

Stock No.: 1451



**Nien Hsing Textile Co., Ltd.**

**Handbook for 2023 Annual General  
Shareholders' Meeting**

**June 13, 2023**

**Location: No. 119-3, Xiafuwei, Neighborhood 8, Tong Ming Village, Hou Long Township, Miao Li  
County (Conference Room of the Company)**

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# Nien Hsing Textile Co., Ltd.

## 2023 Annual General Shareholders' Meeting<sup>1</sup>

Time: 09:00 am, June 13 (Tuesday), 2023  
Location: No. 119-3, Xiafuwei, Neighborhood 8, Tong Ming Village,  
HouLong Township, Miao Li County  
(Conference Room of the Company)

### **Meeting Agenda**

1. Perform acts of ceremony
2. Chairperson remarks
3. Management and guest remarks
4. Report Items:
  - (1) To report 2022 business operations.
  - (2) The Audit Committee's review report.
  - (3) To report 2022 employees' compensation of profit sharing.
  - (4) Amendments to the Rules and Procedures of Board of Directors Meetings.
5. Approval Items:
  - (1) To accept 2022 Business Report and Financial Statements.
  - (2) To accept the proposal for distribution of 2022 profits.
6. Election Items:
  - (1) To elect Directors(including Independent Directors).
7. Other Proposals:
  - (1) To release new directors from non-competition restrictions.
8. Extraordinary Motion
9. Meeting Adjourned

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<sup>1</sup> The English version is the translation of the Chinese version and if there is any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.

# Report Items

## 1. To report 2022 business operations

### Nien Hsing Textile Co., Ltd. Business Report

Looking back to 2022, the global economy was originally expected to continuously recover. However, the military conflict broke out between Russia and Ukraine in the first quarter resulted in soaring energy and raw material prices. In the second quarter, China adopted the strict lockdown measures due to the outbreak of pandemic, which severely damaged the global supply chain. Furthermore, in light of continuously rising inflation, the Fed in U.S. has frequently raised interest rates since March and adopted the policy of “QE tapering” since the second half of the year, resulting in increased volatility in the global financial market, sharp depreciation of currencies other than USD, and a surging importation inflationary pressures in various countries. In Taiwan, since the second quarter, due to the decline in international consumer demands, export growth has slowed down and manufacturers' investments have also turned conservative. To face the unpredictable economic changes, the Company continuously strengthens the core competitiveness such as introducing advanced manufacturing processes and digital management to improve the production efficiency and product quality. Meanwhile, more product mixes by customers and by regions are increased and the talent incubation programs are actively promoted. Moreover, the Company has also established the Sustainable Operation Division, aiming the goal of net zero emissions, to continuously promote green energy production, and work with customers to jointly develop fashionable, chic and eco-friendly denim apparel, for the purpose of contribution our efforts to combat global climate change and enhance human well-being.

Looking to 2023, as major economies continuously raise interest rates to curb inflation, manufacturing activities in various countries have slowed down significantly. Furthermore, the continuous conflict between Russia and Ukraine and the resumption of the US-China technology war have deepened concerns about the global economic outlook. In summary, it is believed that in 2023, the global economy growth rate and trade tend to be weak. In addition, factors such as geopolitics, financial fluctuations and abnormal climate will continuously affect the recovery of the global economy. To face the unpredictable business environment, the Company will continuously cultivate the core business, focusing on the development and production of denim and jeans. By grasping the market trends of fashion and combining professional washing technology, the Company keeps on developing denim apparel meeting the market trends. Also, depending on the professional production and logistics management capability, the Company will continuously improve the timeliness of product sales. Additionally, the Company is dedicated to developing the sales of denim apparel-related items, providing highly customized services and increasing the proportion of high-end jeans. All in all, in this year, the Company will spare no effort to create profits for shareholders, and implement the concept of corporate sustainable development.

Finally, I would like to express my heartfelt gratitude to the board members for their professional governance and the dedication and hard work of all employees. I sincerely hope that all shareholders will continue to encourage and support Nien Hsing by insisting on the spirit of caring for the Company as usual. The business performance is hereby reported as follows:

## (1) 2022 business report:

### 1. Consolidated financial status:

Unit: NT\$ Thousand

Item	2022	2021	% of change
Operating revenue	8,695,169	8,012,461	8.52
Gross profit	807,049	673,219	19.88
Operating profit	310,402	247,415	25.46
Profit before tax	526,924	291,444	80.80
Net profit	426,456	242,691	75.72

### Standalone financial status:

Unit: NT\$ Thousand

Item	2022	2021	% of change
Operating revenue	8,679,966	7,997,824	8.53
Gross profit	732,824	606,249	20.88
Operating Profit	314,860	263,224	19.62
Profit before tax	520,795	286,724	81.64
Net profit	426,456	242,691	75.72

### 2. Consolidated profitability analysis:

Unit: NT\$ Thousand

Item	2022	2021	% of change
Average total assets	9,107,917	9,047,809	0.66
Average total shareholders' equity	7,514,332	7,347,551	2.27
Comparison of profitability:			
1. Return on total assets	4.79	2.72	76.10
2. Return on shareholders' equity	5.68	3.30	72.12
3. Profit margin	4.92	3.04	61.84
4. Basic earnings per share (NT\$)	2.15	1.23	74.80

### Standalone profitability analysis:

Unit: NT\$ Thousand

Item	2022	2021	% of change
Average total assets	8,951,481	8,821,798	1.47
Average total shareholders' equity	7,514,332	7,347,551	2.27
Comparison of profitability:			
1. Return on total assets	4.86	2.77	75.45
2. Return on shareholders' equity	5.68	3.30	72.12
3. Profit margin	4.92	3.04	61.84
4. Basic earnings per share (NT\$)	2.15	1.23	74.80

### 3. Implementation of consolidated budget:

Unit: NT\$ Thousand

Item	Actual amount	Expected amount	Achievement rate %
Operating revenue	8,695,169	8,849,788	98.25
Operating cost	7,888,120	7,990,586	98.72
Gross profit	807,049	859,202	93.93
Operating expenses	496,647	486,263	102.14
Operating profit	310,402	372,939	83.23
Non-operating income and expense, net	216,522	187,294	115.61
Profit before tax	526,924	560,233	94.05

### Implementation of standalone budget:

Unit: NT\$ Thousand

Item	Actual amount	Expected amount	Achievement rate %
Operating revenue	8,679,966	8,849,788	98.08
Operating cost	7,947,142	7,990,586	99.46
Gross profit	732,824	859,202	85.29
Operating expenses	417,964	486,263	85.95
Operating Profit	314,860	372,939	84.43
Non-operating income and expense, net	205,935	187,294	109.95
Profit before tax	520,795	560,233	92.96

## **(2) Summary of the 2023 business plan:**

### **1. Business guidelines and important production and sales policies**

Promoting the order accepting pattern of integrating upstream and downstream of textile and garments, to exert the competitive advantages of combining textiles, garments, and washing in one-stop and quickly respond to market trends, such as the functionalization of jeans apparel. The key plans are as follows:

#### **(1) Enhance added value of products**

Depending on the market demand, the Company increases the fabric mixes sold in North America. That is because Mexico is close to North America and has the advantage of short delivery time. While the labor cost of production in Asia is rising, Mexico's textile supply chain is thus relatively more competitive. Moreover, the Company will continue to actively research and develop new types of fabrics to increase product diversity, while enhancing product added value and expanding the customer base.

#### **(2) Continuously cultivate the production areas with advantages**

The rising labor costs in Asia and the tax incentives from the African Growth and Opportunity Act have resulted in a certain competitiveness of the Company in the African production area. The Company will take orders from brands depending on the advantages of the production area, and upgrade capital equipment when appropriate. Meanwhile, the Company will actively invest in sustainable development, improve employees' welfare, and strengthen environmental protection for the continuous enhancement of the Company's competitive edges.

#### **(3) Increase service value via the information technology**

Actively improving and integrating the Company's information platform, promoting the streamlined production system, and implementing the framework and operating procedures of value-added services, to achieve the strategic goals of accurate quotations, full-process services, and increased values of products.

#### **(4) Continuously promote the talent cultivation and succession**

Responding to the external business environment and customers' needs, the Company continuously adjusts the organizational structure, and expands the foundation for talent cultivation to implement talent succession and experience inheritance.

#### **(5) Implement the business philosophy of sustainable development**

The Company has successively introduced environmentally friendly and energy-saving processes to further increase the added value of products and implement the business philosophy of environmental protection and sustainable development with brand customers jointly, such as using laser machines and ozone processors to reduce water consumption during the processes; using LED lights to reduce energy consumption; construction the dehydration installation of sludge and reduction of waste discharge.

## 2. Business goals

Due to the rising inflation rate in the United States, the Fed has tightened monetary policy, which will affect the global economy this year. As for cotton prices, there are still uncertainties due to the impacts of US-China trade issues, China's cotton policy, and US cotton output. Overall, the Company adopts the conservative attitude towards the operating outlook for 2023.

## 3. Production and sales plan

Production and sales volume of each product: including the production and sales volume of subsidiaries.

Major product	Production volume	Sales volume
Denim (Note 1)	49,200 thousand yards	37,800 thousand yards
Ring-spin yarn	6,400 thousand kgs	6,400 thousand kgs
Jeans garment	1,136 thousand dozens	1,136 thousand dozens

Note 1: The 11,400 thousand yards of denim produced were for in-house use.

## **(3) Future development strategy**

### 1. Quick response to market demands

Responding to the emergence of functional apparel, the Company will actively develop various functional denim which combines innovative washing technologies to quickly provide the consumer market with jeans apparel, both functional and fashionable, to become the most professional and innovative supply chain partner for global brand customers.

### 2. Improvement of process efficiency

The Company will gradually increase investment in capital equipment with a information management approaches of KPI to improve the production efficiency, strengthen product quality supervision. Apart from the above, the Company will accelerate carbon inventory operations and seek for more energy-saving and carbon-reducing production methods to enhance our competitive advantages.

### 3. Transformation of operation model

Based on the existing fabric development and efficient production, the Company strives to strength the core washing technologies and integrate the management capabilities of textile production and garment supply chain to promote a precise and efficient production system with rapid response and provide customers with complete services cross- production areas.

### 4. Implement the corporate social responsibility

Actively enhance the working conditions in each production area, expand the participation in environmental protection issues and give back to the the local communities, to fulfill the corporate social responsibility and to meet the expectations of the public and customers for the Company's sustainable development. Meanwhile, the Company is dedicated to the improvement of production processes and setting up energy-saving and carbon reduction goals with full implementation.



#### **(4) Effect of external competition, the regulatory environment, and the overall business environment**

As inflation continues to rise, the Fed of the U.S. has accelerated the pace of interest rate hikes and tightened up its balance sheet. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) led by Japan is expected to accelerate the economic and trade cooperation in the Pan-Pacific region. However, in China, due to the slowing economic growth rate, the escalated government supervision and the US-China Technology War, it seems that China may have weaker influence over the East Asia. The impact of external competition and changes in regulations and the overall business environment of the textile and garment industries on the Company are described as below:

##### **1. The impact of the external competitive environment**

- (1) In China, the largest garment production area, the competitiveness has been declined due to the increase in labor cost of production. Under the circumstances, the garment production orders will be shifted out of China, which, in turn, will bring the opportunities to the textile and garment supply chain in the Company's production areas in Southeast Asia, Africa and the Americas.
- (2) The textile and garment manufacturers in Bangladesh and other emerging markets take advantage of their cost advantages to continuously expand capacities and invest in new equipment, which making price competition fierce. In addition, the rising awareness of labor welfare, occupational safety and human rights are not favorable for Bangladeshi garment factories to maintain profitability.

##### **2. The impact of the legal environment**

- (1) The ASEAN+6 agreement enables the Company's garments produced in Vietnam Production area to have tariff advantages when exporting to China, Japan, Korea, New Zealand, Australia and India markets.
- (2) Under the active leadership of Japan, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect on December 30, 2018, conducive to drive new momentum for economic growth in the Asian region.
- (3) Under the strong leadership of President Trump, the negotiation of the United States-Mexico-Canada Agreement (USMCA) was completed successfully and the agreement was signed in November 2018. With the approval of the legislatures in each country ,it has officially replaced the North American Free Trade Agreement (NAFTA) signed in 1994, which bring the new chapter of the history for the trading relationships among the United States, Canada and Mexico. However, the new agreement mainly affects the automobile, dairy and biopharmaceutical industries and has limited impact on the textile and garment industries.
- (4) The African Growth Opportunity Act (AGOA) and the Third-Country Fabric Provision adopted in the Act were passed by the U.S. Congress in 2015 for a ten-year extension. Upon the passage of the extension, garment factories in countries where AGOA applies in Africa are able to continuously use fabrics produced in third countries to make garments that can be sold duty-free in the U.S. market.

### 3. The impact of the overall business environment

#### (1) Global cotton supply and demand

The cotton prices are mainly affected by global cotton supply and demand movement. Therefore, it is required to continuously monitor whether the output is reduced due to the climate and whether the demand is reduced due to the recession. In addition, whether China continues to increase cotton imports is also an important indicator.

#### (2) The rising production costs in China and Southeast Asia

The trend of rising production costs in China and Southeast Asia will make the Company's African production area more competitive in cost.

#### (3) The weak Mexican Peso and South African Rand

The relative weakness of the Mexican Peso and the South African Rand against the U.S. dollar have increased the competitiveness of textile and garment industries in both countries for exporting to the U.S. Meanwhile, the bargaining power of the Company's factories in Mexico and in Lesotho are enhanced.

