

Stock code: 1413

## **Hung Chou Fiber Industrial Co., Ltd.**

### **2023 Annual Shareholders' Meeting Meeting Agenda**

Date of meeting: May 30, 2023 (Wednesday), at 9:00 a.m.

Place of meeting: No. 29, Hongzhou St., Guishan Dist., Taoyuan City  
(subsidiary: Hung Chou Factory)

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Hung Chou Fiber Industrial Co., Ltd.  
2023Annual General Meeting Proceeding

1. Call the Meeting to Order
2. Chairperson Takes Chair
3. Chairman's opening remarks
4. Management presentation
5. Acknowledgments
6. Election issues
7. Extraordinary motion
8. Adjournment

Hung Chou Fiber Industrial Co., Ltd.  
2023 Annual General Meeting Agenda

Form of meeting: Physical shareholder meeting

Time: 9am, May 30 (Wednesday), 2023

Venue: No. 29, Hongzhou Street, Guishan District, Taoyuan City

1. Management presentation:

- (1) Presentation of 2022 business performance.
- (2) 2022 Annual final accounting books and statements audited by audit committee
- (3) 2022 Employees 'and Directors 'Remuneration Allocation Report

2. Acknowledgments:

- (1) 2022 business report and financial statements.
- (2) 2022 loss reimbursement proposal.

3. Election issues:

Add election of one independent director

4. Extraordinary motions

5. Adjournment

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

1. The 2022 business performance report is hereby presented for review.

Details: Business report (please see pages 7-10 of this handbook)

2. Audit Committee's review of the 2022 year-end report is hereby presented for review.

Details: Audit Committee's review report (please see page 11 of this handbook)

3. 2022 Employees' and Directors' Remuneration Allocation Report is hereby presented for review (please see page 16 of this handbook)

## Acknowledgments

Motion 1

Proposed by the board of directors

Summary: The 2022 business report and financial statements are hereby presented for acknowledgment.

- Details:
1. The Company's 2022 financial statements have been audited by CPA Chun-Ming Pan and CPA Shu-Ying Chang of KPMG, for which they issued an independent auditor's report with unqualified opinion.
  2. Please Attachments 1 and 3 in pages 14-23 of this handbook for the business report and financial statements.
  3. The motion is open for acknowledgment.

Resolution:

Motion 2

Proposed by the board of directors

Summary: The 2022 deficit compensation proposal is hereby presented for acknowledgment.

Details: 1. Refer to the 2022 Deficit Compensation Report attached afterwards:

Hung Chou Fiber Industrial Co., Ltd.  
Deficit Compensation Report  
2022

Unit: NTD\$

Item	
Opening losses pending reimbursement	(172,844,846)
Current net income	99,041,223
Difference between consideration and carrying amount of Subsidiaries acquired or disposed	(10,657,352)
Deficit yet to be compensated – at the end of 2022	(84,460,975)

2. The motion is open for acknowledgment.

Resolution:

## Election issues

Proposed by the board of directors

Summary: Add election of one independent director

Details:

1. To meet the operational needs of the Company, enhance its competitiveness and operational performance, it is proposed to add one independent director.

2. According to Article 15 of the Company's Articles of Incorporation, the number of directors (including independent directors) shall be between 7 and 13, and the number of independent directors shall not be less than 3. The election of directors shall adopt a candidate nomination system. The Company currently has 11 directors (including 3 independent directors) whose term of office runs from June 29, 2022, to June 28, 2025. The term of office of the proposed additional independent director shall be the same as that of the current directors, from May 30, 2023, to June 28, 2025.

3. The list of candidates was approved by the Board of Directors on April 13, 2023.

	Candidate Name	Education	Experience	Number of Shares Held
independent director	Chen Yimin	China Culture University	Executive Yuan Advisor Secretary-General, Chinese National Federation of Industries	0 shares

**election results:**

**Questions and Motions**

**Adjournment**



## 2022 Business Report of Hung Chou Fiber Industrial Co., Ltd.

### 1. Business performance for 2022:

In the first half of 2022 following the slowdown of the pandemic at the end of 2022, the clothing consumer market has regained its vitality. Major brand clothing factories have increased their orders, and their operational performance and profits remain strong. However, starting from the second half of the year, the global surge in raw material prices and oil prices due to the Russo-Ukrainian war has caused energy and electricity costs to rise. Coupled with the global inflation leading to reduced demand, brand clothing factories have seen an increase in inventory levels and a slowdown in orders, which has impacted their operational performance..

