15, 2012, and June 18, 2013 respectively.

Annex III

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

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 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 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 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 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, 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 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 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.

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 became effective as of May 29, 2002 upon resolution at the shareholders' meeting. The Rules have been amended by resolution at the shareholders' meetings held on June 13, 2008, June 4, 2009, June 18, 2013, and June 15, 2017 respectively.

Annex IV

Other Explanatory Matters

Details of accepting shareholder proposals for the 2020 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 5, 2020 to April 15, 2020. As required by law, the Company has published the information regarding shareholder proposals on the MOPS website.
3. As of April 15, 2020, the Company has not received any written submission of shareholder proposals.

CHENG SHIN RUBBER IND. CO., LTD. Share Ownership of Directors As of April 17, 2020

Position	Name	Number of Shares	Ownership Percentage (%)
Chairman	Luo, Tsai-Jen	283,225,502	8.74%
Director	Xie Shun Investment Co., Ltd. (Representative Chen, Shiu-Hsiung)	15,580,000	0.48%
Director	Jiu Shun Investment Co., Ltd. (Representative: Chen, Yun-Hwa)	13,391,000	0.41%
Director	Hong Jing Investment Co., Ltd. (Representative: Chiu, Li-Ching)	33,331,000	1.03%
Director	Min Xin Investment Co., Ltd. (Representative: Cheng, Han-Chi)	6,425,000	0.20%
Director	Tseng, Shung-Chu	22,488,580	0.69%
Director	Horning Yih Investment Corporation (Representative: Lee, Chin-Chang)	11,131,695	0.34%
Director	Horning Yih Investment Corporation (Representative: Lin, Hung-Yu)		
Independent Director	Hsu, En-Dz	0	0.00%
Independent Director	Too, Jui-Rze	0	0.00%
Independent Director	Chen, Shuei-Jin	0	0.00%
Share Ownership of All Directors		385,572,777	11.89%

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

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