

**Common Stock Code: 1718**

**CHINA MAN-MADE FIBER  
CORPORATION**

**The 2021 Annual Meeting  
of Shareholders**

**Annual meeting handbook**

**June 3, 2021**

# **Meeting Agenda of the 2021 Shareholders General Meeting of China Man-Made Fiber**

Meeting Time: 9:00 am, Thursday, June 3, 2021

Venue of the Meeting: 3F, No. 350 Songjiang Road, Zhongshan District, Taipei City (First Conference Room)

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Company Reports
  - (I) Present the 2020 Business Results.
  - (II) Audit Report of the Auditing Committee.
  - (III) Report about amendment to the “Rules of Procedure for Meetings of Board of Directors.”
  - (IV) The 2020 distribution of remuneration to employees and directors.
- IV. Proposals
  - (I) Confirm the Company’s 2020 business report and financial report.
  - (II) Acknowledging the Company's 2020 Earnings Distribution.
- V. Discussion
  - (I) Discussion on amendment to the Company's Articles of Incorporation.
  - (II) Amendment to the “Rules of Procedure for Shareholder Meeting”.
  - (III) Discussion on amendment to the “Procedures for Election of Directors.”
  - (IV) Discuss the capitalization of profit to issue new shares.
- VI. Questions and Motions
- VII. Adjournment

## **Management Presentation (Company Reports)**

- I. Presenting the 2020 Business report. (please see page 11 to 13 of this manual)
- II. Please review the audit report from the audit committee. (please see page 14 of this manual)
- III. Report about the partial amendment to the Company's "Rules of Procedure for Meetings of Board of Directors" for acknowledgment and approval. (please see page 15 of this manual)
- IV. The Company intends to allocate 1% of the 2020 profit as the employee remuneration, an amount of NT\$10,778,708, and 0.3% as directors' remuneration, an amount of NT\$3,233,612.

## **Proposals**

Proposal 1 Proposed by the board of directors

**Subject:** The Company's 2020 business and financial reports have been completed and submitted to the audit committee for review. The reports also have been audited and validated by the certified public accounts, Wen-Ya Hsu and Su-Huan Yu, of Deloitte Taiwan.

**Description:** Business report (please refer to pages 11 to 13 of this manual).  
Independent auditor's report and financial report (please refer to pages 16 to 30 of this manual).

**Resolutions:**

## Proposal 2 Proposed by the board of directors

**Subject:** Acknowledging the Company's 2020 Earnings Distribution.

**Description:** The Company's 2020 distributable earnings is NT\$3,040,795,275, and cash dividends of NT\$0.1 per share and stock dividends of NT\$0.4 per share is proposed to be distributed to shareholders. For details, please see the earnings distribution table (page 31 of this manual).

**Resolutions:**

## **Discussions**

No. 1: Proposed by the board of directors

**Subject:** A proposal for partial amendment to the Company's Articles of Incorporation for resolution.

**Descriptions:** As required by the Financial Supervisory Commission with its Letter Jin-Guan-Jiao-Zi 1080311451 dated April 25, 2019, the Company should expressly stipulate in the Articles of Incorporation that the directors should be elected using the candidate nomination system. Where the director's tenure of office is to expire in the upcoming year, it is proposed that the shareholders' meeting should complete the partial amendment to the Articles of Incorporation in the present year. Please see the Comparative Table of Contents of Before and After the Amendment annexed hereto for details. (page 32 of this manual).

**Resolutions:**

No. 2: (Proposed by the board of directors)

Subject: Proposal for amending “Rules of Procedure for Shareholder Meetings” is submitted to be resolved.

Descriptions: An amendment in accordance with the referential prototype of “Rules of Procedure for Shareholders Meetings of ○○ Co., Ltd.” under Letter Tai-Zhi-Li-Zi 1090009468 dated June 3, 2020 of Taiwan Stock Exchange Corporation (TWSE) and promulgated by it with its Letter Tai-Zheng-Key points that call for attention-Li-Zi 1100001446 dated January 28, 2021. Please see the Comparative Table of Contents of Before and After the Amendment annexed hereto for details. (page 33 of this manual).

Resolutions:

### No. 3: Proposed by the Board

**Subject:** A proposal for amendment to the Company's "Procedures for Election of Directors" for resolution.

**Descriptions:** In response to the requirements by the Financial Supervisory Commission, after the director tenure of office for Year 2022, the Company should elect directors by means of the candidate nomination system. It is, therefore, proposed in the shareholders' meeting of the present year for partial amendment to the "Procedures for Election of Directors." Please see the Comparative Table of Contents of Before and After the Amendment annexed hereto for details. (page 34 of this manual).

**Resolutions:**



No. 4: (Proposed by the board of directors)

Proposal: Proposing to have new shares issued through capitalization of earnings in 2020, please submitted to be resolved.

Explanation: (1) The Company for business needs plans to appropriate stock dividends of NTD648,425,280 from the 2020 distributable earnings with 64,842,528 shares issued at the ratio of 40 shares distributed per thousand shares at NTD10 par.

(2) The earnings distribution is calculated in accordance with the shareholders and their respective shareholding ratio in the register of shareholders. Fractional share distribution is to be consolidated by shareholders and registered with the Company's Stock Department for stock consolidation within five days from the record date. Fractional share that is not consolidated or remains a fractional share after consolidation should be paid with an equivalent cash amount (rounded up to the dollar). Fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board. In the event of the changes in the Company's capital and issuance of new shares resulting in impacts to number of shares outstanding and distribution ratio, the shareholders are to authorize the chairman to make any necessary adjustments.

(3) The capitalization of retained earnings into new shares is pending on the final approval of the General Meeting of Shareholders and the approval of the competent authority. Once approved, the General Meeting of Shareholders is requested to authorize the Board of Directors to set the dividend day.

(4) The terms and conditions of the capitalization of retained earnings into new shares may be subject to alteration at the request of the competent authority. The General Meeting of Shareholders is requested to authorize the Board of Directors with full power of attorney to make such alteration as per the request of the competent authority.

(5) The shareholder's rights and obligations for the new shares are the same as those of the existing shares.

Resolutions:

## **Questions and Motions**

# Appendices

## 2020 business report of China Man-Made Fiber

### 1. Operation strategies

- (1) Reduce costs and inventory and improve operational efficiency.
- (2) Research and develop value-added products, accelerate the vertical integration of products and improve competitiveness.
- (3) Computerize the operations management, inspect various operating procedures, strengthen internal control and improve efficiency.
- (4) Strengthen marketing efforts and market development, and improve service quality and customer satisfaction.
- (5) Actively and prudently assess various investments and adjust the portfolios in a timely manner.
- (6) Control customers' credit line to reduce the occurrence of bad debts.
- (7) Pay attention to employee welfare, promote labor-management coordination, emphasize occupational safety and fulfill social responsibilities.

### 2. Business plan execution and achievement

- (1) In Year 2020, the individual operating income came to NT\$7,476,601 thousand, non-operating income came to NT\$3,980,376 thousand, operating costs and expenses came to NT\$9,554,133; non-operating expenditure came to NT\$838,985 thousand and the net profit before tax came to NT\$1,063,859 thousand. In the Year 2020, the net profit of the present term came to NT\$942,047 thousand.
- (2) In the Year 2020, the consolidated revenue came to NT\$30,816,399 thousand; the expenditure came to NT\$25,895,694 thousand and the net profit before tax came to NT\$4,920,705 thousand. In the Year 2020, the consolidated net profit in the present term came to NT\$4,048,708 thousand.

### 3. Financial income and expense and profitability analysis (individual information)

Item		2020	2019	
Financial structure (%)	Debt to assets ratio	35.59	41.45	
	Ratio of long-term capital to property, plant and equipment	280.36	247.21	
Solvency analysis	Current ratio (%)	48.77	66.03	
	Liquid ratio (%)	33.56	49.23	
	Interest coverage ratio	7.14	(4.92)	
Profitability analysis	Return on assets (%)	2.95	(1.52)	
	Return on equity (%)	4.19	(3.29)	
	As a percentage of paid up capital (%)	Operating profit	(12.81)	(14.68)
		Income before taxation	6.56	(6.81)
	Net profit rate (%)	12.60	(5.37)	
Earnings per share (NTD)	0.73	(0.57)		

### Financial income and expense and profitability analysis (consolidated information)

Item		2020	2019
Financial structure (%)	Debt to assets ratio	91.3	91.49
Profitability analysis	Return on assets (%)	0.99	0.95
	Return on equity (%)	6.38	4.34
	Pre-tax profits to paid-up capital ratio (%)	30.35	19.22
	Net profit rate (%)	33.93	14.39
	Earnings per share (NTD)	0.73	(0.57)

### 4. Research and development

- (1) In the condensed recovery pump of the petrochemical plant, the G-9713B has been changed into a frequency conversion control to minimize the power consumption and to accomplish the effects of energy savings and carbon reduction.
- (2) The efforts to reduce the pressure of the reactor system in EG3 Plant would minimize the power consumed for the C-9210 circulating gas compressor motor and accomplish the power saving effect.
- (3) We have temporarily disabled the 69KV main switch(GIS) of the Air Plant and got it disconnected from the Taiwan Power Company. Through such efforts, we virtually reduced the iron loss in the

main transformer and, in turn, minimized power consumption.

- (4) By adopting recycled PET bottle flakes for granulation, we virtually minimized waste, saved on energy and reduced carbon emission to be friendly toward the global environment and increase sources of raw materials.
  - (5) The eco-friendly pellets we produced can be used by the current spinning section and the false twist section to manufacture eco-friendly yarns to meet the rising demand for eco-friendly yarns in the market and, in turn, to boost the added values.
  - (6) We developed functional fibers with high added values to activate production for a variety of products to satisfy specific needs, *e.g.*, improvement in moisture absorption.
  - (7) Our efforts toward refurbishment of double-suction pumps for cooling water circulation and the ceramic coating projects would significantly save on power, boost efficiency and minimize power consumption.
  - (8) Our entire polyester plant has been replaced with energy-saving LED lighting fixtures to minimize power consumption.
  - (9) Update of cooling discharge and enhancement of the heat exchange rate for the AC and process cooling facilities in the polyester plant to reduce the number of condensing units in operation and thereby greatly reducing power consumption.
5. Business outlook
- (1) 2021 operational objectives and prospects.

The U.S.-China trade war tension eased in late 2019. That was supposed to help global trade recover in 2020. Unexpectedly, with the outbreak of the COVID-19 over the world, all countries of the entire world adopted border control, quarantine and other pandemic prevention measures, causing a direct impact upon consumption, investment and production activities with a very severe impact upon the global economy, a disastrous impact even worse than the Financial Crisis that took place in 2008. As a natural result, our overall business operations and profit last year became worse than our anticipation. Looking forward to the current year while the U.S.-China war has slowed down, the COVID-19 vaccines have been launched in quite a number of countries coupled with the stimulus effect brought about by the maintenance of loose fiscal and monetary policies, the global economy is expected to begin accelerating in the second quarter. In turn, the economic growth rate of some major economies in the world is expected to tremendously pick up. Accordingly, the Company's business operation is believed to turn better simultaneously. On the other hand, nevertheless, the current international economy is still subject to a good number of risk variables which call for our continuous watchfulness, including notably the penetration rate of vaccines, the potential follow-up development of the second round in the pandemic, inflation, fiscal policies, U.S.-China conflicts, geopolitical risks in other regions, changes in international crude oil and commodity prices, fluctuations in global financial markets, stocks and foreign exchange markets as well as trade protectionism. Any and all such factors would significantly affect the prospects of the international economy. We shall, therefore, still be extremely cautious in our business operations in the current year.

