



# Zeng Hsing Industrial CO.,LTD

## 2020 Annual General Meeting

### Meeting Agenda

Date: 12 June 2020

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Zeng Hsing Corporation  
2020 Annual General Meeting Procedure

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## Zeng Hsing Corporation

### 2020 Annual General Meeting Procedure

1. Time: Friday, 12 June 2020 9:00 a.m.
2. Location: 4F., No. 78, Yongcheng Rd., Taiping Dist., Taichung City, Taiwan
3. Attendants: All shareholders and their proxy holders
4. Chairman: Chih-Cheng Lin
5. Chairman's Address
6. Status Reports
  - (1) 2019 business operations
  - (2) Audit Committee's report of the 2019 audited financial reports
  - (3) The company endorsement guarantee amount report
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  - (7) Amendment of the Plan of Share Repurchase and Transferring to the Employees
  - (8) Implementation of Share Buyback Program
7. Approval Items
  - (1) The company's 2019 business report and financial statements
  - (2) The company's 2019 earnings distribution
8. Discussion Items
  - (1) Amendment to the Rules of Procedure for Shareholders Meetings
9. Extraordinary Motions
10. Adjournment

## Status Reports

(1) 2019 business operations

Please refer to the 2019 Annual Business Report (Attachment 1)

(2) The supervisor's examination of the company's (hereinafter "the Company") 2019 financial statement

Please refer to the Supervisor Review Report (Attachment 2)

(3) The Status of Endorsements and Guarantees

Please refer to the Status of Endorsements and Guarantees (Attachment 3)

(4) 2019 distributable compensation for directors and employees

1) Per Article 35 of the Company's Articles of Incorporation.

2) The Company's pre-tax net profit in 2019 less the pre-tax remuneration to directors and supervisors and employee compensation amounted to NT\$865,300,782. The Company planned to distribute remuneration to the directors in the amount of NT\$4,600,000 and the employees compensation in the amount of NT\$23,000,000. There is no difference between the estimated amount of NT\$4,600,000 for the Company's board of directors (hereinafter the "Board of Directors") and NT\$23,000,000 for employees.

(5) Amendment of the Ethical Corporate Management Best Practice Principles Report

Please refer to the Ethical Corporate Management Best Practice Principles Report (Attachment 4)

(6) Amendment of the Board of Directors Meetings Report

Please refer to the Board of Directors Meetings Report (Attachment 5)

(7) Amendment of the Plan of Share Repurchase and Transferring to the Employees

Please refer to the Plan of Share Repurchase and Transferring to the Employees (Attachment 6)



(8) Report of Implementation Situation of Share Buyback Program

In Accordance with Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies announced by Financial Supervisory Commission R.O.C. (Taiwan).

(1) The Company executed share buyback program in 2020 as follows:

30 April 2020

Instance of the repurchase	4rd Round
Purpose of the repurchase	Transfer to employees
Types of shares to be repurchased	Common shares
Ceiling on total monetary amount of the repurchase	NT\$ 3,671,542,595
Planned period for the repurchase	2020/03/27~2020/05/26
Planned number of shares to be repurchased (shares)	1,200,000 common shares
Price range of the shares to be repurchased (NT\$)	NT\$90~110 (or below)
Types of shares repurchased and executed volume (shares)	0 Common shares
Cumulative monetary amount	NT\$0
Cumulative holding of the company's shares as a percentage of the number of shares intended to repurchase (%)	0%

## Approval Items

- (1) The Company's 2019 business report and financial statements
  - 1) The Company's 2019 Annual Business Report and financial statements have been approved by the Board of Directors, and reviewed by the supervisors. The report was issued accordingly.
  - 2) Please refer to the 2019 Annual Business Report (Attachment 1) and Attachment 7
  
- (2) The Company's 2019 earnings distribution
  - 1) The Company's 2019 Earnings Distribution Chart was approved by the board meeting held on 12 March 2020.
  - 2) The cash dividends proposed to be distributed to the shareholders totaled NT\$ 532,713,553.
  - 3) After the proposal is approved at the shareholders' meeting this year, this surplus distribution plan is to be submitted to the shareholders' meeting for the directors' authorization.

On the ex-dividend base date, the shares held by the shareholders recorded in the shareholders roster on the base date will be paid cash dividend in the amount of NT\$8,800 per thousand shares. If the Company has to retire shares or issue new shares after the Company buys back shares or the employees exercise stock options, , thereby affecting the number of outstanding shares, please authorize the chairman to adjust the distribution ratio according to the distributable common shares profit decided by the shareholders' meeting and the number of shares actually issued by the company.
  - 4) Please refer to the 2019 Earnings Distribution Chart (Attachment 8)

## Discussion Items

- (1) Amended Articles of the Rules of Procedure for Shareholders Meetings.

In order to comply with competent authority and company operations, the Company hereby proposes to amend the Rules of Procedure for Shareholders Meetings. Please refer to Attachment 9.

## Extraordinary Motions

## Adjournment



## Attachments 1

### Zeng Hsing Corporation 2019 Annual Business Report

#### 1. Management policy and implementation summary

- (1) Develop corporate vision and strategy to implement management by objectives: Integrate organizational resources with strategy as the core to set annual goals of group companies and conduct regular differential analysis to improve business performance.
- (2) Strengthen cooperation with existing customers, provide customized services and value-added products, develop new network and distribution channels and enhance customer value.
- (3) Continue to research and develop new products to strengthen existing production lines to provide a diverse product portfolio for functional and styling improvement of existing products through industry-academia cooperation.
- (4) The Company achieves quality enhancement and cost reduction through new technology research, design standards, and various research and development.
- (5) Strengthen supply chain risk management, ensure operational continuity, commit to continuous management of supply chain partners, develop and plan second suppliers, and strengthen supply chain partnerships to enhance operational risk resilience.
- (6) Provide diversified services for customers, enhance customer relationship management, effectively acknowledge customer needs, and provide customers with diversified products and services to strengthen long-term strategic partnerships.
- (7) Through the key talents development and function consolidation plans to strengthen the various career training, to achieve multi-tasking. The Company keeps improving the construction and management of teaching materials so that the employees can take full advantage of it and enhance their professional competencies. Implement performance interviews and establish a complete promotion system.
- (8) Continue to promote green product management: promote green product design and taking advantage of the international environmental conservation trend to pursue continuous improvement; implement ISO14001 environmental management system and green procurement policy to ensure compliance with EU environmental regulations.

(9) Complete the Group Corporate Social Responsibility Report: Continue to commit to and respond to the needs of stakeholders, ensure compliance with ethical standards, care and look after employees and the disadvantaged, protect the planet and nature, and shoulder corporate social responsibility for the sustainable development of business, society and the environment.

2. The Result of Implementation of Business plan (individual)

The 2019 net income of the Company reached NT\$5,415 million, decreasing by 11.78% compared to NT\$6,138 million in 2018. The 2019 net income before tax amounted to NT\$838 million, decreasing by 29.93% compared to NT\$1,196 million in 2018.

3. Execution of the Budget of Operating income and expenditure (individual)

The financial forecast was not disclosed publicly by the Company, as a result, there is no related statement available.

4. Profitability analysis (individual)

Project		Year	
		2019	2018
Operational performance	Operating revenues	\$5,415,138	\$6,137,712
	Gross profit	1,062,307	1,237,989
	Operating profit and loss	628,248	751,237
	Non-operating income and expenses	209,453	445,215
	Earning before Tax	837,701	1,196,452
	Net Profit after Tax	675,801	923,572
	Earnings per share (NTD)	11.16	15.26
Profitability Analysis	Return on Total Assets (%)	10.35	13.70
	Return on Equity (%)	14.13	20.10
	Operating profit / paid-in capital (%)	103.78	124.10
	Pre-tax net profit / paid-in capital (%)	138.38	197.64
	Net Margin (%)	12.48	15.05
	Earnings per share (NTD)	11.16	15.26

5. Research development status (individual)

(1) Since its establishment, the Company has continuously invested in research and development talents and material resources to maintain competitiveness. The research and development expenditure in 2019 reached NT\$105,013 thousand, accounting for 1.94% of the net revenue, which was 8.06% less than the NT\$114,215 thousand in fiscal year 2018.

(2) Successfully developed technologies or products

YEAR	Research results	
108	CJ01BX	(High-speed computer type sewing embroidery combo machine)
	K75U	(Mechanical vertical semi-rotary sewing machine)
	Q75H	(Mechanical vertical semi-rotary sewing machine)
	H7XD	(Computer type horizontal full rotation sewing machine)
	M10C	(Mechanical vertical semi-rotary sewing machine)
	MA10E	(Mechanical vertical semi-rotary sewing machine)
	K76V	(Mechanical vertical semi-rotary sewing machine)
	82N0	(Mechanical vertical semi-rotary sewing machine)

Chairman: Chih-Cheng Lin

Manager: Ming-Yu Tsai

Chief Accountant: Chun-Shen Chou

## Attachment 2

### Zeng Hsing Corporation Supervisor Review Report

The Board of Directors has prepared and submitted to us the Company's 2019 Business Report, proposal for earnings distribution and the financial statements audited by the accountant, who issued an audit report accordingly. Pursuant to Article 219 of the Company Act, we hereby submit this report.

Zeng Hsing Corporation

Supervisor: Bo-Song Zhang

Supervisor: Hui-Yu Huang

Supervisor: Meng-Zong He

12 March 2020

Attachment 3

Zeng Hsing Corporation  
2020.03.31 Endorsement Breakdown Report

Unit: NT\$ thousand

Endorser/ Guarantor	Relationship	Company name	Limit of guarantee/ endorsement amount for receiving party (Note 3)	Maximum balance for the month	Ending balance	Actual amount provided	Amount of collateral guarantee/ endorsement	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guaranty Limited Amount (Note 4)
Zeng Hsing Industrial CO., LTD.	Subsidiary	Zeng Hsing Industrial CO., Ltd. (VN)	\$1,454,264	\$408,429	\$408,429	\$-	\$-	8.43%	\$1,939,018
Total					\$408,429	\$-	\$-		

Note 1: Limit of total guarantee/endorsement amount shall not exceed 40% of the Company's net assets value.

