

Stock Code : 1455



**ZIG SHENG INDUSTRIAL CO., LTD.**

**Handbook for the 2021 Annual Meeting  
of Shareholders**

**Meeting Time : Jun. 25, 2021**

**Zig Sheng Industrial Co., Ltd.**  
**Handbook for the 2021 Annual Meeting of**  
**Shareholders**

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# **Zig Sheng Industrial Co., Ltd.**

## **Procedure for the 2021 Annual Meeting of Shareholders**

- 1. Call the Meeting to Order**
- 2. Chairperson Takes Chair and Remarks**
- 3. Report Items**
- 4. Approval Items**
- 5. Discussion Items**
- 6. Extemporary Motion**
- 7. Meeting Adjourned**

# **Zig Sheng Industrial Co., Ltd.**

## **2021 Agenda of Annual Meeting of Shareholders**

Time : 9:00 a.m. on Friday June 25, 2021

Place : No. 307, Anhe St., Guanyin Dist., Taoyuan City  
(Staff activity center of Guanyin factory)

Meeting Agenda :

- I. Call the Meeting to Order ( Report the total number of shares attended)
- II. Chairperson Takes Chair and Remarks
- III. Report Items
  1. 2020 Business Report
  2. Audit Committee's Review Report on the 2020 Financial Statements
  3. Report on Execution of Employees' Profit Sharing Bonus and Board Directors' Compensation for the Year 2020
  4. Report on Amending of the "Code of Ethical Conduct" of the company
  5. Report on the Resolution of Board of Directors and the Execution for Shares Buyback
- IV. Approval Items
  1. 2020 Business Report and Financial Statements of the company
  2. The Proposal for Distribution of 2020 Profits
- V. Discussion Items
  1. The Cash Distribution from Capital Surplus
  2. Amendment to part of the "Procedures for Election of Directors" of the company
- VI. Extemporaneous Motion
- VII. Meeting Adjourned

### III. Report Items

#### 1. 2020 Business Report

Explanation : (1) 2020 Business Report, See Appendix 1. ( Refer to page 17 ~ 20 of this handbook).

(2) As of December 31, 2020, the company did not endorse and guarantee any enterprise, nor did it lend funds to shareholders or any other person.

#### 2. Audit Committee's Review Report of the 2020 Financial Statements

Explanation : (1) The Company's "Parent Company Only Financial Statements" and "Consolidated Financial Statements" of year of 2020 have been verified and signed by CPA Mei-Ling, Lin and Ying-Chia Hsiao, Crowe (TW) CPAs. The Audit Committee of the company has also issued Audit Reports on the completion of the Audit, together with the Business Report and the Distribution of Profits.

- Independent Auditor's Report ( Refer to pages 21 ~ 24, 30 ~ 34 of this handbook)
- Audit Committee's Review Report ( As follows )

(2) The Audit Committee to read out the Audit Report.

#### **Zig Sheng Industrial Co., Ltd.**

#### **Audit Committee's Review Report**

The Board of Directors of the Company has prepared and submitted the "Consolidated Financial Statements" and "Parent Company Only Financial Statements" of year 2020, which has been verified and signed by CPA Ying-Chia Hsiao and Mei-Ling, Lin of Crowe (TW) CPAs. Together with the Business Report and the Distribution of Profits, the Audit Committee finds that there is no discrepancy. Therefore, the Board of Directors of the Company has prepared a report in accordance with the provisions of the "Securities and Exchange Act" and the "Company Act" for inspection.

To The 2021 Annual Meeting of Shareholders of Zig Sheng Industrial Co., Ltd.

The Convener of the Audit Committee: Ou, Yu-Lun

Date : March 26, 2021

3. Report on Execution of Employees' Profit Sharing Bonus and Board Directors' Compensation for the Year 2020

- (1) According to the provisions of Article 26 of the Articles of Incorporation of the company, 【 2% of profit of the current year should be distributed as employees' compensation and not more than 3% of profit of the current year should be distributed as Directors' remuneration in the case where there are profits for the current year, The distribution of employee bonus shall be adopted by the Directors present at the Board meeting before being reported to the shareholders' meeting. 】
- (2) Due to the loss before tax in 2020, the remuneration of employees and directors will not be allocated. This case has been approved by the resolution of the Board of Directors of the company on Mar. 26, 2021.

4. Report on Amending of the "Code of Ethical Conduct" of the company.

- (1) Amendment to some provisions of the "Code of Ethical Conduct" of the company in accordance with the letter "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies" from TWSE dated June 3, 2020.
- (2) Please refer to Appendix 7 for the revised provisions. The board of directors of the company approved the amendment on August 7, 2020. Please refer to pages 58~61 of this handbook.

## 5 Report on the Resolution of Board of Directors and the Execution for Shares Buyback

(1) The company buy- back of treasury stock for three times in 2020 :

Batch Order	Number of shares to be repurchased	Actual number of shares bought back	The share capital has been reduction
3 <sup>th</sup> Batch	60,000,000	33,763,000	Description of changes in share capital:  Before implementation NTD 6.118 billion  After capital reduction NTD 5.317 billion  Reduction of capital NTD 0.801 billion
4 <sup>th</sup> Batch	40,000,000	27,999,000	
5 <sup>th</sup> Batch	30,000,000	18,313,000	
Total	130,000,000	80,075,000	

(2) The company's Buy-back of Treasury Stock described as follows :

Treasury stocks : Batch Order	3th Batch	4th Batch	5th Batch
Date of Board resolution	Mar. 20, 2020	Aug. 18, 2020	Nov. 13, 2020
Purpose of buyback	To safeguard the company's credit and shareholders' rights		
Buyback period	Mar. 23 ~ May 22, 2020	Aug. 19 ~ Oct. 17, 2020	Nov. 16 ~ Jan. 12, 2021
Price range ( NTD / per share )	3.41 ~ 10.05	5.24 ~ 10.72	6.04 ~ 12.52
Actual number of Common stock bought back	33,763,000 shares	27,999,000 shares	18,313,000 shares
The average buyback price per share (NTD)	7.10	8.79	9.31
Total value of shares bought back	NTD 239,691,515	NTD 246,168,324	NTD 170,569,117
Quantity of repurchased shares as a percentage of total shares to be repurchased	56.27%	70.00%	61.04%
Number of shares bought back as a percentage of total outstanding shares	5.52%	4.84%	3.33%
Shares transferred	33,763,000 shares	27,999,000 shares	18,313,000 shares
Approval date of Ministry of Economic Affairs	Jul. 24, 2020	Nov. 4, 2020	Jan. 25, 2021



#### IV. Approval Items

Proposed by the Board of Directors

Proposal 1
------------

Proposal : To approve 2020 Business Report and Financial Statements of the company

Explanation : 1. The 2020 “Parent Company Only Financial Statements” and the “Consolidated Financial Statements” of the company had been audited by Crowe(TW) CPAs’ CPA Lin, Mei-Ling and Xiao, Ying-Jia, and the Audit Committee has examined and completed together with the Business Report, and issued the report for record.

2. Enclose the following data:

(1) Business Report

( Appendix 1, please refer to page 17 ~ 20 )

(2) Parent Company Only Financial Statements

( Appendix 2, please refer to page 21 ~ 29 )

(3) Consolidated Financial Statement

( Appendix 3, please refer to page 30 ~ 39 )

3. Submitted for approval

Resolution :

Proposal 2
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Proposal : To approve the Proposal for Distribution of 2020 Profits.

- Explanation :
1. The Net Income after tax loss for the year 2020 of the company is NTD40,115,036, after adding the actuarial loss of NTD 471,001 of the defined benefit plan in the current period, the total loss to be made up for the year of 2020 is NTD 40,586,037, after making up for the loss, the accumulated undistributed surplus at the beginning of the period is NTD137,632,955, the accumulative earnings available for appropriation is NTD97,046,918.
  2. The Earnings Distribution Table of the year 2020 is proposed (as follows), it is proposed to distribute a cash dividend of NT\$ 0.1 per share. The cash paid by each shareholder shall be calculated until NT\$ 1, and the amount below NT\$ 1 shall be unconditionally rounded off and included in other income of the company.
  3. Ask for the following authorization:
    - (1) Before the base date of this profit distribution, if the shareholders' interest distribution ratio needs to be amended due to the change of the company's share capital which affects the number of outstanding shares, it is proposed to submit to the board of directors for full power.
    - (2) The chairman of the board of directors of the company is authorized to fix the base date of profit distribution ex-dividend.
  4. Submitted for approval

Resolution :

## 2020 Earnings Distribution Table

Item	Amount		Remarks
Beginning Balance of Un-appropriated Retained Earnings		137,632,955	Note 1
Plus: 2020 Net Income after tax	(40,115,036)		
Other Comprehensive Income (Actuarial Income with Confirmed Welfare Plan)	(471,001)		
Loss to be made up in this year      Subtotal	(40,586,037)	(40,586,037)	
Deduct:			
Legal Reserve (10%)		0	
Accumulative Earnings available for appropriation		97,046,918	
Appropriation items:			
Cash Dividends to Shareholders (NT\$ 0.1 per share)		(53,168,838)	Note 2
Ending Balance of Un-appropriated Retained Earnings		43,878,080	

2. The distribution of surplus is based on the undistributed surplus after year 1998.

Accounting Supervisor :

## V. Discussion Items

Proposed by the Board of Directors

Proposal 1
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Proposal : The Cash Distribution from Capital Surplus.

- Explanation :
1. In accordance with Article 241 of the Company Act, it is proposed that a cash distribution of NTD 106,337,676 be made from the capital surplus derived from the Company's issuance of common stock above par value. The cash will be distributed to the shareholders according to the shares holding recorded in the shareholders' registrar on the record date for ex-dividend, at a ratio of NT\$ 0.2 per share (Rounded down to full NT dollar with the fractional amounts being aggregately recognized as the Company's other income).
  2. Ask for the following authorization:
    - (1) Should the approved cash distribution ratio require any adjustment due to amendment of laws or regulations, request by competent authority, or any change of the numbers of the issued and outstanding shares, it is proposed that the General Shareholders' Meeting authorize the Board of Directors with full power to adjust the distribution ratio.
    - (2) The chairman of the board of directors of the company is authorized to fix the base date of the cash distribution ex-dividend form Capital Surplus.
  3. Submitted for deliberation.

Resolution :

Proposal 2
------------

Proposal : Amendment to part of the “Procedures for Election of Directors” of the company

Explanation : 1. According to the Financial Supervisory Commission R.O.C.(TW)’ No. 1080311451 dated April 25, 2019, the election of directors of listed companies shall adopt a candidate nomination system in accordance with article 192-1 of the Company Act from 2021, and shareholders shall select candidates from the list of candidates for directors. The company has completed the amendment of relevant Articles of Incorporation at the 2020 Annual Meeting of Shareholders.

2. In order to comply with the amendment of the Company Act and the relevant laws and regulations of the competent authority, it is proposed to amend some provisions of the company's "Procedures for Election of Directors" so as to facilitate the application of the nomination system in the election of directors at the 2022 Annual Meeting of Shareholders.

3. A table of comparison between the provisions before and after the amendment of the “Procedures for Election of Directors” is attached.