In terms of ethylene glycol (EG), we faced an unsatisfactory performance in the first half of last year due to, on the one hand, the oil prices that hit an all-time low and, on the other, the COVID-19 that discouraged consumption, leading to an extremely ominous performance in ethylene glycol operations. Starting from the second half of the year while orders for inspection and repairs abroad increased, consumption in Europe recovered and the operations for ethylene glycol picked up significantly, especially with the concentrated outbreak of orders in early October, the pattern of supply and demand changed and the stock inventory was gradually digested. Meanwhile, as the pandemic seems to be under better control the world over, oil prices risk continuously. Boosted by the double bullish factors in supply/demand and costs, the price of ethylene glycol has bottomed out and the price has risen even stronger after the Chinese New Year. Overall, in the present year amidst the overhaul of multiple fixture installations abroad, the freezing weather in North America leading to multiple fixtures there to be shut down and a strong oil price, the ethylene glycol business will be better off. In the long-run, nevertheless, while the foreign installations gradually recover and more than one million tons of newly increased production capacity will be put into sound production successively one after another, with a large amount of ethylene glycol to be put into formal production in China as well, we shall still face tough prospects.

With regard to polyester yarn, the COVID-19 broke out abruptly early last year, leading to a delay in our start of business operations in China and the logistics control, greatly reducing the demand for textile raw materials. Meanwhile, quite many Taiwan-based textile factories and many factories that had been relocated to Southeast Asian countries (*e.g.*, Vietnam and Cambodia) also

faced a dilemma amidst raw materials interruption and inability to start business operations because of the business shutdowns in China. After mid-March, with the pandemic spread to Europe and the United States, a very good number of apparel brands shut down their local retail outlets and asked suppliers successively one after another to postpone shipments, suspend production and simply cancel purchase orders. In some cases, the brand owners even cut and cancelled all purchase orders in full that were scheduled to hit markets in the spring and summer of this year. Such phenomenon virtually impacted the potential purchase orders of the second quarter last year and such negative impact would even extend to the first, second quarters of the current year. Furthermore, the OPEC failed to reach an accord to halt oil production and, instead, even triggered a price war, leading the oil price to fall into an all-time low in 18 years. Amidst the falling oil prices and sluggish terminal demand, our business continued to decline in the first three quarters last year. Starting from the fourth quarter last year, nevertheless, the brands decreased their inventory and the garment manufacturers greeted their boom in purchase orders, leading to a rising demand for polyester yarn, coupled with a gradual rise in oil prices in the second half last year, driving an upward adjustment in polyester prices and the economy gradually bottomed out. In the present year, notwithstanding the existence of lots of uncertainties in the market, after the advent of vaccines, the entire industrial ambiance is moving toward a positive trend. We, therefore, anticipate to see a better performance this year than last year. Besides, the long-term development trend of industry is still significantly subject to the impact of consumer awareness and environment-friendly and functional products tend to be favored (Cf. Note 1, Note 2). Our Company, therefore, we positively and actively developed certain product lines into environment-friendly yarns in the present year. We anticipate to turn trial production into official operations shortly after the middle of the present year. Hopefully we may successfully launch official mass production by the end of the year to enhance our revenue and profit and to successfully evade the price disadvantage in mass specifications and the competition from Mainland China and the Association of Southeast Asian Nations ASEAN and further to minimize the impact of oil price fluctuations.

In 2021, we expect to sell 200,680 tons of ethylene glycol (EG), 20,655 tons of ethylene oxide (EO), 19,507 tons of non-phenol (NP), 28,230 tons of partially oriented yarn (POY), 19,277 tons of spin draw yarn (SDY), 20,506 tons of draw texturized yarn (DTY) and 7,655 tons of polyester chips, for a total of 316,510 tons.

Note 1: Currently all brand name manufacturers pay significant attention to the sustainability of fibers and in some cases, they would be in an overcritical demand for 40%~50% renewable and recyclable fibers to be contained within their products. In the Year 2018, total output of renewable fibers came to 5 million tons. In the Year 2019, the total output came to approximately 5.5 million. These facts suggest that the recyclable fibers will play the role as the backbone in the entire textile industry.

Note 2: Against the backdrop of environmental agreements, renowned international brands such as Nike and Adidas have announced their decision to adopt eco-friendly, recyclable materials exclusively for all their textiles and fabrics starting in 113 to honor their commitment to sustainability and environmental protection.

- (2) Subject to competition of external environment.
  1. The market supply of EG is expected to gradually increase as a result of the large-scale construction and commissioning of new plants in China. This competitive advantage is further aggravated by the current shortage of Ethylene in Taiwan coupled with limitations in the field of transportation.
  2. More and more textile firms are moving to Vietnam and other ASEAN countries. In the future, the industry and supply chain may be affected. It is necessary to pay attention to the movements of downstream clients and respond to them early.
- (3) Impact of regulatory environment and overall business environment.
  1. Rising base salaries lead to increasing labor costs and generate pressure and new challenges in the field of corporate management.
  2. Domestic environmental awareness and the related regulations still have many restrictions on enterprises investing in new equipment. Communication with the neighboring residents often faces great resistance.
  3. The overall business environment, including the acquisition of land, investment in environmental equipment and other external environment factors is what all enterprises need to face in the domestic development.
  4. In recent year the chemical fiber upstream raw materials, *e.g.*, PX and PTA have been rapidly increased in outputs in China, leading the prices of downstream processed products to be highly

suppressed. The personnel engaging in chemical fiber operations technology and management are aging. We are facing higher and higher tariffs and anti-dumping factors virtually at a disadvantage amidst mounting challenges.

5. The RCEP (Regional Comprehensive Economic Partnership Agreement) was successfully signed in late 2020 and anticipated to come into effect by the second half of 2021. While the FTA signed by and between The ASEAN and other member countries has entered into force with the degree of openness reaching as significantly as 90%, the degree of further of openness for RCEP over the existing FTA would be virtually limited. Our concern should be aimed at the potential impact upon our country of facing unfair competitions in the relevant markets. Another pact known as CPTPP (Comprehensive and Progressive Trans-Pacific Partnership) already came into effect on December 30, 2018 where more than 70% of products have been reduced to zero tariffs. Taiwan has lodged applications with the expression of desire to join CPTPP. At the moment, CPTPP accounts for 25% of Taiwan's foreign trade value while RCEP accounts for 59%. Excluding the overlapping countries, the two multilateral free trade agreements virtually cover nearly 70% of Taiwan's foreign trade value. If Taiwan is excluded out of such regional economic integration, this would mean a very significant impact upon Taiwan in trade development or participation in the regional industry competition.
6. Affected by the COVID-19 spread, oil prices plummeted to around US\$45/barrel in 2020. In an attempt to control the spread of the pandemic, governments of quite a few countries the world over issued a variety of bans and pandemic prevention measures which, in turn, led to a slowdown in global economic activities. The entire industry, as well, faced threats amidst severe global economic slowdown into a decline and loss in business operations. Once the COVID-19 is put under proper control, the global economy is expected to recover in the second half of the year while the market demand is believed to rebound.
7. Competitors in those emerging countries that have always taken advantage of economies of scale in the competitions. Notably the competitors in Mainland China have, as well, begun to differentiate their products. The companies in Taiwan should continually develop high-end specific products, in a small number of diverse, environmentally-friendly and functional products with high-level functionality to deal with the challenges. Under such policies, we should be able to continually maintain the advantages in the global polyester filament industry supply chains.
8. The participation rate of the workforce has generally fallen. Amidst the COVID-19, foreign migrant laborers could not fully fill up our need. Such tough problems could not be resolved in a short period of time. This is another impact on manpower development and production capacity.

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

## **Audit Committee' Review Report**

The board of directors has submitted the Company's 2020 business and financial reports (including the consolidated financial reports) and profit distribution table. Among them, the financial reports (including the consolidated financial reports) have been audited and validated by the certified public accounts, Wen-Ya Hsu and Su-Huan Yu, of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2021 Annual General Shareholders' Meeting

Audit Committee  
Convener: Te-Wei Li

March 15, 2021



## China Man-Made Fiber Comparison Table for Amendments to Rules of Procedure for Board of Directors Meetings

Clause	Provisions after amendment	Provisions before amendment	Reasons behind amendments
Article 11	<p>The Company’s board meeting shall be processed in accordance with the proceedings scheduled in the meeting notice; however, it can be changed with the consent of a majority of the directors presented.</p> <p>The chairperson shall not announce adjournment of the meeting before the end of the meeting agenda contents mentioned in the preceding paragraph unless approved by one half majority of the present directors.</p> <p>Amidst the course of the board meeting, if the number of directors present in the course does not reached one half majority of the total present directors, upon proposal by a present director(s), the chairperson shall announce suspension from the meeting process to which the provisions set forth under Paragraph 5, Article 8 shall <i>mutatis mutandis</i> apply.</p>	<p>The Company’s board meeting shall be processed in accordance with the proceedings scheduled in the meeting notice; however, it can be changed with the consent of a majority of the directors presented.</p> <p>The chairperson shall not announce adjournment of the meeting before the end of the meeting agenda contents mentioned in the preceding paragraph unless approved by one half majority of the present directors.</p> <p>Amidst the course of the board meeting, if the number of directors present in the course does not reached one half majority of the total present directors, upon proposal by a present director(s), the chairperson shall announce suspension from the meeting process to which the provisions set forth under Paragraph 3, Article 8 shall <i>mutatis mutandis</i> apply.</p>	<p><i>Mutatis mutandis</i> adjustment in item codes.</p>
Article 12	<p>The following matters shall be submitted to the Company’s Board of Directors for discussion:</p> <ol style="list-style-type: none"> <li>1. The Company’s operating plan</li> <li>2. The annual financial statement and second quarter financial statement subject to verification by a certified public accountant(s).</li> </ol> <p>(Omitted hereinafter)</p>	<p>The following matters shall be submitted to the Company’s Board of Directors for discussion:</p> <ol style="list-style-type: none"> <li>1. The Company’s operating plan</li> <li>2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.</li> </ol> <p>(Omitted hereinafter)</p>	<p>Adjustment of Subparagraph 2, Paragraph 1 in response to amendment to Article 14-5, Securities and Exchange Act.</p>

# China Man-Made Fiber Independent Auditor's Report

To CHINA MAN-MADE FIBER CORPORATION:

## Audit opinions

We have audited the accompanying individual balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2020 and 2019, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Man-Made Fiber Co., Ltd. as of December 31, 2020 and 2019, and the results of its operation and cash flows for the year then ended in conformity to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of China Man-Made Fiber Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2020. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2020 included:

Authenticity of specific sales revenue

### Notes to key audit matters

Within the Year 2020, China Man-made Fiber Corporation received NT\$2,552,415 thousand sales revenues from specific customers, accounting for 34% of the net individual sale revenues. Besides, sales revenues from such specific customers prove relatively higher in gross profit margin. Accordingly, the authenticity of sales revenues from such specific customers is taken as the one of the very key points in audit.

Please refer to Note 4 (14) of the financial statements for the accounting policies on sales revenue recognition.

### Audit response

1. Awareness of the design and implementation of the internal control systems related to the recognition of sales revenues.
2. The efforts to obtain details of the sales revenues account for specific customers in Year 2020 and select samples to check the shipping-related forms and documents to test the authenticity of the sales facts.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

### Adopt the equity method to assess the impairment of discounting and advances.

### Notes to key audit matters

As stated in Note 14 of the standalone financial statements, the amount of investment in Taichung Commercial Bank by China Man-Made Fiber adopting the equity method was NT\$12,639,058 thousand, accounting for 35% of the total assets as of December 31, 2020. Therefore, the financial performance of Taichung Commercial Bank will significantly impact China Man-Made Fiber's number in subsidiaries, affiliates and joint ventures by equity method.