Note 2: The amount of guarantees/endorsements a single overseas associated entity shall not exceed 30% of the Company's net assets value.

Note 3: The total amount of endorsements guaranteed by the Company and its subsidiaries shall not exceed 45% of the Company's current net value.

Note 4: The amount guaranteed by the Company and its subsidiaries for endorsement of a single enterprise shall not exceed 30% of the Company's current net value.

Note 5: The Company's endorsement guarantees are not subject to above Notes 1 and 2 between the foreign subsidiaries that the Company directly and indirectly hold 100% of voting shares.

Attachment 4

Zeng Hsing Corporation

Comparison Table for the Amendments to the Procedures for Ethical Management

Article	Original	Amendment	Amendment Reason
Article 5	The Company shall abide by “Honesty, innovation, teamwork and community” , base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	The Company shall adhere to “Honesty, innovation, teamwork and community” to stipulate policies based on good faith upon obtaining approval from the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.	To comply with the amendment to laws
Article 6	The commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.	The Company shall request the directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy. The Company shall expressly state in their bylaws, external documents and on the company website the ethical management policies and the commitment made by the board members and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities. The Company shall compile documented information regarding the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.	To comply with the amendment to laws
Article 15	The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.	The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company from engaging in unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical management policies.	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>To achieve sound ethical corporate management, the Audit office of the Company is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</li> <li>6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</li> </ol>	<p>To achieve sound ethical management, the Strategic Development Office shall be responsible for establishing and supervising the implementation of the ethical management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis (at least once a year):</p> <ol style="list-style-type: none"> <li>1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</li> <li>2. Establishing evaluation mechanism of the risk of involvement in unethical conduct, analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, and formulating accordingly programs to prevent unethical conduct, and review regularly the appropriateness and effectiveness of the prevention program. The standard operating procedures and conduct guidelines with respect to the Company's operations and business referencing local and international common standards or guidelines shall be set out in each program..</li> <li>3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</li> <li>4. Promoting and coordinating awareness and educational activities with respect to ethics policy.</li> <li>5. Developing a whistle-blowing system and ensuring its operating effectiveness.</li> </ol>	

Article	Original	Amendment	Amendment Reason
		<p>6. Assisting the board of directors and management in reviewing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.</p> <p>7. Preparing and storing properly documented information with respect to the ethnical management policy, its compliance statement, commitment and implementation.</p>	
Article 17	<p>The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of a the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p>	<p>The Company shall adopt policies to prevent conflicts of interest, and to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.</p> <p>When an item at a given board meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings.</p>	To comply with the amendment to laws



Article	Original	Amendment	Amendment Reason
	<p>The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	<p>Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</p> <p>The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	
Article 18	<p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.</p> <p>The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p>	<p>The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems continue to be effective.</p> <p>The internal audit unit of the Company shall, based on the assessment results of the risk of involvement in unethical conduct, devise related audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.</p> <p>The results of said examination shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.</p>	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
Article 21	<p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>4. Confidentiality of the identity of whistle-blowers and the content of reported cases.</li> <li>5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</li> <li>6. Whistle-blowing incentive measures.</li> </ol>	<p>The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:</p> <ol style="list-style-type: none"> <li>1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow internal and external personnel of the Company to submit reports.</li> <li>2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.</li> <li>3. Follow-up measures to be adopted depending on the severity of the circumstances after investigations of cases reported are completed. Where necessary, a case shall be reported to the competent authority or referred to the judicial authority.</li> <li>4. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.</li> <li>5. Confidentiality of the identity of whistle-blowers and the content of reported cases, and an undertaking regarding anonymous reporting.</li> <li>6. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.</li> <li>7. Whistle-blowing incentive measures.</li> </ol>	To comply with the amendment to laws

Attachment 5

Zeng Hsing Corporation  
Comparison Table of the Amendment to the Rules of Procedure for Board Meetings

Article	Original	Amendment	Amendment Reason
Article 7	<p>Chair and acting chair of a board meeting</p> <p>Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select one person from among themselves to serve as chair.</p>	<p>Chair and acting chair of a board meeting</p> <p>Where a meeting of the board of directors is called by the chairperson of the board, the meeting shall be chaired by the chairperson. However, where the first meeting of each newly elected board of directors is called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected, the meeting shall be chaired by that director; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to chair the meeting.</p> <p>Where a meeting of the board of directors is called by a majority of directors on their own initiative in accordance with Paragraph 4 of Article 203, or Paragraph 3 of Article 203-1 of the Company Act, the directors shall choose one person by and from among themselves to chair the meeting.</p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall elect one person from among themselves to serve as chair.</p>	To comply with the amendment to laws
Article 14	<p>Recusal system for directors</p> <p>If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for</p>	<p>Recusal system for directors</p> <p>If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to</p>	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>another director.</p> <p>Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.</p>	<p>exercise voting rights on that matter.</p> <p>Where the spouse or a blood relative within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.</p> <p>Paragraph 2, Article 180 of the Company Act, as applied mutatis mutandis under Paragraph 4, Article 206 of that Act, shall apply to resolutions of board of directors meetings when a director is prohibited by the preceding two paragraphs from exercising voting rights.</p>	
Article 17	<p>Supplementary provisions</p> <p>These Procedure shall be adopted or amended by the approval of the meeting of the board of directors and shall be reported to the shareholders meeting.</p>	<p>Supplementary provisions</p> <p>These Rules of Procedure shall be adopted by the approval of meeting of the board of directors and shall be reported to the shareholders meeting. The board of directors may be authorized to adopt, by resolution, any future amendments to these Rules.</p>	To comply with the amendment to laws

## Attachment 6

### Zeng Hsing Corporation Comparison Table of Amendments to the Plan Governing Share Repurchase and Transfer to Employees

Article	Original	Amendment	Amendment Reason
Article 3	Pursuant to the Plan, the Company may make one-time or multiple-time transferring of the repurchased shares to the employees within three years from the repurchase date.	Pursuant to the Plan, the Company may make one-time or multiple-time transfer of the repurchased shares to the employees within five years from the repurchase date.	To comply with the amendment to laws
Article 11	The articles were established on 28 August 2015.	The Plan was established on 28 August 2015. The 1st amendment was made on 26 March 2020.	To comply with the amendment to laws

## **Independent Auditors' Report**

To ZENG HSING INDUSTRIAL CO., LTD

### **Opinion**

We have audited the accompanying consolidated balance sheets of ZENG HSING INDUSTRIAL CO., LTD and its subsidiaries (the "Group") as of 31 December 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2019 and 2018, and their consolidated financial performance and cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of accounts receivable**

As of 31 December 2019, the Group's accounts receivable and allowance for doubtful accounts amounted to NTD 1,008,879 thousand and NTD 5,942 thousand, respectively. Net accounts receivable represented 16% of the total consolidated assets that could have significant impacts on the Group. Since the collection of notes and accounts receivable is the key factor in the working capital management of the Group, and the adoption of provision policy requires significant management judgement, and the measurement results affect the net amount of accounts receivable, we therefore determined this a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over accounts receivable; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook; investigating accounts receivable details at end of the period, recalculating the reasonableness of loss allowance based on the expected credit loss ratio of each group; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, sampling customers to perform confirmation and reviewing the collection in subsequent period and analyzing the receivable turnover to evaluate recoverability.

In addition, we considered the adequacy of the disclosures related to accounts receivable in Notes 5 and 6 to the consolidated financial statements.

### **Valuation for inventories**

As of 31 December 2019, the net inventories amounted to NTD 574,123 thousand accounting for 9% of the total consolidated assets that could have significant impacts on the Group. The Group starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation and slow-moving losses for raw materials, supply and parts. Due to diversity of products and uncertainty arising from rapid changes in products, allowance for obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit matter.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control system with respect to obsolete and slow-moving inventory; understanding the allowance for inventory loss and slow-moving inventory policies, ; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging intervals to make sure that the inventory aging schedule was appropriate. In addition, we sample tested inventories to check related certificates of purchases and sales and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

In addition, we also considered the adequacy of the disclosures related to inventory in Notes 5 and 6 to the consolidated financial statements.

#### **Emphasis of Matter – Applying the New Accounting Standards**

As described in Note 3 to the consolidated financial statements, the Group applied the International Financial Reporting Standard 16, “Lease” on 1 January 2019, and elected not to restate the consolidated financial statements for prior periods. Our conclusion is not modified in respect of this matter.

#### **Other Matter – Making Reference to the Audit of Component Auditor**

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD 26,841 thousand, representing 0.42% of consolidated total assets as of 31 December 2019. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 22,281 thousand, representing 2.46% of the consolidated net income before tax for the year ended 31 December 2019.



## **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 requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China 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 ability to continue as a going concern of the Group, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Group.

## **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 auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.
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 ability to continue as a going concern of the Group. 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 accompanying notes, 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 2019 consolidated financial statements 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.

## **Others**

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of the Company as of and for the years ended 31 December 2019 and 2018.