By summarizing the above-mentioned changes in the external competitive, regulations and the overall business environment, the impacts on the Company in 2023 would be the co-existence of opportunities and threats. Looking forward to the future, the Company will restructure the organization, expand production capacities and add value in advantageous production areas to respond to the changes in the external environment, seeking to establish a sustainable competitive advantage.

## **(5) 2022 Financial Statements:**

1. Consolidated balance sheets as of December 31, 2022 and 2021 (Page 26 of the Handbook)
2. Consolidated statements of comprehensive income for the years of 2022 and 2021 (Pages 27-29 of the Handbook)
3. Consolidated statements of changes in shareholders' equity for the years of 2022 and 2021 (Page 30 of the Handbook)
4. Consolidated statements of cash flows for the years of 2022 and 2021 (Pages 31-33 of the Handbook)
5. Standalone balance sheets as of December 31, 2022 and 2021 (Page 38 of the Handbook)
6. Standalone statements of comprehensive income for the years of 2022 and 2021 (Pages 39-40 of the Handbook)
7. Standalone statements of changes in shareholders' equity for the years of 2022 and 2021 (Page 41 of the Handbook)
8. Standalone statements of cash flows for the years of 2022 and 2021 (Pages 42-43 of the Handbook)

Chairman: Panda Investment Co., Ltd.    President: Shu-Hsuan Tsai    Chief Accountant: En-Tzu Liu  
Representative: Wei-Han Chen

## **2. The Audit Committee's Review Report**

### **Nien Hsing Textile Co., Ltd. Audit Committee's Review Report**

The Board of Directors has prepared the 2022 Business Report, 2022 Financial Statements, and the proposal for distribution of 2022 profits. In particular, the Financial Statements were audited by Kuo-Ning Huang and Chih-Ming Shao, CPAs from Deloitte & Touche and Independent Auditors' Reports have been issued.

Based on the Audit Committee's review, it found no existing inconsistencies. The Report is presented in accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

2023 Annual General Shareholders' Meeting

Nien Hsing Textile Co., Ltd.

The Convener of the Audit Committee: Chu-Feng Yang

March 10, 2023

### **3. To report 2022 employees' compensation of profit sharing**

Pursuant to Article 22-1 of the Articles of Incorporation, where the Company makes profit for a year, the Company shall provide at least 1% of the profit as compensation to employees. For the year of 2022, the Company has contributed NT\$5,261,174 as employees' compensation, which will be paid in cash.

#### **4. Amendments to the Rules and Procedures of Board of Directors Meetings**

1. In accordance with the amendment promulgated by the Financial Supervisory Commission to the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, issued by the decree of no.1110383263 on August 5, 2022, the Company hereby amends the “Rules and Procedures of Board of Directors Meetings”.
2. The Company has established the Audit Committee on June 16, 2020 to replace supervisors. Hence, the Company hereby amends the relevant regulations of “Rules and Procedures of Board of Directors Meetings”.
3. The comparison table for before and after revisions of “Rules and Procedures of Board of Directors Meetings”, please refer to Appendix 1 on Pages 19-21 of the Handbook.

## Approval Items

### Proposal 1 Proposed by the Board of Directors

Cause: To accept 2022 Business Report and Financial Statements.

- Explanation: (1) 2022 Financial Statements have been audited by CPAs, Kuo-Ning Huang and Chih-Ming Shao of Deloitte & Touche, by whom Independent Auditors' Reports with unmodified opinion were issued.
- (2) The related Financial Statements have been uploaded to the MOPS and the Company's website. Please refer to:  
<http://mops.twse.com.tw>  
<http://www.nhjeans.com>
- (3) 2022 consolidated and standalone independent auditors' reports, consolidated and standalone balance sheets as of December 31, 2022, and the consolidated and standalone statements of comprehensive income, changes in equity and cash flows for the year of 2022, please refer to Appendix 2 on Pages 22-43 of the Handbook. The Business Report, please refer to Pages 2-9 of the Handbook.
- (4) Please accept the aforesaid Business Report and Financial Statements.

Resolutions:

## Proposal 2 Proposed by the Board of Directors

Cause: To accept the proposal for distribution of 2022 profits.

- Explanation:
- (1) For the proposal, 2022 distributable profits will be allocated preferentially. Whenever insufficiency occurs, the distributable profits accumulated in previous years will be distributed based on the rule of last-in, first-out. The 2022 profit distribution table, please refer to Appendix 3 on Page 44 of the Handbook.
  - (2) After being approved at the Shareholders' Meeting, it is intended to authorize the Chairman to determine the ex-dividend record date separately. The calculation of cash dividends distributed to individual shareholders will be rounded down to the nearest dollar. The fractional balance less than NT\$1 will be summed up and accounted by the Company as "other income."
  - (3) In the event that the number of outstanding shares changes, affecting the payout ratio, the Board of Directors is authorized to adjust the dividend amount per share.
  - (4) Please approve the aforesaid proposal for distribution of 2022 profits.

Resolutions:



## Election Items

### Proposal 1 Proposed by the Board of Directors

Cause: To elect Directors(including Independent Directors).

- Explanation: (1) The term of current Directors will expire on June 15, 2023. Therefore, Directors shall be re-elected at 2023 Annual General Shareholders' Meeting. New Directors will be on board immediately after the meeting, and current Directors will be dismissed at the same time.
- (2) Pursuant to the "Articles of Incorporation", there are nine seats of Directors and the term of office is three-year from June 13, 2023 to June 12, 2026. Furthermore, the candidate nomination system is adopted for directors election.
- (3) The list of director nominees approved by the 33<sup>rd</sup> Board of Directors Meeting of the 13<sup>th</sup> term on March 10, 2023 is as follows:

Title	Name	Major education and experience	Current Positions	Name of Institutional Shareholders	Reason to nominate the candidate for consecutive three terms
Director	Wei-Han Chen	Department of Business Administration and Sport Management, Southern Methodist University; Executive Assistant to the President of Nien Hsing Textile Co., Ltd.	Chairman, Nien Hsing Textile Co., Ltd.	Panda Investment Co., Ltd.	Not applicable
Director	Shu-Hsuan Tsai	Department of Accounting, Soochow University; Senior Auditor, Deloitte & Touche; Finance Manager, Chih Hsing Textile Co., Ltd.	President, Nien Hsing Textile Co., Ltd.		Not applicable
Director	Jen-Chou Chen	Department of Business Administration, University of Southern California; Researcher, Barits Securities Corporation	Associate Vice President of Textile Division, Nien Hsing Textile Co., Ltd.	Chu Chen Investment Co., Ltd.	Not applicable
Director	Tai-Yuan Chou	Department of Accounting, Tamkang University; Semi-Senior Auditor, Deloitte & Touche	Associate Vice President of Textile Production & Sales Marketing Support Division, Nien Hsing Textile Co., Ltd.		Not applicable

Title	Name	Major education and experience	Current Positions	Name of Institutional Shareholders	Reason to nominate the candidate for consecutive three terms
Director	Rong-Hwa Fang	Command and General Staff College, Republic of Guatemala; Associate Vice President of Textile Production Division, Nien Hsing Textile Co., Ltd.	Associate Vice President of Textile Production Division, Nien Hsing Textile Co., Ltd.		Not applicable
Director	Jih-Chao Li	Chien Hsin Industrial College; Administrator, Tai Yuen Textile Co., Ltd.; Associate Vice President of Textile Production Division, Nien Hsing Textile Co., Ltd.			Not applicable
Independent Director	Chia-Hong Hung	MBA, National Chung Hsing University; Lawyer, Honga Law Firm	Lawyer, Honga Law Firm		Not applicable
Independent Director	Chu-Feng Yang	Department of Business Administration, National Cheng Kung University; CPA, ACCPRO Accounting Firm	CPA, ACCPRO Accounting Firm		Not applicable
Independent Director	Wen-Hsiung Chan	Master of International Business, National Taiwan University; Chairman of eChem Solutions Corp.; Chairman and President of iCatch Technology Inc.	Chairman, eChem Solutions Corp.		Not applicable

(4) The election of directors must comply with the “Rules for Election of Directors.” Please refer to Appendix 4 on Pages 45-46.

(5) Please elect.

Election results:

## Other Proposals

### Proposal 1 Proposed by the Board of Directors

Cause: To release new directors from non-competition restrictions.

- Explanation: (1) In accordance with Article 209 of the Company Act, directors who act for themselves or others within the company's business scope shall explain the essential contents of such act and obtain the approval from Shareholders' Meetings.
- (2) Due to the new directors and their representatives are investing in or managing other companies with same or similar business scope as the Company (please refer to the following table). It is proposed to release new directors and their representatives from the non-competition restrictions.

Title	Name	Positions to be relieved from the non-competition restrictions
Director	Wei-Han Chen	Chairman of Nien Hsing International Investment Co., Ltd, Nien Hsing International (BVI) Ltd, Nien Hsing International (Bermuda) Ltd, Nien Hsing International (Samoa) Ltd, and Phoenix Development & Marketing Co., Ltd.
Director	Shu-Hsuan Tsai	Director of Nien Hsing International Investment Co., Ltd, Nien Hsing International (BVI) Ltd, Nien Hsing International (Bermuda) Ltd, Nien Hsing International (Samoa) Ltd, Phoenix Development & Marketing Co., Ltd, Formosa Textile Company (Proprietary) Limited, C&Y Garment Company (Proprietary) Limited, Global Garments Company (Proprietary) Limited, and Glory International (Pty) Ltd.
Director	Tai-Yuan Chou	Director of Nien Hsing International (BVI) Ltd, Nien Hsing International (Bermuda) Ltd, Nien Hsing International (Samoa) Ltd, Phoenix Development & Marketing Co., Ltd; Supervisor of Nien Hsing International Investment Co., Ltd.
Director	Jen-Chou Chen	Director of Nien Hsing International Investment Co., Ltd.

- (3) Please approve the above proposal.

Resolutions:

# **Extraordinary Motion Appendices**

## Nien Hsing Textile Co., Ltd.

### Comparison Table for Before and After Revisions of “Rules and Procedures of Board of Directors Meetings”

Section	Amended Articles	Previous Articles
<b>Article 3</b>	<p>The Board of Directors shall meet at least quarterly. The meeting notification of time, location and the reasons for convening shall be given to each Director 7 days before the Board of Directors Meeting. In emergency circumstances, however, a Board of Directors Meeting may be convened at any time. Directors are not to object the meeting on the basis where the notice period is shorter than 7 days.</p> <p>The aforesaid notification may be effected by electronic transmission, after obtaining the consent of the recipient(s).</p> <p>All items set out in Article 7, Paragraph 1 shall be listed along with meeting notification and shall not be raised as extemporary motion.</p>	<p>The Board of Directors shall meet at least quarterly. The meeting notification of time, location and the reasons for convening shall be given to each Director <u>and Supervisor</u> 7 days before the Board of Directors Meeting. In emergency circumstances, however, a Board of Directors Meeting may be convened at any time. Directors are not to object the meeting on the basis where the notice period is shorter than 7 days.</p> <p>The aforesaid notification may be effected by electronic transmission, after obtaining the consent of the recipient(s).</p> <p>All items set out in Article 7, Paragraph 1, <u>except in the case of an emergency or for other legitimate reason, shall be listed along with meeting notification and shall not be raised as extemporary motion.</u></p>
<b>Article 5</b>	<p>The Finance &amp; Administration Division shall prepare the agendas for the Board of Directors Meetings and notify all Directors within the specified time according to the provisions of Article 3, meanwhile, provide sufficient information and sent it with the meeting notification by paper or electronically.</p> <p>The Director may ask the Finance &amp; Administration Division for complement if he or she considers the meeting materials received is insufficient. The meeting shall be postponed based on the resolution from the Board of Directors if the Directors consider the materials of proposal insufficient for meeting.</p>	<p>The Finance &amp; Administration Division shall prepare the agendas for the Board of Directors Meetings and notify all Directors <u>and Supervisors</u> within the specified time according to the provisions of Article 3, meanwhile, provide sufficient information and sent it with the meeting notification by paper or electronically.</p> <p>The Director may ask the Finance &amp; Administration Division for complement if he or she considers the meeting materials received is insufficient. The meeting shall be postponed based on the resolution from the Board of Directors if the Directors consider the materials of proposal insufficient for meeting.</p>
<b>Article 7</b>	<p>The matters listed below shall be raised for discussion at a Board of Directors Meeting:</p> <ol style="list-style-type: none"> <li>1. The Company's business plan.</li> <li>2. Annual and semi-annual financial statements, with the exception of semi-annual financial statements that are not required under relevant laws and regulations to be audited and attested by accountants.</li> <li>3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.</li> <li>4. Adoption or amendment pursuant to Article 36-1 of the Securities and Exchange Act of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, lending funds to other parties, and endorsements or guarantees for others.</li> <li>5. The offering, issuance, or private placement of equity-type securities.</li> <li>6. <u>Election or discharge of Chairman.</u></li> <li>7. <u>Appointment or discharge of a financial, accounting, or internal auditing officer.</u></li> <li>8. <u>Donation to related parties or significant donation to non-related parties, provided that public donation as relief aid due to a major natural disaster, may be submitted for ratification at the next Board of Directors Meeting.</u></li> <li>9. <u>Any matter that, pursuant to Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation, must be approved by resolution at a Shareholders' Meeting or</u></li> </ol>	<p>The matters listed below shall be raised for discussion at a Board of Directors Meeting:</p> <ol style="list-style-type: none"> <li>1. The Company's business plan.</li> <li>2. Annual and semi-annual financial statements, with the exception of semi-annual financial statements that are not required under relevant laws and regulations to be audited and attested by accountants.</li> <li>3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.</li> <li>4. Adoption or amendment pursuant to Article 36-1 of the Securities and Exchange Act of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, lending funds to other parties, and endorsements or guarantees for others.</li> <li>5. The offering, issuance, or private placement of equity-type securities.</li> <li>6. <u>Appointment or discharge of a financial, accounting, or internal auditing officer.</u></li> <li>7. <u>Donation to related parties or significant donation to non-related parties, provided that public donation as relief aid due to a major natural disaster, may be submitted for ratification at the next Board of Directors Meeting.</u></li> <li>8. <u>Any matter that, pursuant to Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation, must be approved by resolution at a Shareholders' Meeting or Board of Directors Meeting, or any material matter that</u></li> </ol>

