



Stock Code: 2105

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

**Handbook for the 2015 Annual General  
Meeting of Shareholders  
(Translation)**

**Time and Date:** 9:30 a.m., June 11, 2015

**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.**

## **Procedure for the 2015 Annual General Meeting of Shareholders**

- I. Call the Meeting to Order
- II. Chairperson Takes the Chair
- III. Chairperson Remarks
- IV. Reports
- V. Ratifications
- VI. Proposal and Discussion
- VII. Ad Hoc Motions
- VIII. Adjournment

## **CHENG SHIN RUBBER IND. CO., LTD.**

### **Agenda of the 2015 Annual General Meeting of Shareholders**

Time and Date: 9:30 a.m., Thursday, June 11, 2015

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 Takes the Chair
- III. Chairperson's Remarks
- IV. Reports
  - 1. 2014 Business Report.
  - 2. Supervisors' report on the review of the 2014 Financial Statements.
  - 3. Reports of endorsement and guarantee of obligations provided to third parties by the Company.
  - 4. Reports of unsecured corporate bonds issued by the Company in 2014.
- V. Ratifications
  - 1. To ratify the Company's 2014 Business Report and Financial Statements.
  - 2. To ratify the Company's 2014 profit distribution.
- VI. Proposal and Discussion
  - 1. Proposal to release the Company's directors from non-compete restrictions.
- VII. Ad Hoc Motions
- VIII. Adjournment

# Reports

## **Reports**

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Item No. 1 - 2014 Business Report Explanation: The 2014 Business Report of the Company can be found on pages 4-10 of this Handbook.

# CHENG SHIN RUBBER IND. CO., LTD.

## 2014 Business Report

In the past year, the global economy underperformed due to some key factors, which include sharp drops in oil prices caused by oversupply, sluggish economic growth outside the U.S., an approximate 20% depreciation of the Euro and Japanese Yen compounded by U.S. government's tapering of its quantitative easing (QE) policy, and the widening of the risk spread in emerging countries. According to the "World Economic Outlook" published by the International Monetary Fund (IMF) in January 2015, the global economy maintained a steady 3.3% growth in 2014 from the previous year. In 2015, the growth rate is projected to increase marginally to 3.5%; however, the rise is likely to be offset by risks such as weak investment prospects and greater economic volatility.

The tire industry was also greatly affected by the plummeting oil price. On one hand, the traveling by motor vehicles was encouraged by cheaper fuel costs; on the other hand, the decrease in the cost of raw materials caused a decrease in the average selling price of tires. With the dedication and contributions of the Maxxis family members, the Company withstood the pressure of lower selling prices by boosting sales volumes; the annual revenues decreased by only 3% and the profits remained fairly stable. Spurred by China's booming market, the Maxxis Group has maintained a double-digit growth in the last decade. With the development of new markets in emerging countries, especially India and Indonesia, which are the second and fourth most populated countries respectively, huge potentials and opportunities lie ahead. To secure the source of growth for the next decade, the Company is not only expanding its existing manufacturing facilities in Taiwan, Xiamen, Zhangzhou, and Chongqing, but also focusing on our "Project India + Indonesia".

With "Quality First. Customer Satisfaction." as our motto, the Company is dedicated to improving our R&D and innovating product solutions. Our latest investment in a cutting-edge test track will shorten our product development timeline. In addition, the global market share of the Company has been effectively increased by our multi-brand strategy as well as our offering of high-value-added products. According to the Tire Business magazine published last year, the Company was ranked No. 9 among global tire companies in terms of sales. Our long-term focus is on our core business, while branching out based on our existing corporate culture. With steady execution of our strategy, we strive to offer highest quality products to meet various needs of our customers. We look forward to creating greater value for our shareholders, customers, and employees.

## Results of Operations in 2014 and Operating Prospects of 2015

### I. Results of Operations in 2014

#### (1) Results of operations based on our business plan for 2014

##### 1. Sales and Production

(pcs. in thousands)		
2014 PCR	Production	34,093
	Sales	42,918
Compared with sales of 40,586 in 2013		5.75%
2014 TBR	Production	2,857
	Sales	3,323
Compared with sales of 3,680 in 2013		-9.70%
2014 MC	Production	52,515
	Sales	51,794
Compared with sales of 46,300 in 2013		11.87%
2014 BC	Production	98,500
	Sales	92,207
Compared with sales of 98,226 in 2013		-6.13%
2014 TUBE	Production	161,806
	Sales	156,648
Compared with sales of 151,836 in 2013		3.17%
2014 OTHER TIRES	Production	16,600
	Sales	16,455
Compared with sales of 15,214 in 2013		8.16%



## 2. Operation Summary

### IFRS Consolidated

(in thousands in NT\$)

2014 Net Sales	129,014,062
Compared with 133,086,543 in 2013	-3.06%
2014 Cost of Goods Sold	93,113,558
Compared with 97,758,748 in 2013	-4.75%
2014 Operating Expenses	14,710,765
Compared with 13,113,024 in 2013	12.18%
2014 Operating Profit	21,189,739
Compared with 22,214,771 in 2013	-4.61%
2014 Net Profit	16,111,617
Compared with 18,641,919 in 2013	-13.57%

### IFRS Individual

(in thousands in NT\$)

2014 Net Sales	23,639,942
Compared with 23,837,290 in 2013	-0.83%
2014 Cost of Goods Sold	16,650,828
Compared with 17,748,020 in 2013	-6.18%
2014 Operating Expenses	3,876,414
Compared with 3,725,538 in 2013	4.05%
2014 Operating Profit	3,037,576
Compared with 2,340,006 in 2013	29.81%
2014 Net Profit	16,015,591
Compared with 18,548,522 in 2013	-13.66%

## (2) Revenue Forecast and Realization

The sales revenue in 2014 totaled NT\$129 billion, a realization of 92% of the sales forecast, which was NT\$140 billion.

(3) Financial Position and Profitability Analysis

IFRS Consolidated

(in thousands in NT\$)

Item			2014	2013	% Change
Income Statement	Sales Revenue		129,014,062	133,086,543	-3.06%
	Gross Profit		35,900,504	35,327,795	1.62%
	Net Profit		16,111,617	18,641,919	-13.57%
Profitability	Return on Assets (ROA) (%)		10.27	12.48	-17.71%
	Return on Equity (ROE) (%)		19.19	26.21	-26.78%
	As a % of Paid-in Capital	Operating Profit	65.37	68.53	-4.61%
		Pre-tax Profit	65.62	71.76	-8.56%
	Net Profit Margin (%)		12.49	14.01	-10.85%
	Earnings Per Share (NT\$)		4.94	5.72	-13.64%

IFRS Individual

(in thousands in NT\$)

Item			2014	2013	% Change
Income Statement	Sales Revenue		23,639,942	23,837,290	-0.83%
	Gross Profit		6,989,114	6,089,270	14.78%
	Net Profit		16,015,591	18,548,522	-13.66%
Profitability	Return on Assets (ROA) (%)		14.14	18.70	-24.39%
	Return on Equity (ROE) (%)		19.23	26.29	-26.85%
	As a % of Paid-in Capital	Operating Profit	9.37	7.22	29.78%
		Pre-tax Profit	57.08	63.20	-9.68%
	Net Profit Margin (%)		67.75	77.81	-12.93%
	Earnings Per Share (NT\$)		4.94	5.72	-13.64%

