

Zeng Hsing Industrial CO., LTD

2022 Annual General Meeting

Meeting Agenda

Date: 15 June, 2022

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THIS IS A TRANSLATION OF THE AGENDA FOR THE 2021 ANNUAL GENERAL MEETING ("THE AGENDA") OF ZENG HSING CORPORATION ("THE COMPANY"). THE TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NO OTHER PURPOSE SHALL APPLY. THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE AGENDA SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN.

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Zeng Hsing Corporation

2022 Annual General Meeting Procedure

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2022 Annual General Meeting Procedure

1. Time: June 15, 2022 at 9:00 a.m. (Wednesday)
2. Location: 4F., No. 78, Yongcheng Rd., Taiping Dist., Taichung City, Taiwan
(Convening method: on-site shareholders meeting)
3. Attendants: All shareholders and their proxy holders
4. Chairman: Chih-Cheng Lin
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 - (1) 2021 business operations
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7. Approval Items
 - (1) The company's 2021 business report and financial statements
 - (2) The company's 2021 earnings distribution
8. Discussion Items
 - (1) Amendment of the Articles of Incorporation
 - (2) Discussion of amendments to the Company's "Procedures for Asset Acquisition & Disposal"
9. Election Items
 - (1) Election for one director
10. Other issues
 - (1) Discussion to approve the lifting of non-competition restrictions for directors
11. Hoc Motions
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Status Reports



- (1) 2021 business operations
Please refer to the 2021 Annual Business Report (Attachment 1)
- (2) The Audit Committee's examination of the company's (hereinafter "the Company") 2021 financial statement
Please refer to the Audit Committee Review Report (Attachment 2)
- (3) The Status of Endorsements and Guarantees
Please refer to the Status of Endorsements and Guarantees (Attachment 3)
- (4) Distributable remuneration for directors and employees
 - 1) Per Article 35 of the Company's Articles of Incorporation.
 - 2) The Company's pre-tax net profit in 2021 less the pre-tax remuneration to directors and supervisors and employee compensation amounted to NT\$ 684,856,104. The Company planned to distribute 2021 remuneration to the directors in the amount of NT\$ 4,400,000 and the employees' compensation in the amount of NT\$ 23,000,000. There is no difference between the estimated amounts of NT\$4,400,000 for the Company's board of directors (hereinafter the "Board of Directors") and NT\$ 23,000,000 for employees.
- (5) 2021 Directors' remuneration Report
 - 1) The Company's policies, systems, standards and structures for the remuneration of directors and independent directors, and the correlation between the amount of remuneration paid and the directors' responsibilities, risks, and time commitment are described as follows.
 - a. In accordance with the Company's Articles of Incorporation, the remuneration of the Company's directors is based on the value of their contribution and the rate of achievement to the Company's performance. It shall be determined by a meeting of the Board of Directors with reference to the usual standards of the industry.
 - b. The Company's Articles of Incorporation stipulate that the remuneration of directors shall not exceed 4% of the annual profit. The company according "Regulations Governing the Remuneration of Directors and Managers", the "Regulations Governing the Evaluation of the Performance of the Board of Directors" and the "Regulations Governing the Evaluation of the Performance of Directors and Managers" as a basis for evaluation remuneration. In addition to the Company's overall operating performance, future business risks and development trends, the Company also refers to the individual's performance achievement rate and contribution to the Company's performance in order to provide reasonable remuneration to the directors and managers in accordance with the Company's Salary and Remuneration Regulations and the evaluation of their performance. As all independent directors are members of the Audit Committee and the Remuneration Committee who are required to participate in the committee meetings' discussions and resolutions, therefore, in principle, independent directors' remuneration is higher than regular directors.

c. Please refer to the Remuneration of Directors (including Independent Directors) (Attachment 4)

(6) Report on the communication between members of the audit committee and the head of internal auditing

- 1) The head of internal auditing regularly reports to the Audit Committee on 1. The annual internal audit plan; 2. The yearly professional training plan for auditors; 3. The implementation of internal audit operations, and if significant irregularities occur, a meeting could be held from time to time to communicate.
- 2) At least once a year, the independent director and the head of internal auditing meet separately to communicate with each other based on the audit findings of the year.
- 3) The communication between the independent directors and the head of internal auditing for 2021 is as follows:

Date	Attendees	Communication Matters	Results
3 March, 2021 Internal Audit Report Meeting	Independent Director: Ming-Liang Tarng Independent Director: Jun-Ming Hsu Independent Director: Chih-Sheng Wu Supervisor: Hui-yu Huang Chief Auditor: Qi- Feng Zhang	Report on the results of audit operations for the period from January to February 2021.	Agree to pass
5 August, 2021 Audit Committee	Independent Director: Ming-Liang Tarng Independent Director: Jun-Ming Hsu Independent Director: Chih-Sheng Wu Chief Auditor: Qi- Feng Zhang	Report on the results of audit operations for the period from June to July 2021.	Agree to pass
3 November, 2021 Audit Committee	Independent Director: Ming-Liang Tarng Independent Director: Jun-Ming Hsu Independent Director: Chih-Sheng Wu Chief Auditor: Qi-Feng Zhang EY Partner: Chin-Yuan Tu EY Manager: Ming-Yu Ho	1. Report on the results of audit operations for the period from July to October 2021. 2. EY reports on the consolidated financial statements and communications for the third quarter of 2021.	Agree to pass
23 December, 2021 Audit Committee	Independent Director: Ming-Liang Tarng Independent Director: Jun-Ming Hsu Independent Director: Chih-Sheng Wu Chief Auditor: Qi- Feng Zhang	1. Report on the results of audit operations for the period from October to December 2021. 2. Discussion of the internal audit plan for 2022.	Agree to pass

Note: The Company established an audit committee on July 20, 2021.

- (1) The Company's 2021 business report and financial statements
 - 1) The Company's 2021 Annual Business Report and financial statements have been approved by the Board of Directors and reviewed by the Audit Committee. The report was issued accordingly.
 - 2) Please refer to the 2021 Annual Business Report (Attachment 1) and Financial Statements (Attachment 5)

- (2) The Company's 2021 earnings distribution
 - 1) The Company's 2021 Earnings Distribution Chart was approved by the board meeting held on 10 March, 2021.
 - 2) The cash dividends proposed to be distributed to the shareholders totaled NT\$ 514,552,864.
 - 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\$8,500 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 issued by the company.
 - 4) Please refer to the 2021 Earnings Distribution Chart (Attachment 6)

Discussion Items



(1) Amendment of Articles of Incorporation.

In accordance with Ruling No. Hua-Chong-Yi-Ching-Zi 11000115851 issued on December 29, 2021 to promote the video conference of the shareholders' meeting by amending the Company Act, the Company hereby proposes to amend the Company's Articles of Incorporation. Please refer to Attachment 7.

(2) Discussion of amendments to the Company's "Procedures for Asset Acquisition & Disposal"

In accordance with Jin-Guan-Zheng-Shen-Zi No. 111380465, the Company hereby proposes to amend the Articles of the Operational Procedures for Acquisition and Disposal of Assets. Please refer to Attachment 8.

Election Items

(1) Election for one director

- 1) The Company proposed a director candidate as Mr. Feng-Chih Lee, a director of the Company, passed away due to illness and was relieved of his duties on January 17, 2022.

The Board of Directors resolved on March 10, 2022, to elect one director at the Annual General Meeting.

- 2) The Company shall nominate one director for the by-election under the candidate nomination system. One director shall be elected at the shareholders' meeting from the list of director candidates selected and approved by the Board of Directors on March 10, 2022, in accordance with the Articles of Incorporation and relevant laws and regulations.
- 3) The director elected in this by-election will serve from June 15, 2022, to July 19, 2024, immediately following the ordinary shareholders' meeting.
- 4) The list of director candidates is as follows.

Job Title	Name	Education	Work Experiences	Current position	Shares held
Director	Chin-Tan Lee	College of Management, Asia Eastern University of Science and Technology	Supervisor of Hsieh Feng Aluminium Business Co., Ltd.	Supervisor of Hsieh Feng Aluminium Business Co., Ltd.	397,875

Election results:

Other issues

(1) Discussion to approve the lifting of non-competition restrictions for directors

- 1) Release of the Non-Competition Restrictions of Directors per Article 209 of the Company Act. Due to the practical need, it is proposed to lift the Non-Competition Restrictions of Directors for the Company's by-election directors.
- 2) The acts of directors on behalf of themselves or the Company within the business relation are listed as follows:

Job Title	Name	Position in other company
Director	Chin-Tan Lee	Supervisor of Hsieh Feng Aluminium Business Co., Ltd.

Ad Hoc Motions

Adjournment

【Attachments 1】

Zeng Hsing Corporation 2021 Annual Business Report

1. Management policy and implementation summary

- (1) Develop corporate vision and strategy to implement management by objectives: Taking strategy as the core, integrating organizational resources, setting annual goals for each company in the group, and regularly conducting difference analysis and review to improve operating performance.
- (2) We will continue to research and develop new products to strengthen existing production lines, upgrade the user interface and provide online video and tutorials. Also, we will improve existing product appearances and features by cooperating with academia to provide diversified products combination.
- (3) To provide multiple services and enhance customer relationship: We would like to strengthen our long-term corporation relationship by meeting the demands from customers effectively and provide diversified products and services.
- (4) We would like to enhance our production quality and effectiveness by developing automatic equipment and upgrading our fixtures.
- (5) 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.
- (6) 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.
- (7) Continuously promote the greenhouse gas checking system ISO 14064-1 and energy management system ISO 50001.
- (8) MES/SPC (MES: Manufacturing Execution System, SPC: Statistic Process Control) system: We improve our production process, enhance the effectiveness and control our online performance by using this system.
- (9) We manage cost and resource management, enhance production efficiency, and quality control by developing machine to machine link and big data collection.

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

The 2021 net income of the Company reached NT\$7,720 million, grew by 10.82% compared to NT\$6,966 million in 2020. The 2021 net income before tax amounted to NT\$677 million, decreasing by 40.14% compared to NT\$1,131 million in 2020.

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		2021	2020
Operational performance	Operating revenues	\$7,719,932	\$6,965,819
	Gross profit	1,591,351	1,960,012
	Operating profit and loss	712,917	1,189,969
	Earning before Tax	677,357	1,130,697
	Net income attributable to stockholder of the parent	525,148	832,980
	Earnings per share (NTD)	8.68	13.76
Profitability Analysis	Return on Total Assets (%)	6.72	11.79
	Return on Equity (%)	10.53	17.16
	Operating profit / paid-in capital (%)	117.77	196.57
	Pre-tax net profit / paid-in capital (%)	111.89	186.78
	Net Margin (%)	6.84	12.14

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 2021 reached NT\$114,310 thousand, accounting for 1.48% of the net revenue, which was 5.73% more than the NT\$108,111 thousand in 2020.