This year, the sales revenue of our company's products has slightly increased compared to last year due to the aforementioned factors. However, profits have slightly decreased due to the increase in costs. Furthermore, to ensure sustainability of future operations, the Company will purchase environment-friendly polyester chips for the production of environment-friendly yarns, and purchase dyed polyester chips for the production and development of color yarns, thereby bringing diversity and colors into the yarn lineup. The Company will be working with BioSphere to develop a new type of sustainable fiber called "BioPro" to enrich the existing product line and meet the requirements of environmental regulations as well as customers' needs. More emphasis will be directed toward promoting products that offer distinctive advantages and diverse uses to appeal to a broader number of customers. This increased diversity will lessen the effect of seasonality and ultimately improve profitability.

Global brand clothing factories have made "sustainable environmental protection + functionality" a core and new consumer trend when selecting textile supply chains. Therefore, energy conservation and waste reduction have received high attention in the textile industry. Suppliers or brand merchants are actively establishing green supply chains that combine sustainable environmental protection with functionality. In order to meet customer needs and win orders, our company has also been committed to strengthening highly differentiated niche products in recent years, in the hope of having a competitive advantage and position in the international supply chain. Additionally, we have been actively monetizing assets by renting out idle factories, land, etc., to obtain sustained and stable income.

#### (1) Outcome of business plan

The Company reported NT\$3,145,933,000 of operating revenue, NT\$2,937,786,000 of operating cost, NT\$208,147,000 of gross profit, NT\$110,244,000 of operating expense, NT\$84,508,000 of net operating profit, and NT\$91,819,000 of total comprehensive income in 2023.

#### (2) Budget execution:

None. The Company only set internal budgets and targets for 2023, and did not make any public financial forecast.

(3) Revenues, expenses, and profitability analysis:

Unit: NTD thousands

Item 2022 2021

Profit and loss	Operating revenues	3,145,933	2,965,326
	Operating costs	2,937,786	2,771,775
	Pre-tax profit (loss)	99,041	106,276
	Comprehensive income (loss)	91,819	106,311
Profitability	Return on assets (%)	4.02	4.21
	Return on equity (%)	8.34	9.72
	Pre-tax income as a percentage of paid-up capital (%)	7.55	8.04
	Net profit margin (%)	3.15	3.59
	Earnings per share (NTD)	0.75	0.80

(4) Research and development:

Yarn category Ingredient Purpose Characteristics

37.5 Technology fibers Volcanic rock (activated carbon) Professional sports garment and leisure garment Absorbs moisture from the human body through electrostatics, and uses the infrared energy emitted from human body to heat up moisture for faster evaporation. The technology helps dry the body surface and stores energy in a manner that keeps the body warm.

Environment-friendly yarn Made from recycled polyester fibers, the product sets good example of how synthetic fibers can be recycled and reused. For various garments and used as industrial fabrics Reused as resources

Graphene fiber The Company will source polyester chips mixed with appropriate contents of graphene to produce yarns. Smart garments and wearable devices  
Anti-static: The conductivity of graphene helps lower surface resistivity in fabrics. The substance also lubricates surface and reduces coefficient of friction to inhibit and minimize electric currents that may cause itchiness of the skin.

Good thermal conductivity: Graphene-based textile products serve as a regulator between the human body and the external environment, which helps keep the wearer at an ideal temperature.

BioPro (biodegradable fiber) By infusing polyester chips with BioSphere Additive during the yarn production process, a new spinning solution is created, which can be made into hydrophilic polyester fibers Environment-friendly fiber. Can be made into garment, headwear, backpack, and footwear. Both the surface and internal structure of polyester fiber are biodegradable. Uses microbial enzymes to break down the C-C chain in fibers, turning PET into more simple structures that can be further broken down by bacteria.

By increasing hydrophilicity, biodegradability of polyester fibers is enhanced.

2. Summary of current year's business plan:

(1) Operating guidelines

In recent years, Taiwan's textile industry has been able to capitalize on the emerging trends of functionality, fashion, and sustainability and expand presence in the global market. "Sustainability," in particular, is an area that Taiwan's synthetic fiber industry dominates in terms of competitive advantage. Out of respect for the protection of Earth's environment and corporate social responsibilities, the synthetic fiber industry is gradually adopting sustainable practices such as: use of biomass materials, recycling, reuse, low carbon footprint, environment-friendly processes, and biodegradability. In response to this trend, the Company, too, has committed significant resources into the development of "sustainable products."