4. Submitted for deliberation.

Resolution :

**Comparison Table for the provisions Before and After Amendment of  
The “Procedures for Election of Directors” of the company**

No.	Provision Before Amendment	Provision After Amendment
Article 1	The elections of directors shall be conducted in accordance with these Procedures.	Except as otherwise provided by law and regulation or by the Company's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.
Article 2	<p>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.</p> <p>The election votes shall be printed by the board of directors, numbered according to the names of shareholders and marked with their voting rights, which shall be attached to the agenda and distributed to all shareholders.</p> <p>The number of directors referred to in the preceding paragraph includes independent directors. The election of independent directors adopts the nomination system. The shareholders shall handle matters related to the nomination and appointment of independent directors from the list of candidates for independent directors in accordance with Article 5 of these regulations</p>	<p>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.</p> <p>The election votes shall be printed by the board of directors, numbered according to the names of shareholders and marked with their voting rights, which shall be attached to the agenda and distributed to all shareholders</p> <p>Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p>
Article 5	<p>The professional qualifications, the assessment of independence and other matters of the Independent Directors shall be in compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or other relevant regulations.</p> <p>The company shall announce the period for accepting nominations of candidates for independent directors, the number of</p>	<p>The qualifications, independence conditions and other matters of the company's independent directors shall comply with the provisions of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and other relevant laws and regulations.</p>

No.	Provision Before Amendment	Provision After Amendment
Article 5	<p>independent directors to be elected, the place of acceptance and other necessary matters before the date of suspension of share transfer before the shareholders' meeting. The period of acceptance shall not be less than 10 days.</p> <p>The list of candidates for independent directors shall be nominated in the following ways:</p> <ol style="list-style-type: none"> <li>(1) Shareholders who hold more than 1% of the total number of shares issued may submit a list of candidates for independent directors to the company in writing, and the number of nominations shall not exceed the number of independent directors to be elected.</li> <li>(2) The board of directors shall submit a list of candidates for independent directors, and the number of nominations shall not exceed the number of independent directors to be elected.</li> <li>(3) Other competent authorities the way of regulation.</li> </ol> <p>If the board of directors or other convener convenes the shareholders' meeting, the nominees of independent directors shall be reviewed and the results of the examination shall be notified to the nominating shareholders. If the nominees are not included in the list of candidates for directors, the reasons for not being included shall be stated. After the board of directors evaluates that the candidates meet the requirements of independent directors, they shall be submitted to the shareholders' meeting for election.</p> <p>A record of the process of reviewing the nominees of directors referred to in the preceding paragraph shall be kept for a period of at least one year. However, if a shareholder brings a lawsuit against the election of directors, it shall be kept until the end of the litigation.</p>	(The following is left blank and the contents of the original article are deleted.)

No.	Provision Before Amendment	Provision After Amendment
Article 5	The reporting of information related to the list of candidates for independent directors shall be handled in accordance with paragraph 7 of article 192-1 of the Company Act.	(The following is left blank and the contents of the original article are deleted.)
Article 6	<p>At the beginning of the election, the chairman shall appoint two scrutineers and two vote tellers to carry out the relevant tasks. The scrutineer shall have the status of shareholders.</p> <p>The scrutineer's responsibility shall be as follows:</p> <ol style="list-style-type: none"> <li>(1) Check and seal the ballot box in public before ballot casting.</li> <li>(2) Maintain the order and check for any negligence and illegality for voting.</li> <li>(3) Unseal the ballot box and check the ballot number after ballot casting.</li> <li>(4) Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.</li> <li>(5) Oversee the vote-counting personnel recording the ballot numbers received by each candidate.</li> </ol>	<p>Before the beginning of the election, the chairman shall appoint two scrutineers and two vote tellers to carry out the relevant posts. The scrutineer shall have the status of shareholders.</p> <p>The ballot boxes shall be prepared by the board of directors and publicly checked by the vote monitoring personnel before voting commences.</p>
Article 7	<p>Shareholders (including natural persons, legal persons and their principals) shall, at the beginning of the election, write down the name of the electee, the number of shareholders and the number of voting rights allocated on the ballot paper, and then put them into the ballot box.</p> <p>When the electee is a government or legal person shareholder, the name of the government or legal person shall be filled in the column of the ballot paper, and the name of the government or legal representative may also be added Add the name of the representative respectively.</p>	<p>(The original clause is deleted) (Clause 9 to Clause 7)</p> <p>Voting boxes shall be set up for the election of directors and independent directors. After voting separately, the ballot boxes shall be opened jointly by the scrutineer and the teller, the voting rights shall be calculated on site immediately.</p>
Article 8	<p>The ballot shall be considered invalid in any of the following situations:</p> <ol style="list-style-type: none"> <li>(1) Not the ballot provided under the rules herein</li> </ol>	<p>A ballot is invalid under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) The ballot was not prepared by a person with the right to convene.</li> </ol>



No.	Provision Before Amendment	Provision After Amendment
	<p>(2) Blank ballot</p> <p>(3) Written characters blurred and not legible</p> <p>(4) One ballot with more than two candidate names listed</p> <p>(5) Incorrect candidate information on the ballot</p> <p>(6) Ballot not filled out according to article 7 or ballot with unrelated writing to this election</p>	<p>(2) A blank ballot is placed in the ballot box.</p> <p>(3) The writing is unclear and indecipherable or has been altered.</p> <p>(4) The candidate whose name is entered in the ballot does not conform to the director candidate list.</p> <p>(5) Other words or marks are entered in addition to the number of voting rights allotted.</p>
Article 9	Voting boxes shall be set up for the election of directors and independent directors. After voting separately, the ballot boxes shall be opened jointly by the scrutineer and the teller.	(This clause is moved to Article 7) (Clause 9 is deleted as amended)
Article 11	<p>For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected, it includes the list of directors and independent directors and their election rights.</p> <p>The electoral votes for the election matters mentioned in the preceding paragraph shall be sealed and signed by the scrutineer and kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the company law, it shall be kept until the end of the litigation.</p>	<p>For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected, it includes the list of directors and independent directors and their election rights, as well as the list of directors who have lost the election and the number of directors who have obtained the right to vote.</p> <p>The electoral votes for the election matters referred to in the preceding paragraph shall be sealed and signed by the scrutineer and properly kept at least one year. However, if the shareholders file a lawsuit in accordance with Article 189 of the company law , they shall be kept until the end of the lawsuit.</p>
Article 12	The rules herein take effect after approval at the shareholders' meeting. The same apply for any amendments.	These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

## **VI. Extemporatory Motion**

## **VII. Appendices**

### **Appendix 1**

#### **ZIG SHENG INDUSTRIAL CO., LTD. 2020 Business Report**

##### **I 、Preface**

The Coronavirus (COVID-19) epidemic broke out in 2020 and soon worsened into a global pandemic. The pandemic not only poses a great public health threat, but also affects the global economy and industrial supply chains. International oil prices have fallen significantly due to a sharp decrease in demand. The impacts of the pandemic have changed our lifestyles, work, and consumption patterns. Market demand has been frozen and many international apparel brands are closing their brick-and-mortar stores. The entire Taiwanese fiber and textile industry is suffering because downstream customer purchases have stagnated.

In 2020, the price of nylon raw material-CPL (caprolactam) fell from USD 1,380 to USD 890 per ton at its lowest point. Polyester raw materials terephthalic acid (PTA) and ethylene glycol (MEG) also fell by more than 30% to USD 380 per ton. This drop in raw material prices during the first half of 2020 caused heavier inventory losses than expected. When combined with production reduction measures adopted in response to the pandemic, the resulting decline in revenue was the main reason for financial losses reported in 1H20. Fortunately, the demand for real estate increased in 2H20. However, Taiwan's effective control of the pandemic, along with orders transferred amidst the Sino-US trade war, has driven up the prices of crude oil and intermediate raw materials. This situation is highly beneficial to Taiwanese man-made fiber raw materials and has contributed to rising prices and increased volume.

The textile industry and market experienced drastic changes in recent years. Zig Sheng responded by making lean adjustments to our nylon polymerization, nylon spinning and DTY production lines that showed concrete results. All production lines are running near capacity. In 2020, the company worked hard to increase the flexibility of upstream and downstream operations, cooperate more closely with brand customers, reduce inventory, reduce conventional nylon yarn production and sales, and upgrade spinning equipment.

In 2021, we hope to achieve fully integrated operation to reverse losses and increase profits.

New product development capabilities and scheduling are an integral part of long-term strategy due to fierce competition in the polyester DTY market. Zig Sheng completed new polyester POY production lines in 4Q20. This will afford the company greater control over the development of upstream specialty chips to increase the added value of our products, actively expand the development of recycled nylon and recycled polyester products, and leverage upstream and downstream consistency to respond quickly to changes in the market. Vertical integration of upstream and downstream production technology, in addition to the development of customized niche products, will enable flexible, small volume production of diversified products that not only meets the demand for shorter delivery time, but also increases the utilization rate of spinning equipment and DTY output to support stable profit growth.

## II 、 Management performance

Annual revenue shrank to NTD 7.6bn in 2020 due to the Coronavirus Pandemic. However, nylon raw material has started to rebound since 3Q20. Zig Sheng effectively adjusted our production line and product structure, while strengthening the sale of specialty filament. Profits increased significantly in 4Q20; resulting in a reversal of annual gross profit losses, and a significant reduction in net loss before taxes. In 2020, overall annual net operating profits were reduced to negative NTD 285 million, and the annual pre-tax net loss was NTD 35.09 million. Our solid annual operating performance remained stable. The company also repurchased several treasury stocks throughout the year. In 2020, The financial structure was quite healthy. The ratio of liabilities to assets was 26.9%, and book value per share also increased to NTD 12.25.

Unit : NTD thousand

Financial Report	2020	2019	Change amount	YoY ratio %
Operating revenue	7, 649, 087	11, 809, 718	(4, 160, 631)	(35. 2%)
Gross Profit	70, 722	(28, 927)	99, 649	344. 5%
Operating expenses	356, 019	417, 815	(61, 796)	(14. 8%)
Operating income	(285, 297)	(446, 742)	161, 445	36. 1%
Net income before tax	(35, 092)	(331, 966)	296, 874	89. 4%
Net income after tax	(40, 115)	(302, 638)	262, 523	86. 7%

### III 、 Operation strategy

#### 1. Sustainability:

Zig Sheng has always attached great importance to sustainability. In recent years, the company has continued to promote energy conservation and carbon reduction, while also achieving considerable results in various electricity and water conservation efforts. The Heat-Medium Boilers (HTM) now run on natural gas instead of heavy oil to help reduce air pollution. Extra prevention and control equipment also greatly reduces the pollution emitted by coal-fired boilers. An additional 1930kw solar power plant could be built to promote green energy and go online in April 2021. In the future, the company will continue to monitor various ESG issues and strive towards the goal of sustainable development.

#### 2. Product research and development:

Zig Sheng aims to continue our medium and long-term product development strategy, commit to high value-added products, and continuously improve product quality to better serve our target customers. The company will continue to optimize new products, such as special engineering plastics, recycled nylon filament, environmentally friendly recycled fishing net nylon filament; and functional yarns for use in health management, micro-environment management etc. Apart from creating both fashionable and functional products, Zig Sheng hopes to develop green products that benefit both our customers and the environment.