For discounts and balances of the loans, Taichung Commercial Bank Co., Ltd. amortized the anticipated credit losses in the Year 2020 in the amounts of NT\$456,541,322 thousand and NT\$298,742 thousand, respectively. In comprehensive consideration for a decision to determine the loss from impairment by Taichung Commercial Bank Co., Ltd. involves the major estimate and judgment by its management, including the

probability of default and the default loss rates where that Bank should faithfully comply with the laws and regulations concerned of the competent authority(ies) and the specifications of their decrees and letters. The outcome of the impairment evaluation would significantly affect the financial performance by Taichung Commercial Bank Co., Ltd. Accordingly, we, the certified public accountant, determine to take the anticipated credit loss for the Bank's discount and loans as the very key points in audit.

#### Audit response

1. We understand and examine the internal control related to the assessment of impairment of discount and evaluation of anticipated credit impairment of Taichung Commercial Bank.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of Taichung Commercial Bank, in order to evaluate the reasonableness of collateral value.
3. For the comprehensive evaluation of the expected credit loss adopted by Taichung Commercial Bank, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.
4. Review of conformity of appropriated amounts with requirements set forth in relevant decrees and ordinances of the competent authority

#### Other information

The financial statements of investees included in the standalone financial statements of China Man-Made Fiber adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the standalone statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2020 and 2019 are NT\$1,103,434 thousand and NT\$1,170,017 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2020 and 2019 are NT\$(48,143) thousand and NT\$20,491 thousand, respectively. Meanwhile, certain information related to the re-investees' business disclosed under Note 36 of the individual financial statement is, as well, disclosed based on the audit reports of other certified public accountants.

#### Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements

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

In preparing the individual financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd..

#### Auditor's Responsibilities for the Audit of the Individual Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the China Man-Made Fiber Co., Ltd. in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd..

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Man-Made Fiber Co., Ltd. of 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

**Deloitte & Touche**  
CPA: Hsu Wen-Ya

**Accountant: Su-Huan Yu**

Securities and Futures Commission Approval No.  
Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission Approval No.  
Tai-Tsai-Cheng (VI) No. 0920123784

March 15, 2021

CHINA MAN-MADE FIBER CORPORATION  
Individual Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents	\$ 1,543,392	4	\$ 1,902,997	5
1110	Financial assets at fair value through profit or loss- current	400,278	1	600,725	2
1150	Notes receivable	25,432	-	46,787	-
1170	Accounts receivable - non-related parties	700,927	2	1,594,045	4
1180	Accounts receivable - related parties	96,470	-	170,057	1
1200	Other receivables	26,188	-	13,370	-
1210	Other receivable - related parties	461	-	463	-
1220	Current income tax asset	1,653	-	4,160	-
130X	Inventory	834,574	2	1,169,176	3
1410	Prepayments	493,443	2	609,816	2
1460	Non-current assets held for sale – net	-	-	769,610	2
1470	Other current assets	135,286	1	112,975	-
11XX	Total current assets	<u>4,258,104</u>	<u>12</u>	<u>6,994,181</u>	<u>19</u>
	<b>Non-Current assets</b>				
1517	The financial assets measured for the fair values through other comprehensive income- non-current	1,933,259	5	2,087,867	5
1550	Investment under the equity method	17,055,023	48	15,683,072	42
1600	Property, plant and equipment-net	9,622,004	27	10,917,846	29
1755	Right-of-use assets	12,629	-	20,413	-
1760	Real property for investment- net	1,849,924	5	1,112,465	3
1780	Intangible assets – net	-	-	-	-
1840	Net deferred income tax assets	650,514	2	648,812	2
1990	Other assets	325,573	1	118,185	-
15XX	Total non-current assets	<u>31,448,926</u>	<u>88</u>	<u>30,588,660</u>	<u>81</u>
1XXX	Total assets	\$ <u>35,707,030</u>	<u>100</u>	\$ <u>37,582,841</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings	\$ 4,313,689	12	\$ 6,441,013	17
2110	Short-term notes payable	748,824	2	648,285	2
2150	Payable notes	254	-	21,104	-
2170	Accounts payable - non-related parties	763,358	2	738,751	2
2180	Accounts payable - related parties	-	-	307,149	1
2219	Other payables	271,533	1	299,966	1
2280	Lease liabilities – current	10,057	-	11,983	-
2320	Current portion of long-term liabilities	2,578,238	8	2,091,505	5
2399	Other current liabilities	44,445	-	33,081	-
21XX	Total of current liabilities	<u>8,730,398</u>	<u>25</u>	<u>10,592,837</u>	<u>28</u>
	<b>Non-current liabilities</b>				
2540	Long-term borrowings	2,868,574	8	3,926,318	11
2550	Liability reserve	219,239	1	162,402	-
2570	Deferred tax liabilities	866,019	2	866,019	2
2580	Lease liabilities – noncurrent	2,719	-	8,598	-
2670	Other liabilities	22,071	-	22,904	-
25XX	Total non-current liability	<u>3,978,622</u>	<u>11</u>	<u>4,986,241</u>	<u>13</u>
2XXX	Total liabilities	<u>12,709,020</u>	<u>36</u>	<u>15,579,078</u>	<u>41</u>
	<b>Equity</b>				
3110	Common stock capital	16,213,672	45	16,213,672	43
3200	Capital surplus	1,663,531	5	1,710,808	5
	Retained earnings				
3310	Legal reserve	855,476	2	855,476	2
3320	Special reserve	1,940,822	5	1,936,126	5
3350	Undistributed earnings	3,125,590	9	2,220,569	6
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 116,241 )	-	( 86,995 )	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	451,962	1	382,016	1
3500	Treasury stock	( 1,136,802 )	( 3 )	( 1,227,909 )	( 3 )
3XXX	Total equity	<u>22,998,010</u>	<u>64</u>	<u>22,003,763</u>	<u>59</u>
	Total Liabilities and Equity	\$ <u>35,707,030</u>	<u>100</u>	\$ <u>37,582,841</u>	<u>100</u>

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION

Individual Income Statement

January 1 to December 31, 2020 and 2020

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue	\$ 7,476,601	100	\$ 13,591,338	100
5000	Operating cost	9,094,982	122	15,268,683	112
5900	Gross losses	( 1,618,381 )	( 22 )	( 1,677,345 )	( 12 )
5910	Realized gain on the subsidiary, affiliated company and joint ventures	-	-	7,243	-
5950	Realized gross losses	( 1,618,381 )	( 22 )	( 1,670,102 )	( 12 )
	Operating expenses				
6100	Marketing expenses	( 352,158 )	( 5 )	( 493,022 )	( 3 )
6200	Administrative and general affairs expenses	( 192,670 )	( 2 )	( 223,098 )	( 2 )
6450	Expected credit reversal benefit	85,677	1	6,035	-
6000	Total operating expenses	( 459,151 )	( 6 )	( 710,085 )	( 5 )
6900	Operating losses	( 2,077,532 )	( 28 )	( 2,380,187 )	( 17 )
	Non-operating revenues and expenses				
7070	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	1,017,225	14	1,174,256	9
7100	Interest revenue	10,248	-	13,989	-
7130	Dividend income	40,546	1	43,892	-
7190	Other income and earnings and expense and loss	23,858	-	22,728	-
7215	Capital gain from disposition of investment property	2,863,685	38	-	-
7230	Foreign exchange gain (loss) – net	( 60,496 )	( 1 )	( 32,300 )	-
	Gains of financial assets and liabilities measured at fair value through profit or loss	24,814	-	240,108	2
7235	Losses from disposal of property or equipment	( 2 )	-	-	-
7673	Impairment loss of property, plant and equipment	( 605,359 )	( 8 )	-	-
7510	Financial costs	( 173,128 )	( 2 )	( 186,589 )	( 2 )
7000	Total non-operating revenues and expenses	3,141,391	42	1,276,084	9
7900	Income (loss) before tax from continuing operations	1,063,859	14	( 1,104,103 )	( 8 )
7950	Income tax (expenses) gains	( 121,812 )	( 2 )	374,339	3
8200	Net profits of the current year	942,047	12	( 729,764 )	( 5 )
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
8311	Revaluation of determined benefit plan	( 8,509 )	-	( 6,527 )	-
8316	Unrealized valuation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income	( 148,504 )	( 2 )	388,914	3
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	190,468	3	92,563	-
8349	Incomes tax related to titles not subject to reclassification	1,702	-	1,305	-
8310		35,157	1	476,255	3
	Items that may be re-classified subsequently under profit or loss				
8380	The proportion of other comprehensive income of subsidiaries, associates, and equity joint ventures accounted for under the equity method – may be reclassified as profit and loss.	26,934	-	( 19,928 )	-
8360		26,934	-	( 19,928 )	-
8300	Other comprehensive income of the current year (net amount after taxation)	62,091	1	456,327	3
8500	Total amount of comprehensive income of the current year	\$ 1,004,138	13	( \$ 273,437 )	( 2 )
	EPS (Loss per share)				
9750	Basic earnings per share (losses)	\$ 0.73		( \$ 0.57 )	
9850	Diluted earnings per share (losses)	\$ 0.73		( \$ 0.57 )	

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2020 and 2020

Unit: NTD thousand

Code		Capital stock		Retained earnings			Other equity		Treasury stock	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss		
A1	Balance as of January 1, 2019	\$ 15,224,105	\$ 1,694,875	\$ 718,272	\$ 1,956,409	\$ 4,231,450	(\$ 54,591)	(\$ 129,103)	(\$ 1,227,909)	\$ 22,413,508
	The 2018 appropriation and distribution of earnings									
B1	Legal reserve appropriated	-	-	137,204	-	( 137,204)	-	-	-	-
B5	Cash dividends	-	-	-	-	( 152,241)	-	-	-	( 152,241)
B9	Stock dividends	989,567	-	-	-	( 989,567)	-	-	-	-
B17	Reversal of special reserve	-	-	-	( 20,283)	20,283	-	-	-	-
D1	Net income (loss) in 2019	-	-	-	-	( 729,764)	-	-	-	( 729,764)
D3	Other comprehensive net income in 2019 (after tax)	-	-	-	-	( 33,250)	( 32,404)	521,981	-	456,327
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,933	-	-	-	-	-	-	15,933
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	10,862	-	( 10,862)	-	-
Z1	Balance as of December 31, 2019	16,213,672	1,710,808	855,476	1,936,126	2,220,569	( 86,995)	382,016	( 1,227,909)	22,003,763
	The 2019 appropriation and distribution of earnings									
B3	Special reserve appropriated	-	-	-	4,696	( 4,696)	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	452	-	( 1,208)	-	( 756)
D1	2020 Profit	-	-	-	-	942,047	-	-	-	942,047
D3	Other comprehensive net income in 2020 (after tax)	-	-	-	-	( 15,146)	( 29,246)	106,483	-	62,091
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	( 1,745)	( 1,745)
M5	The differences between carrying amount and market price of disposal of shares in subsidiaries	-	( 6,270)	-	-	( 47,133)	-	-	92,852	39,449
M7	Changes in the ownership equity on a subsidiary	-	( 41,007)	-	-	( 5,832)	-	-	-	( 46,839)
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	35,329	-	( 35,329)	-	-
Z1	Balance as of December 31, 2020	\$ 16,213,672	\$ 1,663,531	\$ 855,476	\$ 1,940,822	\$ 3,125,590	(\$ 116,241)	\$ 451,962	(\$ 1,136,802)	\$ 22,998,010

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Cash Flow  
January 1 to December 31, 2020 and 2020