(2) Successfully developed technologies or products

YEAR	Research results
2021	H72FS1 (Electronical horizontal full rotation sewing machine)
	H71G (Electronical horizontal full rotation sewing machine)
	LB42C (4-thread overlock)
	M25D (Mechanical vertical semi-rotary sewing machine)
	K75W (Mechanical vertical semi-rotary sewing machine)
	LB4XD (4-thread overlock))
	H77D (Electronical horizontal full rotation sewing machine)

Chairman: Chih-Cheng Lin Manager: Tung-Liang Liu Chief Accountant: Tzu-Ho Chuang

【Attachment 2】

Zeng Hsing Corporation
Audit Committee Review Report

The Board of Directors has prepared and submitted to us the Company's 2021 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

Audit Committee Convenor: Ming-Liang Tarng

10 March 2022

【Attachment 3】

Zeng Hsing Corporation
31 March, 2021 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)	\$1,541,366	\$987,459	\$729,861	\$408,387	\$-	14.21%	\$2,055,155
Zeng Hsing Industrial CO., LTD.	Subsidiary	Taiwan Cheer Champ Co., Ltd.	\$1,027,577	\$161,626	\$161,626	\$-	\$-	3.15%	2,055,155
Total					\$891,487	\$408,387	\$-		

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 enterprise shall not exceed 20% of the Company's net assets value.

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.

Unit: NT\$ thousands, 1,000 shares

【Attachment 4】

Title	Name	Remuneration of Directors								Ratio of Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Employee								Ratio of Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid from an Invested Company Other than the Company's Subsidiary or the Parent Company
		Remunerations Paid (A)		Pension and Superannuation (B)		Director Remuneration (C)		Expenses for Execution of Business (D)				Salary, Bonuses, and Allowances (E)		Pension and Superannuation (F)		Employees remuneration (G) (Proposed)						
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
Cash	Stock	Cash	Stock																			
Independent Director	Chih-Sheng Wu	720	720	0	0	0	0	21	21	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	None
Independent Director	Ming-Liang Trang	720	720	0	0	0	0	27	27	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	None
Independent Director	Jun-Ming Hsu	720	720	0	0	0	0	27	27	0.14%	0.14%	0	0	0	0	0	0	0	0	0.14%	0.14%	None
Director	Chih-Cheng Lin	0	0	0	0	1,000	1,000	21	21	0.19%	0.19%	5,227	5,507	0	0	800	0	800	0	1.34%	1.40%	None
Director	Ruei-Yi Hong	0	0	0	0	500	500	21	21	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Director	Su-Chen Liao	0	0	0	0	500	500	21	21	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Director	Feng-Chih Lee	0	0	0	0	500	500	18	18	0.10%	0.10%	0	0	0	0	0	0	0	0	0.10%	0.10%	None
Director	Chong-Guang Tsai	0	0	0	0	278	278	9	9	0.05%	0.05%	0	0	0	0	0	0	0	0	0.05%	0.05%	None
Director	Chung-Ting Tsai	0	0	0	0	222	222	12	12	0.04%	0.04%	1,421	1,421	48	48	222	0	222	0	0.37%	0.37%	None
Director	Pao-Sung Chang	0	0	0	0	222	222	12	12	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	None
Director	Meng-Chung Ho	0	0	0	0	222	222	12	12	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	None
<p>1. The Company's policies, systems, standards and structures for the remuneration of independent directors, and the correlation between the amount of remuneration paid and the directors' responsibilities, risks, and time commitment are described as follows:</p> <p>In accordance with the Company's "Regulations Governing the Remuneration of Directors, Supervisors and Managers" and "Regulations Governing the Evaluation of the Performance of Directors, Supervisors and Managers" are used as the basis for evaluation, as well as reference of the Company's overall operating performance, future operating risks and development trends of the industry. In addition, the remuneration system is also based on the individual's performance achievement rate and contribution to the Company's performance. The remuneration system is reviewed by the Compensation Committee and the Board of Directors under the actual operating conditions and relevant laws and regulations in order to strike a balance between sustainable operation and risk control of the Company.</p> <p>2. Except as disclosed in the preceding table, the remuneration received by the company's directors in the most recent year for providing services to all companies in the financial report (such as serving as a consultant to non-employees of the parent company / all companies in the financial report / reinvestment enterprises, etc.): None</p>																						

Note 1: On July 20, 2021, the directors: Chung-Ting Tsai, Pao-Sung Chang and Meng-Chung Ho were appointed. As a result, remuneration will be calculated from July 20, 2021 to December 31, 2021.

【Attachment 5】

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 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, 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 2021 and 2020, and their consolidated financial performance and cash flows for the years ended 31 December 2021 and 2020, 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 2021 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 2021, the Group's accounts receivable and allowance for doubtful accounts amounted to NTD 1,008,324 thousand and NTD 5,130 thousand, respectively. Net accounts receivable represented 13% 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 whose 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; 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; analyzing the receivable turnover to evaluate recoverability based on individual customers with significant sales amount; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, reviewing the collection in subsequent period.

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 2021, the net inventories amounted to NTD 1,587,574 thousand accounting for 20% 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.

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 30,339 thousand and NTD 32,443 thousand, representing 0.38% and 0.41% of consolidated total assets as of 31 December 2021 and 2020, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 2,896 thousand and NTD 5,602 thousand, representing 0.43% and 0.5% of the consolidated net income before tax for the years ended 31 December 2021 and 2020, respectively.

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 2021 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 2021 and 2020.

Tu, Chin Yuan
Chen, Ming Hung
Ernst & Young, Taiwan
10 March 2022

ZENG HSING INDUSTRIAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As at	
		31 December 2021	31 December 2020
Current Assets			
Cash and cash equivalents	4, 6(1), 12	\$2,634,448	\$2,728,335
Financial assets at fair value through profit or loss, current	4, 12	108,131	114,282
Financial assets measured at amortized cost, current	4, 8, 12	10,201	10,200
Accounts receivable, net	4, 6(2), 6(12), 12	1,003,194	1,215,169
Other receivables	12	67,479	15,140
Inventories, net	4, 6(3)	1,587,574	1,311,313
Prepayment		18,760	62,462
Other current assets		115,065	190,359
Total current assets		<u>5,544,852</u>	<u>5,647,260</u>
Non-current assets			
Investments accounted for under the equity method	4	98,647	58,052
Property, plant and equipment	4, 6(4), 8	1,922,444	1,860,734
Right of use assets	4, 6(13)	217,305	237,047
Intangible assets	4	37,636	41,002
Deferred tax assets	4, 6(17)	27,264	110,743
Other non-current assets	4, 8, 12	117,926	26,845
Total non-current assets		<u>2,421,222</u>	<u>2,334,423</u>
Total assets		<u>\$7,966,074</u>	<u>\$7,981,683</u>

(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 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As at	
		31 December 2021	31 December 2020
Current liabilities			
Short-term loans	4, 6(5), 12	\$946,501	\$542,000
Short-term notes and bills payable	4, 6(6), 12	130,000	35,000
Contract liabilities, current	6(11)	73,715	82,813
Notes payable	12	19,918	23,042
Accounts payable	12	872,335	1,047,430
Other payables	12	320,397	339,942
Current tax liabilities	4	110,217	147,359
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(7), 12	64,000	66,151
Other current liabilities	4, 6(13), 12	31,453	37,160
Total current liabilities		<u>2,568,536</u>	<u>2,320,897</u>
Non-current liabilities			
Long-term loans	4, 6(7), 12	240,000	304,000
Deferred tax liabilities	4, 6(17)	151,294	255,209
Accrued pension liabilities	4, 6(8)	23,806	35,522
Other non-current liabilities	4, 6(13), 12	6,410	11,577
Total non-current liabilities		<u>421,510</u>	<u>606,308</u>
Total liabilities		<u>2,990,046</u>	<u>2,927,205</u>
Equity attributable to the parent company	4, 6(9)		
Capital			
Common stock		605,356	605,356
Additional paid-in capital		1,389,627	1,393,097
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		295,491	211,385
Retained earnings		2,213,284	2,337,924
Total Retained earnings		<u>3,239,338</u>	<u>3,279,872</u>
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(326,214)	(295,491)
Equity attributable to owners of the parent		<u>4,908,107</u>	<u>4,982,834</u>
Non-controlling interests	6(10)	67,921	71,644
Total equity		<u>4,976,028</u>	<u>5,054,478</u>
Total liabilities and equity		<u>\$7,966,074</u>	<u>\$7,981,683</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 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		For the years ended 31 December	
	Notes	2021	2020
Net Sales	4, 6(11)	\$7,719,932	\$6,965,819
Cost of Sales	6(3), 6(14)	(6,128,581)	(5,005,807)
Gross Profit		<u>1,591,351</u>	<u>1,960,012</u>
Operating Expenses	6(13), 6(14)		
Selling and marketing		(277,341)	(210,907)
Management and administrative		(487,715)	(451,332)
Research and development		(114,310)	(108,111)
Expected credit gains	4, 6(12)	932	307
Total Operating Expenses		<u>(878,434)</u>	<u>(770,043)</u>
Operating Income		<u>712,917</u>	<u>1,189,969</u>
Non-operating income and expenses	6(15)		
Other income		38,055	52,098
Other gain and loss		(66,550)	(109,744)
Financial costs		(8,944)	(5,533)
Share of profit or loss of associates and joint ventures		1,879	3,907
Subtotal		<u>(35,560)</u>	<u>(59,272)</u>
Income before income tax		677,357	1,130,697
Income tax expense	4, 6(17)	<u>(149,014)</u>	<u>(285,056)</u>
Income, net of tax		<u>528,343</u>	<u>845,641</u>
Other comprehensive income	6(16), 6(17)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		11,757	(3,631)
Income tax related to items that may not be reclassified subsequently		(2,351)	726
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(38,404)	(99,085)
Income tax related to items that may be reclassified subsequently		7,681	19,817
Total other comprehensive income (loss), net of tax		<u>(21,317)</u>	<u>(82,173)</u>
Total comprehensive income		<u><u>\$507,026</u></u>	<u><u>\$763,468</u></u>
Net income attributable to:			
Stockholders of the parent		\$525,148	\$832,980
Non-controlling interests		3,195	12,661
		<u><u>\$528,343</u></u>	<u><u>\$845,641</u></u>
Comprehensive income attributable to:			
Stockholder of the parent		\$503,831	\$750,807
Non-controlling interests		3,195	12,661
		<u><u>\$507,026</u></u>	<u><u>\$763,468</u></u>
Earnings per share (NTD)	6(18)		
Earnings per share-basic		<u>\$8.68</u>	<u>\$13.76</u>
Earnings per share-diluted		<u><u>\$8.65</u></u>	<u><u>\$13.72</u></u>