#### 3. Production and sales management:

Fiber Division: Starting from 4Q20, our goal is to stabilize internal production of our own supply; continue to attract new customers and expand the scale of operations; reduce conventional products; and achieve more efficient coordination between internal production, sales, and purchase bargaining power, so as to improve overall operating profits.

Chemicals Division: This year, we will improve production volume and management efficiency by replacing planned production with flexible production methods; optimizing the configuration of production lines and increasing efficiency; strengthening the flexibility of operations, production, and sales control of production and sales supply chains; adjusting raw material procurement and strictly controlling inventory; and establishing a

long-term and stable cooperative relationship with customers.

#### IV 、Future prospects

Promotional activities related to the textile industry have been greatly affected by the Coronavirus Pandemic. Zig Sheng will continue to promote the company through in-person and video conferences. The global epidemic has gradually been brought under control as initial vaccines are being administered in the United States and European countries. Local governments in various countries are also advocating several monetary policies to save the economy. The global economy and geopolitics will be reshaped in the post-pandemic era. The textile industry will continue to working together to coordinate sustainability development trends and the circular economy.

In 2021, Zig Sheng will work harder to achieve economic efficiency, conserve energy and reduce carbon emissions; while actively promoting industrial safety, corporate social responsibility, and other issues relating to corporate governance. The company is committed to strengthening market competitiveness to drive the momentum behind business growth, and continuing to provide for the maximum welfare of shareholders and employees.

## **Independent Auditors' Report**

To : Zig Sheng Industrial Co., Ltd.

### **Opinion**

We have audited the Parent Company Only financial statements of Zig Sheng Industrial Co., Ltd. (the "Company"), which comprise the Parent Company Only balance sheets as of December 31, 2020 and 2019, the Parent Company Only statements of comprehensive income, Parent Company Only statements of changes in equity, and Parent Company Only statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the Parent Company Only financial statements, including a summary of significant accounting policies (together "Parent Company Only Financial Statements").

In our opinion, the accompanying Parent Company Only Financial Statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements for the year ended December 31, 2020. 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; we do not provide a separate opinion on these matters.

Key audit matters for the Parent Company Only Financial Statements for the year ended December 31, 2020 are stated as follows :

#### Revenue recognition

Revenue generation is a fundamental business activity of an enterprise as a going concern, it is crucial to the operating performance of an enterprise. Due to ubiquitous pressure of achieving projected financial or sales targets by management, revenue recognition is considered to have higher fraudulent risk by the generally accepted auditing standards. Therefore, we list the timing of transfer of risks and rewards of sold products and the recognition of sales revenue as one of the key audit matters.

For the accounting policies regarding revenue recognition, please refer to Note 4.31 of the Parent Company Only Financial Statements ; For illustration to the revenue items, please refer to disclosure in Note 6.30 of the Parent Company Only Financial Statements.

Our key audit procedures performed in respect of the above area included the following :

1. Tested the effectiveness of the Company's design and implementation of its internal controls over sales and receivable cycles, evaluated the appropriateness of revenue recognition on a test basis.
2. Understood the categories and specifications of products sold to top ten clients, evaluated the reasonableness of the sales revenue and accounts receivable turnover (days) and analyzed if there is any abnormality.
3. Evaluated the accuracy of the timing of transfer of risks and rewards of sold products and the recognition of sales revenue by selecting and testing a sample of sales transactions before and after the shipment cut-off date.

#### Valuation of inventory

The main inventories of the Company are Polyester Fully Oriented Yarn, Lactam and the related products and are measured using lower of cost or net realizable value. Due to rapid changes in the industry where the Company resides, the sales prices of the Company's products are easily affected by the prices of international raw materials and may fluctuate drastically. This leads to risk that the inventory costs may exceed their net realizable value and resulted in slow-moving or obsolete inventories. And since the Company's management, through assessment of respective outside evidence, is relied to perform the subsequent measurements and recognition, we list inventory valuation as one of the key audit matters.

For the accounting policies regarding inventories, please refer to Note 4.14 of the Parent Company Only Financial Statements ; For illustration to the inventory items, please refer to disclosure in Note 6.6 of the Parent Company Only Financial Statements. Our key audit procedures performed in respect of the above area included the following :

1. Based on the understanding of the Company's operations and nature of the industry, assessed the reasonableness of the policies and procedures adopted for recording allowance to reduce inventory to market.
2. Reviewed inventory aging reports, analyzed changes in the inventory aging and assessed whether or not the subsequent measurements were performed according to the accounting policies.
3. Understood and assessed the reasonableness of the basis of net realizable value used by the management, selected samples and agreed to the relating supporting documents to test the accuracy of the amounts, then evaluated whether or not the management's disclosures regarding the subsequent measurements of inventories were appropriate.



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

Management is responsible for preparation and fair presentation of the Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' 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 auditors' 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 the 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 the 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists in the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 disclosures, and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 guidance, supervision and performance for the audit of the Company. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings, including any significant deficiencies in internal control that we have identified 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 affect our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company Only Financial Statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater than the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Ying-Chia and Lin, Mei-Ling.

Crowe (TW) CPAs  
Taipei, Taiwan  
Republic of China

March 26, 2021

Notice to Readers

*The accompanying Parent Company Only Financial Statements are intended only to present the Parent Company Only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such Parent Company Only Financial Statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying Parent Company Only Financial Statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and Parent Company Only Financial Statements shall prevail.*

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Balance Sheets  
As of December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	Notes	31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
11xx	Current Assets		\$ 3,022,198	34	\$ 3,417,422	36
1100	Cash and cash equivalents	6.1	39,298	-	42,032	1
1110	Financial assets at fair value through profit or loss – current	6.2	603,174	7	513,533	5
1150	Notes receivable, net	6.3	220,967	3	194,474	2
1160	Notes receivable - related parties	6.3,7	66	-	50	-
1170	Accounts receivable, net	6.4	961,459	11	908,347	10
1180	Accounts receivable due from related parties	6.4,7	79,169	1	96,619	1
1200	Other receivables	6.5	27,521	-	13,415	-
1220	Income tax assets	6.37	9	-	5	-
1310	Inventories, net	6.6	1,071,942	12	1,629,177	17
1410	Prepayments	6.7	18,593	-	15,992	-
1476	Other financial assets – current	6.8,8	-	-	3,778	-
15xx	Noncurrent Assets		5,902,298	66	6,194,212	64
1517	Financial assets at fair value through other comprehensive income – noncurrent	6.9	208,709	3	199,011	2
1550	Investments accounted for using equity method	6.10	21,392	-	15,645	-
1600	Property, plant and equipment	6.11	4,735,873	53	4,746,725	49
1755	Right-of-use asset	6.12	77,962	1	96,777	1
1760	Investment properties, net	6.13	645,185	7	656,737	7
1780	Intangible assets	6.14	1,051	-	2,864	-
1840	Deferred income tax assets	6.37	128,793	2	131,656	1
1915	Prepayments for equipment		26,126	-	300,696	3
1920	Guarantee deposits paid	6.15	24,799	-	6,408	-
1990	Other noncurrent assets – other	6.16	32,408	-	37,693	1
1xxx	Total Assets		\$ 8,924,496	100	\$ 9,611,634	100
Code	Liabilities and Equity		31-Dec-20		31-Dec-19	
			Amount	%	Amount	%
21xx	Current Liabilities		\$ 2,059,440	23	\$ 2,046,791	21
2100	Short-term loans	6.17	710,000	8	1,184,000	12
2110	Short-term notes and bills payable	6.18	449,934	5	-	-
2120	Financial liabilities at fair value through profit or loss – current	6.19	-	-	1,623	-
2130	Contractual liabilities – current	6.30	79,767	1	82,609	1
2150	Notes payable		106,683	1	101,573	1
2170	Accounts payable		371,254	5	351,607	4
2180	Accounts payable to related parties	7	195	-	440	-
2200	Other payables	6.20	303,651	3	284,271	3
2220	Other payables to related parties	7	4	-	438	-
2250	Provisions - current	6.21	24,573	-	25,163	-
2280	Lease liabilities - current	6.12	12,446	-	14,135	-
2399	Other current liabilities – other	6.22	933	-	932	-
25xx	Noncurrent Liabilities		339,187	4	364,635	4
2570	Deferred income tax liabilities	6.37	137,395	2	137,395	2
2580	Lease liabilities - noncurrent	6.12	67,079	1	83,982	1
2640	Net defined benefit liability - noncurrent	6.23	111,549	1	119,594	1
2645	Guarantee deposits received	6.24	23,164	-	23,664	-
2xxx	Total Liabilities		2,398,627	27	2,411,426	25
31xx	Equity					
3100	Share capital	6.25	5,500,014	62	6,117,634	64
3110	Ordinary shares		5,500,014	62	6,117,634	64
3200	Capital surplus	6.26	492,157	6	360,397	4
3300	Retained earnings	6.27	668,136	7	708,722	7
3310	Legal reserve		249,476	3	249,476	3
3320	Special reserve		321,614	3	321,614	3
3350	Unappropriated retained earnings		97,046	1	137,632	1
3400	Other equity interest	6.28	26,138	-	13,455	-
3410	Exchange differences from translation of foreign operations	(	219)	-	( 654)	-
3420	Unrealized gains or losses on financial assets at fair value through other comprehensive income		26,357	-	14,109	-
3500	Treasury shares	6.29	( 160,576)	( 2)	-	-
3xxx	Total Equity		6,525,869	73	7,200,208	75
3x2x	Total Liabilities and Equity		\$ 8,924,496	100	\$ 9,611,634	100

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

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6.30)	\$ 7,649,087	100	\$ 11,809,718	100
5000	Operating costs (Note 6.6, 6.35)	( 7,578,619)	( 99)	( 11,838,907)	( 100)
5900	Gross profit (loss) from operations	70,468	1	( 29,189)	-
5910	Unrealized sales benefit (Note 6.10)	( 370)	-	( 624)	-
5920	Realized sales benefit (Note 6.10)	624	-	886	-
5950	Gross profit (loss) from operations - net	70,722	1	( 28,927)	-
6000	Operating expenses (Note 6.35)	( 356,019)	( 5)	( 417,815)	( 4)
6100	Selling expenses	( 214,955)	( 3)	( 252,770)	( 2)
6200	Administrative expenses	( 85,731)	( 1)	( 92,786)	( 1)
6300	Research and development expenses	( 55,333)	( 1)	( 72,259)	( 1)
6900	NET OPERATING INCOME (LOSS)	( 285,297)	( 4)	( 446,742)	( 4)
	Non-operating income and expenses				
7100	Interest income (Note 6.31)	38	-	65	-
7010	Other income (Note 6.32)	279,286	4	177,481	1
7020	Other gains and losses (Note 6.33)	( 22,585)	-	( 55,178)	-
7050	Finance costs (Note 6.34)	( 11,592)	-	( 12,740)	-
7070	Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 6.10)	5,058	-	5,148	-
7000	Total non-operating income and expenses	250,205	4	114,776	1
7900	INCOME BEFORE INCOME TAX	( 35,092)	-	( 331,966)	( 3)
7950	INCOME TAX EXPENSE (Note 6.37)	( 5,023)	-	29,328	-
8200	NET INCOME	( 40,115)	-	( 302,638)	( 3)
	OTHER COMPREHENSIVE INCOME (LOSS)				
	Items that will not be reclassified subsequently to profit or loss :				
8316	Unrealized measurement gains or losses on equity instruments at fair value through other comprehensive income (Note 6.9)	12,248	-	22,052	-
8311	Remeasurements of defined benefit liability (Note 6.23)	( 589)	-	( 3,207)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.37)	118	-	642	-
8310	Total items that will not be reclassified subsequently to profit or loss	11,777	-	19,487	-
	Items that may be reclassified subsequently to profit or loss : (Note 6.10)				
8381	Exchange differences from translation of foreign operations of subsidiaries, associates and joint ventures under equity method	435	-	( 311)	-
8360	Total items that may be reclassified subsequently to profit or loss	435	-	( 311)	-
8300	Total other comprehensive income (loss) for the year, net of income tax	12,212	-	19,176	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(\$ 27,903)	-	(\$ 283,462)	( 3)
	EARNINGS PER SHARE – ORDINARY SHARES (NT\$) (Note 6.38)				
9750	Basic earnings per share	(\$ 0.07)		(\$ 0.49)	