Unit: NTD thousand

Code		2020	2019
	Cash flow from operating activities		
A10000	Current year net profit (loss) before taxation	\$ 1,063,859	( \$ 1,104,103 )
A20100	Depreciation expenses	646,732	641,719
A20200	Amortization expenses	-	9
A20300	Expected credit reversal benefit	( 85,677 )	( 6,035 )
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	( 24,814 )	( 240,108 )
A20900	Financial costs	173,128	186,589
A21200	Interest revenue	( 10,248 )	( 13,989 )
A21300	Dividend income	( 40,546 )	( 43,892 )
A22400	Shareholding in profit of subsidiaries, affiliated company and joint ventures under the equity method	( 1,017,225 )	( 1,174,256 )
A22500	Loss on disposal and scrapping of property, plant and equipment	2	-
A22700	Capital gain from disposition of investment property	( 2,863,685 )	-
A23700	Non-financial assets impairment loss (reversal gain)	585,505	( 108,397 )
A24000	Realized gain on the subsidiary, affiliated company and joint ventures	-	( 7,243 )
	Net change in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	224,382	619,885
A31180	Accounts receivable	1,059,898	930,292
A31200	Inventory	354,456	1,242,573
A31230	Prepayments	116,373	188,014
A31240	Other current assets	( 1,972 )	5,547
A32180	Payables	( 330,915 )	( 894,614 )
A32200	Liability reserve	64,908	( 2,730 )
A32230	Other current liabilities	11,364	( 4,209 )
A32240	Net determined benefit liability	( 16,580 )	-
A33000	Cash generated from operating activities	( 91,055 )	215,052
A33100	Interest received	11,271	15,223
A33200	Dividends received	341,140	387,195
A33300	Interest payment	( 174,038 )	( 185,763 )
A33500	Income tax payment	( 119,305 )	( 1,202 )
AAAA	Net cash inflow from operating activities	( 31,987 )	430,505
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	( 1,763 )	( 32,284 )
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	9,227	-
B00030	De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	809	-
B01800	Acquisition of investment under the equity method	( 446,524 )	( 200,000 )
B02700	Acquisition of property, plant and equipment	( 417,263 )	( 260,484 )
B03700	Increase in refundable deposits	( 540 )	( 30 )
B05400	Acquisition of investment property	( 264,154 )	( 121,786 )
B05500	Disposition of investment property	3,633,295	-
B06800	Decrease (increase) in other assets	( 228,017 )	44,406
BBBB	Net cash inflow (outflow) from investing activities	2,285,070	( 570,178 )
	Cash outflow from financing activities		
C00200	Decrease in short-term loans	( 2,127,324 )	( 365,656 )
C00500	Increase in short-term notes payable	100,539	198,778
C01600	Proceeds from long-term loan	7,558,828	4,400,000
C01700	Re-payments of long-term borrowings	( 8,129,839 )	( 4,246,038 )
C03000	Increase in deposits received	-	1,754
C03100	Decrease in guarantee deposits	( 833 )	-
C04020	Repayment of rental principal	( 12,314 )	( 12,676 )
C04500	Cash dividend released	-	( 152,241 )
C04900	Cost of treasury stock repurchase	( 1,745 )	-
CCCC	Net cash outflow from financing activities	( 2,612,688 )	( 176,079 )
EEEE	Net decrease in cash and cash equivalents	( 359,605 )	( 315,752 )
E00100	Cash and cash equivalents balance – beginning of year	1,902,997	2,218,749
E00200	Cash and cash equivalents balance – end of year	\$ 1,543,392	\$ 1,902,997

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin



# China Man-Made Fiber Independent Auditor's Report

To CHINA MAN-MADE FIBER CORPORATION:

## Audit opinions

We have audited the accompanying consolidated balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2020 and 2019, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion based on our audit results and the audit reports offered by other accountants (please refer to other sections), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Man-Made Fiber and subsidiaries as of December 31, 2020 and 2019, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission with the effective dates.

## The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Chinese Gamer International Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of China Man-Made Fiber Co., Ltd. and its subsidiaries in 2020. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and subsidiary in 2020 included:

### Authenticity of specific sales revenue

Notes to key audit matters

During 2020, China Man-made Fiber Corporation and its subsidiaries received NT\$2,552,415 thousand sales revenues from specific customers, accounting for 8.30% of the net individual sale revenues. Besides, sales revenues from such specific customers prove relatively higher in gross profit margins. Accordingly, the authenticity of sales income from such specific customers China Man-made Fiber Corporation and its subsidiaries is taken as the one of the very key points in audit.

Please refer to Note 4 (18) of the consolidated financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Awareness of the design and implementation of the internal control system related to the recognition of sales revenues for China Man-made Fiber Corporation and its subsidiaries.
2. The efforts to obtain details of the sales revenues account for specific customers in Year 2020 and select samples to check the shipping-related forms and documents to test the authenticity of the sales facts.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

### Assessment of the expected credit loss from discounting and advances.

Notes to key audit matters

As indicated in Notes 15 and 33(5) of the consolidated financial statements, for the net discounts and loans of China Man-made Fiber Corporation and its subsidiaries at the end of Year 2020, the anticipated credit loss amortized in Year 2020 amounted to NT\$456,541,322 thousand and NT\$298,742 thousand, respectively, accounting for 59.83% of the total assets and 6.80% of comprehensive profit and/or loss, respectively, deemed as quite significant toward the overall consolidated financial statement. In addition, as stated in Note 5 of the Consolidated Financial Statement, China Man-Made Fiber Corporation and its subsidiaries consider major estimates and judgments of the management level including probability of default and loss given default when

determining expected credit losses pursuant to decrees and ordinances of the competent authority. For these reasons, expected credit loss of discounts and loans to the customers are determined as key audit matters.

Regarding the accounting policies related to discounts and loans, the estimated credit loss, information linked up with accounting estimate and uncertainties in hypotheses, please refer to Notes 4 (15), 5, 15 and 33 (5) of the consolidated financial statements for details.

#### Audit response

1. Understand and test the internal control system adopted by the Company and its subsidiaries for assessing the expected credit loss from discounting and advances.
2. Sampling inspection of each individual recognition of major expected credit loss from discounting and advances of the Company and its subsidiaries, in order to evaluate the reasonableness of collateral value used for expected credit loss.
3. For the comprehensive evaluation of the expected credit loss adopted by the Company and its subsidiaries, understand and test key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness of the expected credit loss meeting the current experience and economic situation.
4. Review of conformity of appropriated amounts with relevant decrees and ordinances of the competent authority

#### Other information

The financial statements of investees included in the consolidated financial statements of the Company and its subsidiaries adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the consolidated statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2020 and 2019 are NT\$1,103,434 thousand and NT\$1,170,017 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2020 and 2019 are NT\$(48,143) thousand and NT\$20,491 thousand, respectively. Meanwhile, certain information related to the re-investees' business disclosed under Note 48 of the consolidated financial statement is, as well, disclosed based on the audit reports of other certified public accountants.

China Man-made Fiber Corporation has duly prepared and compiled individual financial statements for the years 2020 and 2019 for which, we, the certified public accountant, have issued audit reports with unqualified opinion plus other matters ready for reference.

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

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Public Banks, and applicable IFRS, IAS, SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd. and its subsidiaries.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, 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 accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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 risks, and obtain evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in China Man-Made Fiber Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with China Man-Made Fiber Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd. and its subsidiaries.

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

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries of 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Deloitte & Touche  
CPA: Hsu Wen-Ya

Accountant: Su-Huan Yu

Securities and Futures Commission Approval No.  
Tai-Tsai-Cheng (VI) No. 0920123784

Securities and Futures Commission Approval No.  
Tai-Tsai-Cheng (VI) No. 0920123784

March 15, 2021

China Man-Made Fiber Corporation and subsidiary  
Consolidated Balance Sheet  
December 31, 2020 and 2019

Unit: NTD thousand

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents	\$ 14,685,747	2	\$ 14,544,223	2
1110	Due from Central Bank and lend to Banks	40,371,218	5	33,876,974	5
1120	Financial assets at fair value through profit or loss- current	31,424,974	4	25,105,212	4
1180	Bonds and securities sold under repurchase agreements	12,773,121	2	10,256,716	2
1201	Notes receivable	4,481,574	1	4,431,796	1
1202	Accounts receivable	7,153,647	1	8,417,137	1
1203	Current receivables	3,519,815	-	2,384,377	-
1260	Current income tax asset	11,316	-	14,469	-
1270	Inventory	1,148,814	-	1,541,484	-
1280	Prepayments	859,532	-	958,391	-
1290	Non-current assets held for sale – net	-	-	769,610	-
1320	Other current assets	600,219	-	563,131	-
1330	Notes discounted and loans – net	456,541,322	60	435,398,334	61
11XX	Total current assets	573,571,299	75	538,261,854	76
	<b>Non-Current assets</b>				
1415	The financial assets measured for the fair values through other comprehensive income- non-current	44,023,907	6	34,696,587	5
1435	Financial assets measured at amortized cost- non-current	112,624,454	15	108,124,373	15
1470	Investment under the equity method	1,115,825	-	1,180,884	-
1500	Property, plant and equipment-net	23,932,395	3	23,585,296	4
1595	Right-of-use assets	1,258,364	-	1,128,396	-
1600	Real property for investment- net	2,165,712	-	1,464,708	-
1700	Intangible assets – net	246,491	-	181,823	-
1800	Net deferred income tax assets	1,451,906	-	1,469,409	-
1900	Other assets	2,700,713	1	1,810,906	-
14XX	Total non-current assets	189,519,767	25	173,642,382	24
1XXX	Total assets	\$ 763,091,066	100	\$ 711,904,236	100
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2110	Short-term borrowings	\$ 14,669,340	2	\$ 14,115,769	2
2120	Short-term notes payable	3,586,753	1	3,041,803	-
2130	Bills and bonds sold under repurchase agreement	2,300,077	-	10,369,025	2
2140	Financial liabilities at fair value through profit or loss- current	785,819	-	233,803	-
2190	Due to Central Bank and other banks	7,037,338	1	6,527,060	1
2201	Payable notes	5,891	-	25,343	-
2202	Accounts payable	1,065,494	-	1,363,938	-
2204	Other payables	7,970,409	1	6,757,265	1
2310	Current tax Liability	164,433	-	398,167	-
2330	Current portion of long-term liabilities	3,428,288	1	5,342,955	1
2335	Lease liabilities – current	301,722	-	241,038	-
2350	Other current liabilities	817,741	-	416,595	-
2360	Customer deposits and remittances	636,188,691	83	583,035,255	82
21XX	Total of current liabilities	678,322,996	89	631,868,016	89
	<b>Non-current liabilities</b>				
2540	Bonds payable	9,990,000	1	9,990,000	1
2550	Long-term borrowings	4,114,374	1	5,450,168	1
2600	Liability reserve	1,711,388	-	1,610,808	-
2620	Deposits received	585,349	-	600,998	-
2625	Lease liabilities – noncurrent	832,712	-	754,957	-
2630	Deferred tax liabilities	1,021,567	-	1,021,567	-
2660	Other liabilities	112,529	-	5,316	-
25XX	Total non-current liability	18,367,919	2	19,433,814	2
2XXX	Total liabilities	696,690,915	91	651,301,830	91
	<b>Equity of the parent company</b>				
3110	Common stock capital	16,213,672	2	16,213,672	2
3210	Capital surplus	1,663,531	-	1,710,808	-
	Retained earnings				
3310	Legal reserve	855,476	-	855,476	-
3320	Special reserve	1,940,822	-	1,936,126	-
3330	Undistributed earnings	3,125,590	1	2,220,569	1
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 116,241 )	-	( 86,995 )	-
3425	Unrealized gain on financial assets at fair value through other comprehensive profit or loss	451,962	-	382,016	-
3500	Treasury stock	( 1,136,802 )	-	( 1,227,909 )	-
31XX	Total equity of the parent company	22,998,010	3	22,003,763	3
32XX	Non-controlling interest	43,402,141	6	38,598,643	6
3XXX	Total equity	66,400,151	9	60,602,406	9
4XXX	Total Liabilities and Equity	\$ 763,091,066	100	\$ 711,904,236	100

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Income Statement  
January 1 to December 31, 2020 and 2019