#### (4) Research and Development

- Run-flat spare tires
- Plus-size 4X4 M8090/M8060 tires
- MCR Sport Touring II
- Motocross Hard Terrain & Soft Terrain II
- Scooter Radial tires
- BC Turn-up tire construction technology
- Tubular second-generation lightweight racing tires
- LT style ATV ML1, ML3, ML5
- New Sport series: MS-SR1, MS-SR2
- New-Mold
- MAXXIS LTS 70 series trailer tires
- MAXXIS TBR 70 series drive axle tires
- MAXXIS TBR 70 series rib-type tread tires
- MAXXIS TBR drive axle snow tires
- RAZR MT 772
- MEco3 LRR tires
- PI14 PRESA snow tires

## II. Outline of 2015 Business Plan

### (1) Business Strategy

With the Maxxis family as core members of our business and with safety as our highest priority, we are committed to implement the [3+2+1] strategy, by which we give our 100% in areas of quality, services, and integrity. We treat our customers and employees with utmost respect, consideration, and the heart of gratitude. With clear and efficient management practices, we continue to deliver excellent brand value and advance our business objectives, which include:

1. Achieving sales target and increasing the brand value and market share.
2. Achieving target quality through innovations in technology and research and development of new products, and improving manufacturing efficiency.

3. Improving energy efficiency, reducing operating costs, and implementing operating procedures that would achieve automation, labor-saving and energy-saving.
4. Expanding the capabilities of the organization, building top talents, and providing care and benefits to our employees.
5. Enforcing safety and health, environmental protection, and energy management—no environmental contamination or occupational injury incidents.
6. Expanding manufacturing facilities in order to meet market demands.

(2) Sales Volume Forecast and Basis

IFRS Consolidated

(in pcs. in thousands)

Item	2015 Volume Forecast
	Sales
PCR	48,014
TBR	4,246
MC	59,487
BC	120,315
TUBE	180,645
OTHER TIRES	14,444
<b>TOTAL</b>	<b>427,151</b>

IFRS Individual

(in pcs. in thousands)

Item	2015 Volume Forecast
	Sales
PCR	8,761
TBR	409
MC	6,265
BC	8,388
TUBE	12,596
OTHER TIRES	3,750
<b>TOTAL</b>	<b>40,169</b>

*\*This forecast is based on the assessment made during the sales meeting held on February 16, 2015.*

(3) Key Production and Distribution Policy

As we enter into the year of 2015, the Company will continue to drive growth based on its “Glocalization” policy, which means combining globalization with localization, sharpening our R&D focus, and providing our customers from over 180 countries with a more competitive product portfolio.

On behalf of the management team of the Company, thank you for the continued support of all of our shareholders. We remain committed to corporate social responsibility, and will continue to create greater profits and higher value for our shareholders and the Company.

**Lou, Tsau-Jen**

*Chairman*

**Chen, Yun-Hwa**

*General Manager*

**Lo, Yung-Li**

*Controller*

## **Reports**

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### Item No. 2 - Supervisors' report on the review of the 2014 Financial Statements

#### Explanation:

The 2014 Financial Statements of the Company have been prepared by the Board of Directors and audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Financial Statements, along with the Business Report and the proposed profit distribution, have been adopted by resolution of the Board of Directors and reviewed by the supervisors of the Company. The Supervisors' Report can be found on page 12 of the Handbook.

## Supervisors' Report

To the 2015 Annual General Meeting of Shareholders of Cheng Shin Rubber Ind. Co., LTD.:

The Board of Directors has prepared and submitted the Company's 2014 Business Report, Financial Statements, and proposed profit distribution to the supervisors. We have not found any inaccuracies in our review of the aforementioned documents. Therefore, we, the supervisors, hereby issue this report in compliance with Article 219 of the Company Act.

Dated: April 28, 2015

Tseng, Sung-Chu

*Supervisor*

Chen, Han-Chi

*Supervisor*

Chiu, Li-Ching

*Supervisor*

## **Reports**

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Item No. 3 - Endorsement and guarantee of obligations provided to third parties by the Company.

Explanation: As of December 31, 2014, the total amount under the endorsement and guarantee of obligations provided to third parties by the Company is US\$740,422,000, or approximately NT\$23,415,846,000; the details of which can be found on pages 14-16 of the Handbook. It is hereby reported to annual general meeting pursuant to the Company's Rules Governing Endorsement and Guarantee.



# CHENG SHIN RUBBER IND. CO., LTD.

## Endorsement and Guarantee to Third Parties

As of December 31, 2014

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	US\$65,200,000.00	Mega Bank	01.25.2008	01.25.2015	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$20,000,000.00	Shin Kong Bank	02.11.2010	02.22.2015	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$20,000,000.00	Mega Bank	09.09.2010	05.22.2017	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB300,000,000.00	UOB Bank	12.24.2010	12.27.2015	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$15,000,000.00	Shin Kong Bank	02.15.2011	02.15.2018	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$30,000,000.00	Mega Bank	04.01.2011	04.26.2018	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$14,000,000.00	HSBC Bank	04.27.2011	05.18.2016	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	THB300,000,000.00	BBL Bank	04.28.2011	05.06.2016	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$30,000,000.00	Land Bank	06.29.2012	08.22.2017	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$8,000,000.00	Shanghai Bank	03.13.2013	03.13.2016	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$12,000,000.00	Shanghai Bank	03.25.2013	03.25.2016	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$15,000,000.00	Jih Sun Bank	04.24.2013	07.11.2018	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$20,000,000.00	MIZUHO Bank	12.16.2013	12.19.2016	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$20,000,000.00	SMBC Bank	05.22.2014	06.19.2017	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$10,000,000.00	Standard Chartered Bank	08.15.2014	08.20.2017	
Maxxis International (Thailand) Co., Ltd	Loan Guarantee	Long-term	US\$25,000,000.00	BBL Bank	09.15.2014	09.15.2016	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	Loan Guarantee	Long-term	US\$4,515,794.00	First Bank	01.26.2007	02.27.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	US\$10,000,000.00	BBL Bank	05.23.2008	05.22.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	Loan Guarantee	Long-term	US\$12,000,000.00	Mega Bank	10.08.2009	10.08.2016	

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank Name	Start Date	Due Date	Note
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	US\$12,500,000.00	HSBC Bank	04.29.2010	04.29.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	US\$24,000,000.00	First Bank	08.10.2010	08.10.2017	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	US\$10,000,000.00	Taipei Fubon Bank	05.06.2013	07.23.2018	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Long-term	US\$10,000,000.00	CTBC Bank	05.27.2014	05.27.2017	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$7,000,000.00	HSBC Bank	04.27.2012	04.29.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$5,000,000.00	MIZUHO Bank	01.02.2014	01.02.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	Loan Guarantee	Short-term	US\$7,000,000.00	First Bank	01.24.2014	01.24.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$5,000,000.00	MUFG Bank	05.12.2014	02.28.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$10,000,000.00	CTBC Bank	05.20.2014	05.20.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$10,000,000.00	BBL Bank	05.23.2014	05.23.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$9,000,000.00	Taipei Fubon Bank	09.15.2014	09.14.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$5,000,000.00	ANZ Bank	09.29.2014	09.29.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd	Loan Guarantee	Short-term	US\$10,000,000.00	BOA Bank	10.01.2014	09.30.2015	
Cheng Shin Rubber (Vietnam) Ind. Co., Ltd.	Loan Guarantee	Short-term	US\$7,000,000.00	Mega Bank	10.17.2014	10.16.2015	