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

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share Capital - Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
				Legal reserve	Special reserve	Unappropriate d retained earnings	Exchange differences from translation of foreign operations	Unrealized gains or losses on financial assets at FVTOCI		
A1	Balance, January 1, 2019	\$ 6,117,634	\$ 360,363	\$ 240,478	\$ 321,614	\$ 574,186	(\$ 343)	(\$ 7,943)	\$ -	\$ 7,605,989
	Appropriation of 2018 earnings :									
B1	Legal reserve	-	-	8,998	-	( 8,998)	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	( 122,353)	-	-	-	( 122,353)
C17	Unclaimed overdue dividends by shareholders	-	34	-	-	-	-	-	-	34
D1	Profit (loss) for 2019	-	-	-	-	( 302,638)	-	-	-	( 302,638)
D3	Other comprehensive income, net of tax, for 2019	-	-	-	-	( 2,565)	( 311)	22,052	-	19,176
Z1	Balance, December 31, 2019	<u>\$ 6,117,634</u>	<u>\$ 360,397</u>	<u>\$ 249,476</u>	<u>\$ 321,614</u>	<u>\$ 137,632</u>	<u>(\$ 654)</u>	<u>\$ 14,109</u>	<u>\$ -</u>	<u>\$ 7,200,208</u>
A1	Balance on January 1, 2020	\$ 6,117,634	\$ 360,397	\$ 249,476	\$ 321,614	\$ 137,632	(\$ 654)	\$ 14,109	\$ -	\$ 7,200,208
D1	Profit (loss) for 2020	-	-	-	-	( 40,115)	-	-	-	( 40,115)
D3	Other comprehensive income, net of tax, for 2020	-	-	-	-	( 471)	435	12,248	-	12,212
L1	Buy back treasury shares	-	-	-	-	-	-	-	( 646,436)	( 646,436)
L3	Cancellation of treasury shares	( 617,620)	131,760	-	-	-	-	-	485,860	-
Z1	Balance, December 31, 2020	<u>\$ 5,500,014</u>	<u>\$ 492,157</u>	<u>\$ 249,476</u>	<u>\$ 321,614</u>	<u>\$ 97,046</u>	<u>(\$ 219)</u>	<u>\$ 26,357</u>	<u>(\$ 160,576)</u>	<u>\$ 6,525,869</u>

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

Zig Sheng Industrial Co., Ltd.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020	2019
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Profit from continuing operations before tax	(\$ 35,092)	(\$ 331,966)
A20000	Adjustments :		
A20010	Income/gain or expense/loss items not affecting cash flows		
A20100	Depreciation expense (including depreciation of investment properties)	585,414	549,227
A20200	Amortization expense	28,019	30,365
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	( 70,570)	( 36,171)
A20900	Interest expense	11,363	16,949
A21200	Interest income	( 38)	( 65)
A21300	Dividend income	( 22,806)	( 51,008)
A22400	Share of profits of subsidiaries, associates, and joint ventures under equity method	( 5,058)	( 5,148)
A22500	Net loss (gain) on disposal or scrapping of property, plant and equipment	1,145	2,137
A23100	Gain from disposal of investments	55,646	52,920
A23900	Unrealized sales benefit	370	624
A24000	Realized sales benefit	( 624)	( 886)
A29900	Gain from lease modifications	( 39)	( 7)
A20010	Total adjustments to reconcile profit	582,822	558,937
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at FVTPL	( 73,412)	158,087
A31130	Decrease (increase) in notes receivable	( 26,493)	158,142
A31140	Decrease (increase) in notes receivable – related parties	( 16)	( 50)
A31150	Decrease (increase) in accounts receivable	( 53,112)	1,037,994
A31160	Decrease (increase) in accounts receivable – related parties	17,450	4,943
A31180	Decrease (increase) in other receivables	( 4,551)	7,940
A31200	Decrease (increase) in inventories	565,565	723,826
A31230	Increase in prepayments	( 2,601)	( 3,030)
A32125	Decrease in contractual liabilities	( 2,842)	( 11,514)
A32130	Increase (decrease) in notes payable	5,110	( 143,129)
A32150	Increase (decrease) in accounts payable	19,647	( 363,061)
A32160	Increase (decrease) in accounts payable – related parties	( 245)	77
A32180	Increase (decrease) in other payables	310	( 40,407)
A32190	Increase (decrease) in other payables – related parties	( 434)	34
A32200	Increase (decrease) in provisions	( 590)	241
A32230	Increase (decrease) in other current liabilities - other	1	( 144)
A32240	Decrease in net defined benefit liabilities	( 8,634)	( 14,049)
A30000	Total changes in operating assets and liabilities	435,153	1,515,900
A33000	Cash generated from operations	982,883	1,742,871
A33100	Interest received	40	70
A33200	Dividend received	22,806	51,008
A33300	Interest paid	( 11,514)	( 17,400)
A33500	Income taxes paid	( 2,046)	( 36,253)
AAAA	Net cash flows from operating activities	992,169	1,740,296

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BBBB	CASH FLOWS FROM INVESTING ACTIVITIES		
B00030	Returned capital from FVTOCI financial assets	2,550	4,500
B02700	Acquisition of property, plant and equipment	( 169,041)	( 211,241)
B02800	Proceeds from disposal of property, plant and equipment	207	1,271
B03700	Increase in refundable deposit	( 18,647)	( 175)
B03800	Decrease in refundable deposit	256	229
B04500	Acquisition of intangible assets	( 76)	( 769)
B06500	Increase in other financial assets	-	( 3,778)
B06600	Decrease in other financial assets	3,778	6,627
B06700	Increase in other noncurrent assets - other	( 20,845)	( 22,435)
B07100	Increase in prepayments for equipment	( 109,888)	( 401,294)
BBBB	Net cash flows used in investing activities	( 311,706)	( 627,065)
CCCC	CASH FLOWS FROM FINANCING ACTIVITIES : (Note 6.36)		
C00100	Increase in short-term loans	7,577,632	17,010,674
C00200	Decrease in short-term loans	( 8,051,632)	( 17,965,674)
C00500	Increase in short-term notes and bills payable	1,900,000	250,000
C00600	Decrease in short-term notes and bills payable	( 1,450,000)	( 250,000)
C03000	Increase in deposits received	100	1,520
C03100	Decrease in deposits received	( 600)	( 1,800)
C04020	Lease principal repayment	( 12,261)	( 12,477)
C04500	Distribution of cash dividends	-	( 122,353)
C04900	Cost for buying back treasury shares	( 646,436)	-
C09900	Undrawn overdue dividends payable transferred to capital surplus	-	34
CCCC	Net cash flows from (used in) financing activities	( 683,197)	( 1,090,076)
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	( 2,734)	23,155
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,032	18,877
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 39,298	\$ 42,032
E00210	RECORDED CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET	\$ 39,298	\$ 42,032

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

## 2020 Consolidated Financial Statements and Independent Auditor's Report

### **Independent Auditors' Report**

To : Zig Sheng Industrial Co., Ltd.

#### **Opinion**

We have audited the Consolidated Financial Statements of Zig Sheng Industrial Co., Ltd. and Subsidiaries (the "Group"), which comprise the Consolidated balance sheets as of December 31, 2020 and 2019, the Consolidated statements of comprehensive income, Consolidated statements of changes in equity, and Consolidated statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the Consolidated financial statements, including a summary of significant accounting policies (together "Consolidated Financial Statements").

In our opinion, the accompanying Consolidated Financial Statements present fairly, in all material respects, the financial position of the Group as of December 31, 2020 and 2019, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Code of Professional Ethics for Certified Public Accountant of the Republic of China (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and, in forming our opinion thereon; we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements for the year ended December 31, 2020 are stated as follows :



### Revenue recognition

Revenue generation is a fundamental business activity of an enterprise as a going concern, it is crucial to the operating performance of an enterprise. Due to ubiquitous pressure of achieving projected financial or sales targets by management, revenue recognition is considered to have higher fraudulent risk by the generally accepted auditing standards. Therefore, we list the timing of transfer of risks and rewards of sold products and the recognition of sales revenue as one of the key audit matters.

For the accounting policies regarding revenue recognition, please refer to Note 4.32 of the Consolidated Financial Statements ; For illustration to the revenue items, please refer to disclosure in Note 6.30 of the Consolidated Financial Statements.

Our key audit procedures performed in respect of the above area included the following :

1. Tested the effectiveness of the Group's design and implementation of its internal controls over sales and receivable cycles, evaluated the appropriateness of revenue recognition on a test basis.
2. Understood the categories and specifications of products sold to top ten clients, evaluated the reasonableness of the sales revenue and accounts receivable turnover (days) and analyzed if there is any abnormality.
3. Evaluated the accuracy of the timing of transfer of risks and rewards of sold products and the recognition of sales revenue by selecting and testing a sample of sales transactions before and after the shipment cut-off date.

### Valuation of inventory

The main inventories of the Group are Polyester Fully Oriented Yarn, Lactam and the related products and are measured using lower of cost or net realizable value. Due to rapid changes in the industry where the Group resides, the sales prices of the Group's products are easily affected by the prices of international raw materials and may fluctuate drastically. This leads to risk that the inventory costs may exceed their net realizable value and resulted in slow-moving or obsolete inventories. And since the Group's management, through assessment of respective outside evidence, is relied to perform the subsequent measurements and recognition, we list inventory valuation as one of the key audit matters.

For the accounting policies regarding inventories, please refer to Note 4.15 of the Consolidated Financial Statements ; For illustration to the inventory items, please refer to disclosure in Note 6.6 of the Consolidated Financial Statements. Our key audit procedures performed in respect of the above area included the following :

1. Based on the understanding of the Group's operations and nature of the industry, assessed the reasonableness of the policies and procedures adopted for recording allowance to reduce inventory to market.
2. Reviewed inventory aging reports, analyzed changes in the inventory aging and assessed whether or not the subsequent measurements were performed according to the accounting policies.
3. Understood and assessed the reasonableness of the basis of net realizable value used by the management, selected samples and agreed to the relating supporting documents to test the accuracy of the amounts, then evaluated whether or not the management's disclosures regarding the subsequent measurements of inventories were appropriate.