For the profitability, survival, and growth of future business, the Company will continue developing differentiated products in the coming year with an emphasis on environment-friendly fibers, 37.5 Technology fibers, and graphene fibers, and commit more efforts into the development of BioPro fibers.

In addition, we have been continuously adjusting the company's operational scale and monetizing assets. We have also planned to integrate production lines to reduce electricity costs, use low-carbon emission energy, and increase the utilization rate of renewable energy. We hope to secure a place in this fiber supply chain restructuring by implementing these measures.

(2) Expected sales volume and basis

Judging by the current production capacity and market demand, the Company expects to sell 18,000 tonnes of polyester chip and 58,800 tonnes of polyester filament in 2023.

(3) Key production/sales policies:

1. Ensure seamless coordination between marketing, production, research, development, and after-sale service.
2. In response to the strengthening of global environmental awareness, there is a trend towards renewable energy and achieving zero net carbon emissions.
3. Increase product diversity and quality, improve production procedures, and modify machinery to accommodate product portfolio adjustments and production capacity changes.
4. Expand the scope of customer service and shorten response time.
5. Make active use of idle capital by investing into real estate properties that yield consistent returns (in the form of rent) for additional non-operating income.

3. Future strategies, impacts of the competitive environment, regulatory environment, and the overall business environment:

- (1) In recent years, Taiwan's textile industry has transitioned from labor-intensive to being capital and technology-intensive. Meanwhile, synthetic fiber plays an important role in the textile industry's movement toward high value-adding products, and accounts for an increasing percentage in production value.
- (2) Aside from Mainland China, Southeast Asian countries such as Vietnam, Indonesia, Thailand, and Malaysia have also emerged as prominent textile manufacturers with their abundant supply of low-cost labor, and the massive

inflow of foreign capital has helped Southeast Asian countries develop the production capacity and technology needed to compete. The ongoing trade dispute between China and USA provides even more incentives for textile manufacturers to invest into Vietnam, thereby allowing the country to form its own industry chain that threatens synthetic fiber manufacturers in Taiwan. In the future, the Company will invest more pro-actively into product development and innovation, and explore ways to distinguish products from the rest of the market to ensure business continuity.

- (3) Ensuring harmonic coexistence with the environment and creating a brighter future for planet Earth are two goals that all businesses must observe in their pursuit for growth. For this reason, the Company aims to gradually increase production of environment-friendly fibers and black yarns. By replacing general textile goods with dyed spinning solutions, the industry can greatly reduce CO2 emission as well as discharge of wastewater from dyeing, while cutting down on the use of water and chemicals by a significant extent. Through a collaboration with BioSphere, we have developed an environment-friendly fiber called "BioPro" that allows water molecules to more easily attach to the surface and structure of the otherwise hydrophobic polyester fiber, thereby allowing microorganisms to break down the material through hydrolysis and oxidation. Furthermore, the Company have already switched from heavy oil to natural gas as fuel and have also installed solar panels on the roofs of the factory to increase the use of green energy.
- (4) Production and sale of products are not affected by the regulatory environment.

Chairman: Cheng-Tien Chan

General Manager: G.L. Lin

Audit Committee's Review Report

The board of directors has resolved the Company's 2022 standalone financial statements, business report, and deficit compensation proposal. The standalone financial statements have been audited by CPA Chun-Ming Pan and CPA Shu-Ying Chang of KPMG, for which they issued an independent auditor's report with unqualified opinion.

The Audit Committee completed its review of the above standalone financial statements, business report, and deficit compensation proposal and found no misstatement, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act

The report is hereby presented for approval.

For

2023 Annual General Meeting of Hung Chou Fiber Industrial Co., Ltd.

Hung Chou Fiber Industrial Co., Ltd.