Section	Amended Articles	Previous Articles
	<p>Board of Directors Meeting, or any material matter that is prescribed by the competent authority.</p> <p>The “related party”, mentioned in the preceding <u>8th</u> item, is defined as “Affiliate” based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. “Significant donation to non-related parties” refers to the amount of each donation or an accumulative amount of donation to the same party within one year, equals to more than NT\$ 100 million or, 1% of revenue or above 5% of paid-in capital recorded in the most recent audited annual financial statements.</p> <p>The term “within one year” in the preceding paragraph means a period of one year calculated retroactively from the date on which the current Board of Directors Meeting is convened. Amounts which have been submitted to and approved by a resolution of the Board of Directors Meeting shall not be included in the calculation.</p> <p>In the case of a foreign issuer whose shares have no par value or a par value other than NT\$ 10, the amount of 5% of paid-in capital specified under paragraph 2 shall be calculated as 2.5% of shareholders' equity instead.</p> <p>The Board of Directors Meetings shall have at least one Independent Director attend in person. With respect to the discussion of matters specified under paragraph 1, all Independent Directors shall attend Board of Directors Meetings in person; if an Independent Director is unable to attend a Board of Directors Meeting in person, the Independent Director shall delegate his or her rights to another Independent Director to attend on his or her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board of Directors Meetings minutes. If Independent Directors are unable to attend Board of Directors Meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board of Directors Meetings minutes.</p>	<p>is prescribed by the competent authority.</p> <p>The “related party”, mentioned in the preceding <u>7th</u> item, is defined as “Affiliate” based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. “Significant donation to non-related parties” refers to the amount of each donation or an accumulative amount of donation to the same party within one year, equals to more than NT\$ 100 million or, 1% of revenue or above 5% of paid-in capital recorded in the most recent audited annual financial statements.</p> <p>The term “within one year” in the preceding paragraph means a period of one year calculated retroactively from the date on which the current Board of Directors Meeting is convened. Amounts which have been submitted to and approved by a resolution of the Board of Directors Meeting shall not be included in the calculation.</p> <p>In the case of a foreign issuer whose shares have no par value or a par value other than NT\$ 10, the amount of 5% of paid-in capital specified under paragraph 2 shall be calculated as 2.5% of shareholders' equity instead.</p> <p>The Board of Directors Meetings shall have at least one Independent Director attend in person. With respect to the discussion of matters specified under paragraph 1, all Independent Directors shall attend Board of Directors Meetings in person; if an Independent Director is unable to attend a Board of Directors Meeting in person, the Independent Director shall delegate his or her rights to another Independent Director to attend on his or her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board of Directors Meetings minutes. If Independent Directors are unable to attend Board of Directors Meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board of Directors Meetings minutes.</p>
<b>Article 11</b>	<p>When a Board of Directors Meeting is held, the management shall provide the attending Directors with relevant materials for reference.</p> <p>Based on requirements of the content of a proposal, personnel of relevant department and subsidiaries may be appointed to attend as non-voting delegates to assist the Directors to understand the Company status and make appropriate decisions.</p> <p>If necessary, accountants, lawyers or other professionals may be invited to attend the meeting and to make explanatory statements but should leave during discussion and voting.</p>	<p>When a Board of Directors Meeting is held, the management shall provide the attending Directors with relevant materials for reference.</p> <p>Based on requirements of the content of a proposal, personnel of relevant department and subsidiaries may be appointed to attend as non-voting delegates to assist the Directors to understand the Company status and make appropriate decisions.</p> <p>If necessary, accountants, lawyers or other professionals may be invited to attend the meeting and to make explanatory statements but should leave during discussion and voting.</p> <p><u>Supervisors may participate in discussion when representing in a Board of Directors Meeting; however, they have no voting rights to the matters under the authority of the Board of Directors.</u></p>
<b>Article 18</b>	<p>Resolutions adopted at a Board of Directors Meeting shall be recorded in the minutes of the meeting and shall contain detailed description as follows:</p> <ol style="list-style-type: none"> <li>1. Meeting session (or year), time and location of the meeting.</li> <li>2. Name of chairperson.</li> <li>3. Attendance status of Directors, including the numbers and names of Directors that are, present, absent and on leave.</li> <li>4. Names and titles of the attendees.</li> <li>5. Name of record keeper.</li> <li>6. Report items: names and titles of reporters, and the</li> </ol>	<p>Resolutions adopted at a Board of Directors Meeting shall be recorded in the minutes of the meeting and shall contain detailed description as follows:</p> <ol style="list-style-type: none"> <li>1. Meeting session (or year), time and location of the meeting.</li> <li>2. Name of chairperson.</li> <li>3. Attendance status of Directors, including the numbers and names of Directors that are, present, absent and on leave.</li> <li>4. Names and Titles of the attendees.</li> <li>5. Name of record keeper.</li> <li>6. Report Items: names and titles of reporters, and the</li> </ol>

Section	Amended Articles	Previous Articles
	<p>major opinions of Directors, professionals, and other personnel.</p> <p>7. Discussion items: the resolution method and result for each proposal, the brief statements of the Directors, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations including those are submitted by Independent Directors pursuant to Article 7, paragraph 5.</p> <p>8. Extraordinary motions: name of proponent, the resolution method and result for each proposal, the brief statements of the Directors, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations.</p> <p>9. Other matters required to be recorded.</p> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a Board of Directors Meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:</p> <ol style="list-style-type: none"> <li>1. Any objection or expression of reservations by an Independent Director expresses of which there is a record or written statement.</li> <li>2. For the Company with the Audit Committee, a resolution is adopted with the approval of two-thirds or more of all Directors, without having been passed by the Audit Committee.</li> </ol> <p>The attendance book constitutes part of the meeting minutes and shall be retained during the existence of the Company.</p> <p>The meeting minutes shall be signed or sealed by the chairperson and record keeper and sent to each Director within 20 days of meeting, and shall be deemed important corporate records and appropriately preserved during the existence of the Company.</p> <p>The meeting minutes of paragraph 1 may produced and distributed in electronic form.</p>	<p>major opinions of Directors, professionals, and other personnel.</p> <p>7. Discussion items: the resolution method and result for each proposal, the brief statements of the Directors, <u>Supervisors</u>, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations including those are submitted by Independent Directors pursuant to Article 7, paragraph 5.</p> <p>8. Extraordinary motions: name of proponent, the resolution method and result for each proposal, the brief statements of the Directors, <u>Supervisors</u>, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations.</p> <p>9. Other matters required to be recorded.</p> <p>The occurrence of any of the following circumstances, with respect to a resolution passed at a Board of Directors Meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:</p> <ol style="list-style-type: none"> <li>1. Any objection or expression of reservations by an Independent Director expresses of which there is a record or written statement.</li> <li>2. For the Company with the Audit Committee, a resolution is adopted with the approval of two-thirds or more of all Directors, without having been passed by the Audit Committee.</li> </ol> <p>The attendance book constitutes part of the meeting minutes and shall be retained during the existence of the Company.</p> <p>The meeting minutes shall be signed or sealed by the chairperson and record keeper and sent to each Director <u>and Supervisor</u> within 20 days of meeting, and shall be deemed important corporate records and appropriately preserved during the existence of the Company.</p> <p>The meeting minutes of paragraph 1 may produced and distributed in electronic form.</p>

## **Independent Auditors' Report**

The Board of Directors and the Shareholders

Nien Hsing Textile Co., Ltd.

### **Opinion**

We have audited the Consolidated Balance Sheets of Nien Hsing Textile Co., Ltd. (the Company) and its subsidiaries (collectively, the Group) as of December 31, 2022 and 2021, and the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows and the notes to the Consolidated Financial Statements (including the Summary of Significant Accounting Policies) from January 1 to December 31, 2022 and 2021.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and consolidated cash flows for the years ended December 31, 2022 and 2021 in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the paragraph titled Auditors' Responsibilities for the Audit of the Consolidated Financial Statements. We have stayed independent from the Group as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters refer to the matters that, in our professional judgment, were of most significance in our audit of the 2022 Consolidated Financial Statements of the Group. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statements of the Group for the year ended December 31, 2022 are stated as follows:



## **Operating revenue from major clients**

Please refer to Note 4 for the accounting policies and critical accounting estimates used for revenue recognition.

### Description of Matter

The Group is principally engaged in the manufacturing and sales of denim fabric and apparels. Considering the significant risk associated with the recognition of revenue in the entire financial statements and the Standards on Auditing of the Republic of China, we have listed the authenticity of the sales revenue to some of the eligible customers as the key audit matter.

### Audit Procedures

The main audit procedures of the aforementioned key audit matter are as follows:

1. We studied the internal control mechanism related to sales transactions, and assessed the effectiveness of its design and implementation.
2. The substantiation test is conducted on the revenue transaction of the current year to confirm the authenticity of the sales.

### **Other Matter**

We have also audited the parent company only financial statements of Nien Hsing Textile Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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

It is the management's responsibility to fairly present the Consolidated Financial Statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission, and to maintain internal controls which are necessary for the preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

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

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

## **Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance refers to high level of assurance. Nevertheless, our audit, which was carried out in accordance with the Standards on Auditing of the Republic of China, does not guarantee that a material misstatement will be detected in the Consolidated Financial Statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 Group's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we believe there are events or conditions indicating the existence of a material uncertainty, we are required to remind the users of the Consolidated Financial Statements in our audit report of the relevant disclosures therein, or to amend our audit opinion when any inappropriate disclosure was found. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities of the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Ning Huang and Chih-Ming Shao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2023

Notice to Readers

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

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

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2022 AND 2021**
**Unit: In Thousands of New Taiwan Dollars**

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 4 and 6)	\$ 1,606,649	17	\$ 1,547,404	17
Notes receivable (Note 9 and 22)	2,021	-	1,556	-
Trade receivables - net (Notes 9 and 22)	1,675,286	18	1,738,077	19
Other receivables (Note 9)	57,937	1	40,232	-
Inventories (Note 10)	2,552,014	28	2,154,479	24
Prepayments	352,931	4	223,595	3
Other financial assets-current (Note 30)	5,153	-	50	-
Other current assets	<u>90,947</u>	<u>1</u>	<u>90,612</u>	<u>1</u>
Total current assets	<u>6,342,938</u>	<u>69</u>	<u>5,796,005</u>	<u>64</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss- non-current (Note 7)	32,509	-	103,252	1
Financial assets at fair value through other comprehensive income - non-current (Note 8)	858,590	10	1,081,831	12
Investments accounted for using the equity method (Note 12)	50,288	1	50,841	1
Property, plant and equipment (Notes 13 and 30)	1,378,016	15	1,434,189	16
Right-of-use assets (Note 14)	31,204	-	30,261	-
Investment properties - net (Note 15)	113,634	1	114,544	1
Deferred tax assets (Note 24)	318,532	4	368,359	4
Prepayments for equipment	26,641	-	56,761	1
Refundable deposits	<u>13,440</u>	<u>-</u>	<u>13,998</u>	<u>-</u>
Total non-current assets	<u>2,822,854</u>	<u>31</u>	<u>3,254,036</u>	<u>36</u>
Total assets	<u>\$ 9,165,792</u>	<u>100</u>	<u>\$ 9,050,041</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 156,248	2	\$ 67,283	1
Notes payable (Note 17)	6,618	-	64,385	1
Trade payables (Note 17)	246,487	3	231,910	3
Other payables (Note 18)	574,215	6	539,398	6
Current tax liabilities (Note 24)	95,875	1	6,665	-
Provisions for onerous contract (Note 19)	-	-	19,359	-
Lease liabilities - current (Note 14)	1,999	-	1,823	-
Other current liabilities	<u>47,457</u>	<u>1</u>	<u>41,280</u>	<u>-</u>
Total current liabilities	<u>1,128,899</u>	<u>13</u>	<u>972,103</u>	<u>11</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans (Note 16)	60,000	1	210,000	2
Deferred tax liabilities ( Note 24 )	292,849	3	302,690	4
Lease liabilities - non-current (Note 14)	33,315	-	30,507	-
Net defined benefit liabilities (Note 20)	46,193	-	107,691	1
Guarantee deposits received	<u>1,465</u>	<u>-</u>	<u>1,457</u>	<u>-</u>
Total non-current liabilities	<u>433,822</u>	<u>4</u>	<u>652,345</u>	<u>7</u>
Total liabilities	<u>1,562,721</u>	<u>17</u>	<u>1,624,448</u>	<u>18</u>
<b>Equity (Note 21)</b>				
Capital stock	<u>2,066,900</u>	<u>22</u>	<u>1,980,000</u>	<u>22</u>
Capital surplus	<u>509,657</u>	<u>6</u>	<u>419,716</u>	<u>5</u>
Retained earnings				
Legal reserve	2,328,626	25	2,282,156	25
Special reserve	157,802	2	-	-
Unappropriated earnings	<u>3,073,850</u>	<u>34</u>	<u>2,901,523</u>	<u>32</u>
Total retained earnings	<u>5,560,278</u>	<u>61</u>	<u>5,183,679</u>	<u>57</u>
Other Equity	<u>( 533,764 )</u>	<u>( 6 )</u>	<u>( 157,802 )</u>	<u>( 2 )</u>
Total equity	<u>7,603,071</u>	<u>83</u>	<u>7,425,593</u>	<u>82</u>
Total liabilities and equity	<u>\$ 9,165,792</u>	<u>100</u>	<u>\$ 9,050,041</u>	<u>100</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