(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 2021 and 2020
(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 on Financial Asset Measured at Fair Value through Other Comprehensive Income	Total	Non-Controlling Interests	Total Equity
Balance as of 1 January 2020	6(9)	\$605,356	\$1,385,352	\$730,563	\$163,100	\$2,088,848	\$(216,223)	\$4,838	\$4,761,834	\$42,145	\$4,803,979
Appropriations of earnings, 2019:											
Special reserve					48,285	(48,285)			-		-
Cash dividends						(532,714)			(532,714)		(532,714)
Net income for the year ended 31 December 2020						832,980			832,980	12,661	845,641
Other comprehensive income, net of tax for the year ended 31 December 2020						(2,905)	(79,268)		(82,173)		(82,173)
Total comprehensive income		-	-	-	-	830,075	(79,268)	-	750,807	12,661	763,468
Cash dividends of subsidiary	6(10)									(10,387)	(10,387)
From share of changes in equity of subsidiaries			7,745						7,745		7,745
Increase in non-controlling interests	6(10)									27,225	27,225
Disposal of financial assets at fair value through other comprehensive income								(4,838)	(4,838)		(4,838)
Balance as of 31 December 2020	6(9)	<u>\$605,356</u>	<u>\$1,393,097</u>	<u>\$730,563</u>	<u>\$211,385</u>	<u>\$2,337,924</u>	<u>\$(295,491)</u>	<u>\$ -</u>	<u>\$4,982,834</u>	<u>\$71,644</u>	<u>\$5,054,478</u>
Balance as of 1 January 2021	6(9)	\$605,356	\$1,393,097	\$730,563	\$211,385	\$2,337,924	\$(295,491)	\$ -	\$4,982,834	\$71,644	\$5,054,478
Appropriations of earnings, 2020:											
Special reserve					84,106	(84,106)			-		-
Cash dividends						(575,088)			(575,088)		(575,088)
Net income for the year ended 31 December 2021						525,148			525,148	3,195	528,343
Other comprehensive income, net of tax for the year ended 31 December 2021						9,406	(30,723)		(21,317)		(21,317)
Total comprehensive income		-	-	-	-	534,554	(30,723)	-	503,831	3,195	507,026
Cash dividends of subsidiary	6(10)									(10,998)	(10,998)
From share of changes in equity of subsidiaries			(3,470)						(3,470)		(3,470)
Increase in non-controlling interests	6(10)									4,080	4,080
Balance as of 31 December 2021	6(9)	<u>\$605,356</u>	<u>\$1,389,627</u>	<u>\$730,563</u>	<u>\$295,491</u>	<u>\$2,213,284</u>	<u>\$(326,214)</u>	<u>\$ -</u>	<u>\$4,908,107</u>	<u>\$67,921</u>	<u>\$4,976,028</u>

(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 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2021	2020
Cash flows from operating activities:		
Net income before tax	\$677,357	\$1,130,697
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	269,979	259,540
Amortization	53,932	54,794
Gain on disposal of property, plant and equipment	(843)	(3,187)
Gain on disposal of investments	-	(8,269)
Gain on disposal of right of use asset	(26)	-
Net loss of financial assets at fair value through profit or loss	2,140	9,365
Loss (gain) from market value decline, obsolete and slow-moving of inventories	7,344	(2,133)
Share of profit or loss of associates and joint ventures	(1,879)	(3,907)
Expected credit profit	(932)	(307)
Gain from bargain purchase	(741)	-
Interest income	(10,198)	(23,458)
Interest expense	8,944	5,533
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	1,475	(120,343)
Decrease (increase) in accounts receivable	212,907	(184,867)
Increase in inventories, net	(283,605)	(662,777)
(Increase) decrease in other receivables	(52,339)	5,319
Decrease (increase) in prepayments	7,574	(2,178)
Decrease (increase) in other current assets	75,117	(102,515)
(Decrease) increase in contract liabilities	(9,098)	67,269
(Decrease) increase in notes payable	(3,124)	2,727
(Decrease) increase in accounts payable	(175,095)	482,139
(Decrease) increase in other payables	(20,383)	75,937
(Decrease) increase in other current liabilities	(52)	690
Increase (decrease) in accrued pension liabilities	41	(8,564)
Cash generated from operations	758,495	971,505
Interest received	10,198	23,458
Income tax paid	(200,461)	(225,715)
Net cash provided by operating activities	568,232	769,248

(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, 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

	For the years ended 31 December	
	2021	2020
Cash flows from investing activities:		
Disposal of financial assets at fair value through other comprehensive income	-	17,180
Acquisition of financial assets at measured at amortized cost	(1)	-
Acquisition of investments accounted for under the equity method	(43,217)	-
Acquisition of property, plant and equipment	(363,632)	(335,919)
Proceeds from disposal of property, plant and equipment	1,631	8,254
Proceeds from disposal of right-of-use asset	2,203	-
Increase in deposits-out	494	2,805
Dividends receive	5,000	-
Acquisition of intangible assets	(10,234)	(5,255)
Increase in other non-current assets	(65,142)	(43,660)
Net cash used in investing activities	(472,898)	(356,595)
Cash flows from financing activities:		
Increase in short-term loans	3,094,134	2,984,917
Decrease in short-term loans	(2,687,802)	(2,785,917)
Increase in short-term notes and bills payable	200,000	360,000
Decrease in short-term notes and bills payable	(105,000)	(325,000)
Increase in long-term loans	-	288,000
Decrease in long-term loans	(66,151)	(41,159)
Lease principal repayment	(11,415)	(10,775)
Cash dividends	(575,088)	(532,714)
Interest paid	(8,944)	(5,533)
Cash dividends of subsidiary	(10,998)	(10,387)
Changes in non-controlling interests	610	-
Acquisition of ownership interests in subsidiary	-	(23,100)
Net cash used in financing activities	(170,654)	(101,668)
Effect of initial consolidation of subsidiaries	-	28,284
Effect of exchange rate changes on cash and cash equivalents	(18,567)	(38,803)
Net (decrease) increase in cash and cash equivalents	(93,887)	300,466
Cash and cash equivalents at beginning of period	2,728,335	2,427,869
Cash and cash equivalents at end of period	\$2,634,448	\$2,728,335

(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 2021 and 2020, 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 2021 and 2020, 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 2021 and 2020, and the parent company only financial performance and the parent company only cash flows for the years ended 31 December 2021 and 2020, 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 2021 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 2021, the Company's accounts receivable and allowance for doubtful accounts amounted to NTD 1,126,298 thousand and NTD 4,828 thousand, respectively. Net accounts receivable represented 16% 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; 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; analyzing the receivable turnover to evaluate recoverability based on individual customers with significant sales amount; evaluating the reasonableness of the allowance for doubtful accounts based on individual customers with significant overdue accounts or longer aging, reviewing the collection in subsequent period.

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 2021, 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 NTD 30,339 thousand and NTD 32,443 thousand, representing 0.43% and 0.45% of consolidated total assets as of 31 December 2021 and 2020, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NTD 2,896 thousand and NTD 5,602 thousand, representing 0.44% and 0.54% of the consolidated net income before tax for the years ended 31 December 2021 and 2020, respectively.

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 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 2021 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
10 March 2022

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
31 December 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

Assets	Notes	As of	
		31 December 2021	31 December 2020
Current Assets			
Cash and cash equivalents	4, 6(1), 12	\$1,917,641	\$1,754,180
Financial assets at fair value through profit or loss, current	12	108,131	114,282
Accounts receivable, net	4, 6(2), 6(14), 12	861,457	1,127,951
Accounts receivable-related parties, net	4, 6(2), 6(14), 7, 12	260,013	269,388
Other receivables	12	4,389	4,542
Inventories, net	4, 6(3)	151,396	70,325
Prepayment		4,346	11,650
Other current assets		2,660	3,518
Total current assets		<u>3,310,033</u>	<u>3,355,836</u>
Non-current assets			
Financial assets measured at amortized cost, non-current	4, 8, 12	200	200
Investments accounted for under the equity method	4, 6(4)	2,916,538	2,978,306
Property, plant and equipment	4, 6(5), 8	736,693	722,445
Investment property	4, 6(6)	64,902	66,132
Intangible assets	4	24,525	24,825
Deferred tax assets	4, 6(19)	19,411	106,353
Other non-current assets	4, 6(7), 6(15)	14,467	7,135
Total non-current assets		<u>3,776,736</u>	<u>3,905,396</u>
Total assets		<u><u>\$7,086,769</u></u>	<u><u>\$7,261,232</u></u>

(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 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

Liabilities and Equity	Notes	As of	
		31 December 2021	31 December 2020
Current liabilities			
Short-term loans	4, 6(8), 12	\$629,000	\$490,000
Short-term notes and bills payable	4, 6(9), 12	130,000	35,000
Financial liabilities at fair value through profit or loss, current	12	1,545	4,081
Contract liabilities, current	6(13)	62,441	53,698
Notes payable	12	501	492
Accounts payable	12	127,256	219,928
Accounts payable-related parties	7, 12	484,357	519,004
Other payables	12	156,212	163,378
Current tax liabilities	4	89,034	112,504
Long-term borrowings (including current portion with maturity less than 1 year)	4, 6(10), 12	64,000	64,000
Other current liabilities	4, 6(15), 12	18,439	20,562
Total current liabilities		<u>1,762,785</u>	<u>1,682,647</u>
Non-current liabilities			
Long-term loans	4, 6(10), 12	240,000	304,000
Deferred tax liabilities	4, 6(19)	151,294	255,209
Accrued pension liabilities	4, 6(11)	23,806	35,522
Other non-current liabilities	4, 6(15), 12	777	1,020
Total non-current liabilities		<u>415,877</u>	<u>595,751</u>
Total liabilities		<u>2,178,662</u>	<u>2,278,398</u>
Equity attributable to the parent company	4, 6(12)		
Capital			
Common stock		605,356	605,356
Additional paid-in capital		1,389,627	1,393,097
Retained earnings			
Legal reserve		730,563	730,563
Special reserve		295,491	211,385
Retained earnings		2,213,284	2,337,924
Total Retained earnings		<u>3,239,338</u>	<u>3,279,872</u>
Other components of equity			
Exchange differences on translation of foreign operations - the parent company		(326,214)	(295,491)
Total equity		<u>4,908,107</u>	<u>4,982,834</u>
Total liabilities and equity		<u>\$7,086,769</u>	<u>\$7,261,232</u>