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2020		2019	
		Amount	%	Amount	%
	<b>Income</b>				
4010	Interest revenue	\$ 12,069,760	39	\$ 13,455,005	38
4050	Income from handling fees	3,145,454	10	3,152,070	9
4060	Shareholding in the affiliated companies and joint ventures under the equity method	-	-	13,998	-
4090	Gains of financial assets and liabilities measured at fair value through profit or loss	46,575	-	717,379	2
4105	Realized gain on financial assets at fair value through other comprehensive profit or loss	84,263	-	7,606	-
4160	Net sales revenue	11,931,595	39	17,936,719	50
4210	Gain in disposal of real estate, plant buildings, equipment & facilities	-	-	447	-
4200	Capital gain from disposition of investment property	2,863,592	10	-	-
4255	Expected credit reversal benefit	76,275	-	10,863	-
4260	Exchange gain	231,314	1	200,438	-
4270	Other income	367,571	1	237,497	1
4XXX	Total revenue	<u>30,816,399</u>	<u>100</u>	<u>35,732,022</u>	<u>100</u>
	<b>Expenses</b>				
5010	Interest expenses	3,960,421	13	5,284,900	15
5060	Service charges	239,551	1	238,755	-
5080	Loss of affiliated companies and joint ventures under the equity method	49,755	-	-	-
5090	Bad debt expense, commitment and guaranty reserve	519,032	2	615,474	2
5190	Cost of goods sold	12,525,643	41	18,600,578	52
5230	Operating expenses	7,876,063	25	7,851,471	22
5250	Losses from disposal of property or equipment	20,876	-	-	-
5280	Impairment loss	605,359	2	-	-
5320	Other expenses	98,994	-	24,762	-
5XXX	Total expenses	<u>25,895,694</u>	<u>84</u>	<u>32,615,940</u>	<u>91</u>
6100	Net profit before taxation	4,920,705	16	3,116,082	9
6200	Income tax expenses	871,997	3	535,258	2
6500	Net income	<u>4,048,708</u>	<u>13</u>	<u>2,580,824</u>	<u>7</u>
	<b>Other comprehensive profit or loss</b>				
	The items that are not re-classified as profit or loss				
6611	Reevaluation of determined benefit plan	( 51,956 )	-	( 155,059 )	-
6617	Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income	221,007	1	791,341	2
6625	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	1,105	-	3,153	-
6649	Incomes tax related to titles not subject to reclassification	2,985	-	11,773	-
6610	Items that may be re-classified subsequently under profit or loss	173,141	1	651,208	2
6651	Exchange differences from the translation of financial statements of foreign operations	( 95,418 )	( 1 )	( 105,314 )	-
6659	Capital gain of debts instrument at fair value through comprehensive income statement as other comprehensive income	264,206	1	50,117	-
6689	Income tax related to items possibly be reclassified	3,151	-	( 3,150 )	-
6650		171,939	-	( 58,347 )	-
6600	Other comprehensive income (post-tax profit or loss)	345,080	1	592,861	2
6700	Total amount of comprehensive income of the current year	<u>\$ 4,393,788</u>	<u>14</u>	<u>\$ 3,173,685</u>	<u>9</u>
	<b>Profit (loss) attributable to:</b>				
6810	Owners of parent	\$ 942,047	3	( \$ 729,764 )	( 2 )
6820	Non-controlling interest	3,106,661	10	3,310,588	9
6800		<u>\$ 4,048,708</u>	<u>13</u>	<u>\$ 2,580,824</u>	<u>7</u>
	<b>The total comprehensive income belongs to</b>				
6910	Owners of parent	\$ 1,004,138	3	( \$ 273,437 )	( 1 )
6920	Non-controlling interest	3,389,650	11	3,447,122	10
6900		<u>\$ 4,393,788</u>	<u>14</u>	<u>\$ 3,173,685</u>	<u>9</u>
	<b>EPS (Loss per share)</b>				
7000	Basic earnings per share (losses)	\$ 0.73		( \$ 0.57 )	
7100	Diluted earnings per share (losses)	\$ 0.73		( \$ 0.57 )	

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2020 and 2020

Unit: NTD thousand

		Equity of the company					Other equity						
		Capital stock			Retained earnings			Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Treasury stock	Total	Non-controlling interest	Total equity
Code		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings							
A1	Balance as of January 1, 2019	\$ 15,224,105	\$ 1,694,875	\$ 718,272	\$ 1,956,409	\$ 4,231,450	(\$ 54,591)	(\$ 129,103)	(\$ 1,227,909)	\$ 22,413,508	\$ 35,867,280	\$ 58,280,788	
	The 2018 appropriation and distribution of earnings												
B1	Legal reserve appropriated	-	-	137,204	-	( 137,204 )	-	-	-	-	-	-	
B5	Cash dividends	-	-	-	-	( 152,241 )	-	-	-	( 152,241 )	-	( 152,241 )	
B9	Stock dividends	989,567	-	-	-	( 989,567 )	-	-	-	-	-	-	
B17	Reversal of special reserve	-	-	-	( 20,283 )	20,283	-	-	-	-	-	-	
D1	Net income (loss) in 2019	-	-	-	-	( 729,764 )	-	-	-	( 729,764 )	3,310,588	2,580,824	
D3	Other comprehensive net income in 2019	-	-	-	-	( 33,250 )	( 32,404 )	521,981	-	456,327	136,534	592,861	
D5	Total comprehensive profit and loss in 2019	-	-	-	-	( 763,014 )	( 32,404 )	521,981	-	( 273,437 )	3,447,122	3,173,685	
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,933	-	-	-	-	-	-	15,933	15,146	31,079	
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	10,862	-	( 10,862 )	-	-	-	-	
O1	Increase/ decrease in Non-controlling interest	-	-	-	-	-	-	-	-	-	( 730,905 )	( 730,905 )	
Z1	Balance as of December 31, 2019	16,213,672	1,710,808	855,476	1,936,126	2,220,569	( 86,995 )	382,016	( 1,227,909 )	22,003,763	38,598,643	60,602,406	
	The 2019 appropriation and distribution of earnings												
B1	Legal reserve appropriated	-	-	-	-	-	-	-	-	-	-	-	
B5	Special reserve appropriated	-	-	-	4,696	( 4,696 )	-	-	-	-	-	-	
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	452	-	( 1,208 )	-	( 756 )	-	( 756 )	
D1	2020 Profit	-	-	-	-	942,047	-	-	-	942,047	3,106,661	4,048,708	
D3	Other comprehensive net income in 2020 (after tax)	-	-	-	-	( 15,146 )	( 29,246 )	106,483	-	62,091	282,989	345,080	
D5	Total comprehensive profit and loss in 2020	-	-	-	-	926,901	( 29,246 )	106,483	-	1,004,138	3,389,650	4,393,788	
L1	Repurchase of treasury stock	-	-	-	-	-	-	-	( 1,745 )	( 1,745 )	-	( 1,745 )	
M5	The differences between carrying amount and market price of acquisition or disposal of shares in subsidiaries	-	( 6,270 )	-	-	( 47,133 )	-	-	92,852	39,449	131,778	171,227	
M7	Changes in the ownership equity on a subsidiary	-	( 41,007 )	-	-	( 5,832 )	-	-	-	( 46,839 )	-	( 46,839 )	
O1	Increase/ decrease in Non-controlling interest	-	-	-	-	-	-	-	-	-	1,282,070	1,282,070	
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	35,329	-	( 35,329 )	-	-	-	-	
Z1	Balance as of December 31, 2020	\$ 16,213,672	\$ 1,663,531	\$ 855,476	\$ 1,940,822	\$ 3,125,590	(\$ 116,241)	\$ 451,962	(\$ 1,136,802)	\$ 22,998,010	\$ 43,402,141	\$ 66,400,151	

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chung

Accounting Supervisor: Kuo Hua Lin

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2020 and 2020

Code		Unit: NTD thousand	
		2020	2019
	Cash flow from operating activities		
A00010	Income before tax from continuing operations	\$ 4,920,705	\$ 3,116,082
	Profits and loss		
A20100	Depreciation expenses	1,255,337	1,237,905
A20200	Amortization expenses	59,138	52,488
A20300	Expected credit impairment loss	441,393	604,611
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	( 46,575 )	( 717,379 )
A20900	Interest expenses	3,960,421	5,284,900
A21200	Interest revenue	( 12,069,760 )	( 13,455,005 )
A21300	Dividend income	( 149,450 )	( 133,539 )
A21800	Net change in other provisions for liabilities	1,364	( 12,000 )
A22300	Loss (gain) of affiliated companies and joint ventures under the equity method	49,755	( 13,998 )
A22500	Loss (gain) on disposal and scrapping of property, plant and equipment	20,876	( 447 )
A22700	Capital gain from disposition of investment property	( 2,863,592 )	-
A23100	Capital gain of instrument investments measured at fair value through other comprehensive income	( 84,263 )	( 7,606 )
A23700	Loss in impairment of non-financial assets	605,359	-
A24100	Unrealized foreign currency exchange loss	1,319,878	524,497
A29900	Termination of lease profits	( 1,184 )	( 1,130 )
	Net change in operating assets and liabilities		
A91110	Due from Central Bank and lend to Banks	( 1,452,847 )	132,740
A91120	Financial assets at fair value through profit and loss	( 5,425,284 )	3,868,985
A91190	Accounts receivable	( 145,945 )	683,555
A91250	Inventory	392,670	1,147,550
A91260	Prepayments	85,810	72,736
A91280	Other current assets	14,301	( 7,804 )
A91290	Discounts and loans	( 21,387,413 )	16,703,241
A91320	Other financial assets	740	837
A92110	Bills and bonds sold under repurchase agreements	( 8,068,948 )	464,558
A92120	Financial liabilities at fair value through profit and loss	( 295,887 )	( 779,460 )
A92150	Due to Central Bank and other banks	510,278	3,148,308
A92160	Payables	1,035,429	( 6,740,475 )
A92280	Other current liabilities	401,113	( 21,730 )
A92290	Customer deposits and remittances	53,153,436	( 4,685,651 )
A92330	Other financial liabilities	107,246	( 2,127 )
A92300	Increase in liability reserve	64,908	-
A92310	Employee benefit liabilities reserve	( 78,578 )	( 154,206 )
A33000	Cash inflow from operating activities	16,330,431	10,310,436
A33100	Interest received	12,437,273	13,813,182
A33200	Dividends received	167,891	212,971
A33300	Interest payment	( 4,099,602 )	( 5,373,790 )
A33500	Income tax payment	( 1,088,066 )	( 949,472 )
AAAA	Net cash inflow from operating activities	23,747,927	18,013,327
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	( 15,564,275 )	( 7,773,132 )
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	6,608,047	4,856,999
B00040	Financial assets acquired on the basis of cost after amortization	( 793,961,984 )	( 753,231,971 )
B00060	Held-to-maturity financial assets based on cost after amortization	787,997,560	744,915,247
B01800	Acquisition of investment under the equity method	-	( 1,386 )
B02700	Acquisition of property, plant and equipment	( 2,466,991 )	( 2,170,807 )
B02800	Disposal of property, plant and equipment	29,358	32,572
B03700	Increase in refundable deposits	( 500,197 )	( 26,854 )
B04500	Acquisition of Intangible assets	( 110,317 )	( 41,520 )
B05400	Acquisition of investment property	( 264,388 )	( 136,785 )
B05500	Disposition of investment property	3,668,277	-
B06800	Decrease (increase) in other assets	( 314,110 )	15,788
B09900	Decrease (increase) in restricted assets	( 51,389 )	62,422
BBBB	Net cash outflow from investing activities	( 14,930,409 )	( 13,499,427 )
	Net cash outflow from financing activities		
C00100	Increase (decrease) in short-term loans	553,571	( 451,420 )
C00500	Increase in short-term notes payable	544,950	684,099