#### **Other matters – Parent Company Only Financial Statements**

Zig Sheng Industrial Co., Ltd. had prepared the 2020 and 2019 parent company only financial statements, along with the independent auditors' report with unqualified opinion issued, available for reference.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditors' 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 auditors' 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 the 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 the 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether any material uncertainty exists in the events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and 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 guidance, supervision and performance for the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned audit scope, timing of the audit and significant audit findings, including any significant deficiencies in internal control that we have identified 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 affect our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless the laws or regulations preclude public disclosure on the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to be greater than the additional benefits brought to the public from such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsiao, Ying-Chia and Lin, Mei-Ling.

Crowe (TW) CPAs  
Taipei, Taiwan  
Republic of China

March 26, 2021

Notice to Readers

*The accompanying Consolidated Financial Statements are intended only to present the Consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such Consolidated Financial Statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying Consolidated Financial Statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and Consolidated Financial Statements shall prevail.*

Zig Sheng Industrial Co., Ltd. and Subsidiaries  
Consolidated Balance Sheets  
As of December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
11xx	Current Assets	\$ 3,045,069	34	\$ 3,438,193	36
1100	Cash and cash equivalents (Note 6.1)	70,398	1	79,762	1
1110	Financial assets at fair value through profit or loss – current (Note 6.2)	603,174	7	513,533	5
1150	Notes receivable, net (Note 6.3)	221,230	3	194,474	2
1170	Accounts receivable, net (Note 6.4)	975,915	11	921,376	10
1180	Accounts receivable due from related parties (Note 6.4,7)	45,496	-	53,739	1
1200	Other receivables (Note 6.5)	27,530	-	13,465	-
1220	Income tax assets (Note 6.37)	9	-	5	-
1310	Inventories, net (Note 6.6)	1,082,330	12	1,641,847	17
1410	Prepayments (Note 6.7)	18,987	-	16,214	-
1476	Other financial assets – current (Note 6.8)	-	-	3,778	-
15xx	Noncurrent Assets	5,881,566	66	6,181,161	64
1517	Financial assets at fair value through other comprehensive income – noncurrent (Note 6.9)	208,709	3	199,011	2
1600	Property, plant and equipment (Note 6.11)	4,735,873	53	4,746,725	49
1755	Right-of-use asset (Note 6.12)	78,434	1	99,075	1
1760	Investment properties, net (Note 6.13)	645,185	7	656,737	7
1780	Intangible assets (Note 6.14)	1,051	-	2,864	-
1840	Deferred income tax assets (Note 6.37)	128,837	2	131,808	1
1915	Prepayments for equipment	26,126	-	300,696	3
1920	Guarantee deposits paid (Note 6.15)	24,943	-	6,552	-
1990	Other noncurrent assets – other (Note 6.16)	32,408	-	37,693	1
1xxx	Total Assets	\$ 8,926,635	100	\$ 9,619,354	100
Code	Liabilities and Equity				
21xx	Current Liabilities	\$ 2,061,579	23	\$ 2,053,313	21
2100	Short-term loans (Note 6.17)	710,000	8	1,184,000	12
2110	Short-term notes and bills payable (Note 6.18)	449,934	5	-	-
2120	Financial liabilities at fair value through profit or loss – current (Note 6.19)	-	-	1,623	-
2130	Contractual liabilities – current (Note 6.30)	80,804	1	86,989	1
2150	Notes payable	106,687	1	101,573	1
2170	Accounts payable	371,387	5	352,206	4
2180	Accounts payable to related parties (Note 7)	195	-	440	-
2200	Other payables (Note 6.20)	303,998	3	284,857	3
2220	Other payables to related parties (Note 7)	-	-	240	-
2230	Current-period income tax liabilities (Note 6.37)	144	-	67	-
2250	Provisions - current (Note 6.21)	24,573	-	25,163	-
2280	Lease liabilities - current (Note 6.12)	12,921	-	15,164	-
2399	Other current liabilities – other (Note 6.22)	936	-	991	-
25xx	Noncurrent Liabilities	339,187	4	365,833	4
2570	Deferred income tax liabilities (Note 6.37)	137,395	2	137,395	2
2580	Lease liabilities - noncurrent (Note 6.12)	67,079	1	85,180	1
2640	Net defined benefit liability - noncurrent (Note 6.23)	111,549	1	119,594	1
2645	Guarantee deposits received (Note 6.24)	23,164	-	23,664	-
2xxx	Total Liabilities	2,400,766	27	2,419,146	25
31xx	Equity attributable to owners of the parent				
3100	Share capital (Note 6.25)	5,500,014	62	6,117,634	64
3110	Ordinary shares	5,500,014	62	6,117,634	64
3200	Capital surplus (Note 6.26)	492,157	6	360,397	4
3300	Retained earnings (Note 6.27)	668,136	7	708,722	7
3310	Legal reserve	249,476	3	249,476	3
3320	Special reserve	321,614	3	321,614	3
3350	Unappropriated retained earnings	97,046	1	137,632	1
3400	Other equity interest (Note 6.28)	26,138	-	13,455	-
3410	Exchange differences from translation of foreign operations	( 219)	-	( 654)	-
3420	Unrealized gains or losses on financial assets at fair value through other comprehensive income	26,357	-	14,109	-
3500	Treasury shares (Note 6.29)	( 160,576)	( 2)	-	-
3xxx	Total Equity	6,525,869	73	7,200,208	75
3x2x	Total Liabilities and Equity	\$ 8,926,635	100	\$ 9,619,354	100

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share capital - ordinary shares		2019	
		Amount		Amount	
4000	Operating revenue (Note 6.30)	\$ 7,675,607	100	\$ 11,841,377	100
5000	Operating costs (Note 6.6, 6.35)	( 7,591,144)	( 99)	( 11,856,644)	( 100)
5900	Gross profit (loss) from operations	84,463	1	( 15,267)	-
6000	Operating expenses (Note 6.35)	( 364,077)	( 5)	( 425,859)	( 4)
6100	Selling expenses	( 216,438)	( 3)	( 253,398)	( 2)
6200	Administrative expenses	( 92,306)	( 1)	( 100,202)	( 1)
6300	Research and development expenses	( 55,333)	( 1)	( 72,259)	( 1)
6900	NET OPERATING INCOME (LOSS)	( 279,614)	( 4)	( 441,126)	( 4)
	Non-operating income and expenses				
7100	Interest income (Note 6.31)	309	-	391	-
7010	Other income (Note 6.32)	276,635	4	174,977	1
7020	Other gains and losses (Note 6.33)	( 20,529)	-	( 53,223)	-
7050	Finance costs (Note 6.34)	( 11,603)	-	( 12,770)	-
7000	Total non-operating income and expenses	244,812	4	109,375	1
7900	INCOME BEFORE INCOME TAX	( 34,802)	-	( 331,751)	( 3)
7950	INCOME TAX EXPENSE (Note 6.37)	( 5,313)	-	29,113	-
8200	NET LOSS	( 40,115)	-	( 302,638)	( 3)
	OTHER COMPREHENSIVE INCOME (LOSS)				
	Items that will not be reclassified subsequently to profit or loss :				
8316	Unrealized measurement gains or losses on equity instruments at fair value through other comprehensive income (Note 6.9)	12,248	-	22,052	-
8311	Remeasurements of defined benefit liability (Note 6.23)	( 589)	-	( 3,207)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss (Note 6.37)	118	-	642	-
8310	Total items that will not be reclassified subsequently to profit or loss	11,777	-	19,487	-
	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences from translation of foreign operations of subsidiaries, associates and joint ventures under equity method	435	-	( 311)	-
8360	Total items that may be reclassified subsequently to profit or loss	435	-	( 311)	-
8300	Total other comprehensive income (loss) for the year, net of income tax	12,212	-	19,176	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(\$ 27,903)	-	(\$ 283,462)	( 3)
8600	Net income (loss) attributable to :				
8610	Owners of the parent	(\$ 40,115)	-	(\$ 302,638)	( 3)
8700	Total equity attributable to :				
8710	Owners of the parent	(\$ 27,903)	-	(\$ 283,462)	( 3)
	EARNINGS PER SHARE – ORDINARY SHARES (NT\$) (Note 6.38)				
9750	Basic earnings per share	(\$ 0.07)		(\$ 0.49)	

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	Share Capital - Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences from translation of foreign	Unrealized gains or losses on financial assets at FVTOCI		
A1	Balance, January 1, 2019	\$ 6,117,634	\$ 360,363	\$ 240,478	\$ 321,614	\$ 574,186	(\$ 343)	(\$ 7,943)	\$ -	\$ 7,605,989
	Appropriation of 2018 earnings : (note)									
B1	Legal reserve	-	-	8,998	-	( 8,998)	-	-	-	-
B5	Cash dividends of ordinary share	-	-	-	-	( 122,353)	-	-	-	( 122,353)
C17	Unclaimed overdue dividends by shareholders	-	34	-	-	-	-	-	-	34
D1	Profit (loss) for 2019	-	-	-	-	( 302,638)	-	-	-	( 302,638)
D3	Other comprehensive income, net of tax, for 2019	-	-	-	-	( 2,565)	( 311)	22,052	-	19,176
Z1	Balance, December 31, 2019	<u>\$ 6,117,634</u>	<u>\$ 360,397</u>	<u>\$ 249,476</u>	<u>\$ 321,614</u>	<u>\$ 137,632</u>	<u>(\$ 654)</u>	<u>\$ 14,109</u>	<u>\$ -</u>	<u>\$ 7,200,208</u>
A1	Balance on January 1, 2020	\$ 6,117,634	\$ 360,397	\$ 249,476	\$ 321,614	\$ 137,632	(\$ 654)	\$ 14,109	\$ -	\$ 7,200,208
D1	Profit (loss) for 2020	-	-	-	-	( 40,115)	-	-	-	( 40,115)
D3	Other comprehensive income, net of tax, for 2020	-	-	-	-	( 471)	435	12,248	-	12,212
L1	Buy back treasury shares	-	-	-	-	-	-	-	( 646,436)	( 646,436)
L3	Cancellation of treasury shares	( 617,620)	131,760	-	-	-	-	-	485,860	-
Z1	Balance, December 31, 2020	<u>\$ 5,500,014</u>	<u>\$ 492,157</u>	<u>\$ 249,476</u>	<u>\$ 321,614</u>	<u>\$ 97,046</u>	<u>(\$ 219)</u>	<u>\$ 26,357</u>	<u>(\$ 160,576)</u>	<u>\$ 6,525,869</u>