(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 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Notes	For the Years Ended 31 December	
		2021	2020
Net Sales	4, 6(13), 7	\$6,798,275	\$6,197,136
Cost of Sales	6(3), 6(16), 7	(5,539,998)	(4,892,000)
Gross Profit		1,258,277	1,305,136
Unrealized Intercompany Profit	7	(2,440)	1,086
Realized Intercompany Profit		(1,086)	406
Gross Profit		1,254,751	1,306,628
Operating Expenses	6(15), 6(16), 7		
Selling and marketing		(116,192)	(103,666)
Management and administrative		(258,591)	(255,350)
Research and development		(114,325)	(108,110)
Expected credit gains	4, 6(14)	807	307
Total Operating Expenses		(488,301)	(466,819)
Operating Income		766,450	839,809
Non-operating income and expenses	6(17)		
Other income		19,378	33,212
Other gain and loss		(79,848)	(114,334)
Financial costs		(5,601)	(4,377)
Share of profit or loss of associates and joint ventures	4, 6(4)	(42,924)	283,317
Subtotal		(108,995)	197,818
Income before income tax		657,455	1,037,627
Income tax expense	4, 6(19)	(132,307)	(204,647)
Income, net of tax		525,148	832,980
Other comprehensive income	6(18), 6(19)		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans		11,757	(3,631)
Income tax related to items that may not be reclassified subsequently		(2,351)	726
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(38,404)	(99,085)
Income tax related to items that may be reclassified subsequently		7,681	19,817
Total other comprehensive loss, net of tax		(21,317)	(82,173)
Total comprehensive income		\$503,831	\$750,807
Earnings per share (NTD)	6(20)		
Earnings per share-basic		\$8.68	\$13.76
Earnings per share-diluted		\$8.65	\$13.72

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended 31 December 2021 and 2020
(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 on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
Balance as of 1 January 2020	6(12)	\$605,356	\$1,385,352	\$730,563	\$163,100	\$2,088,848	\$(216,223)	\$4,838	\$4,761,834
Appropriations of earnings, 2019:									
Special reserve					48,285	(48,285)			-
Cash dividends						(532,714)			(532,714)
Net income for the year ended 31 December 2020						832,980			832,980
Other comprehensive income, net of tax for the year ended 31 December 2020						(2,905)	(79,268)		(82,173)
Total comprehensive income		-	-	-	-	830,075	(79,268)	-	750,807
From share of changes in equity of subsidiaries			7,745						7,745
Disposal of financial assets at fair value through other comprehensive income								(4,838)	(4,838)
Balance as of 31 December 2020	6(12)	<u>\$605,356</u>	<u>\$1,393,097</u>	<u>\$730,563</u>	<u>\$211,385</u>	<u>\$2,337,924</u>	<u>\$(295,491)</u>	<u>\$ -</u>	<u>\$4,982,834</u>
Balance as of 1 January 2021	6(12)	\$605,356	\$1,393,097	\$730,563	\$211,385	\$2,337,924	\$(295,491)	\$ -	\$4,982,834
Appropriations of earnings, 2020:									
Special reserve					84,106	(84,106)			-
Cash dividends						(575,088)			(575,088)
Net income for the year ended 31 December 2021						525,148			525,148
Other comprehensive income, net of tax for the years ended 31 December 2021						9,406	(30,723)		(21,317)
Total comprehensive income		-	-	-	-	534,554	(30,723)	-	503,831
From share of changes in equity of subsidiaries			(3,470)						(3,470)
Balance as of 31 December 2021	6(12)	<u>\$605,356</u>	<u>\$1,389,627</u>	<u>\$730,563</u>	<u>\$295,491</u>	<u>\$2,213,284</u>	<u>\$(326,214)</u>	<u>\$ -</u>	<u>\$4,908,107</u>

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

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2021	2020
Cash flows from operating activities:		
Net income before tax	\$657,455	\$1,037,627
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	52,334	51,789
Amortization	17,113	19,125
Gain on disposal of property, plant and equipment	(199)	(1,526)
Net loss of financial assets at fair value through profit or loss	2,381	9,365
Loss (gain) from market value decline, obsolete and slow-moving of inventories	5,717	(1,579)
Share of profit or loss of associates and joint ventures	42,924	(283,317)
Expected credit profit	(807)	(307)
Unrealized intercompany profit (loss)	2,440	(1,086)
Realized intercompany loss (profit)	1,086	(406)
Gain from bargain purchase	(741)	-
Interest income	(2,951)	(11,732)
Interest expense	5,601	4,377
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	1,234	(120,343)
Decrease (increase) in accounts receivable	267,301	(196,789)
Decrease (increase) in accounts receivable-related parties	9,375	(125,915)
Increase in inventories, net	(86,788)	(5,762)
Decrease in other receivables	153	6,570
Decrease (increase) in prepayments	7,304	(9,125)
Decrease in other current assets	858	1,289
Increase in other non-current assets	(18,299)	(8,786)
Increase in contract liabilities	8,743	41,408
Increase (decrease) in notes payable	9	(2,761)
(Decrease) increase in accounts payable	(92,672)	107,981
Decrease in accounts payable-related parties	(34,647)	(67,952)
(Decrease) increase in other payables	(7,166)	22,460
Decrease in other current liabilities	(384)	(482)
Increase (decrease) in accrued pension liabilities	41	(8,564)
Cash generated from operations	837,415	455,559
Interest received	2,951	11,732
Income tax paid	(167,420)	(145,273)
Net cash provided by operating activities	672,946	322,018

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

(Continued)

ZENG HSING INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended 31 December 2021 and 2020
(Expressed in Thousand New Taiwan Dollars)

	For the Years Ended 31 December	
	2021	2020
(Continued)		
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	(43,217)	(63,686)
Acquisition of property, plant and equipment	(63,896)	(144,907)
Proceeds from disposal of property, plant and equipment	791	2,599
Decrease in deposits-out	807	2,164
Acquisition of intangible assets	(8,701)	(4,964)
Dividends received	17,402	91,558
Net cash used in investing activities	(96,814)	(117,236)
Cash flows from financing activities:		
Increase in short-term loans	2,098,000	2,910,000
Decrease in short-term loans	(1,959,000)	(2,710,000)
Increase in short-term notes and bills payable	200,000	360,000
Decrease in short-term notes and bills payable	(105,000)	(325,000)
Increase in long-term loans	-	288,000
Decrease in long-term loans	(64,000)	(40,000)
Lease principal repayment	(1,982)	(2,540)
Interest paid	(5,601)	(4,377)
Cash dividends	(575,088)	(532,714)
Net cash used in financing activities	(412,671)	(56,631)
Net increase in cash and cash equivalents	163,461	148,151
Cash and cash equivalents at beginning of period	1,754,180	1,606,029
Cash and cash equivalents at end of period	\$1,917,641	\$1,754,180

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

【Attachment 6】

Zeng Hsing Corporation
2021 Earnings Distribution Chart

Items	Amount	Remarks
Unappropriated Retain Earnings at beginning period	\$1,678,730,501	
Net income for 2021	525,148,567	
Less:		
10% Legal reserve	0	
Special reserve	30,723,722	
Plus:		
Other comprehensive loss (remeasurements of the defined benefit plan in 2021)	9,405,695	
Distributable net profit	<u>2,182,561,041</u>	
Distribution Items:		
Cash Dividends to Common Share Holders	(514,552,864)	
Unappropriated Distribution at end of period	\$1,668,008,177	

Note:

Note 1. The undistributed profit for 2021 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, there is no need to set aside additional legal reserve.

Chairman: Chih-Cheng Lin

Manager: Tung-Liang Liu

Chief Accountant: Tzu-Ho Chuang

【Attachment 7】

Zeng Hsing Corporation

Comparison Table of Amended Articles of Incorporation

Article	Original	Amendment	Amendment Reason
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.	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. <u>The shareholders' meeting can be held via videoconferencing or other methods promulgated by the central competent authority.</u>	To comply with company practices
Article 39	These Articles of Incorporation were enacted on Dec. 11, 1974 Amended on Dec. 20, 1976 for the first time. Amended on July 20, 2021 for the forty-first time.	These Articles of Incorporation were enacted on Dec. 11, 1974 Amended on Dec. 20, 1976 for the first time. Amended on July 20, 2021 for the forty-first time. <u>Amended on Jun. 15, 2022 for the forty-second time.</u>	Add amendment date

【Attachment 8】

Zeng Hsing Corporation

Comparison Table of the Amended Articles of the governing procedures
Acquisition and Disposal of Assets

Article	Original	Amendment	Amendment Reason
Article 5	<p>The limitation of acquisition of real estate and securities by the Company and its Subsidiary.</p> <p>The amount of investment in real estate and marketable securities for non-operating purpose is determined as follows:</p> <ol style="list-style-type: none"> 1. The total amount of real estate for non-operating purposes shall not exceed the net worth of the Company. 2. The total amount of investment in long-term and short-term securities shall not exceed the net worth of the Company. 3. The amount of investment in individual securities shall not exceed 40% of the Company's net worth. 	<p>The limitation of acquisition of real estate and securities by the Company and its Subsidiary.</p> <p>The amount of investment in real estate and marketable securities for non-operating purpose is determined as follows:</p> <ol style="list-style-type: none"> 1. The total amount of real estate for non-operating purposes shall not exceed the net worth of the Company. 2. The total amount of investment in long-term and short-term securities shall not exceed the net worth of the Company. 3. The amount of investment in individual securities shall not exceed 40% <u>60%</u> of the Company's net worth. 	To comply with the company practice
Article 6	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 	<p>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> 1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received. 	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</p>	<p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <u>the self-regulatory rules of the industry associations to which they belong and with the following provisions:</u></p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When <u>conducting examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the <u>appropriateness, comprehensiveness, accuracy, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable <u>accurate</u>, and that they have complied with applicable laws and regulations.</p>	
Article 8	Procedure for acquiring or disposing real	Procedure for acquiring or disposing real	To comply

Article	Original	Amendment	Amendment Reason
	<p>estate property or equipment.</p> <p>4. Appraisal report for real estate property or other fixed assets In acquiring or disposing of real property or equipment, thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; Those who change the trading conditions in the future should also follow the above procedures.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of</p>	<p>estate property or equipment.</p> <p>4. Appraisal report for real estate property or other fixed assets In acquiring or disposing of real property or equipment, thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; Those who change the trading conditions in the future should also follow the above procedures.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of</p>	<p>with the amendment to laws</p>