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

As of December 31, 2014

Obligor	Guaranteed Obligation	Type of Guarantee	Balance on Guarantee	Bank	Start Date	Due Date	Note
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$30,000,000.00	HSBC Bank	11.10.2010	11.09.2015	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$20,000,000.00	Taipei Fubon Bank	11.10.2010	12.14.2017	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$10,000,000.00	Shin Kong Bank	03.10.2011	03.16.2018	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$30,000,000.00	TC Bank	06.21.2011	06.27.2018	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$60,000,000.00	Mega Bank	08.25.2011	08.25.2018	
Cheng Shin Tire & Rubber (CHONGQING)	Loan Guarantee	Long-term	US\$20,000,000.00	E. SUN Bank	09.04.2012	08.16.2017	
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	US\$30,000,000.00	Mega Bank	06.26.2012	07.10.2019	
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	US\$30,000,000.00	Mega Bank	08.03.2012	07.10.2019	
CST RUBBER (ZHANGZHOU) IND. CO., LTD.	Loan Guarantee	Long-term	US\$30,000,000.00	First Bank	01.21.2013	01.20.2018	

## **Reports**

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### Item No. 4 – Unsecured corporate bonds issued by the Company in 2014

#### Explanation:

1. In order to fund working capital, repay debts, and improve the financial position of the Company, the Board of Directors has adopted by resolution the issuance of unsecured corporate bonds at the meeting on March 25, 2014, the total amount of which may not exceed NT\$5 billion.
2. The conditions of issuance of the corporate bonds and other relevant matters have been posted on the Market Observation Post System (the “MOPS”).
3. The Company has filed with the Financial Supervisory Commission regarding its plan to issue corporate bonds (effective as of June 6, 2014 pursuant to letter No. 1030021640). The offering of the corporate bonds was completed on July 18, 2014, with a total amount of issuance equal to NT\$4.8 billion. According to letter No. 10300186071 issued by the Taipei Exchange (GreTai Securities Market) on July 16, 2014, the bonds of the Company became available for trading as of July 18, 2014.

# **Ratifications**

## **Ratifications**

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Item No. 1 – To ratify the 2014 Business Report and Financial Statements  
(submitted by the Board of Directors)

Explanation:

1. The 2014 Business Report and Financial Statements have been prepared by the Board of Directors and audited and certified by independent auditors, Grace Hung and Steven Go, of PricewaterhouseCoopers Taiwan. The Business Report and the Financial Statements have been adopted by resolution of the Board of Directors and reviewed by the supervisors of the Company. The supervisors have not found any inaccuracies in their review of these documents and delivered a report accordingly. The Business Report, Supervisors' Report, and Financial Statements can be found on pages 4-10, 12, and 20-35 of the Handbook.
2. The proposal is hereby submitted for ratification.

Resolution:

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 14003749

To the Board of Directors and Stockholders of Cheng Shin Rubber Ind. Co., LTD. :

We have audited the accompanying consolidated balance sheets of Cheng Shin Rubber Ind. Co., LTD. and its subsidiaries (the “Cheng Shin Group”) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cheng Shin Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$5,004,026 thousand and NT\$4,565,866 thousand, both representing 3% of the consolidated total assets as of December 31, 2014 and 2013, respectively, and the total liabilities of NT\$2,914,994 thousand and NT\$3,088,973 thousand, both representing 4% of the consolidated total liabilities as of the years ended December 31, 2014 and 2013, respectively, and total operating revenues of NT\$4,686,035 thousand and NT\$3,672,671 thousand, constituting 4% and 3% of consolidated total net operating revenue for the year ended December 31, 2014 and 2013, respectively. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other independent accountants, the

consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cheng Shin Rubber Ind. Co., LTD. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Cheng Shin Rubber Ind. Co., LTD. as of and for the years ended December 31, 2014 and 2013, and have expressed a modified unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

March 24, 2015

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

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



**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

			December 31, 2014		December 31, 2013	
Assets		Notes	AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 21,166,079	12	\$ 19,814,425	12
1110	Financial assets at fair value	6(2)				
	through profit or loss — current		-	-	1,250	-
1125	Available-for-sale financial assets -	6(3)				
	current		137,351	-	142,302	-
1150	Notes receivable, net	6(4)	3,148,922	2	2,427,021	2
1170	Accounts receivable, net	6(5)	11,179,906	6	9,936,746	6
1180	Accounts receivable — related	7				
	parties, net		178,105	-	165,485	-
130X	Inventories, net	6(6)	16,572,698	10	16,504,165	10
1410	Prepayments		1,172,404	1	1,515,354	1
1470	Other current assets	8	1,620,780	1	1,653,675	1
11XX	Total current assets		55,176,245	32	52,160,423	32
Non-current assets						
1523	Available-for-sale financial assets -	6(3)				
	non-current		58,187	-	65,822	-
1550	Investments accounted for using	6(7)(20)				
	equity method		175,325	-	158,643	-
1600	Property, plant and equipment, net	6(8)	109,430,271	65	104,394,750	64
1760	Investment property, net	6(9)	329,221	-	330,190	-
1840	Deferred income tax assets	6(25)	730,697	1	690,240	1
1900	Other non-current assets	6(10) and 8	3,970,421	2	4,428,404	3
15XX	Total non-current assets		114,694,122	68	110,068,049	68
1XXX	Total assets		\$ 169,870,367	100	\$ 162,228,472	100

(Continued)

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan Dollars)