Audit Committee convener: Shou-Po Chao

March 7, 2023

Attachment 3

Directors' Remuneration Report

Position	Name	Directors' compensation								Sum of A, B, C and D as a percentage of net income (Note 10)		Compensation received as employee								The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Compensation from parent company or business investments other than subsidiaries (Note 11)
		Benefits (A) (Note 2)		Severance pay and pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Severance pay and pension (F)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)			
Director	Cheng-Tien Chan	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	4,470
Director	Representative of Yi Jinn Industrial -Yu-Ching Cheng	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	798
Director	Representative of Yi Jinn Industrial -Yi-Ching Chan	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	798
Director	Representative of Yi Jinn Industrial -G.L. Lin	-	-	-	-	-	-	120	120	0.12%	0.12%	5,260	5,260	-	-	-	-	-	-	5.43%	5.43%	None
Director	Representative of Yi Jinn Industrial -Heng-Chia Chang	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	1,099
Director	Representative of Yi Jinn Industrial -Tse-Hua Lin	-	-	-	-	-	-	120	120	0.12%	0.12%	-	-	-	-	-	-	-	-	0.12%	0.12%	1,095
Director	Te-Feng Chan	-	-	-	-	-	-	60	60	0.06%	0.06%	-	-	-	-	-	-	-	-	0.11%	0.11%	None
Director	Lin-Te Chen									0.06%	0.06%									0.06%	0.06%	None
Director	Representative of Bowa International Leasing - Kuan-Ru Chen									0.06%	0.06%									0.06%	0.06%	None
Independent director	Shou-Po Chao							360	360	0.36%	0.36%									0.36%	0.36%	None

Position	Name	Directors' compensation						Sum of A, B, C and D as a percentage of net income (Note 10)		Compensation received as employee						The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Compensation from parent company or business investments other than subsidiaries (Note 11)			
		Benefits (A) (Note 2)		Severance pay and pension (B)		Director remuneration (C)(Note 3)				Fees for services rendered (D) (Note 4)		Salaries, bonuses, special allowances etc. (E) (Note 5)		Severance pay and pension (F)					Employee remuneration (G) (Note 6)		
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)		The Company	All companies included in the financial statements (Note 7)	
Independent director	Wei-Chi Huang						360	360	0.36%	0.36%									0.36%	0.36%	None
Independent director	Hsien-Chang Kuo						180	180	0.18%	0.18%									0.18%	0.18%	None

\* 1. Please explain the policy, system, standards, and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:

2. Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

## **Independent Auditor's Report**

### **Independent Auditor's Report**

To the board of directors of Hung Chou Fiber Industrial Co., Ltd.:

#### **Audit opinion**

We have audited the standalone balance sheet of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2022 and 2021, and the standalone statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying footnotes (including summary of key accounting policies) for the periods January 1 to December 31, 2022 and 2021.

In our opinion, all material disclosures of the standalone financial statements mentioned above were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and presented a fair view of the financial position of Hung Chou Fiber Industrial Co., Ltd. as at December 31, 2022 and 2021 and business performance and cash flow for the periods January 1 to December 31, 2022 and 2021

#### **Basis of audit opinion**

We have conducted our audits in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities as an auditor for the standalone financial statements under the abovementioned standards are explained in the Responsibilities paragraph. All relevant personnel of the accounting firm have followed CPA code of ethics and maintained independence from Hung Chou Fiber Industrial Co., Ltd. when performing their duties. We believe that the evidence obtained provide an adequate and appropriate basis for our opinion.

#### **Key audit issues**

Key audit issues are matters that we considered to be the most important, based on professional judgment, when auditing the 2022 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have already been addressed when we audited and formed our opinions on the financial statements. Therefore, we do not provide opinions separately for individual issues. Below are the key audit issues that we consider relevant for disclosure in this audit report:

1. Revenue recognition



Accounting policies relating to revenue recognition have been disclosed in Note 4(14) - Revenue recognition of the standalone financial statements; for details on recognized revenues, please refer to Note 6(15) - Revenue from contracts with customers of the standalone financial statements.

Explanation of key audit issues:

Hung Chou Fiber Industrial Co., Ltd. generates revenues mainly from sale of polyester filament, and the risks associated with revenue recognition lies in the authenticity of the underlying transactions. Due to the fact that operating revenues are highly susceptible to changes in the economy, we have identified revenue recognition test as one of the key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: testing the sales and collection cycle as well as relevant controls; verifying and reconciling sales system data against customers' contracts, external certificates, and general journal entries; and evaluating whether the revenue recognition policy of Hung Chou Fiber Industrial Co., Ltd. conforms with accounting standards.

## 2. Inventory valuation

For accounting policies on inventory valuation, please refer to Note 4(7) - Inventory of the standalone financial statements; for detailed disclosure on inventory valuation, please refer to Note 6(4) - Inventory of the standalone financial statements.