Article	Original	Amendment	Amendment Reason
	<p>Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1) The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2) The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount. <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	
Article 9	<p>Procedure for acquiring or disposing securities</p> <p>.....</p> <p>4. Obtain an accountant's opinion</p> <p>A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a</p>	<p>Procedure for acquiring or disposing securities</p> <p>.....</p> <p>4. Obtain an accountant's opinion</p> <p>A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a</p>	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the Financial Supervisory Commission (FSC).</p>	<p>certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with Statement of Auditing Standards No. 20 published by the ARDF. This requirement not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the Financial Supervisory Commission (FSC).</p>	
Article 10	<p>Procedures of Related Party Transactions 2. Procedures of Assessment and operation When a public company intends to acquire or dispose of real property or thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee: (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real estate (2) The reason for choosing the related party as a transaction counterparty. (3) With respect to the acquisition of</p>	<p>Procedures of Related Party Transactions 2. Procedures of Assessment and operation When a public company intends to acquire or dispose of real property or thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee: (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real estate (2) The reason for choosing the related party as a transaction counterparty. (3) With respect to the acquisition of</p>	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 paragraph 1 to 4 and 6.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, paragraph 6 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries ,the company's board of directors may pursuant to Article 8, paragraph 1, subparagraph 2 delegate the board</p>	<p>real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 paragraph 1 to 4 and 6.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, paragraph 6 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries ,the company's board of directors may pursuant to Article 8, paragraph 1, subparagraph 2 delegate the board</p>	

Article	Original	Amendment	Amendment Reason
	<p>chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <ol style="list-style-type: none"> 1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2) Acquisition or disposal of real property right-of-use assets held for business use. <p>Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p>.....</p>	<p>chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting.</p> <ol style="list-style-type: none"> 1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2) Acquisition or disposal of real property right-of-use assets held for business use. <p>Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 12, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.</p> <p><u>Where the position of an audit committee has been created in accordance with the provisions of the Act, pursuant to paragraph 2, when the procedures for the acquisition and disposal of assets are adopted or amended, they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.</u></p> <p><u>If the company or a subsidiary thereof that is not a domestic public company will have a transaction set out in paragraph 2 and the transaction amount will reach 10 percent or more of the public company's total assets, the company shall submit the materials in all the subparagraphs of paragraph 2 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this</u></p>	

Article	Original	Amendment	Amendment Reason
		<p><u>restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries. The calculation of the transaction amount in Paragraph 2 and Paragraph 1 of the preceding paragraph shall be carried out in accordance with the provisions of Subparagraph 7 of Paragraph 1 of Article 15, and the term within one year shall be based on the date of the actual occurrence of the transaction and shall be retrospectively calculated one year ahead. Items that have been approved by the shareholders meeting or board of directors and recognized by the supervisors need not be counted toward the transaction amount.</u></p> <p>.....</p>	
Article 11	<p>Procedures for Acquisition or Disposal of Memberships or Intangible Assets</p> <p>.....</p> <p>4. Member card or intangible asset expert assessment report</p> <p>Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Procedures for Acquisition or Disposal of Memberships or Intangible Assets</p> <p>.....</p> <p>4. Member card or intangible asset expert assessment report</p> <p>Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	To comply with the amendment to laws
Article 15	<p>Information disclosure procedure</p> <p>1. The project should be announced and the reporting standard should be announced.</p>	<p>Information disclosure procedure</p> <p>1. The project should be announced and the reporting standard should be announced.</p>	To comply with the amendment to laws

Article	Original	Amendment	Amendment Reason
	<p>(1) Obtain or dispose of immovable property from the related party, or acquire or dispose of other assets other than the real property with the related person and the transaction amount shall reach 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. However, the sale and purchase of public debt, the purchase of bonds, the sale of bonds, the purchase or purchase of money market funds issued by domestic securities investment trusts are not limited.</p> <p>(2) Consolidation, division, acquisition or share transfer.</p> <p>(3) The amount of all or individual contractual losses specified in the processing procedures for the loss of derivative goods transactions.</p> <p>(4) The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is one of the following:</p> <p>1) The amount of paid-up capital is less than NT\$10 billion in public offering companies, and the transaction amount is NT\$500 million.</p> <p>2) The publicly-issued company with a paid-in capital of NT\$10 billion or more has a transaction amount of NT\$1 billion or more.</p> <p>(5) The company is expected to invest NT\$500 million in real estate by means of local construction, land lease construction, joint housing construction, joint construction, and joint construction.</p> <p>(6) In addition to the first five paragraphs of asset transactions, financial institutions to dispose of</p>	<p>(1) Obtain or dispose of immovable property from the related party, or acquire or dispose of other assets other than the real property with the related person and the transaction amount shall reach 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. However, the sale and purchase of public debt, the purchase of bonds, the sale of bonds, the purchase or purchase of money market funds issued by domestic securities investment trusts are not limited.</p> <p>(2) Consolidation, division, acquisition or share transfer.</p> <p>(3) The amount of all or individual contractual losses specified in the processing procedures for the loss of derivative goods transactions.</p> <p>(4) The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is one of the following:</p> <p>1) The amount of paid-up capital is less than NT\$10 billion in public offering companies, and the transaction amount is NT\$500 million.</p> <p>2) The publicly-issued company with a paid-in capital of NT\$10 billion or more has a transaction amount of NT\$1 billion or more.</p> <p>(5) The company is expected to invest NT\$500 million in real estate by means of local construction, land lease construction, joint housing construction, joint construction, and joint construction.</p> <p>(6) In addition to the first five paragraphs of asset transactions, financial institutions to dispose of</p>	

Article	Original	Amendment	Amendment Reason
	<p>creditor's rights or engage in mainland investment, the transaction amount of the company's paid-in capital of 20% or NT\$300 million. However, the following situations are not limited to this:</p> <ol style="list-style-type: none"> 1) Buying and selling public debt. 2) Buying and selling bonds with buy back, selling back conditions, buying or buying back money market funds issued by domestic securities investment trusts. <p>(7) The calculation of the aforementioned transaction amount is as follows, and the alleged one year is based on the date on which the fact of the transaction occurred, and is retroactively calculated for one year.</p> <ol style="list-style-type: none"> 1) The amount of each transaction. 2) The amount of transactions acquired or dispositioned by the same counterpart in the same nature within one year. 3) The amount of the same development plan real estate accumulated or acquired (accumulated and disbursed separately) within one year. 4) The amount of the same marketable securities accumulated or disbursed (acquired and disbursed separately) within one year. <p>.....</p>	<p>creditor's rights or engage in mainland investment, the transaction amount of the company's paid-in capital of 20% or NT\$300 million. However, the following situations are not limited to this:</p> <ol style="list-style-type: none"> 1) <u>Trading of domestic government bonds or foreign government or bonds with a rating that is not lower than the sovereign rating of Taiwan.</u> 2) Buying and selling bonds with buy back, selling back conditions, buying or buying back money market funds issued by domestic securities investment trusts. <p>(7) The calculation of the aforementioned transaction amount is as follows, and the alleged one year is based on the date on which the fact of the transaction occurred, and is retroactively calculated for one year.</p> <ol style="list-style-type: none"> 1) The amount of each transaction. 2) The amount of transactions acquired or dispositioned by the same counterpart in the same nature within one year. 3) The amount of the same development plan real estate accumulated or acquired (accumulated and disbursed separately) within one year. 4) The amount of the same marketable securities accumulated or disbursed (acquired and disbursed separately) within one year. <p>.....</p>	

Appendix 1

Articles of Incorporation of Zeng Hsing Corporation [Before amendments]

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	<p>The scope of business of the Company shall be as follow:</p> <ol style="list-style-type: none">1.CBO1010 Machinery and Equipment Manufacturing2.CB01990Other machinery manufacturing3.CC01030 electrical and audio-visual electronic products manufacturing4.CD01050 bicycle and its parts manufacturing5.CH01010 Sporting Goods Manufacturing6.CQ01010 Mold Manufacturing7.C805990O ther plastic products manufacturing8.F401010 International Trade9.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	<p>The total capital amount of the Company shall be NT\$850 million accounting for 85 million shares, at a par value of</p> <p>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.</p>
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 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	The transfer of the Company's treasury stock to employees, the issuance of employee stock options, the new restricted employee shares, and new shares reserved for employee subscription by cash investment may include employees of affiliated companies who meet certain conditions. The conditions and the method of subscription are authorized by the board.

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
Article 21	The Company shall have five (5) to thirteen (13) directors 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 three (3) 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.
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 term ends and it is too late to re-elect, his or her term will be extended to perform his duties until the director 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 remuneration of the directors shall be determined in accordance with the contribution and their participation, and with reference to the usual standards of the Company with the same industry to authorize the board of directors. If the Company has surplus, it shall also distribute remuneration in accordance with the provisions of Article 36

Article 29 The Company establishes an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of all independent directors. The audit committee shall be responsible for implementing the functions and powers of what are specified for supervisors in the Company Act, Securities and Exchange Act and other relevant laws

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 Deleted

Section VI Accounting

Article 33 The Company's fiscal year starts from January 1 to December 31 of each year.

Article 34 At the close of each fiscal year, the board of directors shall prepare the following statements and records and in accordance with the procedure prescribed by law not later than the 30th day prior to the meeting date of a general meeting of shareholders: (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 remuneration are based on the Company's "Evaluation Measures for the Performance of Directors 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.
Amended on Jul. 20, 2021 for the forty-first time.

Zeng Hsing Corporation
Chairman: Chih-Cheng Lin

Appendix 2

Zeng Hsing Corporation Rules for the Shareholders' Meetings

- 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 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 a special 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 special 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 articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, 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 Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.
- Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.
- A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda.

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. A shareholder may propose a recommendation proposal to urge the Company to promote public interests or fulfill its social responsibilities, provided that the number of items proposed shall be limited to one item only in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, 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 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.

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 (Preparation of documents such as the attendance book)

The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign in cards, or other certificates of attendance. The Company 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 furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, preprinted ballots shall also be furnished. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting.

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7

If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the company. The same shall be true for a representative of a juristic person director that serves as chair. It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity

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

Attendance at shareholders meetings shall be calculated based on numbers of shares. The chair shall call the meeting to order at the appointed meeting time, and also announce related information such as the number of no voting right shares and the number of shares present at the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for

a combined total of no more than one 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 chair 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 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 Article 179, paragraph 2 of the Company Act.

When this Corporation holds a shareholder 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 this Corporation 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 this Corporation before two days before 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.

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 or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, 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.

Except as otherwise provided in the Company Act and in this Corporation'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.

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.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

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.

- Article 14 The election of directors 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, including the names of those elected as directors and those who aren't elected as directors and the numbers of votes with which they were or were not elected.
- 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 one 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 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 meeting minutes may be produced and distributed in electronic form.
- The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.
- 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 their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.
- 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 Rules for Election of Directors and Supervisors

- Article 1 To ensure a just, fair, and open election of directors, these Procedures are adopted pursuant to Articles 22 and 41 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- Article 2 Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.
- Article 3 The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:
1. Basic requirements and values: Gender, age, nationality, and culture.
 2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.
- Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. The ability to make judgments about operations.
 2. Accounting and financial analysis ability.
 3. Business management ability.
 4. Crisis management ability.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. Leadership ability.
 8. Decision-making ability.
- More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
- The board of directors of this Corporation shall consider adjusting its composition based on the results of performance evaluation.
- Article 4 The qualifications for the independent directors of this Corporation shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.
- The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.
- Article 5 Elections of directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.
- When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next

shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for GTSM Listing under Article 10, Paragraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 6 The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 7 The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 8 In accordance with the company's articles of association, we will calculate independent director and directors' election right separately. If two or more people have the same number of votes and exceed the prescribed numbers, the director will be determined by drawing from the person with the same number of votes. If they did not be present, the chairman will help them to draw.