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

In Thousands of New Taiwan Dollars

Code	Item	2020	2019
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES		
A00010	Profit from continuing operations before tax	(\$ 34,802)	(\$ 331,751)
A20000	Adjustments :		
A20010	Income/gain or expense/loss items not affecting cash flows		
A20100	Depreciation expense (including depreciation of investment properties)	586,344	550,739
A20200	Amortization expense	28,019	30,365
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit or loss	( 70,570)	( 36,171)
A20900	Interest expense	11,374	16,976
A21200	Interest income	( 309)	( 391)
A21300	Dividend income	( 22,806)	( 51,008)
A22500	Net loss (gain) on disposal or scrapping of property, plant and equipment	1,145	2,137
A23100	Gain from disposal of investments	55,646	52,920
A29900	Gain from lease modifications	( 43)	( 11)
A20010	Total income/gain or expense/loss items not affecting cash flows	588,800	565,556
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets mandatorily measured at FVTPL	( 73,412)	158,087
A31130	Decrease (increase) in notes receivable	( 26,756)	159,867
A31150	Decrease (increase) in accounts receivable	( 54,539)	1,031,998
A31160	Decrease (increase) in accounts receivable – related parties	8,243	3,070
A31180	Decrease (increase) in other receivables	( 4,510)	7,892
A31200	Decrease (increase) in inventories	567,847	730,270
A31230	Increase in prepayments	( 2,773)	( 2,321)
A32125	Decrease in contractual liabilities	( 6,185)	( 10,324)
A32130	Increase (decrease) in notes payable	5,114	( 143,136)
A32150	Increase (decrease) in accounts payable	19,181	( 363,090)
A32160	Increase (decrease) in accounts payable – related parties	( 245)	77
A32180	Increase (decrease) in other payables	71	( 40,374)
A32190	Increase (decrease) in other payables – related parties	( 240)	( 37)
A32200	Increase (decrease) in provisions	( 590)	241
A32230	Increase (decrease) in other current liabilities - other	( 55)	( 86)
A32240	Decrease in net defined benefit liabilities	( 8,634)	( 14,049)
A30000	Total changes in operating assets and liabilities	422,517	1,518,085
A33000	Cash generated from operations	976,515	1,751,890
A33100	Interest received	311	396
A33200	Dividend received	22,806	51,008
A33300	Interest paid	( 11,525)	( 17,427)
A33500	Income taxes paid	( 2,151)	( 36,430)
AAAA	Net cash flows from operating activities	985,956	1,749,437

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<b>BBBB</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
B00030	Returned capital from FVTOCI financial assets	2,550	4,500
B02700	Acquisition of property, plant and equipment	( 169,041)	( 211,241)
B02800	Proceeds from disposal of property, plant and equipment	207	1,271
B03700	Increase in refundable deposit	( 18,707)	( 185)
B03800	Decrease in refundable deposit	316	671
B04500	Acquisition of intangible assets	( 76)	( 769)
B06500	Increase in other financial assets	-	( 3,778)
B06600	Decrease in other financial assets	3,778	6,627
B06700	Increase in other noncurrent assets - other	( 20,845)	( 22,435)
B07100	Increase in prepayments for equipment	( 109,888)	( 401,294)
<b>BBBB</b>	<b>Net cash flows used in investing activities</b>	<u>( 311,706)</u>	<u>( 626,633)</u>
<b>CCCC</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES : (Note 6.36)</b>		
C00100	Increase in short-term loans	7,577,632	17,010,674
C00200	Decrease in short-term loans	( 8,051,632)	( 17,965,674)
C00500	Increase in short-term notes and bills payable	1,900,000	250,000
C00600	Decrease in short-term notes and bills payable	( 1,450,000)	( 250,000)
C03000	Increase in deposits received	100	1,520
C03100	Decrease in deposits received	( 600)	( 1,800)
C04020	Lease principal repayment	( 13,113)	( 14,033)
C04500	Distribution of cash dividends	-	( 122,353)
C04900	Cost for buying back treasury shares	( 646,436)	-
C09900	Undrawn overdue dividends payable transferred to capital surplus	-	34
<b>CCCC</b>	<b>Net cash flows from (used in) financing activities</b>	<u>( 684,049)</u>	<u>( 1,091,632)</u>
<b>DDDD</b>	<b>Effects on cash and cash equivalents due to fluctuations in exchange rates</b>	<u>435</u>	<u>( 334)</u>
<b>EEEE</b>	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 9,364)</u>	<u>30,838</u>
E00100	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>79,762</u>	<u>48,924</u>
E00200	CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 70,398</u>	<u>\$ 79,762</u>
E00210	RECORDED CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET	<u>\$ 70,398</u>	<u>\$ 79,762</u>

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

## **Appendix 4.**

### **Zig Sheng Industrial Co., Ltd. Articles of Incorporation**

#### **Chapter 1 General Provisions**

**Article 1** The Company shall be incorporated as a company limited by shares under the Company Act and its name is Zig Sheng Industrial Co., Ltd.

**Article 2** The scope of businesses of the company shall be as follows :

1. Various fibers 、 synthetic fibers 、 spinning and weaving of nylon filament 、 dyeing and finishing 、 textile printing 、 processing 、 trade export 、 bidding and agency business.
2. Entrust the construction company to develop the industrial zone approved by the competent industrial authority.
3. Commissioned construction manufacturers to build national residential and commercial buildings for rental and sale.
4. Bowling course, skating rink, golf driving range (less than five holes), amusement park (except gambling), swimming pool, tennis court, riding range, etc.
5. Production, sales and import and export business of fiber raw materials in petrochemical industry.
6. Production, sales, import and export business of polyester bottle and polyester film.

All business items that are not prohibited or restricted by law, except those that are subject to special approval.

**Article 3** The Company is incorporated in Taoyuan city, the Board of Directors may by resolution approve the establishment of domestic and international branches where it deems necessary.

**Article 4** The Company may provide endorsements and guarantees to the external depending upon the business needs. The operation procedure thereof shall be handled according to the Endorsement and Guarantee Policies of the Company.

**Article 4-1** The total investment amount of the Company may exceed forty percent of the paid-in capital by Board of Directors' resolution.

#### **Chapter 2 Share Capital**

**Article 5** The Company's authorized capital is NTD 8 billion, which is divided

into 800 million shares. Each share carries a face value of NTD 10, and the Board of Directors has been authorized to issue them in installments.

**Article 6** For the shares issued by the Company, the printing of share certificates may be exempted; however, they shall be registered with the Centralized Securities Depository Enterprises.

**Article 7** Registration of share transfer shall be closed within 60 days prior to Regular meeting of shareholders, or within 30 days prior to Special meeting of shareholders or within 5 days prior to the record date on which Company distributes the dividends or bonuses.

### **Chapter 3 Shareholders' Meeting**

**Article 8** Shareholders' meeting shall be of the following two kinds:

1. Regular meeting of shareholders: shall be held once a year within 6 months of the end of the Company's financial year.
2. Special meeting of shareholders: to be held in accordance with the law.

A shareholders meeting shall, unless otherwise provided for in Company Act, be convened by the Board of Directors.

**Article 8-1** 30 days prior to the convention of the Regular meeting of shareholders, and 15 days prior to the convention of the Special meeting of shareholders, a notice indicating the date, location of the meeting and the reason of convention shall be issued to each shareholder in writing or may be informed via electronic method upon the consent of the counterparty; provided that for shareholders with the holding of less than 1,000 shares, announcement method may be adopted.

**Article 8-2** Deleted.

**Article 9** Unless otherwise stipulated by the Company Act and the Articles of Incorporation, shareholders' meeting shall be conducted in accordance with the Company's Meeting Rules of Shareholders.

**Article 10** Except when otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in

favor by more than 50% of all voting rights represented at the meeting.

**Article 11** If a shareholder is unable to attend a meeting, the shareholder may, in accordance with the Article 177 of the Company Act, the company shall issue a power of attorney issued by the company, stating the scope of the authorization, and entrust the agent to attend.

**Article 11-1** Each share of stock owned by shareholders shall be entitled for one vote, except for those shares without voting rights as set forth in Article 179, paragraph 2 of the Company Act.

When a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

**Article 12** Resolutions made in a shareholders' meeting shall be recorded in the meeting minutes and shall be prepared, preserved and issued to all shareholders according to Article 183 of the Company Act.

#### **Chapter 4 Directors , Audit Committee and Managerial Personnel**

**Article 13** The Company shall have ten to thirteen directors ( including three independent directors ), the list of candidates for a term of 3 years and may be re-elected. The total number of registered shares held by all of the directors shall not be less than the percentage specified by the competent authority according to the laws.

Directors shall be elected by adopting candidate nomination system in accordance with the Article 192-1 of Company Act. A shareholder shall elect from the nominees listed in the roster of candidates.

The election of Independent and non-Independent Directors should be held together. Moreover, in order to ensure the election of at least two Independent Directors of each election, the Independent and non-Independent Directors elected should be calculated separately.

Pursuant to Article 14-4 of the Securities and Exchange Act, the Company will establish an Audit Committee. The Audit Committee shall make up of the entire number of Independent Directors, is responsible of executing powers relegated to supervisors by the Company Act, and other laws and regulations. The organizing

members, exercise of powers and other matters to be abided by the Audit Committee shall follow related laws, regulations or rules or regulation of the Company. The organization regulations of the Audit Committee shall be adopted by the Board of Director.

- Article 14** When the number of vacancies of directors reaches one third of the total number of directors or when all of the independent directors are discharged, the Board of Directors shall convene an extraordinary shareholders' meeting within sixty days to fill the vacancies, and the term of office thereof shall be limited to fulfill the unexpired term of office of the predecessor.
- Article 15** Deleted.
- Article 16** The Board of Directors organizing the Board of Directors' meeting shall exercise the authorities of the directors according to the laws, and shall be attended by more than two-thirds of the directors along with the consents of the majority of the attending directors in order to elect a Chairman among the directors, the Chairman for the execution of all Company's businesses, and shall externally represent the company.
- Article 17** Unless otherwise stipulated by the Company Act and the Articles of Incorporation, the board of directors' meeting shall be conducted in accordance with the Company's regulations for the Board of Directors' meeting.
- Article 18** Unless otherwise provided in the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the Directors at a meeting attended by a majority of the Directors.  
If the Director is unable to attend the Directors' meeting, may authorize another director to act on behalf in a Board meeting, but such authorization is limited to one person only.
- Article 19** Resolutions made in the Board of Directors' meeting shall be recorded in the meeting minutes and shall be prepared, preserved and issued to all Directors according to Article 207 of the Company Act.
- Article 20** Deleted.
- Article 21** Regardless of the profit or loss, the company will pay the director's

travel expenses of NT \$10000 per person on a monthly basis.

**Article 22** If a director of this company holds a position in the company, in addition to distributing the remuneration to the director in accordance with the articles of association, he may be paid monthly salary according to the level of a class of managers.

**Article 23** This corporation may employ accountants and lawyers as consultants according to the needs of its business, and the appointment, removal and remuneration of such consultants shall be submitted to the board of directors for approval.

**Article 23-1** The Company may have one or more managerial personnel; appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with Article 29 of the Company Act.

**Article 23-2** The Company shall take out liability insurance for Directors and officers with respect to their liabilities resulting from exercising their duties during their terms of occupancy.

## **Chapter 5 Accounting**

**Article 24** The accounting fiscal year of the Company shall start from January 1 to December 31, and settlement shall be performed at the end of each fiscal year.

For the settlement of the Company, the Board of Directors shall prepare the business report, financial statement and proposal on distribution of surplus earnings or loss of-setting according to the Company Act, and shall submit to the Audit Committee for auditing thirty days prior to the convention of ordinary shareholders' meeting, in order to issue a report for submission to the shareholders' meeting for approval.