**NIEN HSING TEXTILE CO., LTD. AND SUBIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
**Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share**

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)				
Sales	\$ 8,690,074	100	\$ 7,999,319	100
Less: Sales returns and allowances	<u>15,394</u>	<u>-</u>	<u>8,383</u>	<u>-</u>
Net sales	8,674,680	100	7,990,936	100
Revenue from processing	<u>20,489</u>	<u>-</u>	<u>21,525</u>	<u>-</u>
Total operating revenue	<u>8,695,169</u>	<u>100</u>	<u>8,012,461</u>	<u>100</u>
OPERATING COSTS (Notes 10, 20 and 23)				
Cost of goods sold	7,869,458	91	7,317,187	92
Processing costs	<u>18,662</u>	<u>-</u>	<u>22,055</u>	<u>-</u>
Total operating costs	<u>7,888,120</u>	<u>91</u>	<u>7,339,242</u>	<u>92</u>
GROSS PROFIT	<u>807,049</u>	<u>9</u>	<u>673,219</u>	<u>8</u>
OPERATING EXPENSES (Notes 9, 20, and 23)				
Selling and marketing expenses	282,611	3	281,359	4
General and administrative expenses	187,200	2	171,206	2
Research and development expenses	16,662	-	18,869	-
Expected credit loss (gain)	<u>10,174</u>	<u>-</u>	<u>(45,630)</u>	<u>(1)</u>
Total operating expenses	<u>496,647</u>	<u>5</u>	<u>425,804</u>	<u>5</u>
OPERATING PROFIT	<u>310,402</u>	<u>4</u>	<u>247,415</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Note 12, 23, and 29)				
Interest income	27,147	-	8,861	-
Other income	129,717	1	102,039	2
Other gains and losses	74,460	1	(60,785)	(1)

(Continued)

	2022		2021	
	Amount	%	Amount	%
Finance costs	(\$ 12,565)	-	(\$ 3,900)	-
Share of the profit or loss of associates accounted for using the equity method	( 2,237)	-	( 2,186)	-
Total non-operating income and expenses	<u>216,522</u>	<u>2</u>	<u>44,029</u>	<u>1</u>
NET PROFIT BEFORE INCOME TAX	526,924	6	291,444	4
INCOME TAX EXPENSES (Notes 4 and 24)	( 100,468)	( 1)	( 48,753)	( 1)
NET PROFIT FOR THE YEAR	<u>426,456</u>	<u>5</u>	<u>242,691</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME/(LOSS) (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	44,914	-	1,579	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	( 330,769)	( 4)	92,287	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 8,983)	-	( 316)	-
Items that may be reclassified subsequently to profit or loss				

(Continued)

	2022		2021	
	Amount	%	Amount	%
Exchange differences on translating the financial statements of foreign operations	\$ 178,956	2	(\$ 76,698)	( 1)
Income tax relating to items that may be reclassified subsequently to profit or loss	( 35,791)	-	15,340	-
Other comprehensive income (loss) for the year, net of income tax	( 151,673)	( 2)	32,192	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 274,783</u>	<u>3</u>	<u>\$ 274,883</u>	<u>3</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
From continuing operations				
Basic	<u>\$ 2.15</u>		<u>\$ 1.23</u>	
Diluted	<u>\$ 2.13</u>		<u>\$ 1.22</u>	

The accompanying notes are an integral part of the Consolidated Financial Statements.  
(Concluded)

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
Unit: In Thousands of New Taiwan Dollars**

	Equity Attributable to Owners of the Company						Other Equity			Total Equity
	Share capital (Note 21)		Capital surplus (Note 21)	Retained earnings (Notes 8 and 21)			Exchange differences on translating the financial statements of foreign operations (Note 21)	Unrealized gain/(loss) on financial assets at FVTOCI (Note 21)	Unearned employee compensation (Note 21 and 26)	
	Number of Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2021	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 274,992	\$ 2,280,629	( \$ 592,073 )	\$ 624,090	\$ -	\$ 7,269,509
Appropriation of the 2020 earnings										
Cash dividends to the Company's shareholders	-	-	-	-	-	( 118,800 )	-	-	-	( 118,800 )
Reversal of special reserve	-	-	-	-	( 274,992 )	274,992	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	242,691	-	-	-	242,691
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	1,263	( 61,358 )	92,287	-	32,192
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	243,954	( 61,358 )	92,287	-	274,883
Exercise the right of profit disgorgement	-	-	1	-	-	-	-	-	-	1
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	220,748	-	( 220,748 )	-	-
BALANCE AT DECEMBER 31, 2021	198,000	1,980,000	419,716	2,282,156	-	2,901,523	( 653,431 )	495,629	-	7,425,593
Appropriation of the 2021 earnings										
Provision of legal reserve	-	-	-	46,470	-	( 46,470 )	-	-	-	-
Provision of special reserve	-	-	-	-	157,802	( 157,802 )	-	-	-	-
Cash dividends to the Company's shareholders	-	-	-	-	-	( 206,960 )	-	-	-	( 206,960 )
Net profit for the year ended December 31, 2022	-	-	-	-	-	426,456	-	-	-	426,456
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	35,931	143,165	( 330,769 )	-	( 151,673 )
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	462,387	143,165	( 330,769 )	-	274,783
Share-based payment	8,690	86,900	89,941	-	-	270	-	-	( 67,456 )	109,655
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	120,902	-	( 120,902 )	-	-
BALANCE AT DECEMBER 31, 2022	206,690	\$ 2,066,900	\$ 509,657	\$ 2,328,626	\$ 157,802	\$ 3,073,850	( \$ 510,266 )	\$ 43,958	( \$ 67,456 )	\$ 7,603,071

The accompanying notes are an integral part of the Individual Financial Statements.



## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 Unit: In Thousands of New Taiwan Dollars

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax for the year	\$ 526,924	\$ 291,444
Adjustments for		
Depreciation expenses	242,721	252,595
Expected credit loss recognized/(reversed) on trade receivables	10,174	( 45,630)
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	20,810	( 5,494)
Finance costs	12,565	3,900
Interest income	( 27,147)	( 8,861)
Dividend income	( 68,584)	( 47,719)
Compensation cost of share-based payments	22,755	-
Share of the profit or loss of associates accounted for using the equity method	2,237	2,186
Proceeds from disposal of property, plant and equipment	( 2,164)	( 1,407)
Impairment loss	-	35,497
Loss on disposal of investments accounted for the using equity method	1	-
Write-down (reversal of write-down) of inventories	36,015	( 61,193)
Changes in operating assets and liabilities		
Notes receivable	( 465)	772
Trade receivables	52,126	185,907
Other financial assets	( 5,103)	1,940
Other receivables	( 14,064)	( 13,760)
Inventories	( 433,550)	( 10,649)
Prepayments	( 129,336)	1,676
Other current assets	( 335)	( 19,976)
Notes payable	( 57,767)	( 5,216)
Trade payables	14,577	( 61,612)
Other payables	34,350	( 28,466)
Provision for onerous contracts	( 19,359)	16,625
Other current liabilities	6,177	1,173
Net defined benefit liabilities	( 16,584)	( 21,118)

(Continued)

	<u>2022</u>	<u>2021</u>
Cash generated from operations	\$ 206,974	\$ 462,614
Income tax paid	( 16,046 )	( 5,955 )
Net cash inflow from operating activities	<u>190,928</u>	<u>456,659</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	( 125,325 )	( 57,298 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	12,442	250,900
Return of capital on financial assets at fair value through other comprehensive income	248	-
Purchase of financial assets at amortized cost	( 20,000 )	-
Disposal of financial assets at amortized cost	20,000	-
Purchase of financial assets at fair value through profit or loss	( 1,313 )	( 629 )
Disposal of financial assets at fair value through profit or loss	58,394	-
Return of capital on investments accounted for using the equity method	3,522	10,148
Payments for property, plant and equipment	( 49,502 )	( 49,198 )
Proceeds from disposal of property, plant and equipment	3,168	1,550
Decrease in refundable deposits	558	261
Increase in prepayments for equipment	( 64,854 )	( 60,906 )
Interest received	23,506	8,769
Dividends received	<u>76,703</u>	<u>48,125</u>
Net cash inflow (outflow) from investing activities	<u>( 62,453 )</u>	<u>151,722</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	88,965	( 158,907 )
Proceeds from long-term borrowings	480,000	420,000
Repayments of long-term borrowings	( 630,000 )	( 310,000 )
Increase (decrease) in guarantee deposits received	8	( 98 )
Payments of lease liabilities	-	( 370 )
Cash dividends	( 206,960 )	( 118,800 )
Proceeds from employment restricted shares	89,600	-
Return of employment restricted shares	( 2,700 )	-
Exercise the right of profit disgorgement	-	1
Interest paid	<u>( 12,013 )</u>	<u>( 3,889 )</u>
Net cash used in financing activities	<u>( 193,100 )</u>	<u>( 172,063 )</u>

(Continued)

	<u>2022</u>	<u>2021</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>123,870</u>	( <u>23,305</u> )
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,245	413,013
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,547,404</u>	<u>1,134,391</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,606,649</u>	<u>\$ 1,547,404</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

## **Independent Auditors' Report**

The Board of Directors and the Shareholders

Nien Hsing Textile Co., Ltd.

### **Opinion**

We have audited the Individual Balance Sheets of Nien Hsing Textile Co., Ltd. as of December 31, 2022 and 2021, and the Individual Statements of Comprehensive Income, Individual Statements of Changes in Equity, Individual Statements of Cash Flows and the notes to the Individual Financial Statements (including the Summary of Significant Accounting Policies) from January 1 to December 31, 2022 and 2021.

In our opinion, the aforementioned Individual Financial Statements present fairly, in all material respects, the individual financial position of Nien Hsing Textile Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Individual Financial Statements section of our report. We have stayed independent from Nien Hsing Textile Co., Ltd. as required by The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled other responsibilities as stipulated by the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters refer to the matters that, in our professional judgment, were of most significance in our audit of the 2022 Individual Financial Statements of Nien Hsing Textile Co., Ltd. These matters were addressed in the context 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 these matters.

Key audit matters for the Individual Financial Statements of Nien Hsing Textile Co., Ltd. for the year ended December 31, 2022 are stated as follows:

#### **Operating revenue from major clients**

Please refer to Note 4 for the accounting policies and critical accounting estimates used for revenue recognition.

### Description of Matter

Nien Hsing Textile Co., Ltd. is principally engaged in the manufacturing and sales of denim fabric and apparels. Considering the significant risk associated with the recognition of revenue in the entire financial statements and the Standards on Auditing of the Republic of China, we have listed the authenticity of the sales revenue to some of the eligible customers as the key audit matter.

### Audit Procedures

The main audit procedures of the aforementioned key audit matter are as follows:

1. We studied the internal control mechanism related to sales transactions, and assessed the effectiveness of its design and implementation.
2. The substantiation test is conducted on the revenue transaction of the current year to confirm the authenticity of the sales.

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

Management is responsible for 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Individual Financial Statements, management is responsible for assessing the ability of Nien Hsing Textile Co., Ltd. to continue as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate Nien Hsing Textile Co., Ltd. or cease its operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the financial reporting process.