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Code		2020	2019
C01500	Repayment of financial bonds	( \$ 2,500,000 )	( \$ 6,000,000 )
C01600	Proceeds from long-term loan	7,838,828	6,390,000
C01700	Re-payments of long-term borrowings	( 8,589,289 )	( 5,055,688 )
C03000	Increase in deposits received	-	15,483
C03100	Decrease in guarantee deposits	( 15,649 )	-
C04020	Payment of principal element of lease liabilities	( 256,761 )	( 238,099 )
C04500	Cash dividend released	-	( 121,162 )
C04900	Cost of treasury stock repurchase	( 1,745 )	-
C05500	Proceeds from disposal of partial interest in a subsidiary	171,227	-
C05800	Change in non-controlling interest	1,235,231	( 730,905 )
CCCC	Net cash outflow from financing activities	( 1,019,637 )	( 5,507,692 )
DDDD	Impact of changes in exchange rate on cash and cash equivalents	( 98,555 )	( 105,282 )
EEEE	Increase (decrease) in current cash and cash equivalents	7,699,326	( 1,099,074 )
E00100	Balance of cash and cash equivalents, beginning of period	41,526,021	42,625,095
E00200	Balance of cash and cash equivalent, end of period	\$ 49,225,347	\$ 41,526,021

Ending cash and cash equivalents adjustment

Code		December 31, 2020	December 31, 2019
E00210	Cash and cash equivalents on the balance sheet	\$ 14,685,747	\$ 14,544,223
E00220	The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7	21,766,479	16,725,082
E00230	The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7	12,773,121	10,256,716
E00200	Balance of cash and cash equivalent, end of period	\$ 49,225,347	\$ 41,526,021

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin



# CHINA MAN-MADE FIBER CORPORATION

## Statement of Retained Earnings

2020

Unit: NTD

Item	Amount	
Opening undistributed earnings		2,215,872,452
Adoption of TIFRS adjustments		<u>0</u>
<b>Adjusted unappropriated earnings - beginning</b>		<b>2,215,872,452</b>
Retained earnings adjusted due to investments accounted for using equity method		(27,690,162)
The defined benefit plans re-measured amount is recognized in the “retained earnings” account.		(6,807,286)
Disposal of equity instruments at fair value through other comprehensive profit and loss, the accumulated profit and loss are directly transferred to retained earnings.		
<b>Unappropriated adjusted earnings</b>		<u>2,168,631</u>
Net income or loss for current period		<b>2,183,543,635</b>
Legal reserve appropriated (10%)		942,046,596
Reversal of special reserve		(90,971,778)
<b>Current distributable earnings</b>		<u>6,176,822</u>
		<b>3,040,795,275</b>
Distributions		
Stock dividend – share (NT\$0.4 per share)	(648,425,280)	
Stock dividend – cash (NT\$ 0.1 per share)	(162,106,322)	(810,531,602)
<b>Closing undistributed earnings</b>		<b>2,230,263,673</b>

Remarks: The number of shares issued by the Company is 1,621,367,217 shares. After deducting 304,000 shares as treasury shares, the number of outstanding shares comes to 1,621,063,217 shares.

Chairman: Kuei-Hsien Wang

Manager: Ming-Shang Chuang

Accounting Supervisor: Kuo Hua Lin

## Comparative Table of Contents of China Man-made Fiber Corporation's Articles of Incorporation Before and After the Amendment.

Clause	Provisions after amendment	Original clause	Reasons behind amendments
Article 5	The Company has total capital amounting to NTD 21 billion, divided into 2.1 billion shares at NT\$10 par value, The Board of Directors is authorized with full powers to issue the unissued shares in due time.	The total capital of the Company is NT\$16.8 billion divided into 1.68 billion shares, with a face value of NT\$10 per share. The board is authorized to issue the unissued shares in separate batches.	In coordination with the substantial need in business operation.
Article 6	Exactly in accordance with the Company Act, the Company, upon issuing new shares, may issue new shares in a disembodied (book entry) manner.	The Company's shares shall be signed or sealed by more than three directors after the approval for registration and numbered in accordance with Article 162 of the Company Act, and they are issued after certified by the competent authority or its approved institution. Shares may be exempted from being printed in accordance with the provisions of the Company Act.	Amendment duly carried out in coordination with the Company Act.
Article 22	The Company's board has seven to nine directors who determine the number of directors of the board. The directors are elected by the shareholders meeting, from those who have disposing capacity. Candidates who receive the same number of votes will be determined by lot. Among the total number of director seats mentioned in the preceding paragraph, the number of independent directors shall not be less than the minimum of three. Starting from Fiscal Year 2022, the Company shall elect directors (including independent directors) by means of candidates' nomination system. The shareholders shall duly elect among the candidates enumerated in the candidate list exactly in accordance with Article 192-1 of the Company Act. The remuneration of the independent directors is determined by the authorized board, depending on the extent of their participation in the Company's operations and contribution, and the pay standard in the same industry.	The Company's board has seven to nine directors who determine the number of directors of the board. The directors are elected by the shareholders meeting, from those who have disposing capacity. Candidates who receive the same number of votes will be determined by lot. There shall be no less than three independent directors among the directors. The election adopts a nomination system of which shareholders elect from a list of candidates for independent directors and shall be handled in accordance with Article 192 of the Company Act. The remuneration of the independent directors is determined by the authorized board, depending on the extent of their participation in the Company's operations and contribution, and the pay standard in the same industry.	An amendment duly conducted in coordination with the requirements promulgated by the competent authority.
Article 45	These Articles of Incorporation were duly enacted in the promoters' meeting according to law; duly amended on March 10, 1955 as the first amendment.....on June 8, 2017 as the 44 <sup>th</sup> amendment and June 3, 2021 as the 45 <sup>th</sup> amendment.	These Articles of Incorporation were duly enacted in the promoters' meeting according to law; duly amended on March 10, 1955 as the first amendment.....and on June 8, 2017 as the 44 <sup>th</sup> amendment.	In coordination with the time of amendment for Articles of Incorporation

## China Man-Made Fiber Comparison Table for Amendments to Rules of Procedure for Shareholders Meetings

Clause	Provisions after amendment	Original clause	Reasons behind amendments
Article 3	<p>(Paragraph 1 to Paragraph 3 omitted)</p> <p>Such act(s) as to elect or discharge a director, amend the Articles of Incorporation, reduce capital, apply for discontinuity from public offering, from permit for director prohibition of business strife, turn earnings into capital increase, turn the reserve into capital increase, dissolve the Company, merger or demerger or any affairs set forth under all subparagraphs of Paragraph 1, Article 185 of the Company Act, affairs set forth under Article 26-1, Article 43-6 of Securities and Exchange Act, Article 56-1 and Article 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall have the major contents duly enumerated and explained in the convening agenda and shall not be proposed by means of an extemporaneous (unscheduled) motion. The reason for the convening of the shareholders' meeting is indicated as a full re-election of directors, and the date of assuming office is specified. After the re-election in the shareholders' meeting is completed, the date of assuming office shall not be changed via an extraordinary motion or other means at the same meeting.</p> <p>Shareholders holding more than 1% of the total issued shares may submit to the Company a proposal for a general shareholders' meeting and the number of proposal shall be limited to one. If the number of proposal submitted is more than one, such proposals shall not be included in the agenda. In addition, the Board may have the proposals of shareholders that fall under the circumstances stated in Article 172-1 Paragraph 4 of the Company Act excluded from meeting discussions. A shareholder (s) is(are) entitled to submit a proposal to urge the Company to promote public interests or to fulfill corporate social responsibility (CSR). In procedures, such a proposal should be limited to one item in accordance with Article 172-1 of the Company Act. The item(s) in excess of one item in the proposal shall not be covered into the proposal. (Omitted hereinafter)</p>	<p>(Paragraph 1 to Paragraph 3 omitted)</p> <p>For the election or dismissal of directors, change of Articles of Incorporation, reduction of capital, application for suspension of public offering, non-competition approval for directors, transfer of earnings to additional paid-in capital, transfer of reserve to additional paid-in capital, company dissolution, merger or division, or items in Paragraph 1 of Article 185 of the Company Act, the reason shall be listed with the main contents thereof stated and they shall not be put forward via an extraordinary motion; the main contents may be referred to on the website designated by the securities authority or by the Company, and the website address shall be specified in the notice.</p> <p>The reason for the convening of the shareholders' meeting is indicated as a full re-election of directors, and the date of assuming office is specified. After the re-election in the shareholders' meeting is completed, the date of assuming office shall not be changed via an extraordinary motion or other means at the same meeting.</p> <p>Shareholders holding more than 1% of the total issued shares may submit to the Company a proposal for a general shareholders' meeting and the number of proposal shall be limited to one. If the number of proposal submitted is more than one, such proposals shall not be included in the agenda. A shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. In addition, the Board may have the proposals of shareholders that fall under the circumstances stated in Article 172-1 Paragraph 4 of the Company Act excluded from meeting discussions. (Omitted hereinafter)</p>	<p>An amendment duly conducted in coordination with the requirements by the competent authority.</p>
Article 9	<p>(Paragraph 1 omitted)</p> <p>The chairperson shall announce start of the meeting when the time is up and shall, meanwhile, promulgate the relevant information regarding the number of non-voting shareholders and the total number of shares represented by present shareholders. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the shareholding of the attending shareholders remaining do not constitute more than one third of the total number of shares issued after the two postponements, the Chairperson may announce to have the meeting aborted. (Omitted hereinafter)</p>	<p>(Paragraph 1 omitted)</p> <p>The chairperson shall call the meeting to order at the meeting time. If the shareholding of the attending shareholders is not more than half of the total number of shares issued, the Chairperson may announce the meeting postponed, which is limited to two postponements and for less than one-hour in total. If the shareholding of the attending shareholders remaining do not constitute more than one third of the total number of shares issued after the two postponements, the Chairperson may announce to have the meeting aborted. (Omitted hereinafter)</p>	<p>Amendment to Paragraph 2 in order to improve corporate governance and safeguard interests of shareholders.</p>
Article 14	<p>At the moment while shareholders elect directors, the election shall be duly conducted in consonance with the relevant election rules enacted by the Company. The election outcome shall be announced on-the-spot, including the list of elected directors, voting powers attempt to promote corporate governance as won by them in the election; list of unsuccessful director candidates and the voting power obtained thereby.</p>	<p>When the shareholders meeting elect directors, the election shall take place in accordance with the applicable election rules established by the Company and the result of the election shall be announced on site, including the list of elected directors and the weights received.</p>	<p>Same as above.</p>

	(Omitted hereinafter.)	(Omitted hereinafter.)	
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## Comparative Table of Contents of Procedures for Election of Directors China Man-made Fiber Corporation Before and After the Amendment

Clause	Provisions after amendment	Original clause	Reasons behind amendments
Article 2	<p>The Company adopts the cumulative single balloting system in the election of Directors. Holders of each share (unless the law specified otherwise) are entitled to the number of votes equivalent to the number of seats for the Directors or Supervisors to be elected. Shareholders may concentrate their votes on a particular candidate or distribute the votes to different candidates. Election of directors (including independent directors) shall be duly conducted under the procedures of the candidates' nomination system according to Article 192-1 of the Company Act.</p>	<p>The Company adopts the cumulative single balloting system in the election of Directors. Holders of each share (unless the law specified otherwise) are entitled to the number of votes equivalent to the number of seats for the Directors or Supervisors to be elected. Shareholders may concentrate their votes on a particular candidate or distribute the votes to different candidates.</p>	<p>An amendment duly conducted for method to elect directors in coordination with the requirements under Company Act.</p>

## Directors' Shareholdings

1. All directors minimum shareholding and the shareholdings listed in the registry of shareholders:

Title	Shareholdings	Shareholdings registered in the registry of shareholders	Remark
Director	38,912,813	92,618,431	