Article 9 Before the election begins, the chairman shall appoint scrutineers and tellers to perform related process. The ballot box is prepared by the board of directors, and the scrutineers check the ballot box in public before voting.

Article 10 A ballot is invalid under any of the following circumstances:
1. The ballot was not prepared by the right holder
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate check shows that the candidate's name and identity card number do not match.
5. Other words of voting rights allotted.

Article 11 The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

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 one 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 12 The board of directors of the company will issue a notice of election to the elected directors.

Article 13 These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

Zeng Hsing Corporation

Regulations Governing the Acquisition and Disposal of Assets
(Before Amendments)

- Article 1 In order to protect assets and implement information disclosure, this processing procedure is specially formulated.
- Article 2 These Regulations are adopted in accordance with Article 36-1 of the Securities and Exchange Act ("the Act"). Public companies shall handle the acquisition or disposal of assets in compliance with these Regulations; unless where other law or regulation provides otherwise, such provisions shall govern.
- Article 3 The term "assets" as used in these Regulations includes the following:
1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
 2. Real estate (including land, housing and construction, Land use rights, investment real estate, land use rights, inventory of the construction industry) and its equipment.
 3. Membership card.
 4. Intangible assets: including intangible assets such as patents, copyrights, trademarks, and concessions.
 5. Claims of financial institutions (including receivables, discounted bills and loans, collections).
 6. Derivative goods.
 7. Assets acquired or disposed of in accordance with legal mergers, divisions, acquisitions or transfer of shares.
 8. Other important assets.
- Article 4 Terms used in these Regulations are defined as follows:
1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from assets, interest rate, foreign exchange rate, index or other interests or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
 2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156 paragraph 6 of the Company Act.
 3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
 4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
 5. Date of occurrence: Refers to the date of contract signing, date of payment, date of

consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. "Within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
8. "Latest Financial Statements" used in the procedure is the financial statements of this company audited or reviewed by a certified public accountant which has been published in accordance with applicable regulations before the subject acquisition or disposal of assets.

Article 5 Investment for non-business real estate and securities

The amount of the above assets obtained by the Company and each subsidiary individually is as follows:

1. The total amount of immovable property not for business use shall not exceed the net value of the company.
2. The total amount of long-term investment and short-term securities shall not exceed the net value of the company.
3. The amount of investment in individual securities may not exceed 40% of the company's net value.

Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When conducting a case, they shall appropriately plan and execute adequate

working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.

3. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 7 Where a public company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.

Article 8 Procedure for acquiring or disposing real estate property or equipment.

1. Appraisal and operational procedure

Our Company's acquisition or disposal of real estate property or equipment shall comply with our Company's internal control system and real property, plant and equipment rules.

2. Trade terms and conditions and credit limit decision-making procedure

(1) To obtain or dispose of immovable property, reference shall be made to the present value of the announcement, the assessed value, the actual transaction price of the adjacent real estate, etc., and the transaction conditions and transaction price shall be determined, and an analysis report shall be submitted to the chairman of the board, and the amount shall be less than NT\$10,000 (inclusive). It should be submitted to the chairman of the board for approval. The amount of NT\$10 million (inclusive) or above should be reported in the latest board meeting after the event; if it exceeds NT\$10 million, it must be approved by the board of directors.

(2) The acquisition or disposition of other fixed assets shall be made by way of inquiry, price comparison, bargaining or bidding. If the amount is less than NT\$10,000 (inclusive), it shall be approved step by step according to the authorization method; Those who have received 10,000 yuan should be submitted to chairman for approval and must be approved by the board of directors.

3. Execution unit

When the company obtains or disposes of real property or other fixed assets, it shall be executed by the user department and the management department after the verification of the authority of the previous paragraph is submitted.

4. Appraisal report for real estate property or other fixed assets

In acquiring or disposing of real property or equipment, thereof where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million or more, the company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

(1) Where due to special circumstances it is necessary to give a limited price,

specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; Those who change the trading conditions in the future should also follow the above procedures.

- (2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
- (3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:
 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
 2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 9

Procedure for acquiring or disposing securities

1. The purchase and sale of the company's long-term and short-term securities are handled in accordance with the company's internal control system.
2. Trade terms and conditions and credit limit decision-making procedure
 - (1) The trading of securities in the centralized trading market or the securities firm's business premises shall be decided by the responsible unit according to the market conditions. The amount of the securities below NT\$30 million (inclusive) shall be approved by the chairman and the latest boarding meeting held afterwards. The board of directors will file a report and submit a report on the analysis of the unrealized interest or loss of long-term and short-term securities; if the amount exceeds NT\$30 million, it must be approved by the board of directors.
 - (2) Not for the trading of securities in the centralized trading market or the securities firm's business premises, if the risk is high, it will be in accordance with preceding guideline in the case of lower investment risk, such as government bonds, treasury bonds, guaranteed corporate bonds, bond funds, etc., the amount of individual financial assets invested in a single investment. In the case of NT\$100 million (including), the chairman of the board of directors approves and submits the report in the latest board meeting afterwards. At the same time, it also submits analytical reports of the long-term and short-term securities that have unrealized profit or loss; the amount of individual financial assets invested in a single investment. If the amount exceeds NT\$100 million, it must be approved by the board of directors.
 - (3) For long-term investment in securities trading, the company should first obtain

the financial statements of the company with the most recent account audit or review as the reference for evaluating the transaction price, taking into account its net value per share, profitability and future development potential, to be approved by the chairman and will be reported in the latest board meeting after the event, and present the analytical reports of the long-term and short-term securities that have unrealized profit or loss at the same time.

3. Execution unit

When the company invests in long-term and short-term securities, it shall be executed by the accounting unit after it has been submitted for verification according to the pre-existing authority.

4. Obtain an accountant's opinion

A public company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by the Financial Supervisory Commission (FSC).

Article 10 Procedures of Related Party Transactions

1. The Company and its related parties obtain or dispose of assets. Except for the handling of the Article 8 processing procedures and the relevant resolution procedures and the assessment of the reasonableness of the trading conditions, the transaction amount shall be more than 10% of the company's total assets. The valuation report or accountant's opinion issued by the professional valuer shall also be obtained in accordance with Article 8. The calculation of the transaction amount of the preceding paragraph shall be handled in accordance with one of the provisions of Article 11. In addition, when judging whether the transaction object is a related person, in addition to paying attention to its legal form, the substantive relationship should be considered.

2. Procedures of Assessment and operation

When a public company intends to acquire or dispose of real property or thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the audit committee:

- (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of real estate
- (2) The reason for choosing the related party as a transaction counterparty.

- (3) With respect to the acquisition of real property thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 3 paragraph 1 to 4 and 6.
- (4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.
- (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- (6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
- (7) Restrictive covenants and other important stipulations associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 15, paragraph 6 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the board of directors and recognized by the audit committee need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between a public company and its parent or subsidiaries, the company's board of directors may pursuant to Article 8, paragraph 1, subparagraph 2 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors meeting:

- (1) Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
 - (2) Acquisition or disposal of real property right-of-use assets held for business use.
- Where the position of independent director has been created in accordance with the provisions of the Act, when a matter is submitted for discussion by the board of directors pursuant to paragraph 1, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

3. Rationality of transaction costs

- (1) A public company that acquires real property thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:
 - 1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - 2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have

been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

- (2) Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- (3) A public company that acquires real property thereof from a related party and appraises the cost of the real property thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.
- (4) When the Company obtains the real property from the related party in accordance with paragraph 1 and paragraph 2 of the Article 3 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 3 paragraph 5. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:
 - 1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (A) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (B) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
 - 2) For other non-relevant lease cases within one year of the same floor of the same subject, the transaction conditions shall be estimated based on the reasonable floor price difference according to the real estate leasing practice.

Where a public company acquiring real property, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the

planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

- (5) Where a public company acquires real property from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken:
- 1) A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
 - 2) Independent director of audit committee shall comply with Article 218 of the Company Act. Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
 - 3) Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
A public company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
- (6) The company obtains real estate from related parties. In any of the following circumstances, it shall be handled in accordance with the provisions of the first and second items of this Article. The assessment requirements for the reasonableness of transaction costs in paragraphs (1), (2) and (3) of Article 3 of this Article are not applicable:
- 1) The related party acquired the real property through inheritance or as a gift.
 - 2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - 3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
 - 4) The real property right-of-use assets for business use are acquired by the public company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.
- (7) When a public company obtains real property from a related party, it shall also comply with the Article3 paragraphs(5) if there is other evidence indicating that the acquisition was not an arms length transaction.

- Article 11 Procedures for Acquisition or Disposal of Memberships or Intangible Assets
1. Appraisal and Operating Procedures
Acquisition or disposal of memberships or intangible assets by the Company shall follow the real property, plant and equipment cycle under the Company's internal control system.
 2. Decision procedure for trading conditions and authorization amount
If the company obtains or disposes of membership certificates or intangible assets. It should be referred to expert evaluation reports or fair value of market prices, we will determine transaction conditions and transaction prices, then prepare an analysis report to the chairman. If the amount less than 20% (inclusive) of the company's capital. It shall be submitted to the chairman for approval. If it exceeds 20% of the company's capital, it shall be submitted to the chairman for approval and approved by the board of directors.
 3. Division Responsible for Implementation
The division responsible for implementation of acquisition or disposal of real property and equipment in the Company is the User Department and related authorized divisions.
 4. Member card or intangible asset expert assessment report
Where a public company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million or more, except in transactions with government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.
- Article 11-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 15, paragraph 1 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.
- Article 12 Procedure for obtaining or disposing of claims of financial institutions
In principle, the Company does not engage in the transaction of obtaining or disposing of the creditor's rights of the financial institution. If it is to engage in the transaction of obtaining or disposing of the financial institution's claim, it will report it to the Board of Directors for approval before finalizing its assessment and operating procedures.
- Article 13 Procedures for Acquisition or Disposal of Derivatives products
1. Trading principles and guidelines
 - (1) Type of transaction
 - A. Derivative financial products engaged by the company refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, indices or other interests (such as forward contracts, options, futures, interest rates or exchange rates, exchanges, and the above commodities combined composite contract, etc.)
 - B. Matters relating to bond margin transactions shall be handled in accordance with the relevant provisions of this procedure. The trading of bonds with repurchase conditions does not apply to the provisions of this procedure.
 - (2) Management (hedging) strategy

The Company engages in derivative financial products trading, and should aim at hedging. The trading commodities should be selected to avoid the risks arising from the business operations of the company. The currency held must match the foreign currency demand of the company's actual import and export transactions. The company's overall internal positions (referring to foreign currency income and expenses) are self-financing, thereby reducing the company's overall foreign exchange risk and saving foreign exchange operating costs. Other specific use transactions must be carefully evaluated and submitted to the Board for approval before proceeding.