Tu, Chin Yuan  
Chen, Ming Hung  
Ernst & Young, Taiwan  
12 March 2020

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
31 December 2019 and 2018  
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at	
		31 December 2019	31 December 2018
<b>Current Assets</b>			
Cash and cash equivalents	4, 6(1),12	\$2,427,869	\$3,023,147
Accounts receivable, net	4, 6(2),6(14),12	1,002,937	1,044,659
Other receivables	12	16,656	23,100
Inventories, net	4, 6(3)	574,123	613,996
Prepayment		93,368	73,540
Other current assets		96,055	95,652
Total Current Assets		4,211,008	4,874,094
<b>Non-current assets</b>			
Financial assets at fair value through other comprehensive income, noncurrent	4, 12	14,959	32,056
Investments accounted for under the equity method	4	81,623	53,465
Property, plant and equipment	4, 6(4), 8	1,696,637	1,431,041
Right of use assets	4, 6(15)	190,928	-
Investment property	4, 6(5)	67,362	68,592
Intangible assets	4	38,951	39,042
Deferred tax assets	4, 6(19)	84,031	75,530
Other non-current assets	4, 6(6), 12	56,559	237,799
Total non-current assets		2,231,050	1,937,525
Total assets		\$6,442,058	\$6,811,619

(The accompanying notes are an integral part of the consolidated financial statements)

(continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
31 December 2019 and 2018  
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at	
		31 December 2019	31 December 2018
Current liabilities			
Short-term loans	4, 6(7),12	\$290,000	\$220,000
Short-term notes and bills payable	4, 6(8),12	-	100,000
Contract liabilities, current	6(13)	13,801	21,779
Notes payable	12	8,900	7,877
Accounts payable	12	549,491	678,924
Other payables	12	245,646	313,361
Current tax liabilities	4	122,074	169,193
Long-term borrowings(including current portion with maturity less than 1 year)	4,6(9),12	40,000	40,000
Other current liabilities	4,6(15),12	25,559	21,194
Total current liabilities		<u>1,295,471</u>	<u>1,572,328</u>
Non-current liabilities			
Long-term loans	4, 6(9),12	80,000	120,000
Deferred tax liabilities	4, 6(19)	217,854	225,240
Accrued pension liabilities	4, 6(10)	40,455	46,598
Other non-current liabilities	4,6(15),12	4,299	360
Total non-current liabilities		<u>342,608</u>	<u>392,198</u>
Total liabilities		<u>1,638,079</u>	<u>1,964,526</u>
Equity attributable to the parent company	4, 6(11)		
Capital			
Common stock		605,356	605,356
Additional paid-in capital		1,385,352	1,385,352
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		163,100	176,886
Retained earnings		2,088,848	2,067,432
Total Retained earnings		<u>2,982,511</u>	<u>2,974,881</u>
Other components of equity			
Exchange differences on translation of foreign operations		(216,223)	(173,468)
Unrealized gains and losses on equity instrument measured at fair value through other comprehensive income, noncurrent		4,838	10,368
Non-controlling interests	6(12)	42,145	44,604
Total equity		<u>4,803,979</u>	<u>4,847,093</u>
Total liabilities and equity		<u>\$6,442,058</u>	<u>\$6,811,619</u>

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended 31 December 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the years ended 31 December	
		2019	2018
Net Sales	4,6(13)	\$5,935,948	\$6,669,964
Cost of Sales	6(3),6(16)	(4,446,673)	(4,981,758)
Gross Profit		1,489,275	1,688,206
Operating Expenses	6(15),6(16)		
Selling and marketing		(151,012)	(154,140)
Management and administrative		(382,784)	(374,930)
Research and development		(105,013)	(114,216)
Expected credit gains (losses)	4,6(14)	564	(2,757)
Total Operating Expenses		(638,245)	(646,043)
Operating Income		851,030	1,042,163
Non-operating income and expenses	6(17)		
Other income		68,852	86,704
Other gain and loss		(26,272)	163,826
Financial costs		(4,215)	(8,027)
Share of profit or loss of associates and joint ventures		15,136	(2,866)
Subtotal		53,501	239,637
Income from continuing operations before income tax		904,531	1,281,800
Income tax expense	4,6(19)	(216,525)	(340,939)
Income from continuing operations, net of tax		688,006	940,861
Other comprehensive income	6(18),6(19)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(2,849)	(9,437)
Share of profit of associates accounted for using equity method		1,382	-
Income tax related to items not reclassified to profit or loss		570	1,896
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(53,444)	(6,034)
Income tax related to items that may be reclassified subsequently to profit or loss		10,689	9,452
Total other comprehensive income (loss), net of tax		(43,652)	(4,123)
Total comprehensive income		\$644,354	\$936,738
Net income attributable to:			
Stockholders of the parent		\$675,801	\$923,572
Non-controlling interests		12,205	17,289
		\$688,006	\$940,861
Comprehensive income attributable to:			
Stockholder of the parent		\$632,149	\$919,449
Non-controlling interests		12,205	17,289
		\$644,354	\$936,738
Earnings per share (NTD)	6(20)		
Earnings per share-basic		\$11.16	\$15.26
Earnings per share-diluted		\$11.13	\$15.20

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the years ended 31 December 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized gains (losses) from Financial asset measured at fair value through other comprehensive income	Treasury stock	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2018	6(11)	\$605,526	\$1,387,345	\$730,563	\$45,286	\$1,797,553	\$(176,886)	\$ -	\$(2,163)	\$4,387,224	\$38,313	\$4,425,537
Impact of retroactive applications								10,368		10,368		10,368
Adjusted balance as of 1 January 2018		605,526	1,387,345	730,563	45,286	1,797,553	(176,886)	10,368	(2,163)	4,397,592	38,313	4,435,905
Appropriations of earnings, 2017:												
Special reserve					131,600	(131,600)				-		-
Cash dividends						(514,552)				(514,552)		(514,552)
Net income for the year ended 31 December 2018						923,572				923,572	17,289	940,861
Other comprehensive income, net of tax for the year ended 31 December 2018						(7,541)	3,418			(4,123)		(4,123)
Total comprehensive income		-	-	-	-	916,031	3,418	-	-	919,449	17,289	936,738
Treasury stock acquired	6(12)	(170)	(1,993)						2,163	-		-
Cash dividends of subsidiary										-	(10,998)	(10,998)
Balance as of 31 December 2018	6(11)	\$605,356	\$1,385,352	\$730,563	\$176,886	\$2,067,432	\$(173,468)	\$10,368	\$ -	\$4,802,489	\$44,604	\$4,847,093
Balance as of 1 January 2019	6(11)	\$605,356	\$1,385,352	\$730,563	\$176,886	\$2,067,432	\$(173,468)	\$10,368	\$ -	\$4,802,489	\$44,604	\$4,847,093
Appropriations of earnings, 2018:												
Special reserve					(13,786)	13,786				-		-
Cash Dividends						(665,892)				(665,892)		(665,892)
Net income for the year ended 31 December 2019						675,801				675,801	12,205	688,006
Other comprehensive income, net of tax for the year ended 31 December 2019						(2,279)	(42,755)	1,382		(43,652)		(43,652)
Total comprehensive income		-	-	-	-	673,522	(42,755)	1,382	-	632,149	12,205	644,354
Disposal of financial assets at fair value through other comprehensive income								(6,912)		(6,912)		(6,912)
Cash dividends of subsidiary	6(12)										(14,664)	(14,664)
Balance as of 31 December 2019	6(11)	\$605,356	\$1,385,352	\$730,563	\$163,100	\$2,088,848	\$(216,223)	\$4,838	\$ -	\$4,761,834	\$42,145	\$4,803,979

(The accompanying notes are an integral part of the consolidated financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income before tax	\$904,531	\$1,281,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	232,284	201,331
Amortization	45,433	44,008
Loss on disposal of property, plant and equipment	10,395	2,314
Gain on disposal of investments	(9,903)	-
Net gain of financial assets at fair value through profit or loss	(804)	(19,173)
(Gain) loss from price recovery of inventories	(7,985)	8,493
Share of profit or loss of associates and joint ventures	(15,136)	2,866
Expected credit profit or loss	(564)	2,757
Gain on reversal of impairment loss	(4,560)	-
Other revenue	(29)	-
Interest income	(41,043)	(41,868)
Interest expense	4,215	8,027
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	1,369	14,112
Decrease in accounts receivable	42,286	263,732
Decrease (increase) in inventories, net	47,858	(232,217)
Decrease in other receivables	6,444	47,519
Increase in prepayments	(5,888)	(16,000)
Increase in other current assets	(968)	(69,380)
(Decrease) increase in contract liabilities	(7,978)	1,992
Increase(decrease) in notes payable	1,023	(4,888)
(Decrease) increase in accounts payable	(129,433)	26,618
(Decrease) increase in other payables	(67,715)	63,318
Increase in other current liabilities	448	15,953
Decrease in accrued pension liabilities	(8,992)	(2,709)
Cash generated from operations	<u>995,288</u>	<u>1,598,605</u>
Interest received	41,043	41,868
Income tax paid	(266,890)	(218,248)
Net cash provided by operating activities	<u>769,441</u>	<u>1,422,225</u>

(The accompanying notes are an integral part of the consolidated financial statements)

(continued)



ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	<u>For the years ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Cash flows from investing activities:		
Disposal of financial assets measured at amortized cost	-	72,461
Acquisition of debt instrument investments with no active market, current	19,466	-
Acquisition of investments accounted for under the equity method	(8,462)	-
Acquisition of property, plant and equipment	(549,905)	(369,175)
Proceeds from disposal of property, plant and equipment	16,550	5,351
Increase in refundable deposits	-	(3,486)
Decrease in refundable deposits	1,794	-
Acquisition of intangible assets	(12,503)	(6,559)
Increase in other non-current assets	(47,286)	(64,263)
Net cash used in investing activities	<u>(580,346)</u>	<u>(365,671)</u>
Cash flows from financing activities:		
Increase in short-term loans	1,444,936	2,378,987
Decrease in short-term loans	(1,374,936)	(2,829,910)
Increase in short-term notes and bills payable	190,000	4,330,000
Decrease in short-term notes and bills payable	(290,000)	(4,460,000)
Decrease in long-term loans	(40,000)	-
Lease principal repayment	(4,506)	-
Cash dividends	(665,892)	(514,552)
Interest paid	(4,215)	(8,027)
Cash dividends of subsidiary	(14,664)	(10,998)
Net cash used in financing activities	<u>(759,277)</u>	<u>(1,114,500)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(25,096)</u>	<u>(14,536)</u>
Net decrease in cash and cash equivalents	<u>(595,278)</u>	<u>(72,482)</u>
Cash and cash equivalents at beginning of period	<u>3,023,147</u>	<u>3,095,629</u>
Cash and cash equivalents at end of period	<u><u>\$2,427,869</u></u>	<u><u>\$3,023,147</u></u>

(The accompanying notes are an integral part of the consolidated financial statements)

## **Independent Auditors' Report**

To ZENG HSING INDUSTRIAL CO., LTD

### **Opinion**

We have audited the accompanying parent company only balance sheets of Zeng Hsing Industrial Co., Ltd. (the "Company") as of 31 December 2019 and 2018, and the parent company only statements of comprehensive income, the parent company only changes in equity and the parent company only cash flows for the years ended 31 December 2019 and 2018, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditor(s) (please refer to the Other Matter – Making Reference to the Audit of Component Auditor section of our report), the accompanying parent company only financial statements referred to above present fairly, in all material respects, the parent company only financial position of the Company as of 31 December 2019 and 2018, and the parent company only financial performance and the parent company only cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of accounts receivable**

As of 31 December 2019, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD1,080,270 thousand and NTD5,942 thousand, respectively. Net accounts receivable represented 17% of the parent company only total assets and have significant impacts on the Company. The collection of accounts receivable is a key factor in the working capital management of ZENG HSING INDUSTRIAL CO., LTD and the provision for allowance for doubtful accounts would reflect the credit risk of the Company. As the adequacy of provision policy requires significant management judgement, we therefore determined the issue as a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the effectiveness of internal control over assessment of client credit risk and accounts receivable collection management; assessing the reasonableness of loss allowance policy, including understanding related information to evaluate expected credit loss ratio according to historical experience, current market and future economic outlook; investigating accounts receivable details at end of the period, recalculating the reasonableness of loss allowance based on the expected credit loss ratio of each group; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging; sampling customers to perform confirmation and reviewing the collection in subsequent period and analyzing the receivable turnover to evaluate recoverability.