	Liabilities and Equity	Notes	December 31, 2014		December 31, 2013	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(11)	\$ 14,436,115	9	\$ 12,101,722	7
2150	Notes payable		57,482	-	63,862	-
2170	Accounts payable		8,239,180	5	8,453,823	5
2200	Other payables	6(12)	6,707,782	4	6,663,411	4
2230	Current income tax liabilities	6(25)	2,206,857	1	2,434,773	2
2300	Other current liabilities	6(13)(14)(15)	8,937,676	5	10,762,524	7
21XX	<b>Total current liabilities</b>		<u>40,585,092</u>	<u>24</u>	<u>40,480,115</u>	<u>25</u>
	<b>Non-current liabilities</b>					
2500	Financial liabilities at fair value through profit or loss – non-current	6(2)	47,823	-	36,538	-
2530	Bonds payable	6(14)	8,600,000	5	5,800,000	4
2540	Long-term borrowings	6(15) and 7	25,028,308	15	30,954,591	19
2550	Provisions - non-current		106,684	-	73,462	-
2570	Deferred income tax liabilities	6(25)	2,778,204	2	2,409,458	1
2600	Other non-current liabilities	6(16)	4,167,231	2	3,074,820	2
25XX	<b>Total non-current liabilities</b>		<u>40,728,250</u>	<u>24</u>	<u>42,348,869</u>	<u>26</u>
2XXX	<b>Total liabilities</b>		<u>81,313,342</u>	<u>48</u>	<u>82,828,984</u>	<u>51</u>
	<b>Equity</b>					
	<b>Equity attributable to owners of parent</b>					
	<b>Share capital</b>	6(17)				
3110	Ordinary share		32,414,155	19	32,414,155	20
	<b>Capital surplus</b>	6(18)				
3200	Capital surplus		52,576	-	52,576	-
	<b>Retained earnings</b>	6(19)				
3310	Legal reserve		10,076,452	6	8,221,599	5
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		39,169,276	23	34,754,705	21
	<b>Other equity interest</b>	6(20)				
3400	Other equity interest		3,446,772	2	766,907	1
31XX	<b>Total equity attributable to owners of parent</b>		<u>87,763,394</u>	<u>52</u>	<u>78,814,105</u>	<u>49</u>
36XX	<b>Non-controlling interests</b>		<u>793,631</u>	<u>-</u>	<u>585,383</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>88,557,025</u>	<u>52</u>	<u>79,399,488</u>	<u>49</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9				
	<b>Significant events after the balance sheet date</b>	11				
	<b>Total liabilities and equity</b>		<u>\$ 169,870,367</u>	<u>100</u>	<u>\$ 162,228,472</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 24, 2015.

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

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

Items	Notes	2014		2013	
		AMOUNT	%	AMOUNT	%
4000 <b>Sales revenue</b>	7	\$ 129,014,062	100	\$ 133,086,543	100
5000 <b>Operating costs</b>	6(6)	( 93,113,558)	( 72)	( 97,758,748)	( 74)
5900 <b>Gross profit</b>		<u>35,900,504</u>	<u>28</u>	<u>35,327,795</u>	<u>26</u>
<b>Operating expenses</b>	7				
6100 Selling expenses		( 8,474,651)	( 7)	( 7,377,724)	( 6)
6200 General and administrative expenses		( 3,006,727)	( 2)	( 2,752,317)	( 2)
6300 Research and development expenses		( 3,229,387)	( 2)	( 2,982,983)	( 2)
6000 <b>Total operating expenses</b>		<u>( 14,710,765)</u>	<u>( 11)</u>	<u>( 13,113,024)</u>	<u>( 10)</u>
6900 <b>Operating profit</b>		<u>21,189,739</u>	<u>17</u>	<u>22,214,771</u>	<u>16</u>
<b>Non-operating income and expenses</b>					
7010 Other income	6(21)	1,150,998	1	1,002,495	1
7020 Other gains and losses	6(22)	47,622	-	1,212,483	1
7050 Finance costs	6(23)	( 1,157,623)	( 1)	( 1,193,424)	( 1)
7060 Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>40,060</u>	<u>-</u>	<u>24,716</u>	<u>-</u>
7000 <b>Total non-operating income and expenses</b>		<u>81,057</u>	<u>-</u>	<u>1,046,270</u>	<u>1</u>
7900 <b>Profit before income tax</b>		<u>21,270,796</u>	<u>17</u>	<u>23,261,041</u>	<u>17</u>
7950 Income tax expenses	6(25)	( 5,159,179)	( 4)	( 4,619,122)	( 3)
8200 <b>Profit for the period</b>		<u>\$ 16,111,617</u>	<u>13</u>	<u>\$ 18,641,919</u>	<u>14</u>
<b>Other comprehensive income</b>					
8310 Currency translation differences of foreign operations		\$ 3,328,237	2	\$ 2,468,238	2
8325 Unrealized loss on valuation of available-for-sale financial assets	6(3)	12,397	-	35,518	-
8360 Actuarial (loss) gain on defined benefit plan	6(16)	( 25,859)	-	92,140	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(7)	( 458)	-	1,660	-
8399 Income tax relating to the components of other comprehensive income	6(25)	( 544,151)	-	( 438,372)	-
8300 <b>Total other comprehensive income for the year</b>		<u>\$ 2,770,166</u>	<u>2</u>	<u>\$ 2,159,184</u>	<u>2</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 18,881,783</u>	<u>15</u>	<u>\$ 20,801,103</u>	<u>16</u>
<b>Profit attributable to:</b>					
8610 Owners of parent		\$ 16,015,591	13	\$ 18,548,522	14
8620 Non-controlling interests		<u>96,026</u>	<u>-</u>	<u>93,397</u>	<u>-</u>
		<u>\$ 16,111,617</u>	<u>13</u>	<u>\$ 18,641,919</u>	<u>14</u>
<b>Comprehensive income attributable to:</b>					
8710 Owners of parent		\$ 18,673,535	15	\$ 20,762,696	16
8720 Non-controlling interests		<u>208,248</u>	<u>-</u>	<u>38,407</u>	<u>-</u>
<b>Basic earnings per share</b>	6(26)				
9750 <b>Basic earnings per share</b>		<u>\$ 4.94</u>		<u>\$ 5.72</u>	
<b>Diluted earnings per share</b>	6(26)				
9850 <b>Diluted earnings per share</b>		<u>\$ 4.93</u>		<u>\$ 5.71</u>	

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

See report of independent accountants dated March 24, 2015.

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

	Notes	Equity attributable to owners of parent										Non-controlling interest	Total equity
		Capital surplus			Retained earnings			Other equity interest					
		Ordinary share	Capital surplus—treasury share	Capital surplus—gain on sale of fixed assets	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total			
<u>2013</u>													
Balance at January 1, 2013		\$ 28,186,222	\$ 9,772	\$ 42,804	\$ 6,632,195	\$ 2,604,163	\$ 26,173,317	( \$ 1,366,118 )	( \$ 3,013 )	\$ 62,279,342	\$ 546,976	\$ 62,826,318	
Appropriations of 2012 net income:													
Legal reserve		-	-	-	1,589,404	-	( 1,589,404 )	-	-	-	-	-	
Stock dividends	6(17)(19)	4,227,933	-	-	-	-	( 4,227,933 )	-	-	-	-	-	
Cash dividends	6(19)	-	-	-	-	-	( 4,227,933 )	-	-	( 4,227,933 )	-	( 4,227,933 )	
Profit for the year		-	-	-	-	-	18,548,522	-	-	18,548,522	93,397	18,641,919	
Other comprehensive income for the period	6(20)	-	-	-	-	-	78,136	2,101,092	34,946	2,214,174	( 54,990 )	2,159,184	
Balance at December 31, 2013		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 8,221,599</u>	<u>\$ 2,604,163</u>	<u>\$ 34,754,705</u>	<u>\$ 734,974</u>	<u>\$ 31,933</u>	<u>\$ 78,814,105</u>	<u>\$ 585,383</u>	<u>\$ 79,399,488</u>	
<u>2014</u>													
Balance at January 1, 2014		\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 8,221,599	\$ 2,604,163	\$ 34,754,705	\$ 734,974	\$ 31,933	\$ 78,814,105	\$ 585,383	\$ 79,399,488	
Appropriations of 2013 net income:													
Legal reserve		-	-	-	1,854,853	-	( 1,854,853 )	-	-	-	-	-	
Cash dividends	6(19)	-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	-	( 9,724,246 )	
Profit for the year		-	-	-	-	-	16,015,591	-	-	16,015,591	96,026	16,111,617	
Other comprehensive income for the period	6(20)	-	-	-	-	-	( 21,921 )	2,667,428	12,437	2,657,944	112,222	2,770,166	
Balance at December 31, 2014		<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 10,076,452</u>	<u>\$ 2,604,163</u>	<u>\$ 39,169,276</u>	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 87,763,394</u>	<u>\$ 793,631</u>	<u>\$ 88,557,025</u>	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 24, 2015.