(3) Division of powers and responsibilities

1) financial department

(A) Trader

- a. Responsible for the formulation of the company's financial commodity trading strategy.
- b. Traders should regularly calculate the position every two weeks, collect market information, conduct trend determination and risk assessments, and formulate operational strategies. After obtaining approval by the approval authority, they should be used as the basis for trading.
- c. The transaction is executed in accordance with the authorization authority and the established strategy.
- d. When there is a major change in the financial market and the trader judges that the established strategy is not applicable, the assessment report is submitted at any time, and the strategy is re-planned. After approval by the general manager, it is used as the basis for trading.

(B) Accountant

- a. Execute the transaction.
- b. Review whether the transaction is based on authorization rights and established policies.
- c. The evaluation is carried out monthly and the evaluation report is presented to the general manager.
- d. Accounting and accounting processing.
- e. Declaration and announcement in accordance with the regulations of the Financial Supervisory Commission.

(C) Settlement staff: to perform settlement

(D) Derivative commodity authorization

- a. The approval authority of the hedging transaction for the hedging transaction must be approved by the chairman of the board of directors and submitted to the board meeting that immediately follows the transaction.
- b. Specific-purpose transactions can be carried out after being submitted to the Board of Directors for approval.
- c. If the Company obtain or dispose of the asset transactions to the board of directors for discussion, it should fully consider the opinions of the independent directors. If the independent directors have any objections or reservations, they should be stated in the minutes of the board of directors.

- (4) Performance evaluation
 - 1) Hedging transaction
 - (A) The performance is evaluated based on the profit and loss generated between the carrying value of the exchange rate cost of the company and the derivatives transactions it undertakes.
 - (B) In order to fully disclose the evaluation risk of the transaction, the Company evaluates the profit and loss by the monthly evaluation method.
 - (C) The financial department shall provide foreign exchange position evaluation and foreign exchange market trends and market analysis to the management for reference.
 - 2) Specific transaction

The actual profit and loss is used as the performance evaluation basis, and the accounting staff must regularly report the positions to management for reference.
- (5) Total contract amount and maximum loss limit
 - 1) Total contract
 - (A) Hedging limit

The finance department should master the overall position of the company to avoid trading risks. The amount of hedging transactions shall not exceed two-thirds of the company's overall net position, if exceeding two-thirds of the total, it should be reported to the general manager for approval.
 - (B) Specific transaction

Based on the projected market changes, the finance department may formulate strategies according to demands and it must be approved by the board of directors, and it can be obtained according to the policy directive.
 - 2) Setting of the upper limit of loss
 - (A) Hedging transaction avoids risks. The individual contract loss limit is 50% of the individual contract amount; the total contract loss limit is 50% of the total contract amount.
 - (B) For a special purpose transaction contract, after the position is established, a stop loss point should be set to prevent excess losses. The stop loss point is set at a limit of 15% of the transaction contract amount, and the amount of the individual contract loss is the lower of not more than US\$100 million or 15% of the transaction contract amount. The maximum annual loss for the company's specific purpose of trading operations is US\$ 300,000. If the amount of the loss exceeds 10% of the transaction amount, it shall be reported to the general manager immediately and to the board of directors to discuss the responsive measures.
2. Risk management measures
 - (1) Credit risk management:

Changes due to various factors in the market are prone to cause operational risks of derivatives products. Therefore, market risk management shall be handled according to the following principles:

 - 1) Counterparties: shall be mainly well known domestic and foreign financial

- institutions.
- 2) Trading commodity: It is limited to the products provided by well-known domestic and foreign financial institutions.
 - 3) Amount of the transaction: The transaction amount that is not offset of the same transaction counterparty shall not exceed 10% of the total authorized amount, unless approved by the chairman.
- (2) Market risk management:
The Company mainly trade in the foreign exchange market provided by banks, the futures market will not be considered for the time being.
- (3) Liquidity risk management:
In order to ensure market liquidity, financial products with higher liquidity are preferred when making selections, and financial institutions engaged to make transactions must have sufficient information and the ability to conduct transactions in the market at any time.
- (4) Cash flow risk management
To ensure the stability of the Company's operating capital, the Company engages in derivatives products transactions limited to its own funds, and its operation should consider the funding needs of future cash payment forecast.
- (5) Operational risk management
- 1) The Company's authorization quota and operating procedures shall be included in the internal audits to avoid operational risks.
 - 2) Traders engaged in derivatives products and operators such as confirmation and settlement shall not concurrently serve these positions.
 - 3) The risk measurement, supervision and control personnel shall be in different departments from the preceding paragraph, and shall report to the board of directors or senior executives who are not responsible for the decision-making of the transactions or positions.
 - 4) Derivatives position held should be evaluated at least once a week, but hedging transactions conducted to meet business demand shall be evaluated at least twice per month and its assessment report shall be forwarded to the executives who are authorized by the board of directors.
- (6) Commodity risk management
Internal traders should have comprehensive and accurate professional knowledge of financial products, and banks are required to fully disclose risks to avoid underestimating of financial products.
- (7) Legal risk management:
Documents to be signed with financial institutions should be formally reviewed by professionals of foreign exchange or legal affairs, legal counsel before they can be formally entered into to avoid legal risks.
3. Internal audit system
- (1) Internal auditors should regularly verify the appropriateness of the internal control of derivatives transactions, and check the compliance of the trading department regarding the transaction procedures for derivatives transactions and analyze the trading cycle on a monthly basis to make an audit report. If major violations are found, the audit committee shall be notified in writing.
 - (2) The internal auditor shall file the audit report and the annual audit of the internal audit work to the FSC by the end of February of the following year, and report the improvement of the abnormal matters to the FSC by the end of

May of the following year.

4. Regular assessment

- (1) The board of directors shall authorize the senior executives to regularly supervise and evaluate whether the derivatives transactions are actually handled in accordance with the Company's trading procedures, and whether the risks assumed are within the scope allowed and the market price assessment report is immediately reported to the board of directors in the event of any abnormal occurrences (such as position held exceeded limit) and appropriate measures are taken.
- (2) Derivatives position held should be evaluated at least once a week, but hedging transactions conducted to meet business demand shall be evaluated at least twice per month and its assessment report shall be forwarded to the executives who are authorized by the board of directors.

5. The supervision and management principles of the board of directors when engaging in derivatives transactions

- (1) The board of directors shall appoint high-level supervisors to monitor the supervision and control of the risk of derivatives trading at any time. The management principles are as follows:
 - 1) Regularly assess whether the current risk management measures are appropriate and handled in accordance with the principle and the company's procedures when dealing with derivatives products.
 - 2) Supervise the transaction and the gain/loss status, if any abnormality is found, necessary countermeasures shall be taken and immediately report the occurrence to the board of directors with independent directors' attendance.
- (2) Regularly assess whether the performance of the derivatives transactions meets the standards established in the business strategy and whether the risks assumed are within the Company's permissible scope.
- (3) When the Company engages in derivatives trading, if the transactions are undertaken by persons authorized according to the derivatives product transactions procedures, such occurrence shall be reported to the most recent board meeting.
- (4) When the Company engages in derivatives transactions, it shall establish a checklist to state the type and amount of the derivatives transactions, the date the board approves the proposal, and items that should be carefully assessed required by Paragraphs 4-2, 5-1 and 5-2 of the Article herein.

Article 14 Procedures for mergers, divisions, acquisitions or share transfers

1. Assessment and operation procedures

- (1) When the company handles mergers, divisions, acquisitions or share transfers, it is advisable to invite lawyers, accountants and underwriters to jointly study the estimated timetable for the statutory procedures and organize the ad hoc group to implement them in accordance with legal procedures. Before convening a resolution of the board of directors, the accountant, lawyer or securities underwriter is invited to express opinions on the proportion of the conversion, the purchase price or the reasonableness of the cash or other property of the allotment to the board of directors for discussion and approval. However, the merger of the subsidiaries of the Company, which directly or indirectly holds 100% of the issued shares or capital, or the

subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, may be exempted from the reasonable offer of the former experts.
Sexual opinion.

- (2) The Company shall merge, divide or acquire the important agreed contents and related matters, and make public documents to the shareholders before the meeting of the shareholders' meeting, and deliver the expert opinions of the first paragraph (1) of this Article and the notice of the meeting of the shareholders' meeting. Shareholders, as a reference for whether or not to agree to the merger, division or acquisition. However, except for those who are exempt from the merger, division or acquisition of the shareholders' meeting in accordance with other laws, this is not the case. In addition, the shareholders participating in the merger, division or acquisition, due to the number of attendees, insufficient voting rights or other legal restrictions, may not be convened, resolved, or the proposal will be rejected by the shareholders, the company involved in the merger, division or acquisition should immediately disclose the reasons for the occurrence, the subsequent processing operations and the date of the expected shareholders meeting.

2. Other precautions

- (1) The companies participating in the merger, division or acquisition shall, in addition to other laws or special factors, submit to the board of directors and the shareholders' meeting on the same day to resolve the merger, division or acquisition of the relevant matters.

The company participating in the transfer of shares shall, on the same day, convene the board of directors unless otherwise stipulated by other laws or with special factors in advance. Companies that participate in mergers, divisions, acquisitions or share transfers or stocks traded in securities dealers' offices shall make the following written records in full and keep them for five years for verification:

- 1) Basic personnel information: including the person who participated in the merger, division, acquisition or share transfer plan or plan execution before the news is published, its title, name, and identity card number (if it is a foreigner, the passport number).
- 2) Important Date: Includes dates such as signing a letter of intent or memorandum, entrusting financial or legal counsel, signing a contract, and the board of directors.
- 3) Important books and proceedings: including mergers, divisions, acquisitions or share transfer plans, letters of intent or memoranda, important contracts and minutes of directors' meetings.

A company that participates in a merger, division, acquisition or transfer of shares or shares in a securities firm's business premises shall, within two days from the date of the resolution of the board of directors, use the first and second paragraphs of the preceding paragraph in accordance with the prescribed format. Network information system declaration.

A company that participates in a merger, division, acquisition or transfer of shares has a company that is not listed or whose shares are traded in the securities firm's business premises. Companies that are listed or traded in the securities firm's business premises should sign an agreement with them and comply with the third paragraph and the fourth rule is handled.