In addition, we also considered the adequacy of the disclosures related to accounts receivable in Notes 5 and 6 to the parent company only financial statements.

### **Valuation for inventories (including investments accounted for under the equity method-inventory of subsidiaries)**

As of 31 December 2019, inventories of the Company and the investees accounted for under the equity method that could have significant impacts on the financial statements. The Company starts manufacturing after receiving orders from customers, so we mainly assessed the allowance for inventory valuation losses for raw materials. Due to diversity of products and uncertainty arising from rapid changes in products, obsolete and slow-moving inventory valuation requires significant management judgement, we therefore determined the issue as a key audit mater.

Our audit procedures included, but not limited to, understanding and testing the operating effectiveness of internal controls around customer credit risk assessment and the management of collection of accounts receivable; sampling important storage locations to observe inventory counts; testing the correctness of the inventory aging schedule to make sure that the inventory aging schedule was appropriate. In addition, we also obtained the current year's reports on inventory movement and sample tested to check whether purchases and sales were supported by appropriate vouchers and to re-calculate the unit cost of inventories to evaluate the reasonableness of the net realizable value of inventory.

In addition, we also considered the adequacy of the disclosures related to inventory in Notes 5 and 6 to the parent company only financial statements.

### **Other Matter – Making Reference to the Audit of Component Auditor**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method whose statements are based solely on the reports of other auditors. These associates and joint ventures under equity method amounted to NTD26,841 thousand, representing 0.42% of the total assets as of 31 December 2019, and the related shares of profits from the associates and joint ventures under equity method amounted to NTD22,281 thousand, representing 2.66% of the net income before tax for the year ended 31 December 2019.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards generally accepted in the Republic of China 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 parent company only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. 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 parent company only 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 parent company only financial statements, including the accompanying notes, and whether the parent company only 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 parent company only 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 2019 parent company only financial statements 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.

Tu, Chin Yuan  
Chen, Ming Hung  
Ernst & Young, Taiwan  
12 March 2020

ZENG HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
31 December 2019 and 2018  
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of	
		31 December 2019	31 December 2018
<b>Current Assets</b>			
Cash and cash equivalents	4, 6(1),12	\$1,606,029	\$2,047,261
Accounts receivable, net	4, 6(2),6(14),12	930,855	964,535
Accounts receivable-related parties, net	4, 6(2),6(14),7,12	143,473	177,233
Other receivables	12	11,112	6,165
Inventories, net	4, 6(3)	62,984	61,261
Prepayment		2,744	12,364
Other current assets		4,588	5,481
Total Current Assets		2,761,785	3,274,300
<b>Non-current assets</b>			
Financial assets measured at amortized cost, noncurrent	4, 8, 12	200	200
Investments accounted for under the equity method	4, 6(4)	2,817,547	2,903,346
Property, plant and equipment	4, 6(5), 8	622,386	334,544
Investment property	4, 6(6)	67,362	68,592
Intangible assets	4	27,624	32,930
Deferred tax assets	4, 6(19)	83,279	74,068
Other non-current assets	4,6(7),6(15),12	18,083	14,261
Total non-current assets		3,636,481	3,427,941
Total assets		\$6,398,266	\$6,702,241

(The accompanying notes are an integral part of the parent company only financial statements)  
(continued)

ZENG HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
31 December 2019 and 2018  
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		31 December 2019	31 December 2018
<b>Current liabilities</b>			
Short-term loans	4, 6(8), 12	\$290,000	\$220,000
Short-term notes and bills payable	4, 6(9), 12	-	100,000
Contract liabilities, current	6(13)	12,290	18,711
Notes payable	12	3,253	2,006
Accounts payable	12	111,947	127,815
Accounts payable-related parties	7, 12	586,956	658,356
Other payables	12	140,918	190,083
Current tax liabilities	4	89,164	139,500
Long-term borrowings(including current portion with maturity less than 1 year)	4, 6(10), 12	40,000	40,000
Other current liabilities	4, 6(15), 12	22,540	13,675
Total current liabilities		1,297,068	1,510,146
<b>Non-current liabilities</b>			
Long-term loans	4, 6(10), 12	80,000	120,000
Deferred tax liabilities	4, 6(19)	216,644	222,648
Accrued pension liabilities	4, 6(11)	40,455	46,598
Non-current liabilities-other	4, 6(15), 12	2,265	360
Total non-current liabilities		339,364	389,606
Total liabilities		1,636,432	1,899,752
<b>Equity attributable to the parent company</b>			
<b>Capital</b>			
Common stock		605,356	605,356
Additional paid-in capital		1,385,352	1,385,352
<b>Retained earnings</b>			
Legal reserve		730,563	730,563
Special reserve		163,100	176,886
Retained earnings		2,088,848	2,067,432
Total Retained earnings		2,982,511	2,974,881
<b>Other components of equity</b>			
Exchange differences on translation of foreign operations		(216,223)	(173,468)
Unrealized gains and losses on equity instrument measured at fair value through other comprehensive income, noncurrent		4,838	10,368
Total equity		4,761,834	4,802,489
<b>Total liabilities and equity</b>		<b>\$6,398,266</b>	<b>\$6,702,241</b>

(The accompanying notes are an integral part of the parent company only financial statements)



ZENG HSING INDUSTRIAL CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
For the Years Ended 31 December 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December	
		2019	2018
Net Sales	4,6(13), 7	\$5,415,138	\$6,137,712
Cost of Sales	6(3), 6(16), 7	(4,352,831)	(4,899,723)
Gross Profit		1,062,307	1,237,989
Unrealized Intercompany Profit	7	(406)	(4,832)
Realized Intercompany Profit		3,775	1,585
Gross Profit		1,065,676	1,234,742
Operating Expenses	6(15),6(16), 7		
Selling and marketing		(98,713)	(110,804)
Management and administrative		(234,266)	(255,729)
Research and development		(105,013)	(114,215)
Expected credit gains (losses)	4, 6(14)	564	(2,757)
Total Operating Expenses		(437,428)	(483,505)
Operating Income		628,248	751,237
Non-operating income and expenses	6(17)		
Other income		42,010	62,456
Other gain and loss		(42,222)	102,523
Financial costs		(2,947)	(6,887)
Share of profit or loss of associates and joint ventures	4, 6(4)	212,612	287,123
Subtotal		209,453	445,215
Income from continuing operations before income tax		837,701	1,196,452
Income tax expense	4, 6(19)	(161,900)	(272,880)
Income from Continuing Operations, net of tax		675,801	923,572
Other comprehensive income	6(18),6(19)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		(2,849)	(9,437)
Share of profit of associates accounted for using equity method		1,382	-
Income tax related to items not reclassified subsequently to profit or loss		570	1,896
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(53,444)	(6,034)
Income tax related to items that may be reclassified subsequently to profit or loss		10,689	9,452
Total other comprehensive loss , net of tax		(43,652)	(4,123)
Total comprehensive income		\$632,149	\$919,449
Earnings per share (NTD)	6(20)		
Earnings per share-basic		\$11.16	\$15.26
Earnings per share-diluted		\$11.13	\$15.20

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
For the Years Ended 31 December 2019 and 2018  
(Expressed in Thousands of New Taiwan Dollars)

	Notes	Common Stock	Additional Paid-in Capital	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gains or Losses from Financial Assets Measured at Fair Value through Other Comprehensive Income	Treasury stock	Total Equity
Balance as of 1 January 2018	6(12)	\$605,526	\$1,387,345	\$730,563	\$45,286	\$1,797,553	\$(176,886)	\$ -	\$(2,163)	\$4,387,224
Impact of retroactive applications								10,368		10,368
Adjusted balance as 1 January 2018		605,526	1,387,345	730,563	45,286	1,797,553	(176,886)	10,368	(2,163)	4,397,592
Appropriations of earnings, 2017:										
Special reserve					131,600	(131,600)				-
Cash dividends						(514,552)				(514,552)
Net income for the year ended 31 December 2018						923,572				923,572
Other comprehensive income, net of tax for the year ended 31 December 2018						(7,541)	3,418			(4,123)
Total comprehensive income		-	-	-	-	916,031	3,418	-	-	919,449
Treasury stock acquired		(170)	(1,993)						2,163	-
Balance as of 31 December 2018	6(12)	\$605,356	\$1,385,352	\$730,563	\$176,886	\$2,067,432	\$(173,468)	\$10,368	\$ -	\$4,802,489
Balance as of 1 January 2019	6(12)	\$605,356	\$1,385,352	\$730,563	\$176,886	\$2,067,432	\$(173,468)	\$10,368	\$ -	\$4,802,489
Appropriations of earnings, 2018:										
Special reserve					(13,786)	13,786				-
Cash Dividends						(665,892)				(665,892)
Net income for the year ended 31 December 2019						675,801				675,801
Other comprehensive income, net of tax for the years ended 31 December 2019						(2,279)	(42,755)	1,382		(43,652)
Total comprehensive income		-	-	-	-	673,522	(42,755)	1,382	-	632,149
Disposal of financial assets measured at fair value through other comprehensive								(6,912)		(6,912)
Balance as of 31 December 2019	6(12)	\$605,356	\$1,385,352	\$730,563	\$163,100	\$2,088,848	\$(216,223)	\$4,838	\$ -	\$4,761,834