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated profit before tax for the period		\$ 21,270,796	\$ 23,261,041
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(8)(24)	10,460,914	9,087,209
Depreciation on investment property	6(9)	969	969
Rental expenses for land use right	6(10)	92,562	74,049
Share of profit of associates and joint ventures accounted for using equity method	6(7)	( 40,060 )	( 24,716 )
Investment loss	6(22)	7,485	-
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(22)	( 27,501 )	20,517
Loss on disposal of property, plant and equipment	6(8)(22)	36,488	80,053
Property, plant and equipment transferred to expenses	6(8)	129,914	95,219
Provision for bad debt expense	6(5)	6,309	1,490
Interest expenses	6(23)	1,129,829	1,196,800
Interest income	6(21)	( 214,634 )	( 201,417 )
Changes in operating assets and liabilities			
Net changes in assets relating to operating activities			
Changes in financial assets and liabilities at fair value through profit or loss		1,250	-
Notes receivable, net		( 721,901 )	( 671,472 )
Accounts receivable - related parties		( 12,620 )	( 28,076 )
Accounts receivable		( 1,249,544 )	( 1,951,112 )
Inventories		786,517	3,617,602
Prepayments		342,950	( 112,623 )
Other current assets		( 123,627 )	( 590,715 )
Other operating assets		( 7,929 )	( 294,613 )
Net changes in liabilities relating to operating activities			
Notes payable		( 6,380 )	( 45,291 )
Accounts payable		( 214,643 )	21,762
Other payables		290,076	225,328
Other current liabilities		68,976	( 441,976 )
Accrued pension liabilities		( 7,800 )	( 7,851 )
Cash inflow generated from operations		31,998,396	33,312,177
Interests received		220,760	186,094
Dividends received	6(7)	17,000	15,000
Interests paid		( 1,147,641 )	( 1,237,748 )
Income taxes paid		( 5,487,288 )	( 4,093,752 )
Net cash flows from operating activities		25,601,227	28,181,771

(Continued)

**CHENG SHIN RUBBER IND. CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2014	2013
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in available-for-sale financial assets, net – current		( \$ 2,652 )	\$ -
Proceeds from capital reduction of available-for-sale financial assets		150	4,050
Proceeds from disposal of available-for-sale financial assets		20,000	-
Proceeds from disposal of property, plant and equipment	6(8)	295,638	1,564,663
Acquisition of property, plant and equipment	6(8)(27)	( 12,687,332 )	( 14,505,968 )
Payment for capitalized interests	6(23)(27)	( 30,724 )	( 85,811 )
(Increase) Decrease in refundable deposits		( 311,658 )	292,379
Increase in other current assets		-	( 236 )
Increase in other non-current assets		( 72,622 )	( 6,186 )
Increase in other non-current liabilities		958,774	632,191
Net cash flows used in investing activities		( 11,830,426 )	( 12,104,918 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans		19,401,174	23,470,798
Decrease in short-term loans		( 17,703,198 )	( 25,312,643 )
Decrease in short-term notes and bills payable		-	( 499,800 )
Proceeds from issuing bonds	6(14)	4,800,000	3,800,000
Repayments of bonds		( 3,500,000 )	( 1,500,000 )
Increase in long-term loans		7,466,782	6,667,352
Decrease in long-term loans		( 14,823,204 )	( 14,784,782 )
Increase in guarantee deposits received		10,551	33,352
Cash dividends paid	6(19)	( 9,724,246 )	( 4,227,933 )
Net cash flows used in financing activities		( 14,072,141 )	( 12,353,656 )
Effect of exchange rate changes on cash and cash equivalents		1,652,994	479,447
Net increase in cash and cash equivalents		1,351,654	4,202,644
Cash and cash equivalents at beginning of period	6(1)	19,814,425	15,611,781
Cash and cash equivalents at end of period	6(1)	\$ 21,166,079	\$ 19,814,425

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

See report of independent accountants dated March 24, 2015.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR 14003595

To the Board of Directors and Stockholders of Cheng Shin Rubber Ind. Co., LTD.:

We have audited the accompanying parent company only balance sheets of Cheng Shin Rubber Ind. Co., LTD. as of December 31, 2014 and 2013, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These parent financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent financial statements based on our audits. As described in Note 6(7) of the parent financial statements, we did not audit the financial statements of certain investments accounted for using equity method and related amounts disclosed in Note 13. The amounts related to financial statements of certain subsidiaries are based on audit reports of the other independent accountants. The balances of investment accounted for using equity method were NT\$2,089,031 thousand and NT\$1,476,893 thousand, representing 2% and 1% of the total assets as of December 31, 2014 and 2013, respectively; the share of profit of subsidiaries, associates and joint ventures accounted for using equity method were NT\$542,498 thousand and NT\$311,746 thousand, representing 3% and 2% of the total comprehensive income for the years ended December 31, 2014 and 2013, respectively.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An

audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other independent accountants, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of Cheng Shin Rubber Ind. Co., LTD. as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the “Rules Governing the Preparations of Financial Statements by Securities Issuers”.

PricewaterhouseCoopers, Taiwan

March 24, 2015

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

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



**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

(Expressed in thousands of New Taiwan Dollars)

(Expressed in thousands of New Taiwan Dollars)						
Assets		Notes	December 31, 2014		December 31, 2013	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 9,339,832	8	\$ 5,708,472	5
1110	Financial assets at fair value	6(2)				
	through profit or loss — current		-	-	1,250	-
1125	Available-for-sale financial assets	6(3)				
	- current		58,931	-	65,059	-
1150	Notes receivable, net	6(4) and 7	34,787	-	24,687	-
1170	Accounts receivable, net	6(5)	1,761,979	1	1,722,615	2
1180	Accounts receivable — related	7				
	parties, net		1,332,936	1	1,129,282	1
130X	Inventories, net	6(6)	2,077,832	2	2,250,593	2
1470	Other current assets	7 and 8	913,696	1	2,220,984	2
11XX	<b>Total current assets</b>		15,519,993	13	13,122,942	12
<b>Non-current assets</b>						
1523	Available-for-sale financial assets	6(3)				
	- non-current		58,187	-	65,822	-
1550	Investments accounted for using	6(7)				
	equity method		87,672,464	72	77,725,947	71
1600	Property, plant and equipment,	6(8)(26)				
	net		17,296,891	14	17,733,212	16
1760	Investment property, net	6(9)	329,221	1	330,190	1
1840	Deferred income tax assets	6(24)	297,147	-	296,878	-
1900	Other non-current assets	8	314,711	-	3,293	-
15XX	<b>Total non-current assets</b>		105,968,621	87	96,155,342	88
1XXX	<b>Total assets</b>		\$ 121,488,614	100	\$ 109,278,284	100