### **Auditors' 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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement in the Individual Financial Statements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Individual Financial Statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the Individual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nien Hsing Textile Co., Ltd.'s internal control.
3. Assess the appropriateness of the accounting policies adopted by the management level, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Nien Hsing Textile Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Individual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Nien Hsing Textile Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the Individual Financial Statements, including the disclosures, and whether the Individual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities of Nien Hsing Textile Co., Ltd. to express an opinion on the Individual Financial Statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Individual Financial Statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Ning Huang and Chih-Ming Shao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2023

Notice to Readers

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

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

**NIEN HSING TEXTILE CO., LTD.**
**BALANCE SHEETS**
**DECEMBER 31, 2022 AND 2021**
**Unit: In Thousands of New Taiwan Dollars**

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 641,831	7	\$ 555,708	6
Notes receivable (Note 8)	2,021	-	1,556	-
Trade receivables, net (Notes 4 and 8)	1,476,281	16	1,590,889	18
Amounts due from affiliate enterprises (Note 26)	320,168	4	277,634	3
Other receivables (Note 8)	30,512	-	14,685	-
Inventories(Notes 4 and 9)	2,483,135	28	2,086,078	24
Prepayments	70,166	1	46,416	1
Other financial assets-current (Note 27)	50	-	50	-
Other current assets	10,614	-	24,313	-
Total current assets	<u>5,034,778</u>	<u>56</u>	<u>4,597,329</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 25)	341,695	4	359,059	4
Investments accounted for using the equity method (Notes 4 and 10)	2,351,309	26	2,507,295	28
Property, plant and equipment (Notes 4, 11 and 27)	853,844	9	836,441	10
Investment property, net (Notes 4 and 12)	113,634	1	114,544	1
Deferred tax assets (Notes 4 and 21)	318,532	4	368,359	4
Prepayments for equipment	26,641	-	56,761	1
Refundable deposits	11,111	-	11,629	-
Total non-current assets	<u>4,016,766</u>	<u>44</u>	<u>4,254,088</u>	<u>48</u>
Total assets	<u>\$ 9,051,544</u>	<u>100</u>	<u>\$ 8,851,417</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 13)	\$ 156,248	2	\$ 33,783	-
Notes payable (Note 14)	6,256	-	63,818	1
Trade payables (Note 14)	219,821	3	210,653	2
Amounts due from affiliate enterprises (Note 26)	295,775	3	221,812	3
Other payables (Note 15)	239,674	3	219,680	3
Current tax liabilities (Notes 4 and 21)	95,342	1	6,206	-
Provisions for onerous contract (Notes 4 and 16)	-	-	19,359	-
Other current liabilities	34,906	-	28,723	-
Total current liabilities	<u>1,048,022</u>	<u>12</u>	<u>804,034</u>	<u>9</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans (Note 13)	60,000	1	210,000	2
Deferred tax liabilities (Notes 4 and 21)	292,849	3	302,690	4
Net defined benefits liabilities (Notes 4 and 17)	46,193	-	107,691	1
Guarantee deposits received	1,409	-	1,409	-
Total non-current liabilities	<u>400,451</u>	<u>4</u>	<u>621,790</u>	<u>7</u>
Total liabilities	<u>1,448,473</u>	<u>16</u>	<u>1,425,824</u>	<u>16</u>
<b>EQUITY (Note 18)</b>				
Capital stock	2,066,900	23	1,980,000	22
Capital surplus	509,657	6	419,716	5
Retained earnings				
Legal reserve	2,328,626	25	2,282,156	26
Special reserve	157,802	2	-	-
Unappropriated earnings	3,073,850	34	2,901,523	33
Total retained earnings	<u>5,560,278</u>	<u>61</u>	<u>5,183,679</u>	<u>59</u>
Other Equity	(533,764)	(6)	(157,802)	(2)
Total equity	<u>7,603,071</u>	<u>84</u>	<u>7,425,593</u>	<u>84</u>
Total liabilities and equity	<u>\$ 9,051,544</u>	<u>100</u>	<u>\$ 8,851,417</u>	<u>100</u>

The accompanying notes are an integral part of the Individual Financial Statements.



# NIEN HSING TEXTILE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 19 and 26)				
Sales	\$ 8,690,074	100	\$ 7,999,319	100
Less: Sales returns and allowances	<u>15,394</u>	<u>-</u>	<u>8,383</u>	<u>-</u>
Net sales	8,674,680	100	7,990,936	100
Revenue from processing	<u>5,286</u>	<u>-</u>	<u>6,888</u>	<u>-</u>
Total operating revenue	<u>8,679,966</u>	<u>100</u>	<u>7,997,824</u>	<u>100</u>
OPERATING COSTS (Notes 9, 17, 20 and 26)				
Cost of goods sold	7,942,688	91	7,385,393	93
Processing costs	<u>4,454</u>	<u>-</u>	<u>6,182</u>	<u>-</u>
Total operating costs	<u>7,947,142</u>	<u>91</u>	<u>7,391,575</u>	<u>93</u>
GROSS PROFIT	<u>732,824</u>	<u>9</u>	<u>606,249</u>	<u>7</u>
OPERATING EXPENSES (Notes 8,17 and 20)				
Selling and marketing expenses	233,621	3	219,783	3
General and administrative expenses	164,665	2	150,595	2
Research and development expenses	16,662	-	18,869	-
Expected credit loss (gain)	<u>3,016</u>	<u>-</u>	<u>(46,222)</u>	<u>(1)</u>
Total operating expenses	<u>417,964</u>	<u>5</u>	<u>343,025</u>	<u>4</u>
OPERATING PROFIT	<u>314,860</u>	<u>4</u>	<u>263,224</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES (Notes 10, 20, and 26)				
Interest income	3,887	-	3,081	-
Other income	48,391	-	38,330	1
Other gains and losses	151,705	2	(29,206)	-
Finance costs	(10,889)	-	(1,740)	-
Share of profits (losses) of associates accounted for using the equity method	<u>12,841</u>	<u>-</u>	<u>13,035</u>	<u>-</u>
Total non-operating income and expenses	<u>205,935</u>	<u>2</u>	<u>23,500</u>	<u>1</u>

(Continued)

	2022		2021	
	Amount	%	Amount	%
NET PROFIT BEFORE INCOME TAX	\$ 520,795	6	\$ 286,724	4
Income Tax Expenses (Notes 4 and 21)	( 94,339)	( 1)	( 44,033)	( 1)
NET PROFIT FOR THE YEAR	<u>426,456</u>	<u>5</u>	<u>242,691</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	44,914	-	1,579	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	( 5,119)	-	47,934	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 8,983)	-	( 316)	-
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	( 325,650)	( 4)	44,353	-
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	178,956	2	( 76,698)	( 1)
Income tax relating to items that may be reclassified subsequently to profit or loss	( 35,791)	-	15,340	-
Other comprehensive income/(loss) for the year, net of income tax	( 151,673)	( 2)	32,192	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 274,783</u>	<u>3</u>	<u>\$ 274,883</u>	<u>3</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 2.15</u>		<u>\$ 1.23</u>	
Diluted	<u>\$ 2.13</u>		<u>\$ 1.22</u>	

The accompanying notes are an integral part of the Individual Financial Statements.

(Concluded)

**NIEN HSING TEXTILE CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
Unit: In Thousands of New Taiwan Dollars**

	Share capital (Note 18)		Capital surplus (Note 18)	Retained earnings (Notes 7 and 18)			Other Equity			Total Equity
	Number of Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating the financial statements of foreign operations (Note 18)	Unrealized gain/(loss) on financial assets at FVTOCI (Note 18)	Unearned employee compensation (Note 18 and 23)	
BALANCE AT JANUARY 1, 2021	198,000	\$ 1,980,000	\$ 419,715	\$ 2,282,156	\$ 274,992	\$ 2,280,629	( \$ 592,073 )	\$ 624,090	\$ -	\$ 7,269,509
Appropriation of the 2020 earnings										
Cash dividends to the Company's shareholders	-	-	-	-	-	( 118,800 )	-	-	-	( 118,800 )
Reversal of special reserve	-	-	-	-	( 274,992 )	274,992	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	242,691	-	-	-	242,691
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	1,263	( 61,358 )	92,287	-	32,192
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	243,954	( 61,358 )	92,287	-	274,883
Exercise the right of profit disgorgement	-	-	1	-	-	-	-	-	-	1
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	220,748	-	( 220,748 )	-	-
BALANCE AT DECEMBER 31, 2021	198,000	1,980,000	419,716	2,282,156	-	2,901,523	( 653,431 )	495,629	-	7,425,593
Appropriation of the 2021 earnings										
Provision of legal reserve	-	-	-	46,470	-	( 46,470 )	-	-	-	-
Provision of special reserve	-	-	-	-	157,802	( 157,802 )	-	-	-	-
Cash dividends to the Company's shareholders	-	-	-	-	-	( 206,960 )	-	-	-	( 206,960 )
Net profit for the year ended December 31, 2022	-	-	-	-	-	426,456	-	-	-	426,456
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	35,931	143,165	( 330,769 )	-	( 151,673 )
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	462,387	143,165	( 330,769 )	-	274,783
Share-based payment	8,690	86,900	89,941	-	-	270	-	-	( 67,456 )	109,655
Disposal of equity instruments measured at fair value through other comprehensive income/Subsidiaries' disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	120,902	-	( 120,902 )	-	-
BALANCE AT DECEMBER 31, 2022	206,690	\$ 2,066,900	\$ 509,657	\$ 2,328,626	\$ 157,802	\$ 3,073,850	( \$ 510,266 )	\$ 43,958	( \$ 67,456 )	\$ 7,603,071

The accompanying notes are an integral part of the Individual Financial Statements.

**NIEN HSING TEXTILE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**  
**Unit: In Thousands of New Taiwan Dollars**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before income tax for the year	\$ 520,795	\$ 286,724
Adjustments for		
Depreciation expenses	92,633	90,447
Expected credit loss recognized/(reversed) on trade receivables	3,016	( 46,222)
Finance costs	10,889	1,740
Interest income	( 3,887)	( 3,081)
Dividend income	( 44)	-
Compensation cost of share-based payments	22,755	-
Share of profits (losses) of associates and subsidiaries accounted for using the equity method	( 12,841)	( 13,035)
Proceeds from disposal of property, plant and equipment	( 2,898)	( 217)
Write-down (reversal of write-down) of inventories	36,015	( 61,193)
Changes in operating assets and liabilities		
Notes receivable	( 465)	772
Trade receivables	111,592	181,798
Receivable from associates	( 42,534)	( 52,422)
Other receivables	( 15,508)	1,881
Inventories	( 433,072)	( 45,773)
Prepayments	( 23,750)	( 7,753)
Other current assets	13,699	( 13,662)
Other financial assets	-	1,940
Notes payable	( 57,562)	( 2,611)
Trade payables	9,168	( 66,832)
Payables to associates	73,963	( 33,506)
Other payables	19,527	24,853
Provision for onerous contracts	( 19,359)	16,625
Other current liabilities	6,183	( 4,668)
Net defined benefit liabilities	( 16,584)	( 21,118)
Cash generated from operations	291,731	234,687
Income tax paid	( 9,991)	( 479)
Net cash inflow from operating activities	<u>281,740</u>	<u>234,208</u>

(Continued)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	(\$ 33,142)
Proceeds from disposal of financial assets at fair value through other comprehensive income	11,997	-
Return of capital on financial assets at fair value through other comprehensive income	248	-
Return of capital on investments accounted for using the equity method	-	128,372
Payments for property, plant and equipment	( 18,694)	( 19,266)
Proceeds from disposal of property, plant and equipment	2,923	237
Decrease (Increase) in refundable deposits	518	( 95)
Increase in prepayments for equipment	( 60,337)	( 54,226)
Interest received	3,568	3,067
Dividends received	<u>22,177</u>	<u>-</u>
Net cash inflow (outflow) from investing activities	<u>( 37,600)</u>	<u>24,947</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	122,465	( 117,407)
Proceeds from long-term borrowings	480,000	420,000
Repayments of long-term borrowings	( 630,000)	( 310,000)
Decreasing in guarantee deposits received	-	( 97)
Cash dividends	( 206,960)	( 118,800)
Proceeds from employment restricted shares	89,600	-
Return of employment restricted shares	( 2,700)	-
Exercise the right of profit disgorgement	-	1
Interest paid	<u>( 10,422)</u>	<u>( 1,847)</u>
Net cash used in financing activities	<u>( 158,017)</u>	<u>( 128,150)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>86,123</b>	<b>131,005</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>555,708</u></b>	<b><u>424,703</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 641,831</u></b>	<b><u>\$ 555,708</u></b>

The accompanying notes are an integral part of the Individual Financial Statements.

## Nien Hsing Textile Co., Ltd.

### Profit Distribution Table

#### 2022

Unit: NT\$

Item	Subtotal	Total
Cash dividend per share		2
Beginning undistributed profits		2,490,290,180
Disposal of investments in equity instruments at fair value through other comprehensive income		120,901,707
Actuarial gains (losses) of defined benefit plan		35,931,230
Adjustment of share-based payment transaction		270,000
Undistributed profits after adjustment		2,647,393,117
Net profit before tax of 2022	520,795,592	
Income tax expense	(94,339,402)	
Net profit after tax of 2022		426,456,190
Legal reserve		-
Special reserve		(375,961,880)
Accumulated distributable profits		2,697,887,427
Distributed items		
Shareholders' dividend		(412,900,000)
Ending undistributed profits		2,284,987,427

Note 1: Pursuant to the the decree of no.871941343 issued by Ministry of Finance on April 30, 1998, when distributing profits, the individual identification shall be adopted. The Company's principle of profits distribution is to allocate 2022 distributable profits first. Whenever insufficiency occurs, the distributable profits accumulated in previous years will be distributed based on the rule of last-in, first-out.

Chairman: Panda Investment Co., Ltd.    President: Shu-Hsuan Tsai    Chief Accountant: En-Tzu Liu  
 Representative: Wei-Han Chen

## **Nien Hsing Textile Co., Ltd. Rules for Election of Directors**

1. The election of the Directors of the company shall be conducted in accordance with the Rules.
2. The election of the Directors takes place in Shareholders' Meetings.
3. The election of the Directors adopts the single registration and cumulative voting system.  

In the process of electing Directors, the number of votes exercisable in respect of one share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.

The election of the Directors adopts the candidate nomination system specified in Article 192-1 of the Company Act, to elect the Directors by the Shareholders' Meetings from the candidate list. Independent Directors and non-Independent Directors shall be elected together and the number of elected seats should be counted separately.
4. Directors shall be elected from the persons with legal capacity at the Shareholders' Meeting, and these who win more voting rights pursuant to the Company's Articles of Incorporation and the number of seats determined by the Board of Directors are elected. Where any elected Director is confirmed that he/she personal data disqualified, or deemed incompetent pursuant to laws and regulations, the vacancy is filled by the candidate has the votes next to him/her. Where more than two candidates win the same votes but no seat available for all of them, these candidates win the same votes shall draw lots; if any of them is absent, the chairperson draws lot for him/her.  