(The accompanying notes are an integral part of the parent company only financial statements)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2019	2018
Cash flows from operating activities:		
Net income before tax	\$837,701	\$1,196,452
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	32,086	30,657
Amortization	15,266	18,871
Loss on disposal of property, plant and equipment	6,901	-
Net gain of financial assets at fair value through profit or loss	(804)	(19,173)
(Gain) loss from price recovery of inventories	(7,921)	5,162
Share of profit or loss of associates and joint ventures	(212,612)	(287,123)
Gain on reversal of impairment loss	(4,560)	-
Expected credit profit or loss	(564)	2,757
Unrealized Intercompany Profit	406	4,832
Realized Intercompany Profit	(3,775)	(1,585)
Others revenue	(29)	-
Interest income	(22,702)	(29,767)
Interest expense	2,947	6,887
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	1,369	14,112
Decrease in accounts receivable	34,244	278,346
Decrease (increase) in accounts receivable-related parties	33,760	(59,453)
Decrease (increase) in inventories, net	6,198	(8,288)
(Increase) decrease in other receivables	(4,947)	25,409
Decrease (increase) in prepayments	9,620	(833)
Decrease (increase) in other current assets	328	(968)
Increase in other non-current assets	(5,193)	(3,801)
(Decrease) increase in contract liabilities	(6,421)	3,093
Increase (Decrease) in notes payable	1,247	(4,148)
Decrease in accounts payable	(15,868)	(7,175)
Decrease in accounts payable-related parties	(71,400)	(389,383)
(Decrease) increase in other payables	(49,165)	28,385
Increase in other current liabilities	6,165	12,239
Decrease in accrued pension liabilities	(8,992)	(2,709)
Cash generated from operations	<u>573,285</u>	<u>812,796</u>
Interest received	22,702	29,767
Income tax paid	(216,193)	(141,893)
Net cash provided by operating activities	<u>379,794</u>	<u>700,670</u>

(The accompanying notes are an integral part of the parent company only financial statements)

(Continued)

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the Years Ended 31 December 2019 and 2018

(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2019	2018
(Continued)		
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	-	(39,059)
Disposal of investments accounted for under the equity method	14,576	-
Acquisition of property, plant and equipment	(320,947)	(187,703)
Increase in refundable deposits	-	(1,660)
Decrease in refundable deposits	224	-
Acquisition of intangible assets	(5,269)	(3,511)
Dividends received	232,820	12,402
Net cash used in investing activities	(78,596)	(219,531)
Cash flows from financing activities:		
Increase in short-term loans	1,390,000	2,321,620
Decrease in short-term loans	(1,320,000)	(2,546,120)
Increase in short-term notes and bills payable	190,000	4,330,000
Decrease in short-term notes and bills payable	(290,000)	(4,460,000)
Decrease in long-term loans	(40,000)	-
Lease principal repayment	(3,591)	-
Interest paid	(2,947)	(6,887)
Cash dividends	(665,892)	(514,552)
Net cash used in financing activities	(742,430)	(875,939)
Net decrease in cash and cash equivalents	(441,232)	(394,800)
Cash and cash equivalents at beginning of period	2,047,261	2,442,061
Cash and cash equivalents at end of period	\$1,606,029	\$2,047,261

(The accompanying notes are an integral part of the parent company only financial statements)

## Attachment 8

Zeng Hsing Corporation  
2019 Earnings Distribution Chart

Items	Amount	Remarks
Net income for 2019	\$675,800,980	
Minus:		
10% Legal reserve	0	
Special reserve	48,284,400	
subtotal:	<u>627,516,580</u>	
Plus:		
Other comprehensive loss (remeasurements of the defined benefit plan in 2019)	(2,279,045)	
Unappropriated Retain Earnings at beginning period	1,415,326,146	
	<u>2,040,563,681</u>	
Distribution Items:		
Cash Dividends to Common Share Holders	(532,713,553)	
Unappropriated Distribution at end of period	\$1,507,850,128	

Note:

Note 1: The undistributed profit for 2019 shall take priority when distributing profit.

Note 2: The cash dividend distributed less than NT\$1 shall be classified as "other non-operating income".

Note 3: The legal reserve accumulation has reached the amount of paid-in capital of the Company. Therefore, in accordance with Article 36 of the Articles of Incorporation, the legal reserve is not required.

Chairman: Chih-Cheng Lin

Manager: Ming-Yu Tsai

Chief Accountant: Chun-Shen Chou

## Attachment 9

Zeng Hsing Corporation  
Comparison Table for Rules for Shareholders' Meetings

Article	Original	Amendment	Amendment Reason
Article3	<p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, this Corporation shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p>	<p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, lifting competition restriction for directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Paragraph I, Article 185 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.</p> <p>The meeting convened by the shareholders 'meeting has specified the full re-election of directors and supervisors, and stated the date of appointment. After the re-election of the shareholders' meeting, the same meeting shall not change its appointment date by temporary motion or other methods.</p> <p>A shareholder holding 1 percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. Such proposals are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda.</p>	To comply with the amendment to laws

	<p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal. Prior to the date for issuance of notice of a shareholders meeting, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>	<p>However, if the shareholder proposal is a proposal to urge the company to promote public interest or fulfill its social responsibilities, the board of directors may still include the proposal. In addition, when the circumstances of any subparagraph of Paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude the proposal from the agenda. Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, written or electronic acceptance, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal. Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals the proposal screening results, and shall list in the meeting notice the proposals that comply with this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>	
Article10	<p>If the shareholders' meeting is convened by the board of directors, its agenda shall be determined by the board of directors. The meeting shall be conducted according to the scheduled agenda and may not be changed without the resolution of the shareholders' meeting.</p>	<p>If the shareholders' meeting is convened by the board of directors, the Related proposal (including motions and amendments to the original proposal) shall be voted by polls. The meeting shall be conducted according to the scheduled agenda and may not be changed without the resolution of the shareholders' meeting.</p>	<p>To comply with the amendment to laws</p>

	<p>The chairman shall give full explanation and discussion to the proposal and the amendments or temporary motions proposed by the shareholders. If it is considered to have reached the level of voting, the chairman may be declared to stop discussing and vote.</p>	<p>The Chairman shall give full explanation and discussion to the proposal and the amendments or temporary motions proposed by the shareholders. If it is considered to have reached the level of voting, the chairman may announce to stop discussion and proceed with voting, and arrange adequate voting time.</p>	
Article13	<p>Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. Shareholders' voting rights have one vote per share, except as otherwise provided by the Company Act and relevant regulations. In addition to the provisions of the Company Act, the method of entrusting the attendance of the shareholders shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies" issued by the competent authority. The counting operation of the shareholders' meeting election proposal shall be made public at the shareholders' meeting, and after the completion of the counting of votes, the voting results shall be announced on site, including the statistical weights of votes, and shall be recorded.</p>	<p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Paragraph 2, Article 179 of the Company Act. When the Company holds a shareholders meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals. A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company 2 days prior to the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</p>	<p>To comply with the amendment to laws</p>



		<p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 days prior to the date of the shareholders meeting. If the notice of retraction is submitted after time period prescribed, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.</p> <p>When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.</p>	
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		<p>Vote monitoring and counting personnel for the voting on a proposals shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.</p> <p>Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.</p>	
Article15	<p>The resolutions of the shareholders' meeting shall be made into a deliberation, signed or sealed by the chairman, and the minutes shall be distributed to the shareholders within 20 days. For the distribution of the proceedings, you must enter a public information station announcement. The minutes of the proceedings should be confirmed, such as the time, place and name of the chairman. They should be kept forever during the company's existence. The method of resolution is to seek the opinions of the shareholders through the chairman. The shareholders have no objection to the proposal. They should be named by the chairman to consult all the shareholders who have no objection. If the shareholders disagree with the proposal, they should vote for the lottery.</p>	<p>Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and voted results (including statistical weights), when electing directors and supervisors, the number of votes for each candidate shall be disclosed.</p> <p>The meeting minutes shall be retained for the duration of the existence of the Company.</p>	<p>To comply with the amendment to laws</p>

## Appendix 1

### Articles of Incorporation of Zeng Hsing Corporation

- Section I General Provisions
- Article 1 The Company shall be incorporated as a company limited by shares under the Company Act and its name shall be "Zeng Hsing Corporation."
- Article 2 The scope of business of the Company shall be as follow:  
1.CBO1010 Machinery and Equipment Manufacturing  
2.CB01990Other machinery manufacturing  
3.CC01030 electrical and audio-visual electronic products manufacturing  
4.CD01050 bicycle and its parts manufacturing  
5.CH01010 Sporting Goods Manufacturing  
6.CQ01010 Mold Manufacturing  
7.C805990Other plastic products manufacturing  
8.F401010 International Trade  
9.ZZ99999 In addition to the licensing business, it is a business that is not prohibited or restricted by the business law.
- Article 3 The Company may act as a guarantor.
- Article 4 The Company may reinvest in other company as necessary, and may be a limited liability shareholder of another company through the resolution of the board of directors. The total investment shall not be subject to the restrictions on the amount of investment transferred under Article 13 of the Company Act.
- Article 5 The Company shall have its head office in TAICHUNG and, if necessary, may set up branches or business offices in and out of this country upon a resolution of its Board of Directors and approval from the competent government authority.
- Article 6 delete
- Section II Shares
- Article 7 The total capital amount of the Company shall be NT\$850 million accounting for 85 million shares, at a par value of Dollars (NT\$10) per share. The Board of Directors is authorized to issue the unissued shares in installments. Among them, 5 million shares of the reserved share certificate are attached to the special stock option or the shareholding company bond is used for exercise of the stock option.
- Article 8 The share certificate of the Company can be all name-bearing share certificates and shall be signed by, and affixed with the seals or by signature of, at least three directors of the Company, and issued after duly authentication pursuant to the law. The Company can also deliver shares by wiring into account books based on related regulations, rather printing physical shares. When issuing other securities, the same rule applies.
- Article 9 The shareholders of the Company handle the transfer of stock transfer and transfer of ownership, loss of inheritance gift and seal loss or change of address, etc., in addition to the provisions of the law and securities regulations, according to the public offering company's share treatment guidelines.