(Continued)

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

(Expressed in thousands of New Taiwan Dollars)

(Expressed in thousands of New Taiwan Dollars)						
Liabilities and Equity		Notes	December 31, 2014		December 31, 2013	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 54,394	-	\$ 48,692	-
2170	Accounts payable		1,200,823	1	1,034,627	1
2180	Accounts payable - related parties	7	18,344	-	18,013	-
2200	Other payables	6(11) and 7	2,816,252	2	2,626,014	2
2230	Current income tax liabilities	6(24)	1,652,298	2	1,563,088	2
2300	Other current liabilities	6(12)	2,089,200	2	3,577,238	3
21XX	<b>Total current liabilities</b>		7,831,311	7	8,867,672	8
<b>Non-current liabilities</b>						
2500	Financial liabilities at fair value through profit or loss – non-current	6(2)	22,407	-	36,538	-
2530	Bonds payable	6(13)	8,600,000	7	5,800,000	5
2540	Long-term borrowings	6(14)	13,603,667	11	12,484,167	12
2570	Deferred income tax liabilities	6(24)	2,778,204	2	2,409,458	2
2600	Other non-current liabilities	6(15)	889,631	1	866,344	1
25XX	<b>Total non-current liabilities</b>		25,893,909	21	21,596,507	20
2XXX	<b>Total liabilities</b>		33,725,220	28	30,464,179	28
<b>Equity</b>						
<b>Share capital</b>						
3110	Ordinary share	6(16)	32,414,155	27	32,414,155	30
<b>Capital surplus</b>						
3200	Capital surplus	6(17)	52,576	-	52,576	-
<b>Retained earnings</b>						
3310	Legal reserve	6(18)(25)	10,076,452	8	8,221,599	7
3320	Special reserve		2,604,163	2	2,604,163	2
3350	Unappropriated retained earnings		39,169,276	32	34,754,705	32
<b>Other equity interest</b>						
3400	Other equity interest	6(19)	3,446,772	3	766,907	1
3XXX	<b>Total equity</b>		87,763,394	72	78,814,105	72
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
<b>Total liabilities and equity</b>			\$ 121,488,614	100	\$ 109,278,284	100

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 24, 2015.

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31

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

	Items	Notes	2014		2013	
			AMOUNT	%	AMOUNT	%
4000	<b>Sales revenue</b>	7	\$ 23,639,942	100	\$ 23,837,290	100
5000	<b>Operating costs</b>	6(6)	( 16,650,828)	( 71)	( 17,748,020)	( 74)
5900	<b>Gross profit</b>		6,989,114	29	6,089,270	26
5910	Unrealised profit from sales		( 75,124)	-	( 23,726)	-
5950	<b>Gross profit from operations</b>		6,913,990	29	6,065,544	26
	<b>Operating expenses</b>					
6100	Selling expenses	7	( 2,201,057)	( 9)	( 2,099,381)	( 9)
6200	General and administrative expenses		( 833,147)	( 3)	( 836,840)	( 4)
6300	Research and development expenses		( 842,210)	( 4)	( 789,317)	( 3)
6000	<b>Total operating expenses</b>	6(23)	( 3,876,414)	( 16)	( 3,725,538)	( 16)
6900	<b>Operating profit</b>		3,037,576	13	2,340,006	10
	<b>Non-operating income and expenses</b>					
7010	Other income	6(20) and 7	1,549,914	7	1,543,124	6
7020	Other gains and losses	6(21)	580,106	2	422,589	2
7050	Finance costs	6(22)	( 388,611)	( 2)	( 389,787)	( 2)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	13,722,817	58	16,568,488	70
7000	<b>Total non-operating income and expenses</b>		15,464,226	65	18,144,414	76
7900	<b>Profit before income tax</b>		18,501,802	78	20,484,420	86
7950	Income tax expenses	6(24)	( 2,486,211)	( 10)	( 1,935,898)	( 8)
8200	<b>Profit for the period</b>		\$ 16,015,591	68	\$ 18,548,522	78
	<b>Other comprehensive income</b>	6(19)(24)				
8310	Currency translation differences of foreign operations		\$ 3,215,975	13	\$ 2,523,800	11
8325	Unrealised loss on valuation of available-for-sale financial assets	6(3)	13,723	-	16,478	-
8360	Actuarial (loss) gain on defined benefit plan		( 25,859)	-	92,140	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		( 1,744)	-	20,128	-
8399	Income tax relating to the components of other comprehensive income		( 544,151)	( 2)	( 438,372)	( 2)
8300	<b>Total other comprehensive income for the year</b>		\$ 2,657,944	11	\$ 2,214,174	9
8500	<b>Total comprehensive income for the year</b>		\$ 18,673,535	79	\$ 20,762,696	87
	<b>Basic earnings per share</b>	6(25)				
9750	<b>Basic earnings per share</b>		\$ 4.94		\$ 5.72	
	<b>Diluted earnings per share</b>	6(25)				
9850	<b>Diluted earnings per share</b>		\$ 4.93		\$ 5.71	

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 24, 2015.

**CHENG SHIN RUBBER IND. CO., LTD.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan Dollars)

		Capital surplus		Retained earnings			Other equity interest			
Notes	Ordinary share	Capital surplus — treasury share	Capital surplus — gain on sale of fixed assets	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on available-for-sal e financial assets	Total equity	
	\$ 28,186,222	\$ 9,772	\$ 42,804	\$ 6,632,195	\$ 2,604,163	\$ 26,173,317	( \$ 1,366,118 )	( \$ 3,013 )	\$ 62,279,342	
	-	-	-	1,589,404	-	( 1,589,404 )	-	-	-	
6(16)(18)	4,227,933	-	-	-	-	( 4,227,933 )	-	-	-	
6(18)	-	-	-	-	-	( 4,227,933 )	-	-	( 4,227,933 )	
	-	-	-	-	-	18,548,522	-	-	18,548,522	
6(19)	-	-	-	-	-	78,136	2,101,092	34,946	2,214,174	
	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 8,221,599</u>	<u>\$ 2,604,163</u>	<u>\$ 34,754,705</u>	<u>\$ 734,974</u>	<u>\$ 31,933</u>	<u>\$ 78,814,105</u>	
	\$ 32,414,155	\$ 9,772	\$ 42,804	\$ 8,221,599	\$ 2,604,163	\$ 34,754,705	\$ 734,974	\$ 31,933	\$ 78,814,105	
	-	-	-	1,854,853	-	( 1,854,853 )	-	-	-	
6(18)	-	-	-	-	-	( 9,724,246 )	-	-	( 9,724,246 )	
	-	-	-	-	-	16,015,591	-	-	16,015,591	
6(19)	-	-	-	-	-	( 21,921 )	2,667,428	12,437	2,657,944	
	<u>\$ 32,414,155</u>	<u>\$ 9,772</u>	<u>\$ 42,804</u>	<u>\$ 10,076,452</u>	<u>\$ 2,604,163</u>	<u>\$ 39,169,276</u>	<u>\$ 3,402,402</u>	<u>\$ 44,370</u>	<u>\$ 87,763,394</u>	

The directors' and supervisors' remuneration of \$429,139 thousand and employees' bonus of \$286,092 thousand for 2012 have been deducted from the non-consolidated statements of income. The directors' and supervisors' remuneration of \$500,810 thousand and employees' bonus of \$333,874 thousand for 2013 have been deducted from the non-consolidated statements of income.