Explanation of key audit issues:

Fluctuations in the international price of raw materials combined with changes in supply and demand may give rise to significant volatility with regards to the selling price and sales volume of the inventory held by Hung Chou Fiber Industrial Co., Ltd., causing the cost of inventory to exceed net realizable value in some circumstances. For this reason, inventory impairment test was identified as one of our key assessments when auditing the financial statements of Hung Chou Fiber Industrial Co., Ltd.

Audit procedures:

The primary audit procedures taken to address the above key audit matters included: learning the management's inventory management and valuation policies, and assessing whether inventory management and valuation were duly performed according to policies. We have conducted random checks to determine the rationality of net realizable values adopted by the management, to test the correctness of the inventory aging reports prepared, and to evaluate the adequacy of inventory loss provisions that Hung Chou Fiber Industrial Co., Ltd. had made as at the reporting date.

## **Responsibilities of the management and governance body to the standalone financial**

## **statements**

Responsibilities of the management were to prepare and ensure fair presentation of standalone financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the version of IFRS, IAS, IFRIC and interpretations thereof approved and effected by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of standalone financial statements so that the standalone financial statements are free of material misstatements, whether caused by fraud or error.

The management’s responsibilities when preparing standalone financial statements also involved: assessing the ability of Hung Chou Fiber Industrial Co., Ltd. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Hung Chou Fiber Industrial Co., Ltd. (including supervisors) is responsible for supervising the financial reporting process.

### **Responsibilities of the auditor when auditing standalone financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the standalone financial statements were prone to material misstatements, whether due to fraud or error, and to issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the standalone financial statements. Misstatements can arise from fraud or error. Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the standalone financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identifying and assessing risks of material misstatement due to fraud or error; designing and executing appropriate response measures for the identified risks; and obtaining adequate and appropriate audit evidence to support audit opinions. Fraud may involve conspiracy, forgery, intentional omission, untruthful declaration, or breach of internal control, and our audit did not find any material misstatement where the risk of fraud is greater than the risk of error.
2. Developing the required level of understanding on relevant internal controls and designing audit procedures that are appropriate under the prevailing circumstances, but without providing opinion on the effectiveness of internal control system of Hung Chou Fiber Industrial Co., Ltd.
3. Assessing the appropriateness of accounting policies adopted by the management, and

the rationality of accounting estimates and related disclosures made.

4. Forming conclusions regarding the appropriateness of management's decision to account for the business as a going concern, and whether there are doubts or uncertainties about the ability of Hung Chou Fiber Industrial Co., Ltd. to operate as a going concern, based on the audit evidence obtained. We are bound to remind financial statement users and make related disclosures if material uncertainties exist in regards to the abovementioned events or circumstances, and amend audit opinions when the disclosures are no longer appropriate. Our conclusions are based on the audit evidence obtained up to the date of audit report. However, future events or change of circumstances may still render Hung Chou Fiber Industrial Co., Ltd. no longer capable of operating as a going concern.
5. Assessing the overall presentation, structure, and contents of the standalone financial statements (including related footnotes), and whether certain transactions and events are presented appropriately in the standalone financial statements.
6. Obtaining sufficient and appropriate audit evidence on financial information of equity-accounted investments held by the Company, and expressing opinions on standalone financial statements. Our responsibilities as auditor are to instruct, supervise, and execute audits and form audit opinions on Hung Chou Fiber Industrial Co., Ltd.

We have communicated with the governance body about the scope, timing, and significant findings (including significant defects identified in internal control) of our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

We have identified the key audit issues after communicating with the governance body regarding the 2022 standalone financial statements of Hung Chou Fiber Industrial Co., Ltd. These issues have been addressed in our audit report except for: 1. Certain topics that are prohibited by law from disclosing to the public; or 2. Under extreme circumstances, topics that we decide not to communicate in the audit report because of higher negative impacts they may cause than the benefits they bring to public interest.