Article 10	Deleted
Article 11	Deleted
Article 12	deleted
Article 13	Registration for transfer of shares shall all be suspended 60 days before the convocation of any ordinary shareholders' meeting, 30 days before the convocation of extraordinary shareholders' meeting, or 5 days before the record day for distribution of dividend, interest and bonus or any other benefit as scheduled by the Company.
Section III	Shareholders' Meeting
Article 14	Shareholders' meeting shall be of two types, namely general and extraordinary shareholders' meeting; the former shall be convened once a year by the Board of Directors in accordance with laws within six months after the close of each accounting fiscal year and the latter shall be convened in accordance with laws whenever necessary.
Article 15	The convening of shareholders shall be announced in accordance with the Company Act, Securities and Exchange Act and the relevant laws and regulations promulgated by competent securities authorities .
Article 16	In case a shareholder is unable to attend a shareholders' meeting, he/she may issue proxy printed by the Company setting forth the scope of authorization by signing or affixing his/her seal on the proxy form for the representative to be present on his/her behalf.
Article 17	When the shareholders meeting is held, the chairman of the board of directors is the chairman: when the chairman is absent, the chairman of the board of directors appoints a director; if not appointed, the directors may elect one chair from among themselves.
Article 18	Unless otherwise provided in the laws, a shareholder of the Company shall have one vote for each share held by him or her.
Article 19	Unless otherwise provided in the Company Act, Securities and Exchange Act or other laws, resolution(s) shall be made at the meeting attended by shareholders holding and representing a majority of the total number of issued and outstanding shares and at which meeting a majority of the shareholders shall vote in favor of the resolution.
Article 20	The shareholders' resolutions shall contain detailed information, signed by the chairman, and announced within 20 days after the meeting. The proceedings of the proceedings in the shareholder's signature book and the proxy letter of attendance are kept in the Company.
Section IV	Directors and Supervisors
Article 21	The Company shall have five (5) to ten (10) directors and two (2) to three (3) supervisors to be elected at a shareholders' meeting through a nomination system from persons of legal capacity to serve a term of three years. A director may be re-elected. At least two (2) directors or one-fifth of all directors, whichever the higher number, shall be the independent directors. The qualification, shareholding percentage and the limitations of concurrently serving other positions, the methods of nomination and election and other related matters shall be subject to the applicable laws.
Article 22	When the director's vacancy exceeds one-third, the temporary shareholders' meeting shall be convened within 60 days to fill the term of the term to cover the original term.

- Article 23 When the supervisor's term ends and it is too late to re-elect, his or her term will be extended to perform his duties until the supervisor is re-elected.
- Article 24 The Board of Directors shall be organized by directors. The chairman of the board shall be elected by the majority of directors present at a meeting attended by more than two thirds of directors. The directors may also elect a vice chairman of the board whenever they may deem necessary to carry out the Company's activities. The chairman of the board shall externally represent the Company and conduct activities on behalf of the Company pursuant to relevant laws, the Company's Articles of Incorporation and resolutions of the shareholders' and board meeting.
- Article 25 In case the chairman of the Board of Directors is on leave or unable to perform his duties for cause, the vice chairman of the Board of Directors, if any, shall act as the chairman. If there is no vice chairman of the board or the vice chairman of the board is also on leave or unable to perform his duties for cause, the chairman of the board shall designate a director to act as the chairman. If there is no such designation, the directors shall elect one from amongst themselves.
- Article 26 In case a board member is unable to attend the Board of Directors' meeting, he/she may issue proxy setting forth the scope of authorization by signing or affixing his/her seal on the proxy form for another board member to present on his/her behalf. The representative shall serve as the proxy for one director only. Other than what is demanded by the Company Act, Securities and Exchange Act or other laws, the resolution of the board of directors shall be adopted by a majority of the directors present at the meeting attended by more than half of the directors.
- Article 27 The deliberations of the board of directors shall be recorded as a deliberation, with detailed information, signed or sealed by the chairman, and distributed to the directors within 20 days after the meeting. The proceedings shall be accompanied by the signature book of the directors and the proxy letter of appointment shall be kept in the Company
- Article 28 The supervisor may attend the board meeting but not join the meeting in addition to performing his duties according to law.
- Article 29 Remunerations for all directors and supervisors shall be decided by the Board of Directors authorized by a meeting of shareholders according to involvements and contributions to the Company's operation and at the normal rate adopted by other firms of the same industry.
- Section V  
Managers
- Article 30 The Company has one general manager and its appointment and dismissal is decided by the Board of Directors. The general manager accepts the order of the chairman and handles all business of the Company.
- Article 31 In addition to the competent authority or the statute, the general manager may hire a consultant as required by the business and report to the board of directors for verification.
- Article 32 delete
- Section VI  
Accounting
- Article 33 The Company's fiscal year starts from January 1 to December 31 of each year.
- Article 34 The Board of Directors shall prepare at the close of each accounting fiscal year for the Company (1) Business Report, (2) Financial Statements, (3) Proposal of Distribution of Earnings or Making Up of Loss, etc. and submit the same to the general shareholders meeting for acceptance.

- Article 35 The Company shall allocate 2% to 6% of profit as employees' compensation and no more than 4% of profit as directors' compensation for each profitable fiscal year after offsetting any cumulative losses. The aforementioned employees' compensation will be distributed in shares or cash. The employees of the Company's subsidiaries who fulfill specific requirements stipulated by the Board of Directors may be granted such compensation. Directors may only receive compensation in cash.
- The Company may, by a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, distribute the aforementioned employees' and director's compensation and report to the shareholders' meeting for such distribution. The procedures for the determination of directors and supervisors remuneration are based on the Company's "Evaluation Measures for the Performance of Directors, Supervisors and Managers". In addition to the overall operating performance of the company, the future operating risks and development trends of the industry, reference is also made to the individual performance achievement rate and contribution to company performance to determine reasonable compensation. The related performance appraisal and reasonableness of remuneration are reviewed by the remuneration committee and the board of directors, and the remuneration system is reviewed from time to time according to the actual operating conditions and relevant laws and regulations, to achieve balance between sustainable operations and risk control.
- Article 36 If the company has a surplus every year, in addition to the tax paid according to the law, it should first make up for the loss in previous years, and the next 10% is the statutory surplus reserve, but the statutory surplus accumulation has reached the paid-up capital of the company. The statutory surplus reserve shall not be included; and the special surplus reserve shall be paid or renewed in accordance with the regulations of the competent authority. After the accumulated undistributed surplus is added to the balance, the resolution of the chairman of the board of directors is distributed by the shareholders' meeting.
- The company is a traditional industry, the company is mature, profitable and financial structure is sound, so the surplus distribution, in addition to the company law and the company's articles of association, will regard the company's capital planning and operating results, determine the annual dividend distribution. However, the principle of dividend stability and balance is adopted in principle. Before the annual shareholders' meeting, the board of directors formulates the method of surplus distribution based on the financial situation, but at least 50% of the shareholders' dividends are paid. The cash dividend ratio is not less than 30% of the total dividend. However, the company shall not distribute dividends if there is no surplus earning.
- Section VII Additional Rules
- Article 37 The organization by-law of the Company shall be provided otherwise.
- Article 37-1 If the Company plans to withdraw the public issuance, it should report it to the shareholders' meeting
- Article 38 In regard to all matters not provided for in these Articles of Incorporation, the Company Act, Securities and Exchange Act or other laws shall govern.

Article 39      These Articles of Incorporation were enacted on Dec. 11, 1974  
Amended on Dec. 20, 1976 for the first time  
Amended on Sep. 27, 1977 for the second time  
Amended on Jun. 20, 1978 for the third time  
Amended on Jan. 10, 1981 for the fourth time  
Amended on Nov. 2, 1981 for the fifth time  
Amended on Sep. 14, 1982 for the sixth time  
Amended on Sep. 5, 1983 for the seventh time  
Amended on Oct. 21, 1983 for the eighth time  
Amended on Jan. 5, 1984 for the ninth time  
Amended on Jul. 16, 1985 for the tenth time  
Amended on Oct 8, 1988 for the eleventh time  
Amended on May. 25, 1989 for the twelfth time  
Amended on Feb. 2, 1990 for the thirteenth time  
Amended on Nov. 15, 1991 for the fourteenth time  
Amended on Jan. 6, 1993 for the fifteenth time  
Amended on Jun. 25, 1994 for the sixteenth time,  
Amended on Dec 3, 1994 for the seventeenth time  
Amended on May. 10, 1995 for the eighteenth time  
Amended on Jul.9,1997 for the nineteenth time  
Amended on Jun.10, 1998 for the twentieth time  
Amended on Jun. 16, 1999 for the twenty-first time  
Amended on Jun. 28, 2002 for the twenty-second time  
Amended on Jun.10, 2003 for the twenty-third time  
Amended on Jun.10, 2003 for twenty-fourth time  
Amended on Jun. 29, 2004 for twenty-fifth time  
Amended on Jun. 29, 2004 for twenty-sixth time  
Amended on Jun. 30, 2005 for the twenty-seventh time  
Amended on June. 14, 2006 for the twenty-eighth time  
Amended on Mar. 9, 2007 for the twenty-ninth time  
Amended on Jun. 13, 2007 for the thirtieth time  
Amended on Jun. 13, 2008 for the thirty-first time  
Amended on Jun. 19, 2009 for the thirty-second time  
Amended on Jun. 15, 2011 for the thirty-third time  
Amended on Jun. 27, 2012 for the thirty-fourth time  
Amended on Jun. 11, 2013 for the thirty-fifth time  
Amended on Jun. 20, 2014 for the thirty-sixth time  
Amended on Jun. 15, 2016 for the thirty-seventh time.  
Amended on Jun. 14, 2017 for the thirty- eighth time.  
Amended on Jun. 13, 2018 for the thirty- ninth time  
Amended on Jun. 14, 2019 for the fortieth time.