Note: Ex-transfer date on April 5, 2021

2. All Directors shareholding list:

Title	Name	Quantity of Shares	Ratio of Shareholding
Chairman	Pan Asia Oil & Chemical Corporation Representative: Gui-Xian Wang	50,378,593	3.11%
Vice Chairman	China Man-Made Fiber Investment Representative: Ming-Shang Chuang	42,239,838	2.61%
Managing Director (Independent Director)	Te-Wei Li	0	0
Independent director	Li-Yeh Hsu	0	0
Independent director	Chih-Ming Shih	0	0
Director	Pan Asia Oil & Chemical Investment Representative: Kuei-Fong Wang	50,378,593	3.11%
Director	Pan Asia Oil & Chemical Investment Representative: Ming-Hsiung Huang	50,378,593	3.11%
Director	Chung Chien Investment Co., Ltd. Representative: Hung-Yang Wu	42,239,838	2.61%
Director	Chung Chien Investment Co., Ltd. Representative: Kuo-Ching Chen	42,239,838	2.61%

## **“Articles of Incorporation” of China Man-Made Fiber Co., Ltd.**

### Chapter 1 General rules

1. The Company is organized as China Man-Made Fiber Corporation in accordance with the provisions of the Company Act.
2. The Company’s scope of business is shown on the left:
  - (1) Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
  - (2) Development, manufacturing and buying and selling of machinery used for the above products.
  - (3) Manufacturing and buying and selling of ethylene glycol, ethylene oxide, nonylphenol, ethylene, liquefied petroleum gas and the related petrochemical industry products.
  - (4) Commission construction firms to build residential and commercial buildings to be rented or for sale.
  - (5) Distribution, sorting and storage of various products.
  - (6) Operate supermarkets which sell fresh food, vegetables, fish, meat, cooking garnishes and spices and seasonings.
  - (7) Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
  - (8) Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
  - (9) Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
  - (10) F212011 Gas station.
  - (11) D201021 Gas station.
  - (12) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
3. The head office and the factory of the Company are located in Dashe District of Kaohsiung City, and the Company may establish branches or other factories in other parts of the country upon the board’s approval depending on the actual needs.
4. (Deleted)

### Chapter 2 Stock

5. The total capital of the Company is NT\$16.8 billion divided into 1.68 billion shares, with a face value of NT\$10 per share. The board is authorized to issue the unissued shares in separate batches.
6. The Company’s shares shall be signed or sealed by more than three directors after the approval for registration and numbered in accordance with Article 162 of the Company Act, and they are issued after certified by the competent authority or its approved institution.

Shares may be exempted from being printed in accordance with the provisions of the Company Act.
7. The company's share administration practices shall comply with "Printing Specifications for the Certificates of Publicly Traded Shares".
8. (Deleted)
9. (Deleted)
10. (Deleted)
11. (Deleted)
12. (Deleted)

13. The Company shall not handle any requests for transfers of shares within 60 days prior to the shareholders general meeting and 30 days prior to the extraordinary general meeting or within 5 days before the record date for the distribution of dividends, bonuses or other interests.

#### Chapter 3 Shareholders' meeting

14. The Company holds general meetings and extraordinary general meetings.
  - A. General meetings are convened by the board within six months after the end of each fiscal year.
  - B. Extraordinary general meetings are convened in the event that the Company has important matters to present upon resolution by the board or when the audit committee deems it necessary, or if shareholders who have more than 3% of the total issued shares for more than one year request the board in writing to convene the meetings.
15. Shareholders shall be notified of the convening of the shareholders general meetings at least 30 days before the meetings and shall be notified of the convening of the extraordinary general meetings at least 15 day before the meetings, and the notifications shall be publicly announced.
16. Except otherwise regulated by The Company Act, a shareholders meeting resolution is passed when more than half of all outstanding shares are represented in the meeting, and is approved by more than half of all voting rights represented during the meeting.
17. When the number of the attending shareholders does not constitute the quorum prescribed in the preceding article but represents one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those in attendance. A notice of such tentative resolution shall be given to each of the shareholders, and a shareholders meeting reconvened within one month. In the abovementioned meeting of shareholders, if the tentative resolution is again adopted by a majority of those in attendance who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding article.
18. Shareholders are entitled to one vote per share; except for those subject to restrictions or the non-voting matters illustrated in Article 179 Paragraph 2 of the Company Law.
19. A shareholder may appoint a proxy to attend a shareholders meeting on his/her/its behalf by executing a power of attorney stating therein the scope of power authorized to the proxy. In addition to the provisions of the Company Act, the appointment shall be handled in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the authority.
20. The Chairman of the board shall chair the shareholders meeting. If the Chairman is absent, the vice Chairman will be appointed to chair the meeting on behalf of the Chairman. If the Chairman and the vice Chairman are absent at the same time, a managing director shall be appointed to chair the meeting, and the meeting shall be handled in accordance with the Company's Rules of Procedure for Shareholders Meetings.
21. Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and, together with the attendance record and power of attorney of proxy, kept by the board at the Company office and distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be distributed in the form of public announcement.

#### Chapter 4 Directors and the Board of Directors

22. The Company's board has seven to nine directors who determine the number of directors



of the board. The directors are elected by the shareholders meeting, from those who have disposing capacity. Candidates who receive the same number of votes will be determined by lot.

There shall be no less than three independent directors among the directors. The election adopts a nomination system of which shareholders elect from a list of candidates for independent directors and shall be handled in accordance with Article 192 of the Company Act.

The remuneration of the independent directors is determined by the authorized board, depending on the extent of their participation in the Company's operations and contribution, and the pay standard in the same industry.

23. Directors serve a term of three years and may continue to serve if re-elected. If the number of directors has a shortfall and a by-election is not held to fill the vacancies, those who also receive the majority of votes in the prior election may serve on the board if necessary.
24. The Board of Directors exercises the following authorities:
  - (1) Preparation of business plan
  - (2) Review and approval of important articles and contracts.
  - (3) Appointment and dismissal of high-ranking personnel.
  - (4) Establishment and abolition of branches.
  - (5) Preparation of budget and final accounts.
  - (6) The proposed earnings distribution
  - (7) The proposed capital increase or decrease
  - (8) Decision to issue new shares.
  - (9) Preparation of investments in other businesses.
  - (10) Resolutions reached on the other important matters
- 24-1. The Company's board may establish a compensation committee or other functional committees for the needs of business operations.
25. The Company may have three managing directors, elected from a board meeting which has more than two-thirds of the directors in attendance and upon the approval of more than half of those in attendance. By adopting the same practice, one of the managing directors is elected as the chairman and another is elected as the vice chairman. Among the managing directors elected by the board, there shall not be less than one independent director.
26. The Chairman, vice chairman and managing director preside over the general affairs of the Company, and the Chairman is the representative of the Company.
27. The board meeting is convened by the Chairman who also chairs the meeting. When the Chairman is absent, the vice chairman will be appointed to chair the meeting. When both the Chairman and vice chairman are absent, they will be represented by the managing director.

The convening of the board meeting shall be accompanied by proper reasons, and each director shall be notified in writing, email or fax no later than 7 days prior to the scheduled meeting. Board meetings may be called in case of emergency, and the notice shall also be sent in the form of a letter, email or fax.
28. The resolutions of the board meeting, unless otherwise required by the Company Act, shall be subject to the approval by more than half of the directors in attendance of the meeting of which more than half of the directors attend.

Directors may appoint other directors to vote for resolutions if they cannot attend the meeting in person.
29. During the adjournment of a meeting, the Chairman may convene a managing directors

meeting at any time to carry out the Company's business operations.

30. The board of directors of the Company has one secretary to handle matters related to the board.

#### Chapter 5 Audit Committee

31. The Company shall form an audit committee consisting of all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. The term of the members shall be the same as the independent directors and the number of members shall not be less than three people, and at least one of the members shall have accounting or financial expertise.

Members of the Audit Committee, the exercise of powers, and other compliance matters should be handled in accordance with the relevant laws and regulations or the Company Corporate Charter (Articles of Incorporation). The organizational rules are to be prescribed by the Board separately.

32. (Deleted)

33. (Deleted)

34. (Deleted)

#### Chapter 6 Staff

35. The Company has one general manager and a few assistant general managers, department directors, managers and plant supervisor. Their appointment shall be subject to the approval by more than half of the directors in attendance of the meetings of which more than half of the directors attend.

36. The general manager shall handle all the Company's matters in accordance with the orders of the board and the Chairman, and the general manager may be assisted by a number of assistant general managers and other department managers depending on the needs of the Company's business. The managers' authority, unless otherwise specified by regulations, allows them to manage the Company's affairs and provide signature within the scope of authorization.

37. (Deleted)

38. The appointment of other professional staff of the Company will be subject to the approval by the general manager.

#### Chapter 7 Accounting

39. The fiscal year of the Company is from January 1 to December 31. After the year-end settlement, the board provides reports to the audit committee for review and then submits them to the shareholders meeting for recognition.

40. If the Company is profitable in the fiscal year, it shall allocate 1% to 5% of the profit as the remuneration of employees in the form of stocks or cash as resolved by the board. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 0.3% (inclusive) of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. The proposal for distributing the remuneration to employees, directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company still has accumulated losses, the amount shall be retained for compensation, and then appropriated as remuneration to employees, directors and supervisors based on the percentages mentioned above.

41. If there is profit, the Company pays taxes and makes up for the accumulated losses in accordance with the law before allocating 10% as an earnings reserve. However, the legal reserve shall not be allocated once it reaches the amount of the Company's paid-in capital. The rest will be recognized or reversed as special earnings reserve. The reversed special earnings reserve is consolidated into undistributed surplus before being

distributed. If there is a balance, it is consolidated into the accumulated undistributed earnings in the previous year. The board may propose a profit distribution proposal, depending on the actual situation, and request the shareholders meeting to determine the distribution of dividends to shareholders.

The Company's dividend policy is in line with the current and future development plans and considers the investment environment, long-term financial planning and shareholders' equity. The annual dividend distribution is mainly in the form of cash and it may be distributed in the form of stock. However, the proportion of stock dividends is not higher than 95% of the total dividends.

#### Chapter 8 Appendix

41. The investments by Taiwan's expatriates overseas and foreigners in the Company are subject to the relevant laws and regulations.
42. The internal organization and the specific work procedures are determined by the board.
43. The Company pay provide mutual guarantee to business partners. The total amount committed to investees is not limited to 40% of the paid-in capital.
44. Any outstanding matters of these Articles of Incorporation shall be administrated according to the Company Act.
45. These Articles of Incorporation were established at the originator meeting in accordance with the law on March 10, 1955; The 1st amendment was made on August 29, 1957; The 2nd amendment was made on July 2, 1958; The 3rd amendment was made on November 27, 1961; The 4th amendment was made on April 13, 1962; The 5th amendment was made on April 23, 1963; The 6th amendment was made on November 29, 1963; The 7th amendment was made on December 4, 1964; The 8th amendment was made on February 17, 1965; The 9th amendment was made on December 30, 1965; The 10th amendment was made on May 23, 1967; The 11th amendment was made on October 23, 1967; The 12th amendment was made on December 26, 1967; The 13th amendment was made on May 20, 1969; The 14th amendment was made on June 2, 1971; The 15th amendment was made on March 23, 1973; The 16th amendment was made on March 19, 1974; The 17th amendment was made on May 9, 1975; The 18th amendment was made on September 24, 1976; The 19th amendment was made on April 15, 1977; The 20th amendment was made on April 17, 1978; The 21st amendment was made on April 20, 1979; The 22nd amendment was made on April 23, 1980; The 23rd amendment was made on April 21, 1981; The 24th amendment was made on January 15, 1983; The 25th amendment was made on June 18, 1983; The 26th amendment was made on June 21, 1986; The 27th amendment was made on June 24, 1988; The 28th amendment was made on June 24, 1989; The 29th amendment was made on June 15, 1991; The 30th amendment was made on June 13, 1992; The 31st amendment was made on June 18, 1994; The 32nd amendment was made on June 24, 1995; The 33rd amendment was made on June 15, 1996; The 34th amendment was made on June 20, 1998; The 35th amendment was made on June 23, 2000; The 36th amendment was made on June 21, 2002; The 37th amendment was made on June 25, 2004; The 38th amendment was made on June 28, 2005; The 39th amendment was made on June 19, 2009; The 40th amendment was made on June 13, 2012; The 41st amendment was made on June 19, 2013; The 42nd amendment was made on June 9, 2015; The 43rd amendment was made on June 8, 2016; The 44th amendment was made on June 8, 2017;

## **China Man-Made Fiber Rules of Procedure for Shareholders Meetings**

The amendment was resolved in the shareholder's meeting on June 2, 2020

- Article 1 The rules for compliance are stipulated in accordance with Article 5 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for establishing the Company's excellent meeting of shareholders governance system, substantiating supervisory function, and enhancing management functions.
- Article 2 The rules of procedures for the Company's shareholders meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.
- Article 3 The Company's meeting of shareholders shall be convened by the Board, unless otherwise provided by law.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS). The manual for the shareholders meeting and other supplementary information shall be made into electronic version and uploaded to the Market Observation Post System before the specified deadline. The manual for the shareholders meeting and other supplementary information shall be prepared before the specified deadline, and they shall be made available to the shareholders at any time, displayed at the Company and distributed to the shareholders attending the meeting.