The qualification of the Independent Directors shall meet the recognition criteria of the competent authority; the election of Independent Directors shall comply with the requirements of the competent authority.
5. Before the beginning of the election, the chairperson shall appoint a number of scrutineers and counting personnel to perform the respective duties of vote.
6. The tasks of scrutineers are as below:
  1. Examine the ballot box publicly before casting votes, and seal the ballot.
  2. Maintain the order and monitor if any negligence or violation of voting.
  3. After votes are casted, open the seal to take ballots, and check the number of ballots.
  4. Check if any invalid ballot, and count and sign-off the valid ballot.
  5. Monitor the counting personnel to record the voting rights won by each candidate.
7. If the candidate is a shareholder, the voter must fill in the name in the "Candidate" column of the ballot with the candidate's shareholder account name and number noted. If the candidate is not a shareholder, the name and the ID number of the candidate should be filled in the column of the ballot. However, when the government or corporate shareholder is a candidate, the name and uniform number of the government or corporate should be filled in the "Candidate" column of the ballot or the name of its representative stated. If there is more than one representative appointed, their names shall be filled in separately, and then insert the ballots in the ballot box.
8. An election ballot is invalid under any of the following circumstances:
  1. The ballot is not prepared in accordance with the provisions of the "Rules."
  2. More candidates are entered in than the assigned seats.
  3. Other than the account name (name) and account number (ID No.) of the candidate, other words or marks are entered.
  4. The writing is unclear and indecipherable.
  5. The candidate who is a shareholder, his/her account name and shareholder account number entered in the ballot does not match the shareholder roster, or the candidate who is not a shareholder, his/her name and ID number provided does not match.

6. The account name (name) of the candidate is the same as other shareholders, and there is no candidate account number (ID No.) available for identification.
9. Ballot boxes shall be set up for the elections of Directors.
10. After all ballots have been put into the boxes, the scrutineers and the counting personnel shall open the boxes together, and the ballots shall be counted publicly at the meeting venue.
11. The vote counting is monitored by the scrutineers.
12. For any questionable ballot, the scrutineers shall examine if the ballot shall be invalidated, and these invalidated ballots shall be placed aside. Once the number and voting rights represented are counted, the scrutineers shall indicate "invalid" on the ballots with their seals and signatures.
13. The results of the calculation shall be firstly checked by the scrutineers by calculating the sum of the valid votes and voting rights, invalid votes and voting rights, which are entered in the record respectively. Then the chairperson announces the names, account number (ID No.) and number of votes for election.
14. The Board of Directors shall issue notifications to the persons elected as Directors.
15. These Rules shall be adopted by the approval of the Shareholders' Meeting. The same applies to the amendments.
16. The Rules were established on March 25, 1992.  
The 1st amendment was made on May 2, 2002.  
The 2nd amendment was made on June 13, 2013.  
The 3rd amendment was made on June 15, 2015.  
The 4th amendment was made on June 16, 2020, and enforced up on the resolution of the Shareholders' Meeting.



## **Nien Hsing Textile Co., Ltd.**

### **Rules and Procedures of Board of Directors Meetings**

**Article 1:** To establish a well governance system and sound supervisory capabilities for the Company's Board of Directors and to strengthen management capabilities, these Rules are adopted pursuant to the Securities and Exchange Act and the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

**Article 2:** Unless otherwise stipulated by laws, regulations, or the Company's Articles of Incorporation, the rules of procedure for the Company's Board of Directors Meetings shall be governed by these Rules.

**Article 3:** The Board of Directors shall meet at least quarterly. The meeting notification of time, location and the reasons for convening shall be given to each Director and Supervisor 7 days before the Board of Directors Meeting. In emergency circumstances, however, a Board of Directors Meeting may be convened at any time. Directors are not to object the meeting on the basis where the notice period is shorter than 7 days.

The aforesaid notification may be effected by electronic transmission, after obtaining the consent of the recipient(s).

All items set out in Article 7, Paragraph 1, except in the case of an emergency or for other legitimate reason, shall be listed along with meeting notification and shall not be raised as extemporary motion.

**Article 4:** A Board of Directors Meeting shall be held at the premises and during the business hours of the Company, or at a place and time convenient for all Directors to attend and suitable for holding Board of Directors Meetings.

**Article 5:** The Finance & Administration Division shall prepare the agendas for the Board of Directors Meetings and notify all Directors and Supervisors within the specified time according to the provisions of Article 3, meanwhile, provide sufficient information and sent it with the meeting notification by paper or electronically.

The Director may ask the Finance & Administration Division for complement if he or she considers the meeting materials received is insufficient. The meeting shall be postponed based on the resolution from the Board of Directors if the Directors consider the materials of proposal insufficient for meeting.

**Article 6:** The content of Board of Directors Meetings shall include at least the following:

1. Report Items:

- (1) Minutes and execution status of last meeting.
- (2) Report of important financial business.
- (3) Report of internal audit business.
- (4) Other important report items.

2. Discussion Items:

- (1) Items remaining for discussion over the last meeting.
- (2) Items to be discussed at this meeting.

3. Extraordinary motions.

**Article 7:** The matters listed below shall be raised for discussion at a Board of Directors Meeting:

1. The Company's business plan.

2. Annual and semi-annual financial statements, with the exception of semi-annual financial statements that are not required under relevant laws and regulations to be audited and attested by accountants.

3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system.

4. Adoption or amendment pursuant to Article 36-1 of the Securities and Exchange Act of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, lending funds to other parties, and endorsements or guarantees for others.

5. The offering, issuance, or private placement of equity-type securities.
6. Appointment or discharge of a financial, accounting, or internal auditing officer.
7. Donation to related parties or significant donation to non-related parties, provided that public donation as relief aid due to a major natural disaster, may be submitted for ratification at the next Board of Directors Meeting.
8. Any matter that, pursuant to Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation, must be approved by resolution at a Shareholders' Meeting or Board of Directors Meeting, or any material matter that is prescribed by the competent authority.

The "related party", mentioned in the preceding 7th item, is defined as "Affiliate" based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers. "Significant donation to non-related parties" refers to the amount of each donation or an accumulative amount of donation to the same party within one year, equals to more than NT\$ 100 million or, 1% of revenue or above 5% of paid-in capital recorded in the most recent audited annual financial statements.

The term "within one year" in the preceding paragraph means a period of one year calculated retroactively from the date on which the current Board of Directors Meeting is convened. Amounts which have been submitted to and approved by a resolution of the Board of Directors Meeting shall not be included in the calculation.

In the case of a foreign issuer whose shares have no par value or a par value other than NT\$ 10, the amount of 5% of paid-in capital specified under paragraph 2 shall be calculated as 2.5% of shareholders' equity instead.

The Board of Directors Meetings shall have at least one Independent Director attend in person. With respect to the discussion of matters specified under paragraph 1, all Independent Directors shall attend Board of Directors Meetings in person; if an Independent Director is unable to attend a Board of Directors Meeting in person, the Independent Director shall delegate his or her rights to another Independent Director to attend on his or her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board of Directors Meetings minutes. If Independent Directors are unable to attend Board of Directors Meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board of Directors Meetings minutes.

**Article 8:** Except the matters which shall be discussed at a Board of Directors Meeting under paragraph 1 of the preceding article, with respect to the level and content of delegation by the Board of Directors in accordance with laws and regulations or the Company's Articles of Incorporation, shall be concrete and specific, and the execution status shall be reported to the Board of Directors.

**Article 9:** The attendance book shall be provided for signing by the attending Directors during the meeting of Board of Directors and shall be made available for future reference.

Directors shall attend Board of Directors Meetings in person. A Director who is unable to attend in person may appoint another Director to attend the meeting in his or her behalf in accordance with the Company's Articles of Incorporation. A Director attending the meeting through video conference shall be deemed present in person, but the signed attendance card must be sent by fax.

In case a Director appoints another Director to attend a Board of Directors Meeting in his/her behalf, he/she shall, in each time, issue a written proxy stated a scope of authorization with reference to the subjects to be discussed at the meeting.

Each Director is limited to accept one appointment to act as the proxy referred to in paragraph 2 of one other Director only.

**Article 10:** Where a Board of Directors Meeting is convened by the Chairman of the Board, the meeting shall be chaired by the Chairman. However, with respect to the first meeting of each newly elected Board of Directors, the meeting shall be convened and chaired by the Director who received votes representing the largest portion of voting rights at the Shareholders' Meeting in which the Directors were elected; if two or more Directors are

entitled to convene the meeting, they shall select one of themselves to serve as chairperson.

The Board of Directors Meetings convened by the majority of Directors pursuant to Paragraph 4, Article 203 or Paragraph 3, Article 203-1 of the Company Act, the chairperson is selected among the Directors.

When the Chairman is on leave or for any reason unable to exercise the powers, the Vice Chairman shall act in place of the chairperson; if the Vice Chairman is also on leave or for any reason unable to exercise the powers, the Chairman shall appoint one of the Directors to act as chairperson. If no such designation is made by the Chairman, Directors shall appoint one of themselves to act as chairperson.

**Article 11:** When a Board of Directors Meeting is held, the management shall provide the attending Directors with relevant materials for reference.

Based on requirements of the content of a proposal, personnel of relevant department and subsidiaries may be appointed to attend as non-voting delegates to assist the Directors to understand the Company status and make appropriate decisions.

If necessary, accountants, lawyers or other professionals may be invited to attend the meeting and to make explanatory statements but should leave during discussion and voting.

Supervisors may participate in discussion when representing in a Board of Directors Meeting; however, they have no voting rights to the matters under the authority of the Board of Directors.

**Article 12:** If a majority of all Directors are not in attendance at the scheduled meeting time, the chairperson may announce postponement of the meeting time. The postponement shall be limited to two times. If quorum is still not present after a second postponement, the chairperson shall re-convene the meeting in accordance with the procedures in Paragraph 1, Article 3.

The number of "all Directors," as used in the preceding paragraph shall be counted as the number of Directors then actually in office.

**Article 13:** A Board of Directors Meeting shall follow the agenda given in meeting notification. However, the agenda may be changed with the approval of a majority of Directors in attendance at the Board of Directors Meeting.

For the proposal discussed at a Board of Directors Meeting, if two or more Directors deem the related information insufficient, and seconded by the majority of the Directors, the Directors may requested the Board to postpone the discussion of the proposal, and the Board shall agree the requirement.

Without the approval of a majority of the attending Directors, the chairperson shall not declare adjournment of the meeting.

When a meeting is in progress, the chairperson may announce a break or time of negotiation based on time considerations.

In the progress of the meeting, the chairperson shall declare adjournment of the meeting at the proposal of the Directors present if the number of the Directors present does not constitute a majority of the attending Directors and shall apply mutatis mutandis of the provisions under paragraph 1 of the preceding article.

**Article 14:** After a speech of an attending Director, the chairperson may reply in person, appoint the related personnel to reply, or appoint the participating professionals to provide the related information.

**Article 15:** For proposal discussion, the chairperson may announce conclusion of the discussion and submit the proposal for voting at his/her discretion.

Regarding the resolution of proposal, it will be deemed approved if the chairperson inquires and receives no objection from the attending Directors. However, if there are any objections after the chairperson's inquiry, the proposal shall be submitted for voting.

The chairperson can choose one of the following methods for voting, if there are any objections from the attending Directors, the method shall then be decided by the majority:

1. Hand raising or voting devices.
2. Roll call.
3. Ballot casting.

The "Attending Directors," as used in the paragraph 2, does not include Directors that may not exercise voting rights pursuant to Article 17, Paragraph 1.

**Article 16:** The passage of a proposal, unless otherwise stipulated by laws, regulations, or the Company's Articles of Incorporation, shall require the approval of a majority of the attending Directors at a Board of Directors Meeting attended by a majority of all Directors.

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

If a vote on a proposal requires scrutineers and counting personnel, the chairperson shall appoint such personnel. All scrutineers must have the status of Directors.

Voting results shall be reported immediately and recorded in writing.

If any resolutions by the Board of Directors Meetings are material information as stipulated by laws, regulations, or Taiwan Stock Exchange Corporation, the Company shall upload the content to the Market Observation Post System prior to a deadline.

**Article 17:** A Director shall explain his/her interest in the proposal when the proposal has a personal interest or concerns interest of which he or she represents for other legal entity. When the relationship is likely to prejudice the interest of the Company, the Director shall not participate in discussion or voting on that proposal and shall not exercise the voting right as proxy for another Director.

Where the spouse, a relative within the second degree of kinship of a Director, or any company which has a controlling or subordinate relation with a Director has interests in the proposal mentioned in the preceding paragraph, the Director shall be deemed to have a personal interest.

Where a Director is prohibited by the preceding two paragraphs from exercising voting rights with respect to a resolution at a Board of Directors Meeting, shall apply mutatis mutandis of the provisions of Article 180, Paragraph 2 of the Company Act in accordance with Article 206, Paragraph 4 of the Company Act.

**Article 18:** Resolutions adopted at a Board of Directors Meeting shall be recorded in the minutes of the meeting and shall contain detailed description as follows:

1. Meeting session (or year), time and location of the meeting.
2. Name of chairperson.
3. Attendance status of Directors, including the numbers and names of Directors that are, present, absent and on leave.
4. Names and Titles of the attendees.
5. Name of record keeper.
6. Report Items: names and titles of reporters, and the major opinions of Directors, professionals, and other personnel.
7. Discussion items: the resolution method and result for each proposal, the brief statements of the Directors, Supervisors, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations including those are submitted by Independent Directors pursuant to Article 7, Paragraph 5.

8. Extraordinary motions: name of proponent, the resolution method and result for each proposal, the brief statements of the Directors, Supervisors, experts, or others, name of Director involved in the matter regarding his or her personal interest in paragraph 1 of the preceding article, explanation of the important aspects of personal interest matter, the reasons why the Director was required or not required to enter recusal, the status of their recusal, and records or written statements of objections or reservations.
9. Other matters required to be recorded.