**Article 25** The distribution of shareholders' dividend shall take into consideration the changes in the outlook for the Company's businesses, the lifespan of the various products or services that have an impact on future capital needs and taxation. Shareholders' dividend shall be distributed aimed at maintaining the stability of shareholders' dividend distributions of the Company Act.  
The board of directors measures the capital demand in the future year, and comprehensively considers the profit status, financial

structure and the degree of dilution of earnings per share, and formulates an appropriate proportion of cash and stock dividends. The proposal is submitted to the shareholders' meeting for approval.

**Article 26** 2% of profit of the current year should be distributed as employees' compensation and not more than 3% of profit of the current year should be distributed as Directors' remuneration in the case where there are profits for the current year. However, the Company's accumulated losses shall have been covered.

The distribution of employee bonus shall be adopted by the Directors present at the Board meeting before being reported to the shareholders' meeting.

The actual ratio and amount of the profit distributable as Directors' remuneration shall also be determined by compensation committee, and a report of such distribution shall be submitted to the shareholders' meeting.

**Article 26-1** If the company's year-end final accounts have a surplus, in addition to the income tax in accordance with the law, the losses should be made up first, and 10% is the statutory surplus reserve. In addition, according to the provisions of the competent authority, the special reserve shall be transferred or renewed, and the surplus shall not be distributed in the same year. Each year, the board of directors proposes to distribute the proposal and submit it to the shareholders' meeting for resolution.

## **Chapter 6 Supplementary Provisions**

**Article 27** All matters not covered herein shall be undertaken in accordance with the Company Act of the Republic of China and the other relevant law and regulations.

**Article 28** These Articles of Incorporation were established on July 31, 1969.

The first amendment was made on August 7, 1972.

The second amendment was made on May 14, 1974.

The third amendment was made on October 19, 1977.

The fourth amendment was made on March 24, 1981.

The fifth amendment was made on October 11, 1983.

The sixth amendment was made on August 10, 1984.

The seventh amendment was made on August 17, 1987.

The eighth	amendment was made on January 21, 1991.
The ninth	amendment was made on May 23, 1991.
The tenth	amendment was made on April 10, 1992.
The eleventh	amendment was made on December 5, 1992.
The twelfth	amendment was made on May 2, 1994.
The thirteenth	amendment was made on April 17, 1995.
The fourteenth	amendment was made on September 23, 1996.
The fifteenth	amendment was made on April 26, 1997.
The sixteenth	amendment was made on April 28, 1998.
The seventeenth	amendment was made on May 22, 2000.
The eighteenth	amendment was made on June 13, 2001.
The nineteenth	amendment was made on June 12, 2002.
The twentieth	amendment was made on May 27, 2004.
The twenty-first	amendment was made on June 10, 2005.
The twenty-second	amendment was made on June 14, 2006.
The twenty-third	amendment was made on June 14, 2010.
The twenty-fourth	amendment was made on June 10, 2011.
The twenty-fifth	amendment was made on June 6, 2012.
The twenty-sixth	amendment was made on June 15, 2015.
The twenty-seventh	amendment was made on June 27, 2016.
The twenty-eighth	amendment was made on June 11, 2018.
The twenty-ninth	amendment was made on June 22, 2020.



## **Appendix 5.**

### **Meeting Rules of Shareholders for Zig Sheng Industrial Co., Ltd.**

Approved by the Shareholders' Meeting on June 24, 2019

**Article 1** The shareholders' meeting of the Company shall be held according to the rules herein.

**Article 2** The term "shareholder" in these Rules refers to the shareholder himself and the agent entrusted by the shareholder.

**Article 3** The location for shareholders' meeting shall be the Company's place of business or a place convenient for attendance by shareholders (or by proxies) that is suitable to holding of this meeting. The meeting shall be held between 9:00AM and 3:00PM.

The Company shall announce, before the book closure date of the annual general meeting, the conditions, places, and time within which shareholders proposals are accepted. The timing of acceptance must not be less than ten (10) days.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item to 300 words only, and no proposal containing more than one item or more than 300 words will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.

The Company shall notify each proposing shareholder of the outcomes of their proposed motions before the date when the meeting advice is sent. Meanwhile, motions that satisfy the conditions listed in this Article shall be included as part of the meeting advice. During the shareholders' meeting, the Board of Directors shall explain the reasons why certain proposed motions are excluded from the discussion

Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy attendance and participate in the discussion.

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.

When convening shareholders' meeting, the Company shall incorporate electronic vote casting as one of the alternative ways to cast the vote, and the procedure of electronic casting shall be written in the notice of stockholders' meeting. Shareholders who vote via electronic casting is deemed as presented in person. With respect to extemporaneous motions, amendments of the original proposals, and substitute proposals raised in the stockholders' meeting, those who vote via electronic casting shall be considered as abstain.

Shareholders attending the meeting shall have attendance card, sign-in card or other certificate of attendance issued by the Company. The proxy solicitor shall provide ID document for verification purpose.

Attending shareholders are required to wear conference passes and present attendance cards as proof of attendance.

Number of shareholders in attendance shall be calculated based on the number of attending shares, which equals to the sum of number of shares shown on the signed attended forms and the number of voting shares via electronic casting.

**Article 4**

The Company may appoint lawyers, accountants or related personnel to attend the shareholders' meeting.

The personnel in charge of handling the affairs of the meeting shall wear identification badge or armband.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor."

**Article 5** For a shareholders' meeting convened by the Board of Directors, the chairman of the Board of Directors shall preside at the meeting. If the chairman of the Board of Directors is on leave or unable to exert the rights, the chairman of the Board of Directors shall designate a Director to preside at the meeting. If no Director is so designated, the chairman of the meeting shall be elected by the Board of Directors from among themselves. If a Director presides at the meeting including the representative of an institutional director, shall be appointed at least 6 months and familiar with the financial performance and operations of the Company.

For a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting; if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

**Article 6** The chairperson should announce commencement of meeting as soon as it is due. However, if current attendants represent less than half of the company's outstanding shares, the chairperson may announce the postponement of the meeting up to two times, for a period totaling no more than one hour. If attending shareholders represent more than one-third but less than half of the outstanding shares after two postponements, the attending shareholders may reach a tentative resolution according to Paragraph 1, Article 175 of The Company Act.

After the adoption of the tentative resolution in the preceding paragraph, if the number of shares represented total no more than half of all outstanding shares as the meeting progresses, the chairperson may propose the tentative resolutions for final voting according to Article 174 of The Company Act.

**Article 7** If the shareholder's meeting is convened by the Board of Directors, the Board of Directors will determine the meeting proceedings. The proceedings cannot be changed unless resolved during the shareholders meeting.

The above rule shall apply similarly to shareholders' meetings that are convened by any authorized party other than the Board of Directors. In either of the two arrangements described above, the chairperson cannot dismiss the meeting while a motion (including

extraordinary motions) is still in progress. If the chairperson violates the meeting policy by dismissing the meeting when they are not allowed to do so, attending shareholders may elect another chairperson with the support of more than half of the voting rights represented on-site to continue the meeting.

Once the meeting has been dismissed, shareholders shall not elect to continue the meeting with another chairperson or at a different venue except for the circumstances mentioned above.

**Article 8** When a shareholder proposes a proposal or proposes an amendment or replacement to the original motion at the meeting, except for the temporary motion, it shall be seconded by other shareholders. The shares represented by the proposer and the seconder shall reach five thousandths of the voting rights of the company's issued shares.

**Article 9** 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 chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

**Article 10** When a shareholder inquires about the items to be reported on the agenda, he shall not speak until all the reported items have been read out by the chairman or his designated person or after the report has been completed. Each person shall not speak more than two times and each time shall not exceed five minutes. The time required for the shareholders to discuss the matters on the agenda, the number of times for the shareholders to speak on the agenda, and the permitted procedures for putting forward the motions.

If a legal person is entrusted to attend the shareholders' meeting, it may appoint only one representative to attend the meeting. When a legal person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

If a shareholder's speech exceeds the time limit, exceeds the time

limit, or exceeds the scope of the topic, the chairman may stop the shareholder from speaking. If he does not stop speaking, or there is any other matter impeding the proceedings, the chairman may direct the picket (or security officer) to deal with the matters necessary to maintain the order of the meeting or the smooth progress of the meeting.

When the shareholders present speak, other shareholders shall not interfere with their speeches except with the consent of the chairman and the speaking shareholders. The chairman shall stop the violation and take necessary measures according to the provisions of the preceding paragraph.

**Article 11** After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

The chairman may, at an appropriate time, announce the conclusion of the discussion on a motion and, if necessary, suspend the discussion and put it to a vote. If it is not a motion, it will not be discussed or voted on.

**Article 12** In regards to the resolution of proposals, unless otherwise provided for in the relevant law and regulation or Company's Articles of Incorporation, resolution shall be passed by a majority of the voting rights represented by the shareholders attending the meeting.

The proposal for a resolution shall be deemed approved if no objection raised by shareholders via electronic vote casting, and the Chairperson inquires and receives no objection from shareholders in attendance. The validity of such approval has the same effect as if the resolution has been put to vote.

Should objection of a proposal be raised, such proposal shall be put to vote. All proposals may be put to vote one after the other by its sequence, or may be put to vote together and numbers of votes for each proposal are counted separately.

Whichever way of the voting procedures shall be decided by the Chairperson. If there are amendments or substitute proposals for the same proposal, the sequence of which to be put to vote shall be decided by the Chairperson. If one of the two proposals has been approved, the other shall be deemed rejected and need no further vote.

- Article 13** When the motion is put to the vote, the chairman shall appoint two scrutineers and several counting officers to perform all relevant duties, but the scrutineers shall have the status of shareholders. Voting of motions or counting of votes for election motions shall be conducted in a public place in the shareholders' meeting. All motions shall be voted without a call of votes.
- The results of the voting and election shall be announced on the spot after the counting of votes and shall be recorded.
- Article 14** The attendance and voting at a shareholders meeting shall be calculated based the number of shares, so it is not easy to count the number of people. Therefore, if a shareholder proposes to count the number of shareholders, the chairman may not accept it. When the subsequent motion is put to vote, if the quorum of shares is reached, the motion will still be passed.
- Article 15** The election of Directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company.
- Article 16** In the course of the meeting, the chairman may announce a break at his discretion. If a meeting fails to complete the business, it may be postponed or continued in accordance with Article 182 of the Company Act.
- Article 17** In the event of major disasters or force majeure during the meeting, the chairman may order the suspension or suspension of the meeting and announce the continuation time as the case may be.
- Article 18** This Corporation, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, the recorded materials of the preceding paragraph shall be retained for at least one 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.
- The attendance card of the shareholders attending the meeting and the power of attorney of the proxy shall be kept in the company for at least one year. The minutes of the meeting shall be made and distributed to all shareholders within 20 days after the meeting. The

minutes shall be kept permanently in the company.

The minutes of the shareholders' meeting held less than 1000 shares may be distributed by public announcement.

**Article 19** Matters not specified in these rules of procedure shall be handled in accordance with the chairman's discretion unless otherwise prescribed by law or articles of association. If the shareholders still have any objection, they shall be dealt with in accordance with the applicable legal procedures, and shall not hinder or interfere with the proceeding of the proceedings.