Zeng Hsing Corporation  
Chairman: Chih-Cheng Lin

## Appendix 2

### Zeng Hsing Corporation Rules for Shareholders' Meetings (Before Amendment)

- Article 1 The Company has established a good shareholder governance system, improved supervision functions and strengthened management functions, and has established the rules in accordance with Article 5 of the Code of Practice for Corporate Governance of Listed Companies.
- Article 2 The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the Corporate Charter, shall be as provided in these Rules.
- Article 3 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.
- The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of an extraordinary shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the extraordinary shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Election or dismissal of directors, amendments to the Corporate Charter, the dissolution, merger, or demerger of the corporation, or any matter under Paragraph 1, Article 185 of the Company Act or Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. A shareholder who holds more than 1% of the issued shares are entitled to submit a limit of one motion to a regular shareholders' meeting in writing, pursuant to Article 172-1 of the Company Act.



The Company shall announce the acceptance of the shareholders' proposal, the acceptance of the premises and the acceptance period before the suspension of the stock transfer before the shareholders' meeting. The period of acceptance shall not be less than ten days.

Shareholders' proposal is limited to three hundred words. Those who exceed 300 words will not be included in the proposal; the proposing shareholders shall attend the shareholders' meeting in person or in person and participate in the discussion of the proposal.

The Company shall notify the proponents of the results of the processing before the date of the notice of the meeting of the shareholders' meeting, and the proposal stipulated in this article shall be included in the notice of the meeting. For shareholders' proposals not included in the proposal, the board of directors shall explain the reasons for not included in the shareholders' meeting.

Article 4 Entrusted to attend the shareholder authorization:

Shareholders may, at each shareholder meeting, issue a letter of appointment issued by the Company, register the scope of authorization, entrust an agent, attend the shareholders' meeting.

The shareholder shall issue a power of attorney and have entrusted one person to the extent that it shall be delivered to the Company five days before the meeting of the shareholders. If the power of attorney is repeated, the first person to serve shall prevail. However, the statement is revoked before the commissioner, no longer this limit.

After the power of attorney has been delivered to the Company, the shareholders wishing to attend the shareholders' meeting in person, or wish to exercise their voting rights in writing or electronically, shall notify the Company in writing of the cancellation of the entrustment in writing two days before the meeting of the Shareholders' Meeting; The voting right to attend the trip shall prevail.

Article 5 The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

Article 6 The Company shall furnish the shareholders meeting notice with the time and venue for signing in. The aforementioned time for signing in shall be at least 30 minutes before the shareholder meeting starts. There shall be signs to direct shareholders to proceed to the venue for signing in and personnel who are suitable in charge. The Company shall prepare an attendance book for the shareholders or the proxies appointed by other shareholders (hereafter referred to as the shareholders) attending the meeting to sign in, or have the attending shareholders turn in the attendance card to replace the signature. Shareholders shall attend a shareholders' meeting by presenting their attendance identification, attendance card or other attendance documents. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The company shall set up a signature book to attend the signing of the shareholders, or the attending shareholders shall pay the signing card to sign on behalf of the shareholders. The company shall deliver the proceedings, annual reports, attendance certificates, speeches, votes and other meeting materials to the shareholders attending the shareholders' meeting; if there are election directors or supervisors, they shall attach a ballot paper. When a government or legal person is a shareholder, the representative of the attending shareholders is not limited to one person. When a legal person is entrusted to attend a shareholder meeting, only one representative must be appointed to attend.

Article 7 If the shareholders' meeting is convened by the board of directors, the chairman of the board of directors shall be the chairman of the board of directors. If the chairman of the board of directors asks for leave or fails to exercise his powers for any reason, the chairman of the board of directors shall appoint one person to act; The chairman of the preceding paragraph is a director of the board of directors, who is employed by the Company for more than six months and who understands the Company's business conditions. If the chairman is a representative of a legal director, the same is true. If a shareholders' meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. It is advisable that shareholders meetings convened by the board of directors be attended by a majority of the directors, at least one independent director in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes. If the shareholders' meeting is convened by other convener parties other than the board of directors, the chairman shall be the convener, and if there are more than two convener holders, one person shall be pushed each other.

The company may assign lawyers, accountants or related personnel appointed to attend the shareholders' meeting.

Article 8 The Company shall record the proceedings of a shareholders meeting in their entirety in audio or video and retain the recording for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 Shareholders' attendance shall be based on shares. The number of attendances is calculated based on the signature book or the signed card.

If the attending shareholders represent a majority of the total number of issued shares, the chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairperson shall declare the meeting adjourned.

- Article 10 If the shareholders' meeting is convened by the board of directors, its agenda shall be determined by the board of directors. The meeting shall be conducted according to the scheduled agenda and may not be changed without the resolution of the shareholders' meeting. If the shareholders' meeting is convened by other parties other than the board of directors, the provisions of the preceding paragraph shall apply. Before the agenda of the first two agendas (including the provisional motion) is not finalized, the chairman may not announce the meeting without a resolution; if the chairman violates the provisions, the other members of the board shall promptly assist the attending shareholders in accordance with the law to attend the meeting. More than half of the shareholders' voting rights agreed to elect one person to serve as the chairman and continue to hold the meeting. The chairman shall give full explanation and discussion to the proposal and the amendments or temporary motions proposed by the shareholders. If it is considered to have reached the level of voting, the chairman may be declared to stop discussing and vote.
- Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairperson. Those who attended the meeting only provided speeches but did not speak were considered as not speaking. If the content of the speech is inconsistent with the record of the speech, the content of the speech shall prevail. Each shareholder of the same proposal shall not speak more than twice without the consent of the chairman, and may not exceed five minutes at a time. However, if the shareholder speaks in violation of the regulations or exceeds the issue, the chairman shall stop it. When attending a shareholder's speech, other shareholders shall not intervene unless the chairman and the speaking shareholder agree, and the violators shall stop it. When a legal person shareholder appoints two or more representatives to attend the shareholders meeting, the same motion may only be made by one person. After attending the shareholders' speech, the chairman may personally or designate the relevant personnel to reply.
- Article 12 Voting at a shareholders meeting shall be calculated based the number of shares. With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.
- The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders. Except for the trust business or the stock agency approved by the securities regulatory authority, when one person is entrusted by two or more shareholders at the same time, the voting right of the agent shall not exceed 3% of the voting rights of the total number of issued shares, and the voting rights exceeding the period shall not be counted.

- Article 13 Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. Shareholders' voting rights have one vote per share, except as otherwise provided by the Company Act and relevant regulations. In addition to the provisions of the Company Act, the method of entrusting the attendance of the shareholders shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies" issued by the competent authority. The counting operation of the shareholders' meeting election proposal shall be made public at the shareholders' meeting, and after the completion of the counting of votes, the voting results shall be announced on site, including the statistical weights of votes, and shall be recorded.
- Article 14 The election of directors and supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.
- Article 15 The resolutions of the shareholders' meeting shall be made into a deliberation, signed or sealed by the chairman, and the minutes shall be distributed to the shareholders within 20 days. For the distribution of the proceedings, you must enter a public information station announcement. The minutes of the proceedings should be confirmed, such as the time, place and name of the chairman. They should be kept forever during the Company's existence. The method of resolution is to seek the opinions of the shareholders through the chairman. The shareholders have no objection to the proposal. They should be named by the chairman to consult all the shareholders who have no objection. If the shareholders disagree with the proposal, they should vote for the lottery.
- Article 16 The number of shares sought by the solicitor and the number of shares of the entrusted agent shall be compiled by the Company on the day of the meeting of the shareholders' meeting, in accordance with the prescribed format, and shall be clearly disclosed in the shareholders' meeting. In the resolutions of the shareholders' meeting, if there is a major message as provided by law and the Taiwan Stock Exchange Corporation (Taipei Exchange), the Company shall transmit the contents to the MOPS within the specified time.
- Article 17 The chairman may direct the picket or security personnel to help maintain the order of the venue. When pickets or security personnel are present to assist in maintaining order, they should wear a picket badge or identification card. The venue has sound-amplifying equipment. When the shareholders do not speak on the equipment configured by the Company, the chairman must stop it.
- If the shareholder violates the rules of procedure and does not obey the chairman's correction, it will hinder the meeting from being stopped. If the chairman conducts the picket or the security personnel, he or she must leave the venue.

- Article 18 When a meeting is in progress, the chairperson may announce a break based on time considerations. If a force majeure event occurs, the chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. The agenda set by the shareholders' meeting cannot be used until the end of the awareness (including the provisional motion). The meeting of the shareholders meeting may find another venue to continue the meeting. The shareholders' meeting shall, in accordance with Article 182 of the Company Act, defer or extend the assembly within five days.
- Article 19 These rules are implemented after the approval of the shareholders' meeting.

## Appendix 3

### Zeng Hsing Corporation Procedures for Ethical Management (Before Amendment)

- Article 1 These Procedures are adopted to assist companies to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.  
These Procedures are applicable to its business groups and organizations of such company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by such company ("business group").
- Article 2 When engaging in commercial activities, directors, supervisors, managers, employees, and mandataries of the Company or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.  
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 3 "Benefits" in these Procedures means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 5 The Company shall abide by "Honesty, innovation, teamwork and community" , base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6 The commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

- Article 7 The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.  
Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.  
When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.
- Article 8 When conducting business, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.
- Article 9 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- Article 10 When making or offering donations and sponsorship, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- Article 11 The company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Article 12 The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.
- Article 13 The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

Article 15 The directors, supervisors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Audit office of the Company is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

1. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.



- Article 16 The Company and their directors, supervisors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.
- Article 17 The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company. When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of a the Company, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director. The directors shall practice self-discipline and must not support one another in improper dealings. The Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.
- Article 18 The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results. The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.
- Article 19 The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:
1. Standards for determining whether improper benefits have been offered or accepted.
  2. Procedures for offering legitimate political donations.
  3. Procedures and the standard rates for offering charitable donations or sponsorship.
  4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
  5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
  6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
  7. Handling procedures for violations of these Procedures.
  8. Disciplinary measures on offenders.

- Article 20 The chairperson, general manager, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.  
The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.  
The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.
- Article 21 The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:
1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
  2. Dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.
  3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
  4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
  5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
  6. Whistle-blowing incentive measures.
- Article 22 The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.
- Article 23 The Company shall disclose their ethical corporate management best practice principles on their company websites, annual reports, and prospectuses.
- Article 24 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 25 The ethical corporate management best practice principles of the Company shall be implemented after the board of directors grants the approval, and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended.