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 24, 2015.

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31  
(Expressed in thousands of New Taiwan Dollars)

	Notes	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the period		\$ 18,501,802	\$ 20,484,420
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Unrealised loss on inter-company transactions		114,736	110,475
Depreciation	6(8)	1,521,618	1,401,773
Provision for bad debt expense		7,461	-
Depreciation on investment property	6(9)	969	969
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	( 14,131 )	( 16,641 )
Loss on disposal of investments	6(21)	7,485	-
Gain on disposal of property, plant and equipment	6(8)	( 281,250 )	( 381,130 )
Loss on unfinished construction and equipment under acceptance transferred to expenses	6(8)	4,410	6,222
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	( 13,722,817 )	( 16,568,488 )
Interest income	6(20)	( 79,681 )	( 41,232 )
Interest expenses	6(22)	373,911	363,304
Unrealised foreign exchange loss		883	-
Effect of exchange rate		( 108,946 )	17,039
Changes in operating assets and liabilities			
Net changes in assets relating to operating activities			
Changes in financial instruments at fair value through profit or loss	6(2)	1,250	-
Notes receivable		( 10,100 )	59,258
Accounts receivable - related parties		( 46,825 )	( 122,288 )
Accounts receivable		( 203,654 )	( 48,406 )
Inventories		172,761	467,730
Other current assets		1,186,310	( 297,846 )
Net changes in liabilities relating to operating activities			
Accounts payable		166,196	( 165,311 )
Accounts payable - related parties		331	122
Other payables		21,587	303,677
Accrued pension liabilities		( 8,706 )	1,799
Other current liabilities		11,962	5,541
Cash inflow generated from operations		7,617,562	5,580,987
Interests received		95,017	40,886
Dividends received		8,677,715	3,984,111
Interests paid		( 345,876 )	( 325,879 )
Income taxes paid		( 2,467,777 )	( 1,232,561 )
Net cash flows from operating activities		13,576,641	8,047,544

(Continued)

CHENG SHIN RUBBER IND. CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan Dollars)

	Notes	2014	2013
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		( \$ 149 )	\$ -
Proceeds from disposal of available-for-sale financial assets		20,000	-
Proceeds from capital reduction of available-for-sale financial assets		150	4,050
Other current assets		-	( 236 )
Acquisition of investments accounted for using equity method		( 1,673,650 )	-
Proceeds from disposal of property, plant and equipment	6(8)	1,002,303	949,823
Acquisition of property, plant and equipment	6(8)(26)	( 1,784,576 )	( 2,638,954 )
Payment for capitalized interests	6(8)(26)	( 13,094 )	( 26,255 )
Increase in refundable deposits		( 311,418 )	( 125 )
Net cash flows used in investing activities		( 2,760,434 )	( 1,711,697 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans		4,819	( 189,829 )
Decrease in short-term notes and bills payable		-	( 499,800 )
Decrease in long-term loans		( 4,380,500 )	( 3,653,311 )
Increase in long-term loans		5,500,000	1,590,000
Increase (decrease) in guarantee deposits received		6,134	( 207 )
Proceeds from issuing bonds	6(13)	4,800,000	3,800,000
Repayments of bonds		( 3,500,000 )	( 1,500,000 )
Cash dividends paid	6(18)	( 9,724,246 )	( 4,227,933 )
Net cash flows used in financing activities		( 7,293,793 )	( 4,681,080 )
Effect of exchange rate changes on cash and cash equivalents		108,946	( 17,039 )
Net increase in cash and cash equivalents		3,631,360	1,637,728
Cash and cash equivalents at beginning of period	6(1)	5,708,472	4,070,744
Cash and cash equivalents at end of period	6(1)	\$ 9,339,832	\$ 5,708,472

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated March 24, 2015.

## **Ratifications**

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### Item No. 2 – Proposal of the 2014 profit distribution (submitted by the Board of Directors)

#### Explanation:

1. The Board has adopted a proposal for the distribution of the Company's 2014 profits in accordance with the Company Act and its Articles of Incorporation, which has been reviewed by the supervisors.
2. After setting aside the legal reserve, the 2014 after-tax earnings together with the undistributed earnings from the previous year shall amount to a total distributable earnings of NT\$37,567,716,447. In accordance with the Articles of Incorporation of the Company, the Board of Directors proposes to distribute cash dividends in the amount of NT\$9,724,246,608 to the shareholders at NT\$3 per share. The profit distribution shall be allocated out of the 2014 earnings. If the 2014 earnings are insufficient for the current profit distribution, then the distribution shall be allocated out of the 2013 undistributed earnings. The cumulative undistributed earnings after distribution will be NT\$27,843,469,839.
3. It is proposed that after the profit distribution has been approved at the shareholders' meeting, the Board of Directors will be authorized to set the ex-dividend date. Dividends will be paid out to the shareholders whose name are on the shareholder register as of the record date. Cash dividend to shareholder that are under NT\$1 shall be categorized as "other income" of the Company.
4. It is also proposed that an amount of NT\$288,280,635 be distributed as employee bonus, and an amount of NT\$319,991,505 be paid out as director bonus. The details of the 2014 profit distribution can be found on pages 37 of the Handbook.

#### Resolution:

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

**Profit Distribution**

**Year Ended December 31, 2014**

	(NT\$)
Beginning balance of retained earnings	23,175,605,951
	<u>(21,921,265)</u>
Less adjustment of 2014 retained earnings	
Adjusted beginning balance of retained earnings	<u>23,153,684,686</u>
Net Income of 2014	16,015,590,846
Less 10% legal reserve appropriated	<u>(1,601,559,085)</u>
Earnings available for distribution	<u>37,567,716,447</u>
<u>Distribution items:</u>	
	(9,724,246,608)
Cash dividends (at NT\$3 per share)	
Balance of 2014 retained earnings	<u>27,843,469,839</u>
Notes: 2% as employee bonus	<u>(288,280,635)</u>
3% as director and supervisor bonus	(391,991,505)

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

**Year Ended December 31, 2014**

Proposed distribution of employee bonus and director and supervisor bonus  
(NT\$)

	As adopted by the Board of Directors
Proposed distribution	Amount to be distributed
Director and supervisor bonus	319,991,505
Employee bonus	288,280,635
Earnings Per Share	
Basic	4.94

**Year Ended December 31, 2013**

Actual distribution of employee bonus and director and supervisor bonus  
(NT\$)