The occurrence of any of the following circumstances, with respect to a resolution passed at a Board of Directors Meeting, shall be stated in the meeting minutes and shall be publicly announced and filed on the website of the Market Observation Post System designated by the Financial Supervisory Commission, within 2 days from the date of the meeting:

1. Any objection or expression of reservations by an Independent Director expresses of which there is a record or written statement.
2. For the Company with the Audit Committee, a resolution is adopted with the approval of two-thirds or more of all Directors, without having been passed by the Audit Committee.

The attendance book constitutes part of the meeting minutes and shall be retained during the existence of the Company.

The meeting minutes shall be signed or sealed by the chairperson and record keeper and sent to each Director and Supervisor within 20 days of meeting, and shall be deemed important corporate records and appropriately preserved during the existence of the Company.

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

**Article 19:** Proceedings of a Board of Directors Meeting shall be fully recorded in audio or in video, and the recording shall be retained for a minimum of 5 years. The record may be retained in electronic form.

If any litigation arises with respect to a resolution of a Board of Directors Meeting before the end of the retention period of the preceding paragraph, the relevant audio or video record shall be retained until the conclusion of the litigation.

Where a Board of Directors Meeting is held by videoconference, the audio or video record of the meeting constitutes part of the meeting minutes and shall be retained during the existence of the Company.

**Article 20:** These Rules shall be adopted by the approval of the Board of Directors Meeting and shall be reported to the Shareholders' Meeting. The same applies to the amendments.

## **Nien Hsing Textile Co., Ltd.**

### **Rules and Procedures of Shareholders' Meetings**

**1. (Basis of establishment)**

To establish a well governance system and sound supervisory capabilities for the Company's Shareholders' Meetings and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

2. Unless otherwise stipulated by laws, regulations, or the Company's Articles of Incorporation, the rules of procedure for the Company's Shareholders' Meetings shall be governed by these Rules.

**3. (Convening Shareholders' Meetings and meeting notification)**

Unless otherwise stipulated by laws or regulations, the Company's Shareholders' Meetings shall be convened by the Board of Directors.

To convene a General Shareholders' Meeting, Shareholders shall be notified 30 days before the date of a General Shareholders' Meeting; for the Shareholders holding less than 1,000 registered shares, the meeting notification may be announced on the Market Observation Post System (MOPS) before 30 days; for an Extraordinary Shareholders' Meeting, Shareholders shall be notified 15 days before the date of an Extraordinary Shareholders' Meeting; for the Shareholders holding less than 1,000 registered shares, the meeting notification may be announced on the MOPS before 15 days.

The cause of convention shall be specified in the meeting notification and announcement.

Election or dismissal of Directors, amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, removal non-competition restrictions on Directors, capitalization of earnings, capitalization of legal reserve, dissolution, merger, or demerger of the Company, or any matter in each subparagraph under Article 185, Paragraph 1 of the Company Act; Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be set out in the meeting notification and the essential contents shall be explained. None of the above matters may be raised by an extraordinary motion. The main content shall be placed on the website(s) designated by the securities competent authority or the Company, and specify the link on the meeting notification.

Where an election of new Directors and their inauguration date are stated in the notification of a Shareholders' Meeting, after the completion of the election, such inauguration date may not be altered by any extraordinary motion or otherwise in this meeting.

A Shareholder holding 1% or more of the total number of the issued shares may submit to the Company a proposal in writing for discussion at a General Shareholders' Meeting. The number of items proposed is limited only to one, and no proposal containing more than one item will be included in the meeting agenda. However, proposals proposed by Shareholders to promote the Company's promotion of social public interests or fulfillment of social responsibilities may still be included in the list of proposals to be discussed at the meeting by the Board of Directors. A Shareholder's proposal in alignment with any circumstance in Paragraph 4, Article 172-1 of the Company Act shall not be included in the meeting agenda by the Board of Directors.

Prior to the book closure date before an Annual General Shareholders' Meeting is held, the Company shall publicly announce its acceptance of Shareholders' proposals in writing or electronically and the location and time period for their submission; the period for acceptance of Shareholders' proposals may not be fewer than 10 days.

Each of such proposals is 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 Annual General Shareholders' Meeting and take part in the discussion of the proposal.

Prior to the date for issuance of notice of a Shareholders' Meeting, the Company shall inform the Shareholders who submitted proposals the results of their proposals and shall list the proposals that conform to the provisions of this article in the meeting notification. With the proposals submitted by Shareholders but not included in the meeting agenda, the Board of Directors shall explain the reasons for rejecting such proposals at a General Shareholders' Meeting.

To convene a Shareholders' Meeting, the Company shall prepare a handbook for the meeting and shall disclose the handbook together with other information related to the meeting in public prior to the scheduled meeting date.

**4. (Proxy and authorization)**

For each Shareholders' Meeting, a Shareholder may appoint a proxy to attend the meeting by providing a written proxy issued by the Company and stating the scope of the proxy's authorization.

Each Shareholder may issue only one written proxy and appoint only one proxy for a Shareholders' Meeting, and the written proxy shall be delivered to the Company at least 5 days before the date of the Shareholders' Meeting. When duplicate written proxies are delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous written proxy.

In case a Shareholder who has submitted a written proxy intends to attend the Shareholders' Meeting in person, or exercising his/her voting rights in writing or electronically, a written proxy rescission notice shall be delivered to the Company at least 2 days before the date of the Shareholders' Meeting, otherwise, the voting rights exercised by the authorized proxy at the meeting shall prevail.

When the government or a juridical person is a Shareholder, it may be represented by more than one representative. However, the juridical person attended the Shareholder's Meeting by proxy can authorize only one representative to attend the meeting.

**5. (Principles for the location and time of a Shareholders' Meeting)**

A Shareholders' Meeting shall be held at the premises or at a place and time convenient for Shareholders to attend and suitable for holding Shareholders' Meetings. The meeting time shall not earlier than 9 a.m. and shall not later than 3 p.m.

**6. (Preparation of a sign-in book and other documents)**

In the meeting notification, the company shall specify the reporting time and place for Shareholders to sign in and other related information.

The Shareholder reporting time referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There should be clear signs at the reporting place with adequate staff assigned to handle the process.

Shareholders or the proxies appointed by Shareholders (hereinafter "Shareholders") shall attend Shareholders' Meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting written proxies shall also bring identification documents for verification.

The Company shall furnish attending Shareholders with the handbook for the meeting, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of Directors, ballots shall also be furnished.

Shareholders shall attend Shareholders' Meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting written proxies shall also be distinguished in a significant approach.

**7. (Chairperson of the Shareholders' Meeting and attendees in a non-voting capacity)**

Where a Shareholders Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman is on leave or for any reason unable to exercise the powers, the Vice Chairman shall act in place of the chairperson; if the Vice Chairman is also on leave or for any reason unable to exercise the powers, the Chairman shall appoint one of the Directors to act as chairperson. If no such designation is made by the

Chairman, Directors shall appoint one of themselves to act as chairperson..

When a Director acts as the said chairperson, the Director shall have held the position for at least six months with great understanding of the Company's financial position and business conditions. The same as a representative of a juristic person Director that acts as the chairperson.

Where a Shareholders' Meeting is convened by a convener other than the Board of Directors, the meeting shall be chaired by the convener. When there are two or more conveners, they shall appoint one of themselves to act as chairperson.

Where a Shareholders Meeting is convened by the Board of Directors, the meeting shall be attended by a majority of the Directors in person.

The Company may appoint its lawyers, certified public accountants, or related personnel to attend a Shareholders' Meeting in a non-voting capacity.

**8. (The audio or video recording of the Shareholders' Meeting)**

The Company shall make an uninterrupted audio and video recording of the entire process of the Shareholders' Meeting from Shareholders' sign-in, the proceedings of the meeting, as well as the process of voting and vote counting.

The audio and video recording in the preceding paragraph shall be kept for at least one year. If, however, a Shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

**9. (The shares represented by Shareholders present at the Shareholders' Meeting)**

Attendance at Shareholders' Meetings shall be counted based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in, plus the number of shares whose voting rights are exercised in writing or electronically.

The chairperson shall call the meeting to order at the scheduled meeting time; however, the chairperson may have the meeting postponed if the attending Shareholders do not represent a majority of the total number of issued shares. The postponement shall be limited to two times for a total of less than 1 hour. If quorum of the attending Shareholders is still less than one third of the total number of issued shares after a second postponement, the chairperson shall declare the meeting adjourned.

If the quorum is still not present after a second postponement as referred to in the preceding paragraph, but the attending Shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, Paragraph 1 of the Company Act; all Shareholders shall be notified of the tentative resolution and another Shareholders' Meeting shall be convened within one month.

When, prior to conclusion of the meeting, the attending Shareholders represent a majority of the total number of issued shares, the chairperson may resubmit the tentative resolution for a vote by the Shareholders' Meeting pursuant to Article 174 of the Company Act.

**10. (Proposal discussion)**

If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on the proposals on the agenda one by one (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which shall not be changed without a resolution by the Shareholders' Meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a Shareholders' Meeting convened by a convener other than the Board of Directors.

The chairperson shall not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution by the Shareholders' Meeting. If the chairperson declares the meeting adjourned in violation of the rules of procedure, a new chairperson may be elected by agreement of a majority of the votes represented by the attending Shareholders to continue the meeting.



After the meeting was adjourned, Shareholders shall not elect another chairperson to continue the meeting at the original meeting place or at another place.

The chairperson shall allow ample opportunity for explanation and discussion of proposals and the amendments or extraordinary motions proposed by the Shareholders during the meeting. When the chairperson considers that a proposal has been discussed sufficiently to put it to a vote, the chairperson shall announce the discussion closed, call for a vote and schedule sufficient time for voting.

#### **11. (Speeches by Shareholders)**

Before speaking, an attending Shareholder shall specify on a speaker's slip the subject of the speech, their Shareholder account number, attendance card number, and account name. The order in which Shareholders speak will be set by the chairperson.

An attending Shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech is not in alignment with the subject on the speaker's slip, the spoken content shall prevail.

When a Shareholder speaks, without the consent of the Chairperson or the speaking Shareholder, other Shareholders shall not interfere with the speaking Shareholder. The Chairperson may have the violating Shareholders stopped.

Except with the consent of the chairperson, a Shareholder shall not speak more than twice on the same proposal, and a single speech shall not exceed 5 minutes; if the Shareholder's speech violates the rules or exceeds the scope of the motion, the chairperson may have the Shareholder stopped.

If a corporate Shareholder designates two or more representatives to attend a Shareholders' Meeting, only one of the representatives can speak on the same proposal.

After an attending Shareholder has spoken, the chairperson may respond in person or direct relevant personnel to respond.

#### **12. (Calculation of voting shares)**

Votes cast at Shareholders' Meetings shall be calculated based on numbers of shares.

With respect to resolutions by a Shareholders' Meeting, the number of shares held by a Shareholder without voting rights shall not be calculated as part of the total number of issued shares.

When a Shareholder has a personal interest on a proposal and the relationship is likely to prejudice the interest of the Company, the Shareholder shall not vote on that proposal and shall not exercise voting rights as a proxy for any other Shareholder.

The number of shares for which voting rights shall not be exercised under the preceding paragraph shall not be counted toward the number of the voting rights represented by attending Shareholders.

With the exception of a trust enterprise or a stock affairs agency approved by the competent securities authority, when a person is concurrently appointed as a proxy by two or more Shareholders, the voting rights represented by that proxy shall not exceed 3% of the voting rights represented by the total number of the issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the counting.

#### **13. (Methods for voting, scrutinizing, and vote counting)**

Each Shareholder shall be entitled to one vote for each share held, except the restricted shares or the shares are deemed non-voting under Article 179, Paragraph 2 of the Company Act.

When the Company holds a Shareholders' Meeting, it shall adopt the exercise of voting rights in electronically or may adopt the exercise of voting rights in writing; the method of exercise of voting rights shall be specified in the meeting notification. A Shareholder's exercise of voting rights in writing or electronically will be deemed to have attended the meeting in person, but to have waived their rights with respect to the extraordinary motions and amendments to original proposals of that meeting. Therefore, the Company shall best avoid the submission of extraordinary motions and amendments to original proposals.

A Shareholder exercising voting rights in writing or electronically shall deliver a written declaration of intention to the Company at least 2 days before the date of the Shareholders' Meeting. When duplicate declarations of intention are delivered, the one received earliest shall prevail, except a declaration is made to cancel the earlier declaration of intention.

In case a Shareholder who has exercised voting rights in writing or electronically intends to attend the Shareholders' Meeting in person, he/she shall revoke the declaration of intention in the same way previously used in exercising his/her voting rights at least 2 days before the date of the Shareholders' Meeting. If the previous declaration of intention is not revoked within the time limit, the voting rights previously exercised in writing or electronically shall prevail. In case a Shareholder has exercised voting rights in writing or electronically, and has also authorized a proxy to attend the Shareholders' Meeting on his/her behalf, it is deemed that the declaration of intent is revoked and the voting rights exercised by the proxy shall prevail.

The passage of a proposal, unless otherwise stipulated by laws, regulations, or the Company's Articles of Incorporation, shall require the approval of a majority of the voting rights represented by the attending Shareholders. When voting, for each proposal, the chairperson or the designated personnel shall first announce the total number of voting rights represented by the attending Shareholders, and then the Shareholders vote on a case-by-case basis. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be uploaded to the MOPS.