- (2) Prior confidentiality commitment: All persons who participate in or know the company's merger, division, acquisition or share transfer plan shall issue a written confidentiality commitment, and the contents of the plan shall not be disclosed to the public before the information is disclosed, nor may they use the name of others themselves or Trading in shares of all companies related to mergers, divisions, acquisitions or share transfer cases and other securities of an equity nature.
- (3) The principle of change and change of the share conversion ratio or the purchase price: the company participating in the merger, division, acquisition or share transfer shall, before the board of directors of both parties, appoint an accountant, lawyer or securities underwriter for the share conversion ratio, purchase price or allotment shareholder Express the opinion on the reasonableness of the cash or other property and report it to the shareholders' meeting. In principle, the conversion ratio or the purchase price shall not be arbitrarily changed, but the conditions for the change in the contract have been fixed and disclosed to the public. The conversion ratio or purchase price may be changed as follows:
 - 1) Handling cash capital increase, issuing conversion corporate bonds, unpaid share allotment, issuing warranted corporate bonds, special stocks with warrants, warrants and other securities of equity nature.
 - 2) Disciplining the company's major assets and other activities that affect the company's financial business.
 - 3) Major disasters, major technological changes, etc. affect the company's shareholders' equity or securities prices.
 - 4) The adjustment of the treasury shares purchased by one of the companies involved in the merger, division, acquisition or share transfer.
 - 5) The number of entities or households involved in the merger, division, acquisition or share transfer has increased or decreased.
 - 6) Other conditions that have been changed in the contract have been disclosed to the public.
- (4) The contents of the contract shall include: the merger, division, acquisition or transfer of the company of the share transfer company shall be subject to the following matters, in addition to the provisions of Article 317 of the Company Act and Article 22 of the Business Mergers And Acquisitions Act.
 - 1) Default treatment.
 - 2) The company that has been eliminated or divided by the merger has previously issued the principle of dealing with equity securities or treasury shares that have been bought back.
 - 3) After participating in the calculation of the base date of the conversion ratio, the participating companies may legally buy back the number of treasury shares and how to deal with them.
 - 4) The way in which the number of participating entities or households is increased or decreased.
 - 5) The progress of the project is expected to be completed and the schedule is expected to be completed.
 - 6) When the plan is not completed within the time limit, the relevant processing procedures such as the scheduled date of the shareholders' meeting shall be convened in accordance with the law.

- (5) When a company that participates in a merger, division, acquisition or transfer of shares is subject to change: Any party that participates in a merger, division, acquisition or transfer of shares may, after disclosure of information, intend to merge, divide, acquire or otherwise merge with other companies. The transfer of shares, except for the decrease in the number of participating households, and the shareholders' meeting has resolved and authorized the board of directors to change the authority, the participation in the company is exempted from convening the shareholders' meeting to re-issue the resolution, the original merger, division, acquisition or share transfer case has been completed. The procedures or legal acts should be followed by all participating companies.
- (6) If the company participating in the merger, division, acquisition or share transfer has a non-public offering company, the company shall sign an agreement with it and convene the date of the board of directors and the second paragraph (2) in accordance with paragraph (1) of this article. Paragraph (5) shall be dealt with in accordance with the provisions of the merger, division, acquisition or transfer of shares of the company.

Article 15 Information disclosure procedure

1. The project should be announced and the reporting standard should be announced.
 - (1) Obtain or dispose of immovable property from the related party, or acquire or dispose of other assets other than the real property with the related person and the transaction amount shall reach 20% of the company's paid-in capital, 10% of the total assets or NT\$300 million. However, the sale and purchase of public debt, the purchase of bonds, the sale of bonds, the purchase or purchase of money market funds issued by domestic securities investment trusts are not limited.
 - (2) Consolidation, division, acquisition or share transfer.
 - (3) The amount of all or individual contractual losses specified in the processing procedures for the loss of derivative goods transactions.
 - (4) The types of assets acquired or disposed of are equipment for business use, and the transaction objects are not related parties, and the transaction amount is one of the following:
 - 1) The amount of paid-up capital is less than NT\$10 billion in public offering companies, and the transaction amount is NT\$500 million.
 - 2) The publicly-issued company with a paid-in capital of NT\$10 billion or more has a transaction amount of NT\$1 billion or more.
 - (5) The company is expected to invest NT\$500 million in real estate by means of local construction, land lease construction, joint housing construction, joint construction, and joint construction.
 - (6) In addition to the first five paragraphs of asset transactions, financial institutions to dispose of creditor's rights or engage in mainland investment, the transaction amount of the company's paid-in capital of 20% or NT\$300 million. However, the following situations are not limited to this:
 - 1) Buying and selling public debt.
 - 2) Buying and selling bonds with buy back, selling back conditions, buying or buying back money market funds issued by domestic securities investment trusts.

- (7) The calculation of the aforementioned transaction amount is as follows, and the alleged one year is based on the date on which the fact of the transaction occurred, and is retroactively calculated for one year.
 - 1) The amount of each transaction.
 - 2) The amount of transactions acquired or dispositioned by the same counterpart in the same nature within one year.
 - 3) The amount of the same development plan real estate accumulated or acquired (accumulated and disbursed separately) within one year.
 - 4) The amount of the same marketable securities accumulated or disbursed (acquired and disbursed separately) within one year.
2. Time limit for handling announcements and filings
 The company obtains or disposes of assets, has the items to be announced in this procedure, and the transaction amount up to the declared standard of this article shall be reported within two days from the date of the fact.
3. Announcement procedure
 - (1) The company shall report the relevant information to the designated website of the Financial Supervision and Administration Commission for public announcement.
 - (2) The Company shall, on a monthly basis, enter into the information reporting website designated by the FSC by the Company and its non-domestic public offering subsidiaries in the form of derivative goods transactions as of the end of last month in accordance with the prescribed format.
 - (3) If the company shall make corrections in accordance with the regulations, if it is wrong or missing during the announcement, it shall, within 2 days from the date of notification, re-issue the declaration in accordance with the relevant laws and regulations.
 - (4) Where the company obtains or Disposes of assets, it shall deposit the relevant contract, the proceedings, the record book, the valuation report, the accountant, the lawyer or the securities underwriter's opinions in the company, and save for at least five years, unless otherwise stipulated by other laws.
 - (5) After the company announces the declared transaction in accordance with the provisions of the preceding article, if any of the following circumstances occurs, the relevant information shall be reported on the designated website of the FCC within two days from the date of the fact:
 - 1) The relevant contract signed by the original transaction has been changed, terminated or cancelled.
 - 2) Mergers, splits, acquisitions or share transfers are not completed on the contractual schedule.
 - 3) The original announcement has changed.
4. Announcement format
 The company obtains or disposes of assets. If there are any of the following circumstances and meets the application criteria, it shall, according to the nature, the content, format and items to be recorded in accordance with the regulations of the competent authority, shall be notified within the prescribed time limit:
 - (1) The company trades the securities of the parent company or related company at the centralized trading market or counter trading center at home and abroad.

- (2) Real estate will be acquired by means of self-employment construction, joint housing construction, joint construction, and joint construction.
- (3) Acquiring or disposing of immovable property and other fixed assets, and obtaining real estate from related parties.
- (4) It is not the securities market, the membership card, the sale of intangible assets and the financial institution's disposition of credits in the centralized trading market or the securities firm's business premises.
- (5) Investment in the mainland.
- (6) Engaged in derivatives trading.
- (7) Consolidation, division, acquisition or share transfer.

Article 16 The subsidiaries of the company shall be handled in accordance with the following regulations:

1. Subsidiaries should also stipulate and implement the "Acquisition or Disposal of Assets Processing Procedures" in accordance with the relevant provisions of the "Public Issuance or Disposal of Assets Handling Guidelines".
2. If the subsidiary is not a publicly-issued company, the procedure shall be approved by the board of directors of the subsidiary, and the same shall apply to the amendment; in the case of a publicly-issued company, the procedure shall be determined in accordance with the "Guidelines for the Acquisition or Disposal of Assets by the Public Issuance Company" and the board of directors of the company shall pass and submit the proposal to the shareholders' meeting for approval. The same shall apply to amendments.
3. If the subsidiary is not a publicly-issued company which obtains or disposes of the assets reaching the standard set by the "Public Issuance Company to Obtain or Dispose of Assets Management Guidelines", its parent company shall handle the announcement and declaration on behalf of the subsidiary.
4. In the announcement standard of the subsidiary company, the so-called "20% of the company's paid-up capital or 10% of the total assets" is based on the paid-in capital or total assets of the parent (the company).

Article 16-1 For the calculation of 10 percent of total assets under these Regulations, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. In the case of a company whose shares have no par value or a par value other than NT\$10-for the calculation of transaction amounts of 20 percent of paid-in capital under these Regulations, 10 percent of equity attributable to owners of the parent shall be substituted.

Article 17 Penalty

If the employee of the company undertakes to obtain and dispose of the assets in violation of the provisions of this procedure, it shall submit the assessment in accordance with the relevant provisions of the company, and shall be punished according to the circumstances.

Article 18 Implementation and revision

The company shall establish its procedures for the acquisition or disposal of assets in accordance with the provisions of these Regulations. After the procedures have been approved by the board of directors, they shall be submitted to the audit committee, and then to a shareholders' meeting for approval; the same applies when the procedures are amended.

Where the position of independent director has been created in accordance with the

provisions of the Act, when the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.

When discussing with the audit committee in accordance with the preceding paragraph, if there are more than one-half of all members in audit committee do not approve, the approval of more than two-thirds of all directors shall be adopted, and the resolutions of the audit committee shall be recorded for the board of directors.

All members of the audit committee referred to the preceding paragraph and all directors referred to shall be calculated based on actual persons presented.

Article 19 Supplementary

If there are any outstanding issues in this processing procedure, it shall be handled in accordance with the relevant laws and regulations.

Appendix 5

Zeng Hsing Corporation Share Ownership of All Directors and Supervisors

- Article 1 The Company's paid-in capital was NT\$605,356,310, and the number of issued shares was 60,535,631 shares.
- Article 2 Pursuant to Article 26 of the Securities and Exchange Act, all directors shall hold a minimum of 4,842,850 shares.
- Article 3 The number of shares held by the individual and all directors 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	Su-Chen Liao	876,610	
Director	Ruei-Yi Hung	1,928,760	
Director	Chung-Ting Tsai	988,888	
Director	Pao-Sung Chang	200,984	
Director	Meng-Chung Ho	1,070,673	
Independent Director	Chih-Sheng Wu	0	
Independent Director	Ming-Liang Tarn	0	
Independent Director	Jun-Ming Hsu	0	
Total shares held by all directors		6,002,915	

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