When the Company submits its ethical corporate management best practice principles to the board of directors for discussion pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the board of directors meeting. An independent director that cannot attend the board meeting in person to express objections or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

Zeng Hsing Corporation  
Rules of Procedure for Board of Directors Meetings  
(Before Amendment)

- Article 1. Basis for the adoption of these Rules  
To establish a strong governance system and sound supervisory capabilities for the Company's board of directors and to strengthen management capabilities, these Rules are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2. Scope of these Rules  
With respect to the board of directors meetings ("board meetings") of the Company, the main agenda items, working procedures, required content of meeting minutes, public announcements, and other compliance requirements shall be handled in accordance with the provisions of these Rules.
- Article 3. Convening and notice of board meetings  
The board of directors shall meet at least quarterly. A notice of the reasons for convening a board meeting shall be given to each director and supervisor before 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice.  
The notice to be given under the preceding paragraph may be effected by means of fax or electronic transmission accordingly to Articles of Incorporation.  
All matters set forth under Article 12, paragraph 1 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion except in the case of an emergency or for other legitimate reason.
- Article 4. Meeting notification and meeting materials  
The designated unit responsible for the board meetings of the Company shall be Finance accounting department .  
The unit responsible for board meetings shall draft agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting.  
A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.
- Article 5. Preparation of attendance book and other documents; attendance by proxy  
When a board meeting is held, an attendance book shall be provided for signing-in by attending directors, which shall be made available for future reference.  
Directors shall attend board meetings in person. A director unable to attend in person may appoint another director to attend the meeting in his or her place in accordance with the Company's articles of incorporation. Attendance by videoconference will be deemed attendance in person.  
A director who appoints another director to attend a board meeting shall in each instance issue a proxy form stating the scope of authorization with respect to the reasons for convening the meeting.  
The proxy referred to in paragraph 2 may be the appointed proxy of only one person.

- Article 6. Procedures for determining the place and time of a board meeting  
A board meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all directors to attend and suitable for holding board meetings.
- Article 7. Chair and acting chair of a board meeting  
Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.  
When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select one person from among themselves to serve as chair.
- Article 8. Reference materials, non-voting participants, and holding board meetings  
When a board meeting is held, the management (or the designated unit responsible for the board meetings) shall furnish the attending directors with relevant materials for ready reference.  
As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants.  
When necessary, certified public accountants, attorneys, or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.  
The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance.  
If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2.  
The number of "all directors," shall be counted as the number of directors then actually in office.
- Article 9. Documentation of a board meeting by audio or video  
Proceedings of a board meeting shall be recorded in their entirety in audio or video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.  
If any litigation arises with respect to a resolution of a board meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.  
Where a board meeting is held by videoconference, the audio or video documentation of the meeting constitutes part of the meeting minutes and shall be retained for the duration of the existence of the Company.

Article 10. Agenda items

Agenda items for regular board meetings of the Company shall include at least the following:

1. Matters to be reported:
  - A. Minutes of the last meeting and action taken.
  - B. Important financial and business matters.
  - C. Internal audit activities.
  - D. Other important matters to be reported.
2. Matters for discussion:
  - A. Items for continued discussion from the last meeting.
  - B. Items for discussion at this meeting.
3. Extraordinary motions.

Article 11. Discussion of proposals

A board meeting shall follow the agenda given in the meeting notice. However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.

The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.

At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Article 8, paragraph 4 shall apply *mutatis mutandis*.

Article 12. Matters requiring discussion at a board meeting

The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:

1. The Corporation's business plan.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under relevant laws and regulations to be audited and attested by a certified public accountant (CPA).
3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of equity-type securities.
6. The appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

At least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.

Article 13. Voting and methods for vote monitoring and counting

When the chair at a board meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board meeting, if no attending director voices an objection following an inquiry by the chair, the proposal will be deemed approved. If there is an objection following an inquiry by the chair, the proposal shall be brought to a vote.

"Attending directors," as used in the preceding two paragraphs, does not include directors that may not exercise voting rights pursuant to Article 14, paragraph 1. One voting method for proposals at a board meeting shall be selected by the chair from among those below, provided that when an attending director has an objection, the chair shall seek the opinion of the majority to make a decision:

1. A show of hands or a vote by voting machine.
2. A roll call vote.
3. A vote by ballot.
4. A vote by a method selected at the Company's discretion.

Except where otherwise provided by the Securities and Exchange Act and the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the directors in attendance at a board of directors meeting attended by a majority of all directors.

When there is an amendment or alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If any one among them is passed, the other proposals shall then be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, providing that all monitoring personnel shall be directors.

Voting results shall be made known on-site immediately and recorded in writing.

Article 14. Recusal system for directors

If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.

Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply mutatis mutandis in accordance with Article 206, paragraph 3 of the same Act.

Article 15. Meeting minutes and sign-in matters

Discussions at a board meeting shall be recorded in the meeting minutes, and the minutes shall fully and accurately state the matters listed below:

1. The meeting session (or year) and the time and place of the meeting.
2. The name of the chair.
3. The directors' attendance at the meeting, including the names and the number of directors in attendance, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director pursuant to Article 12, paragraph 4.
8. Extraordinary motions: The name of the mover, the method of resolution and the result, a summary of the comments of any director, supervisor, expert, or other person; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and their objections or reservations and any recorded or written statements.



9. Other matters required to be recorded.

The occurrence of any objection or expression of reservations by an independent director expresses of which there is a record or written statement with respect to a resolution passed at a board meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission.

The attendance book constitutes part of the minutes for each board meeting and shall be retained for the duration of the existence of the Company.

The minutes of a board meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may produced and distributed in electronic form.

Article 16. Procedures with respect to the delegation of powers by the board

With the exception of matters required to be discussed at a board meeting under Article 12, paragraph 1, when the board of directors appoints a party to exercise the powers of the board in accordance with applicable laws and regulations or the Company's Articles of Incorporation, the levels of such delegation and the content or matters it covers shall be definite and specific.

Article 17. Supplementary provisions

These Procedure shall be adopted or amended by the approval of the meeting of the board of directors and shall be reported to the shareholders meeting.

Zeng Hsing Corporation  
the Plan Governing Share Repurchase and Transfer to Employees  
(Before Amendment)

- Article 1 For the purpose of encouraging our employees and to build cohesion among the employees, the Company hereby, pursuant to Article 28-2, Paragraph 1, Subparagraph 1 of the "Securities and Exchange Act" and the "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies" issued by Financial Supervisory Commission R.O.C., establishes the "Plan of Share Repurchase and Transferring to the Employees" (the "Plan"). Except otherwise provided in relevant laws or regulations, all share repurchase and transferring to the employees of the Company shall be implemented in compliance with the Plan.
- Article 2 The shares to be transferred to the employees are ordinary shares. Except as otherwise provided in relevant laws or regulations or in this Plan, the rights and obligations embedded thereon are the same with other ordinary shares of the Company.
- Article 3 Pursuant to the Plan, the Company may make one-time or multiple-time transferring of the repurchased shares to the employees within three years from the repurchase date.
- Article 4 For all full-time employees who have joined the Company half a year or more from the date of subscription record date or those who have special contribution to the Company are entitled to subscribe the amount specified in Article 5 herein.
- Article 5 The Board of Directors shall decide the number of shares to be subscribed by considering certain factors, such as the employees' level, seniority or special contribution to the Company, together with the number of treasury shares held by the Company as of the record date of subscription and the maximum number of shares that can be subscribed by an individual employee, etc.
- Article 6 Procedure for repurchase and transferring to the employees under this Plan:
1. The Company shall make announcement, report and repurchase the shares within the exercise period in accordance with the resolution of Board of Directors.
  2. The Board of Directors shall determine and announce the record date of subscription, the criteria for determining the number of shares to be subscribed, the subscription and payment period, the rights and limitations of shares, etc. in compliance with this Plan.
  3. The Company shall calculate the number of shares actually subscribed and paid, then the Company shall transfer those shares and register such transfer.

- Article 7 The transfer price of the repurchase shares shall be the average price of the actual repurchase. If the number of the Company's issued and outstanding ordinary shares increases or decreases prior to the transfer, the transfer price shall be adjusted proportionately.  
Transfer price adjustment formula:  
Adjusted transfer price = average price of actual repurchase × (total number of common shares when the Company's repurchase of shares is completed ÷ total number of common shares before the Company transfers the repurchased shares to employees)
- Article 8 Unless otherwise provided, after the shares are transferred to employees and such transfer is registered, the rights and obligations of the transferred shares shall be the same as those of original shares.
- Article 9 This Plan shall take affect after being affirmatively resolved by the Board of Directors and may be amended by a resolution of the Board of Directors.
- Article 10 The enactment and any amendment of this Plan shall be reported to the shareholders meeting.
- Article 11 The articles were established on August 28, 2015.

## Appendix 6

### Zeng Hsing Corporation Share Ownership of All Directors and Supervisors

1. The Company's paid-in capital was NT\$605,356,310 , and the number of issued shares was 60,535,631 shares.
2. Pursuant to Article 26 of the Securities and Exchange Act, all directors shall hold a minimum of 4,842,850 shares, and all supervisors shall hold a minimum of 484,285 shares.
3. The number of shares held by the individual and all directors and supervisors recorded in the shareholders roster of the shareholders' meeting on the date of the current meeting are as follows:

Title	Name	Number of shares held	Remarks
Chairman	Chih-Cheng Lin	937,000	
Director	Shu-Cheng Liao	876,610	
Director	Ruiz-Hen Hong	1,945,760	
Director	Chong-Guang Tsai	655,527	
Director	Fen-Gji Li	980,628	
Independent Director	Zhi-Sheng Wu	0	
Independent Director	Ming-Liang Tang	0	
Independent Director	Jun-Ming Xu	0	
Total shares held by all directors		5,395,525	

Title	Name	Number of shares held	Remarks
Supervisor	Bo-Song Zhang	200,984	
Supervisor	Hui-Yu Huang	0	
Supervisor	Meng-Zong He	1,065,673	
Total shares held by all supervisors		1,266,657	

Thank you for joining the shareholders' meeting,  
Any suggestions and insights are welcome!