Director and supervisor bonus	\$500,810,093
Employee cash bonus	\$333,873,395

**Lou, Tsau-Jen**

*Chairman*

**Chen, Yun-Hwa**

*General Manager*

**Lo, Yung-Li**

*Controller*



# **Proposal and Discussion**

## **Proposal and Discussion**

Item No. 1 – To release the Company's directors from non-compete restrictions  
(proposed by the Board of Directors)

Explanation:

1. According to Paragraph 1, Article 209 of the Company Act, a director who "acts for himself or on behalf of another person, and whose act falls within the scope of the company's business, shall explain at the meeting of the shareholders the essential details of such act and obtain approval at the meeting of the shareholders.
2. The proposal is hereby submitted for approval.
3. The list of directors of the Company to be released from the non-compete restrictions is as follows:

The Company		Positions at the Other Company Boards	
Position	Name	Company Name	Position
Chairman	Lou, Tsau-Jen	PT. MAXXIS INTERNATIONAL INDONESIA	Director
		Maxxis Rubber India Private Limited	Chairman
Director	Chen, Yun-Hwa	PT. MAXXIS INTERNATIONAL INDONESIA	Chairman
		Maxxis Rubber India Private Limited	Director
Director	Chen, Hsiu-Hsiung	PT. MAXXIS INTERNATIONAL INDONESIA	Director
		Maxxis Rubber India Private Limited	Director

Resolution:

# Motions

## **Other Matters**

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### Details of accepting shareholder proposals for the 2015 Annual General Meeting of the Shareholders

#### Explanation:

1. According to Article 172-1 of the Company Act, a shareholder who holds more than 1% 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 8, 2015 to April 18, 2015. As required by law, the Company has posted information regarding shareholder proposals on MOPS.
3. As of April 18, 2014, the Company has not received any written submission of shareholder proposals.

# Adjournment

**Cheng Shin Rubber Ind. Co., LTD.**

**Articles of Incorporation**

**Section I  
General Provisions**

**Article 1**

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

**Article 2**

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

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

**Article 3**

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

**Article 4**

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

("Board or "Board of Directors").

#### **Article 5**

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

### **Section II Shares**

#### **Article 6**

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

#### **Article 7**

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

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

#### **Article 8**

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

#### **Article 9**

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

### **Section III**

## **Shareholders' Meeting**

### **Article 10**

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

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

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

### **Article 11**

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

### **Article 11-1**

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

### **Article 12**

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

### **Article 13**

The shareholders' meetings shall be presided by the Chairman of the Board. If the



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

#### **Article 14**

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

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

#### **Article 15**

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

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

#### **Article 16**

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

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

The attendance register and proxy forms shall be kept for at least one year; provided, however, records concerning an action initiated by a shareholder

pursuant to Article 189 of the Company Act shall be kept until the conclusion of the lawsuit.

## **Section IV**

### **Board of Directors**

#### **Article 17**

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

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

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

#### **Article 18**

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

#### **Article 19**

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

1. Review and adopt material rules of the Company;
2. Decide on the business directions of the Company;
3. Approve budgets and financial statements;

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

#### **Article 20**

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

#### **Article 21**

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

#### **Article 22**

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

#### **Article 23**

The directors shall attend all meetings of the Board of Directors in person. If a director is unable to attend the meeting due to special circumstances, such director may appoint another director as his proxy. If participation by means of video conferencing is made available at a meeting, directors who participate in

the meeting by such means shall be deemed to have attended such meeting in person. A director who appoints another director as his proxy to attend the meeting shall fill out a proxy form setting forth the scope of authorization with respect to the matters to be discussed at such meeting. A director may only be appointed as a proxy by one other director. A director who resides overseas may, in writing, appoint a shareholder residing in Taiwan as his proxy to regularly attend the meetings of the Board of Directors.

#### **Article 24**

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

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

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

#### **Article 24-1**

The Board of Directors is authorized to determine the compensation of the directors by referencing the standards within the industry; provided, however, independent directors shall not participate in the distribution of earnings as set forth in Article 36 herein.

#### **Article 25**

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

### **Section V Supervisors**

#### **Article 26**

Subject to Article 26-3 of the Securities and Exchange Act, the Company shall have

two to three supervisors, who shall be elected from the legally competent persons at the shareholders' meetings and hold office for three years; re-elected supervisors may serve consecutive terms.

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

#### **Article 27**

The supervisors shall have the following powers and duties:

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

#### **Article 28**

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

#### **Article 29**

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

#### **Article 29-1**

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

#### **Article 30**

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

### **Section VI Managerial Personnel and Employees**

### **Article 31**

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

### **Article 32**

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

### **Article 33**

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

## **Section VII Accounting**

### **Article 34**

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

### **Article 35**

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

1. Business report;
2. Financial statements; and

3. Proposal(s) regarding distribution of profits or offsetting of losses.

#### **Article 36**

The Company is in an industry that is constantly changing, the Company's business cycle is at a stage of steady growth, the Company shall consider the need for future capital funding and long-term financial planning. 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, an amount no less than two percent (2%) of such balance shall be paid out as employee bonus and no more than three percent (3%) of such balance as director and supervisor bonus. 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 shall 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.

The employee bonus referred to in the preceding paragraph may be paid in the form of shares. The persons who may receive such shares include employees of the Company's subsidiaries who meet certain criteria.

### **Section VIII Miscellaneous**

#### **Article 37**

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

#### **Article 38**

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

#### **Article 39**

The original Articles of Incorporation were adopted on December 15, 1969.

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

Lo, Tsai-Jen

*Chairman of the Board*

CHENG SHIN RUBBER IND. CO., LTD.



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

#### **Article 14**

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

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

#### **Article 15**

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

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

#### **Article 16**

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

#### **Article 17**

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

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

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

#### **Article 18**

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

#### **Article 19**

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

#### **Article 20**

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

#### **Article 21**

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

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

Annex 3

**Cheng Shin Rubber Ind. Co., LTD.**

**Share Ownership of Directors and Supervisors**

Dated: April 12, 2015

Position	Name	Number of Shares	Ownership Percentage (%)
Chairman	Lou, Tsau-Jen	309,225,502	9.54%
Director	Chen, Yun-Hwa	40,570,531	1.25%
Director	Chen, Hsiu-Hsiung	42,819,456	1.32%
Director	Horning Yih Investment Corporation (Representative: Wu, Hsuan-Mail)	11,131,695	0.34%
Director	Horning Yih Investment Corporation (Representative: Tseng, Yung-Yao)	11,131,695	0.34%
Director	Horning Yih Investment Corporation (Representative: Lee, Chin-Chang)	11,131,695	0.34%
Director	Horning Yih Investment Corporation (Representative: Lin, Hung-Yu)	11,131,695	0.34%
Independent Director	Hsu, En-Dz	0	0%
Independent Director	Too, Jui-Rze	0	0%
Share Ownership of All Directors		403,747,184	12.45%
Supervisor	Chen, Han-Chi	132,996,793	4.10%
Supervisor	Tseng, Sung-Chu	20,088,580	0.62%
Supervisor	Lou Chiu, Li-Ching	12,934,867	0.40%
Share Ownership of All Supervisors		166,020,240	5.12%

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

Minimum share ownership by all supervisors of the Company: 7,779,397 shares

Minimum share ownership by all directors and supervisors of the Company:  
85,573,369 shares