For the election or dismissal of directors, change of Articles of Incorporation, reduction of capital, application for suspension of public offering, non-competition approval for directors, transfer of earnings to additional paid-in capital, transfer of reserve to additional paid-in capital, company dissolution, merger or division, or items in Paragraph 1 of Article 185 of the Company Act, the reason shall be listed with the main contents thereof stated and they shall not be put forward via an extraordinary motion; the main contents may be referred to on the website designated by the securities authority or by the Company, and the website address shall be specified in the notice.

The reason for the convening of the shareholders' meeting is indicated as a full re-election of directors, and the date of assuming office is specified. After the re-election in the shareholders' meeting is completed, the date of assuming office shall not be changed via an extraordinary motion or other means at the same meeting.

Shareholders holding more than 1% of the total issued shares may submit to the Company a proposal for a general shareholders' meeting and the number of proposal shall be limited to one. If the number of proposal submitted is more than one, such proposals shall not be included in the agenda. A shareholder proposal proposed for urging a company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors. In addition, the Board may have the proposals of shareholders that fall under the circumstances stated in Article 172.1 Paragraph 4 of the Company Act excluded from meeting discussions.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals,

correspondence or electronic means, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders meeting and take part in discussion of the proposal.

The Company shall have the proposing shareholder notified about the proposal results before the date of the meeting notice and must have the proposals in compliance with this provision included in the meeting notice. The Board shall state the reasons for not including the proposal of shareholders in the meeting agenda.

Article 4 For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

It is limited to one proxy per shareholder and one proxy only that should be served to the Company five days prior to the meeting of shareholders. When the proxy is issued in duplicate, whichever is served first shall prevail. The proxy referred to above that was announced to be revoked is not subject to this restriction.

After serving the proxy to the Company, the shareholders who wish to attend the meeting of the shareholders in person or to vote in writing or by electronic means shall notify the Company in writing to revoke the proxy two days prior to the meeting of the shareholders. If the proxy is not revoked before the deadline, the vote by proxy shall prevail.

Article 5 The place of meeting of shareholders should be at the Company's or any suitable location or for shareholders to attend the meeting conveniently; also, the meeting of shareholders shall not be started before 9:00 or after 15:00.

Article 6 The Company shall specify in the meeting notice the time for shareholder sign-in, the sign-in location and other matters.

The shareholders' meeting admission time referred to above should be at least thirty minutes before the meeting in session; it should be clearly indicated at the admission place and with the adequate and qualified personnel to handle it.

The shareholders or their representatives (hereinafter referred to as the "shareholders") shall attend the shareholders' meeting with the evidence of the attendance card, attendance register, or other attendance documents; the proxy solicitors should bring proof of identity with them for examination.

The company will provide an attendance log to record shareholders' attendance; alternatively, shareholders may present their attendance cards to signify their presence.

The Company shall have the Agenda Handbook, annual reports, attendance card, statement slip, ballots, and other meeting materials delivered to the shareholders presented; also, the ballot will be distributed to the directors for the election of directors, if any.

Shareholders should attend the meeting of shareholders with the presentation of the attendance pass, attendance card or other attendance documents. Proxy solicitors should have identity documents with them for examination.

When the government or juridical person is a shareholder, the shareholder attending the meeting by proxy is not limited to one representative. The juridical person that has attended the meeting of shareholder by proxy can authorize only

one representative to attend the meeting.

Article 7 If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may assign the appointed attorney, CPA, or responsible personnel to attend the meeting of the shareholders.

Article 8 The Company should have the entire meeting of shareholders taped in audio or video recording and stored for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Act, it should be reserved until the end of the proceedings.

Article 9 Attendance at shareholders meetings shall be calculated based on numbers of shares. The shareholding attendance is based on the attendance registry or the signature cards submitted, plus the votes exercised in writing or by electronic means.

The Chairperson shall call the meeting to order at the meeting time. If the shareholding of the attending shareholders is not more than half of the total number of shares issued, the Chairperson may announce the meeting postponed, which is limited to two postponements and for less than one-hour in total. If the shareholding of the attending shareholders remaining do not constitute more than one third of the total number of shares issued after the two postponements, the Chairperson may announce to have the meeting aborted.

If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Paragraph 1, Article 175 of the Company Act; also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

If the shareholdings of the attending shareholders are more than one half of the total number of shares issued before the end of the meeting, the Chairperson may have the pseudo-resolution presented again in the next meeting of the shareholders for resolution in accordance with Article 174 of the Company Act.

Article 10 If the shareholders' meeting is convened by the board of directors, its agenda shall be determined by the board of directors, and all relevant proposals (including motions and original proposal amendments) shall be voted. The meeting shall be conducted in accordance with the scheduled agenda, which shall not be changed without the resolution of the shareholders' meeting.

If the meeting of shareholders is convened by an authorized person other than the Board, the provision referred to above is applicable.

The Chairperson may not have the meeting adjourned at his discretion before the proposals (including motions) resolved in the two agendas referred to above. If the Chairperson has the meeting adjourned in violation of the Rules of Procedure for Shareholder Meetings, the other Board members shall promptly assist the attending shareholders in accordance with the legal procedures to have one shareholder elected as the Chairperson with the majority votes of the attending shareholders to continuously chair the meeting.

The chairperson shall give an opportunity for a full explanation and discussion of the motions and the amendments or extraordinary motions proposed by the shareholders. When the chairperson thinks that the voting can be carried out, he may declare a stop to the discussion and start the voting, and arrange sufficient time for voting.

Article 11 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

Attending shareholders who have speech slips submitted but not speak shall be deemed as silent shareholders. If there is a discrepancy found between the text of the speech and the speech slip submitted, the contents of the speech shall prevail. Each shareholder may not speak more than twice on the same motion for 5 minutes each time without the consent of the Chairperson. However, the Chairperson may have the speaking shareholders who violate the rules or speak beyond the scope of those issues silenced.

Attending shareholders may not interfere with the speaking shareholders without the consent of the Chairperson and the speaking shareholders. The Chairperson will have the violating shareholders stopped.

If the juridical person shareholder has more than two representatives assigned to attend the meeting of shareholders, only one of the two representatives may speak on the same proposal.

The Chairperson may reply to the speaking shareholders personally or by the designated personnel.

Article 12 Voting at a shareholders meeting shall be calculated based the number of shares.

For the resolutions in the meeting of shareholders, the shares of the shareholders without votes are not included in the calculation of outstanding shares.

Shareholders who have a conflict of interest with the proposals that are detrimental to the Company's interests shall not vote, and cannot vote by proxy on behalf of the other shareholders.

The shares without votes referred to above are not included in the calculation of the attending shareholders' votes.

Except for Trust agencies or stock agencies approved by the securities regulatory authorities, the votes of the representative delegated by two or more shareholders shall not exceed 3% of the total votes representing the total number of shares issued; also, the votes exceeding the threshold shall not be counted.

Article 13 A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Corporation holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the

method of exercise shall be specified in the shareholders meeting notice. Shareholders who have their votes cast in writing or by electronic means are deemed as attending the meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.

For the votes exercised in writing or by electronic means referred to above, the intention should be delivered to the Company two days prior to the meeting of shareholders. For the intention expressed in duplicate, whichever is delivered first shall prevail. The intention referred to above that was announced to be revoked is not subject to this restriction.

Shareholders after exercising their votes in writing or by electronic means wish to attend the meeting of shareholders in person shall have the intension of exercising votes in writing or by electronic means revoked the same way of exercising their votes two days prior to the meeting commencement date. For overdue revocations, the votes exercised in writing or by electronic means shall prevail. If the vote is exercised in writing or by electronic means and a representative is to attend the meeting of shareholders by proxy, the votes exercised by the representative in person shall prevail.

For the resolution of proposals, unless otherwise provided in the Company Act and the Company Corporate Charter (Articles of Incorporation), the consent of a majority vote of the attending shareholders shall prevail. The motion resolved by the Chairperson's consulting the attending shareholders without dissent is deemed as passed and with the same effect as voting.

When there is an amendment or alternative for the same motion, the Chairperson shall have the order of vote, including the original proposal, determined accordingly. If one of the motions has been passed, the other motions shall be deemed as rejected without the need for further resolution.

Chairperson is to appoint the scrutineers and counting officers who must be shareholders.

The vote counting process of the shareholder's balloting or election should be held openly at the meeting venue. The balloting result should be announced immediately at the meeting, including statistical weights, and it should be documented for record.

Article 14 When the shareholders meeting elect directors, the election shall take place in accordance with the applicable election rules established by the Company and the result of the election shall be announced on site, including the list of elected directors and the weights received.

Electoral ballots referred to above shall be sealed and signed by the scrutineers and reserved for at least one year. However, for the litigation filed by the shareholders in accordance with Article 189 of the Company Act, it should be reserved until the end of the proceedings.

Article 15 Shareholder resolutions shall be recorded in minutes, affixed with the signature or seal of the chairperson of the meeting and distributed to each shareholder within 20 days from the meeting. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.

The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes of the meeting shall record the date, venue, name of the chairperson,



method of resolution, essentials of the meeting process and voting results (including the number of voting rights). When there is an election of directors, the number of votes received by each candidate shall be disclosed. It shall be retained for the duration of the existence of the Company.

Article 16 On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.

For the resolutions reached in the meeting of shareholders that involved laws and regulations or the material information defined by the Taiwan Stock Exchange Corporation, the Company shall, within the specified time, have the information uploaded to MOPS.

Article 17 Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The Chairperson may direct disciplinary personnel or security personnel to help keep the meeting place in order. The disciplinary personnel or security personnel that help keep the meeting place in order should wear an armband with "Marshal" affixed or an identification card.

When the meeting place is equipped with amplifying equipment, the Chairperson may stop shareholders who do not use the speaking device provided by the Company from speaking.

The Chairperson may instruct the disciplinary personnel or security personnel to have shareholders who violate the Rules of Procedure for Shareholder Meetings, disobey the instructions of the Chairperson, intervene in the meeting proceedings and fail to comply with the disciplinary act escrowed to leave the meeting place.

Article 18 When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting place cannot be used continuously before the proposals (including motions) resolved in the agendas scheduled, it can be resolved to be continued in the meeting of shareholders to find another venue for the meeting.

The meeting of shareholders may, in accordance with Article 182 of the Company Act, resolve to have the meeting postponed or resumed in five days.

Article 19 These Rules, and any amendments hereto, shall be implemented after adoption by shareholders meetings.