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

Scrutineers and counting personnel for the voting on proposals shall be appointed by the chairperson. All scrutineers must have the status of Shareholders of the Company.

Vote counting for proposals or elections at a Shareholders' Meeting shall be conducted in public at the place of the Shareholders' Meeting. After vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be reported immediately and recorded in writing.

#### **14. (Elections)**

The election of Directors at a Shareholders' Meeting shall be held in accordance with the Rules for Election of Directors adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as Directors and the number of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be kept in proper custody for at least one year. If, however, a Shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### **15. (Meeting minutes and documents to be signed)**

Matters relating to the resolutions by a Shareholders' Meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairperson of the meeting and a copy distributed to each Shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

The said distribution may be announced through the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of votes won by each candidate in the event of an election of Directors. The minutes shall be retained during the existence of the Company.

#### **16. (Public disclosure)**

On the day of a Shareholders' Meeting, the Company shall prepare a statistical statement of the number of shares obtained by solicitors through solicitation, and the number of shares represented by proxies in the prescribed format and shall disclose the statement at the meeting venue.

If any resolution by the Shareholders' Meeting is material information as stipulated by laws, regulations, or Taiwan Stock Exchange Corporation, the Company shall upload the content to the MOPS prior to a deadline.

**17. (Maintenance of the order of the venue)**

Staff handling administrative affairs of a Shareholders' Meeting shall wear an identification badge or an armband.

The chairperson may direct the proctors or security personnel to help maintain order at the meeting place. Proctors or security personnel help maintain order at the meeting place shall wear an identification badge or an armband, as "Proctor."

At the meeting venue equipped with megaphone, if a Shareholder attempts to speak through any device not set up by the Company, the chairperson may prevent the Shareholder from so doing.

When a Shareholder violates the rules of procedure and defies the chairperson's correction, obstructing the proceedings and refusing to heed calls to stop, the chairperson may direct the proctors or security personnel to escort the Shareholder from the meeting.

**18. (Break and resumption of a Shareholders' Meeting)**

When a meeting is in progress, the chairperson may announce a break based on time considerations. If a force majeure event occurs, the chairperson may rule the meeting temporarily suspended and, as appropriate, announce the resumption of the meeting.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the Shareholders' Meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a Shareholders' Meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

**19.** Any matter not mentioned in the Rules shall comply with the related laws and regulations.

**20.** These Rules shall be adopted by the approval of the Shareholders' Meeting. The same applies to the amendments.

# Nien Hsing Textile Co., Ltd.

## Articles of Incorporation

### Chapter I General Provisions

- Article 1:** The Company is incorporated in accordance with the Company Act and named Nien Hsing Textile Co., Ltd.
- Article 2:** The Company operates the business as follows:
1. C301010 Spinning of Yarn.
  2. C302010 Weaving of Textiles.
  3. C306010 Wearing Apparel.
  4. F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories.
  5. F111090 Wholesale of Building Materials.
  6. F401010 International Trade.
  7. G801010 Warehousing.
  8. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1:** The Company may provide guarantee to and accepted guarantee from the affiliates if the business requires.
- Article 3:** The Company's headquarter is located in Miaoli County, Taiwan, the Board of Directors may by resolution approve the establishment of domestic or international branches where it deems necessary.
- Article 4:** The Company's announcement methods shall be handled in accordance with the provisions of Article 28 of the Company Act.

### Chapter II Shares

- Article 5:** The Company's authorized total capital is NT\$6,000,000,000, and divided into 600,000,000 shares, at the par value of NT\$10 each, and the Board of Directors is authorized to issue the un-issued shares in separate trenches.
- Article 6:** The shares of the Company are registered shares, which are signed or sealed by the three or more Directors, and issued after the certification.
- When the Company issues the shares, the total number of the issuance may be printed or exempted from printing, however, the registration shall be recorded at the Securities Central Depository Enterprises.
- Article 7:** Shareholders shall report their real names (in case of the names of corporate shareholders, the real names of each shareholder and/or the representatives) and addresses to the Company, and fill out the signature card and sent it to the Company for retention. When Shareholders want to receive dividends, other benefits or exercise their rights in writing, the signature card is the required proof.
- Article 8:** To transfer, pledge, report loss of, inherit shares, or report loss of or change signature cards, or change address, among other shareholder services, unless the laws and securities regulations provide otherwise, the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authorities shall be comply with.
- Article 9:** The registration of transferred shares shall be suspended within 60 days before a General Shareholders' Meeting, 30 days before an Extraordinary Shareholders' Meeting, or within 5 days before the Company distributes dividends, bonuses, or other benefits.

## Chapter III Shareholders' Meetings

- Article 10:** Shareholders' Meeting shall be of two kinds, General or Extraordinary Shareholders' Meetings. General Shareholders' Meeting shall be held once a year within 6 months of the end of the Company's financial year, unless otherwise approved by the competent authority for good cause shown. Extraordinary Shareholders' Meetings shall be convened in accordance with the relevant laws, rules and regulations, if necessary.
- Article 11:** A notice shall be given to each shareholder no later than 30 days before a General Shareholders' Meeting, or 15 days before an Extraordinary Shareholders' Meeting. The said notice shall specify the date, location and reasons for calling the Shareholders' Meeting.
- Article 12:** A shareholder who is unable to attend the Shareholders' Meeting for reasons may appoint a proxy to attend the meeting by way of the written proxy issued by the company with a scope of authorization. The said written proxy shall be delivered to the Company 5 days before the meeting. Method for Shareholders to appoint a proxy to attend the meeting shall be in accordance with the "Regulations Governing the Use of Proxies for Attendance at Shareholders Meetings of Public Companies" promulgated by the competent authority. According to the regulations of the competent authorities, the Company's Shareholders may exercise the voting right at a Shareholders' Meeting by electronic transmission. A Shareholder who exercises one's voting right by electronic transmission shall be deemed to attend the said Shareholders' Meeting in person. The relevant matters shall be conducted in accordance with laws and regulations.
- Article 13:** Where a Shareholders Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman of the Board. When the Chairman is absent, the Vice Chairman shall be the chairperson. When both Chairman and Vice Chairman are absent, the Chairman shall appoint one of the Directors to act as chairperson, or, if no appointment, Directors shall appoint one of themselves to act as chairperson. Where a Shareholders' Meeting is convened by a convener other than the Board of Directors, the meeting shall be chaired by the convener. When there are two or more conveners, they shall appoint one of themselves to act as chairperson.
- Article 14:** A shareholder shall have one voting right per share, except in the circumstances otherwise provided for in Article 179 of the Company Act.
- Article 15:** Resolutions at a Shareholders' Meeting shall, unless otherwise stipulated by laws or regulations, be adopted by a majority of the attending Shareholders, who represent more than one-half of the total number of voting shares.

## Chapter 4 Directors

- Article 16:** There shall be 7 to 9 Directors of the Company with a term of 3 years. Directors shall be elected and appointed from the persons with legal capacity at the Shareholders' Meeting, and may be re-elected and re-appointed. The total shares number of the Company's registered shares held by all Directors shall meet the required standards of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies" promulgated by the competent authority.

Among the said seats of Directors, at least 3 Independent Directors shall be elected, and shall not be less than one-fifth of all Directors seats. The election of the Directors adopts the candidate nomination system specified in Article 192-1 of the Company Act, to elect the Directors by the Shareholders' Meetings from the candidate list. Independent Directors and non-Independent Directors shall be elected together and the number of elected seats should be calculated separately. The professional qualifications, shareholding, restrictions on positions held concurrently, nomination, election methods, and other matters to be followed for Independent Directors shall be handled in accordance with the relevant regulations of the competent securities authority.

**Article 16-1:** The Company has established the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee composes by all Independent Directors and responsible for performing duties of Supervisors under the Company Act, the Securities and Exchange Act, and other laws and regulations.

The members, exercise of powers, and other matters to be abided by the Audit Committee shall comply with the related laws, or the Company's regulations. The organization regulations of the Audit Committee shall be adopted by the Board of Director separately.

**Article 17:** In case the Chairman is on leave or is unable to exercise his power, the Vice Chairman shall act on his behalf. In case the Vice Chairman is also unavailable, the Chairman shall designate one of the Directors to act on his behalf. In the absence of such a designation, the Directors shall elect one of themselves to act as the chairman of the Company. If the term of Directors expires and no new Directors are elected, the term of current Directors shall be extended until new Directors have been elected and appointed. However, the competent authority may order the Company to elect new Directors within a given time limit; and if no re-election is effected after expiry of the given time limit, the current Directors shall certainly be discharged from the expiration date. In case a Director appoints another Director to attend a Board of Directors Meeting in his or her behalf, he or she shall, in each time, issue a written proxy stated a scope of authorization with reference to the subjects to be discussed at the meeting. Each Director is limited to accept one appointment to act as the proxy referred to in the preceding Paragraph of one other Director only.

**Article 18:** The Board of Directors is composed by Directors, with the following powers:

1. Preparing the business plans.
2. Proposing the distribution of profits and deficit compensation.
3. Proposing increase or decrease in capital.
4. Reviewing important regulations and contracts.
5. Appointment or discharge of the President, Management and CPA.
6. Establishing or withdrawing branches.
7. Reviewing budgets and settlements.
8. Determine reinvestment in various businesses; the total investment amount is not subject to the restriction of 40% of paid-in capital provided in Article 13 of the Company Act.
9. Other powers empowered pursuant to the Company Act and the resolutions of shareholders' meetings.

Where convening a Board of Directors Meeting, the reasons for convening shall be given to each Director 7 days before the meeting; however, in emergency circumstances, the meeting may be convened at any time. The meeting notification may be made in the manner of writing, fax, or e-mail.

**Article 19:** The Board of Directors shall be organized by the Directors. The Chairman who represents the Company externally shall be elected by a majority of the attending Directors at a Board of Directors Meeting attended by two-thirds of the total number of Directors. Additionally, a Vice Chairman may be elected.

**Article 20:** Regardless the profit or loss, the Directors' remunerations are based on their degree of participation and contribution to the Company's operations, while referring to peers' standards and the Board of Directors is authorized to determine the remunerations after the recommendations are made by the Remuneration Committee based on its authority.

## Chapter V Managements

**Article 21:** The Company may have managements in place. Their appointment, dismissal, and compensation shall be handled in accordance with Article 29 of the Company Act.

## Chapter VI Accounting

- Article 22:** At the end of each fiscal year, the Board of Directors shall prepare (I) business report; (II) financial statements; and (III) proposal of distribution of profits and deficit compensation, to be submitted for approval in the General Shareholders' Meeting.
- Article 22-1:** Where the Company makes profit for a year, shall provide the compensation to employees as 1% or more of such profit; however, the Company's accumulated losses shall have been covered. The Employees' compensation may in the form of shares or in cash, by a resolution adopted by a majority of the attending Directors at a Board of Directors Meeting attended by two-thirds of the total number of Directors; and in addition, a report of such distribution shall be submitted to the Shareholders' Meeting.
- Article 23:** After paying income taxes in the case where there are profits for the current year, the Company shall make up for accumulated losses in past years. Where there is still balance, 10% shall be set aside as legal reserve and the special reserves pursuant to the competent authorities' requirements. For the remaining balance, with the undistributed profits in previous years it shall be set aside as the accumulated distributable profits for the Board of Directors to draft the proposal of distribution of profits to distribute the Shareholders' dividend, which is submitted to the shareholders' meeting to resolve.
- Article 23-1:** The distribution of dividends may be based on the considerations of finance, business, and operation. Except the capital demands for improving the financial structure, and funding the reinvestment, production capacity expansion, or other major capital expenditures, the Company may distribute no less than 50% of the balance of net profit after tax of the year netting the compensation of deficits, surplus reserve and special reserves. The distribution of profits may be made in cash or in shares. Based on the Company's operating environment and industrial development are in a mature and stable stage, the distribution of profits is given priority to cash dividends rather than share dividends. However, the percentage of share dividends distributed shall not be higher than 50% of the total amount of dividends.  
In the current year, where the Company has no profits to distribute, or the amount of profits is far lower than the actual profits distributed by the Company in the previous year, or based on the consideration of the Company's finance, business and operating, all or part of the reserve may be distributed pursuant to laws or regulations of competent authorities.

## Chapter VII Supplementary Provisions

- Article 24:** Matters not specified in the Articles of Incorporation shall be handled in accordance with the Company Act.
- Article 25:** The Articles of Incorporation were established on September 4, 1986; the 31st amendment was made on June 16, 2020, and implemented after the resolution of the Shareholders' Meeting.

## Appendix 8 Shareholding of Directors

Number of shares held by individual and all directors recorded in the shareholder roster as of April 15, 2023.

The minimum statutory required shareholding of all directors: 12,000,000 shares

Date: April 15, 2023

Title	Name	Number of shares recorded in the shareholder roster at the book closure date	
		Number of shares	Percentage
Chairman	Panda Investment Co., Ltd. Representative: Wei-Han Chen	28,892,146	13.99%
Director	Shu-Hsuan Tsai	24,150	0.01%
Director	Chu Chen Investment Co., Ltd. Representative: Jen-Chou Chen	9,253,292	4.48%
Director	Tai-Yuan Chou	0	0%
Director	Rong-Hwa Fang	0	0%
Director	Shih-Kun Huang	259,602	0.13%
Independent Director	Chu-Feng Yang	0	0%
Independent Director	Wen-Hsiung Chan	0	0%
Independent Director	Chia-Hong Hung	0	0%
Total		38,429,190	18.61%

Note: The Company's issued shares as of April 15, 2023 are 206,450,000 shares.



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