**Article 20** The rules herein take effect after approval at the shareholders' meeting, the same apply for any amendments.

## **Appendix 6.**

### **Zig Sheng Industrial Co., Ltd. Procedures for Election of Directors**

Approved by the shareholders' meeting on June 11, 2018

- Article 1 The elections of directors shall be conducted in accordance with these Procedures.
- Article 2 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.  
The election votes shall be printed by the board of directors, numbered according to the names of shareholders and marked with their voting rights, which shall be attached to the agenda and distributed to all shareholders.  
The number of directors referred to in the preceding paragraph includes independent directors. The election of independent directors adopts the nomination system. The shareholders shall handle matters related to the nomination and appointment of independent directors from the list of candidates for independent directors in accordance with Article 5 of these regulations.
- Article 3 The directors of the company shall be elected in accordance with the number of persons to be elected in accordance with the articles of association, and the number of directors shall be based on the requirements specified in the Company's articles of incorporation. The voting rights of independent directors and non-independent directors shall be counted separately, and the candidates receiving ballots representing the highest numbers of voting rights shall be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the number of seats specified, those candidates receiving the same number of votes shall draw lots to determine the winner, and in the event that any one of such candidates is absent, the chair shall draw lots on behalf of such candidate.
- Article 4 The voting rights shall be calculated according to the votes casted by the shareholders plus the number of votes of the voting rights exercised in writing or via electronic method.



Article 5 The professional qualifications, the assessment of independence and other matters of the Independent Directors shall be in compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” or other relevant regulations.

The company shall announce the period for accepting nominations of candidates for independent directors, the number of independent directors to be elected, the place of acceptance and other necessary matters before the date of suspension of share transfer before the shareholders' meeting. The period of acceptance shall not be less than 10 days.

The list of candidates for independent directors shall be nominated in the following ways:

- (1) Shareholders who hold more than 1% of the total number of shares issued may submit a list of candidates for independent directors to the company in writing, and the number of nominations shall not exceed the number of independent directors to be elected.
- (2) The board of directors shall submit a list of candidates for independent directors, and the number of nominations shall not exceed the number of independent directors to be elected.
- (3) Other competent authorities the way of regulation. If the board of directors or other convener convenes the shareholders' meeting, the nominees of independent directors shall be reviewed and the results of the examination shall be notified to the nominating shareholders. If the nominees are not included in the list of candidates for directors, the reasons for not being included shall be stated. After the board of directors evaluates that the candidates meet the requirements of independent directors, they shall be submitted to the shareholders' meeting for election.

A record of the process of reviewing the nominees of directors referred to in the preceding paragraph shall be kept for a period of at least one year. However, if a shareholder brings a lawsuit against the election of directors, it shall be kept until the end of the litigation.

The reporting of information related to the list of candidates for independent directors shall be handled in accordance with paragraph 7 of article 192-1 of the Company Act.

Article 6 At the beginning of the election, the chairman shall appoint two scrutineers and two vote tellers to carry out the relevant tasks. The

scrutineer shall have the status of shareholders.

The scrutineer's responsibility shall be as follows:

- (1) Check and seal the ballot box in public before ballot casting.
- (2) Maintain the order and check for any negligence and illegality for voting.
- (3) Unseal the ballot box and check the ballot number after ballot casting.
- (4) Check for any invalid ballots and hand in the valid ballots to the vote-counting personnel.
- (5) Oversee the vote-counting personnel recording the ballot numbers received by each candidate.

Article 7 Shareholders (including natural persons, legal persons and their principals) shall, at the beginning of the election, write down the name of the electee, the number of shareholders and the number of voting rights allocated on the ballot paper, and then put them into the ballot box.

When the electee is a government or legal person shareholder, the name of the government or legal person shall be filled in the column of the ballot paper, and the name of the government or legal representative may also be added Add the name of the representative respectively.

Article 8 The ballot shall be considered invalid in any of the following situations:

- (1) Not the ballot provided under the rules herein
- (2) Blank ballot
- (3) Written characters blurred and not legible
- (4) One ballot with more than two candidate names listed
- (5) Incorrect candidate information on the ballot
- (6) Ballot not filled out according to article 7 or ballot with unrelated writing to this election

Article 9 Voting boxes shall be set up for the election of directors and independent directors. After voting separately, the ballot boxes shall be opened jointly by the scrutineer and the teller.

Article 10 If there is any question about the ballot, the scrutineer shall check whether it is invalid. The invalid ballots shall be collected and kept separately. The scrutineer shall designate them as the invalid with signature and seal after ballot counting.

Article 11 For the results of ballot counting, the vote-overseeing personnel shall make sure of correctness of the total ballot number after combining the numbers of the valid and invalid ballots. The numbers of the valid and invalid ballots shall be recorded separately and the chairperson shall announce the elected, it includes the list of directors and independent directors and their election rights.

The electoral votes for the election matters mentioned in the preceding paragraph shall be sealed and signed by the scrutineer and kept for at least one year. However, if a shareholder brings a lawsuit in accordance with Article 189 of the company law, it shall be kept until the end of the litigation.

Article 12 The rules herein take effect after approval at the shareholders' meeting. The same apply for any amendments.

## Appendix 7.

### ZIG SHENG INDUSTRIAL CO., LTD.

#### **Code of Ethical Conduct**

Approved by the board of directors on August 7, 2020

Article 1 Purpose of and basis for adoption

To make the behavior of the company's directors and managerial officers comply with ethical standards and to make the company's stakeholders better understand the company's ethical standards, the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies" is referred to stipulate the Code of Ethical Conduct.

Article 2 Prevention of conflicts of interest

1. The directors or managerial officers of the company shall handle official duties in an objective and efficient manner to avoid personal interests or possible interference in the company's overall interests and ensuing conflicts of interest.
2. Directors or managerial officers shall be prevented from obtaining improper benefits for themselves, their spouses or their second-tier relatives (hereinafter referred to as the "aforementioned persons") based on their positions in the company. If the company has loans of funds or provision of guarantees, major asset transactions or purchases (sales) of goods with the affiliated companies to which the aforementioned personnel belong, it should pay special attention and abide by the following "Policies for Preventing Conflicts of Interest":
  - (1) The company and the affiliated company to which the aforementioned personnel belong has loans of funds, provision of guarantees, or major asset transactions (pursuant to the company's "Procedures for Acquisition or Disposal of Assets", those that meet the requirements for notification and reporting) shall be submitted to the board meeting for approval.
  - (2) The company shall pay special attention to the purchase (sale) of goods between the company and the affiliated

company to which the aforementioned personnel belong, and take into consideration the protection of the company's best interests.

Article 3      Minimizing incentives to pursue personal gain

1. The company its directors, managerial officers when the company has an opportunity for profit, it is the responsibility of the directors, managerial officers to maximize the reasonable and proper benefits that can be obtained by the company.
2. The company shall prevent its directors, managerial officers from engaging in any of the following activities:
  - (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions.
  - (2) Obtaining personal gain by using company property or information or taking advantage of their positions.
  - (3) Competing with the company.

Article 4      Confidentiality

1. The directors, managerial officers of the company shall be bound by the obligation to maintain the confidentiality of any information regarding the company itself or its suppliers and customers, except when authorized or required by law to disclose such information.
2. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the company or the suppliers and customers.

Article 5      Fair trade

The directors, managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 6      Safeguarding and proper use of company assets

All directors or managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste

of the assets will all directly impact the company's profitability.

Article 7      Legal compliance

The directors or managerial officers of the company shall strictly abide by the Securities and Exchange Act, Company Act and other laws and regulations governing company activities.

Article 8      Encouraging reporting on illegal or unethical activities

1. The company shall raise awareness of ethics internally and encourage employees to report to a company independent directors, managerial officers, audit supervisor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct.
2. To encourage employees to report illegal conduct, the company shall establish a concrete whistle-blowing system and make employees aware that the company will use its best efforts to ensure the safety of informants and protect them from reprisals.

Article 9      Disciplinary measures, Information disclosure and complaints

1. The directors or managerial officers of the company who have violated this Code with the facts duly verified shall be reported to the board meeting for disposal. In addition, such personnel's date of violation, facts of violation, regulations violated and the company's handling shall be immediately disclosed on MOPS.
2. For those who have been punished for violating this Code, the company allows the parties to submit a written or oral complaint to the personnel department or the board of directors within 15 days. The relevant unit shall determine whether to maintain the original punishment decision after verifying the facts based on the complaint submitted by the party.

Article 10      Exemption

The code of ethical conduct adopted by a company must require that any exemption for directors, managerial officers from compliance with the code be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS.

Article 11     Method of disclosure

This procedure shall disclose the code of ethical conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.

Article 12     Enforcement

This Code shall be approved by the Audit Committee, and then submitted to and approved by the board meeting, and finally submitted to the shareholders' meeting.

## Appendix 8.

### Current Shareholdings of Directors

1. According to Article 26 of the Securities and Exchange Act and in accordance with 「Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies」, the shareholding of all directors shall not be less than 4%, and that of supervisors shall not be less than 0.4%.

If two or more independent directors are selected, the shareholding ratio of all directors and supervisors other than independent directors calculated according to the ratio mentioned in the preceding paragraph shall be reduced to 80%, according to the provisions of the preceding paragraph, the minimum shareholding of all directors of the company shall be 17,014,028 shares.

On April 27, 2021 (the date when the shareholders' meeting stopped the transfer), the paid in share capital of the company was 531,688,380 shares.

2. As of the closing date of the shareholders' meeting, the number of shares held by individual and all directors recorded in the shareholders' register is as follows: the number of shares held by the directors has met the requirement of Article 26 of the "Securities and Exchange Act".

Title	Name of persons or companies	Shareholdings	Ratio of shareholding
Directors	YEH,SOU-TSUN	19,692,945	3.70 %
	SU,PAT-HUANG	27,160,455	5.11 %
	SU,PO-CHEN	2,523,902	0.47 %
	SU,EN-PING	759,000	0.14 %
	YEH,TSUNG-HAO	12,492,312	2.35 %
	LIANG, LONG-SHIANG	145,468	0.03 %
	YI SHENG INVESTMENT CO., LTD.	52,783,760	9.93 %
Independent Directors	OU,YU-LUN	0	0.00 %
	YU,NENG-YUAN	0	0.00 %
	LIN,KO-WU	0	0.00 %
Total shareholding of all directors		115,557,842	21.73 %



## **VIII. Other matters to be explained**

In this Annual Meeting of Shareholders, the handling instructions of Shareholder's proposal are as follows:

- Explanation:
1. According to article 172-1 of the Company Act, shareholders holding more than 1% of the total number of shares issued by the company shall submit a motion in writing to the company for the Regular Meeting of Shareholders. The proposal shall be limited to one proposal and shall be limited to 300 words (including punctuation marks). If the proposal exceeds one or more than 300 words, it shall not be included in the motion.
  2. The period of accepting Shareholder's proposal in this Shareholders' Meeting is from April 17, 2021 to April 27, 2021, and has been announced in the "Market observation Post System" (MOPS) according to law.
  3. During the period of shareholder's proposal, the company has not received any proposal from any shareholder.