KPMG

CPA: Jun-Ming Pan

Shu-Ying Chang

Approval reference of the securities authority : Jin-Guan-Zheng-Shen-1110333933  
: Jin-Guan-Zheng-VI-0940100754

March 2, 2023

# Hung Chou Fiber Industrial Co., Ltd.

## Balance sheet

As at December 31, 2022 and 2021

Unit: NTD thousands

Asset	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Current assets:</b>				
1100	\$ 71,700	3	158,555	6
1120		3 -	3	-
1150	53,878	2	57,301	2
1160	39,922	1	29,062	1
1170	36,973	1	48,517	2
1180	5,632	-	-	-
1200	415	-	3	-
1210	10,902	-	11,229	-
130X	541,095	21	581,035	21
1410	4,297	-	18,991	1
1479	4	-	5	-
	<u>764,821</u>	<u>28</u>	<u>904,701</u>	<u>33</u>
<b>Non-current assets:</b>				
1517	3,147	-	10,369	-
1550	64,142	2	50,998	2
1600	1,125,962	43	1,171,314	41
1760	670,881	26	658,174	23
1840	36,000	1	36,000	1
1900	250	-	2,229	-
	<u>1,900,382</u>	<u>72</u>	<u>1,929,084</u>	<u>67</u>
<b>Total assets</b>	<b><u>\$ 2,655,203</u></b>	<b><u>100</u></b>	<b><u>2,833,785</u></b>	<b><u>100</u></b>

**Hung Chou Fiber Industrial Co., Ltd.**  
**Balance Sheet (continued)**  
**As at December 31, 2022 and 2021**

Unit: NTD thousands

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings (Note 6(8))	\$ 175,402	7	249,505	9
2130	Contractual liabilities - current (Note 6(15))	31,313	1	87,151	3
2150	Notes payable	16,383	1	28,885	1
2160	Notes payable - related parties (Note 7)	-	-	1,126	-
2170	Accounts payable	199,768	7	246,820	8
2180	Accounts payable - related parties (Note 7)	-	-	107	-
2200	Other payables	65,846	2	75,856	3
2220	Other payables - related parties (Note 7)	-	-	-	-
2320	Long-term liabilities due within 1 year or 1 business cycle (Note 6(9))	67,028	3	49,528	2
2399	Other current liabilities - others	3,520	-	3,683	-
		<u>559,260</u>	<u>21</u>	<u>742,661</u>	<u>26</u>
<b>Non-current liabilities:</b>					
2540	Long-term borrowings (Note 6(9))	653,694	25	720,722	25
2570	Deferred income tax liabilities (Note 6(12))	224,290	8	223,605	8
		<u>877,984</u>	<u>33</u>	<u>944,327</u>	<u>33</u>
<b>Total liabilities</b>		<u>1,437,244</u>	<u>54</u>	<u>1,686,988</u>	<u>59</u>
<b>Equity (Note 6(13)):</b>					
3100	Share capital	1,321,124	49	1,321,124	47
3350	Losses pending reimbursement	(84,462)	(3)	(172,846)	(6)
3400	Other equity items	(8,703)	-	(1,481)	-
<b>Total equity</b>		<u>1,227,959</u>	<u>46</u>	<u>1,146,797</u>	<u>41</u>
<b>Total liabilities and equity</b>		<u>\$ 2,665,203</u>	<u>100</u>	<u>2,833,785</u>	<u>100</u>

(Please refer to the attached notes to financial statements)

**Chairman:**  
**Cheng-Tien Chan**

**General Manager:**  
**G.L. Lin**

**Accountant Manager:**  
**Wallace Lin**

**Hung Chou Fiber Industrial Co., Ltd.**  
**Statements of Comprehensive Income**  
**For the periods January 1 to December 31, 2022 and 2021**

Unit: NTD thousands

		<u>2022</u>		<u>2021</u>	
		Amount	%	Amount	%
4110	<b>Sales revenues (Notes 6(15) and 7)</b>	\$ 3,169,337	101	2,984,670	101
4170	Less: sales return	11,276	1	10,451	1
4190	Sales discount	12,128	-	8,893	-
	<b>Net operating revenues</b>	<u>3,145,933</u>	<u>100</u>	<u>2,965,326</u>	<u>100</u>
5110	<b>Cost of sale (Notes 6(4) and (11) and 7)</b>	<u>2,937,786</u>	<u>93</u>	<u>2,771,775</u>	<u>93</u>
	<b>Gross profit (loss)</b>	208,147	7	193,551	7
6000	<b>Operating expenses (Notes 6(11) and 7)</b>	<u>110,244</u>	<u>4</u>	<u>94,163</u>	<u>3</u>
6500	<b>Net other income and expenses</b>	<u>(13,395)</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<b>Net operating profit (loss)</b>	<u>84,508</u>	<u>3</u>	<u>99,388</u>	<u>4</u>
	<b>Non-operating income and expenses (Notes 6(17) and 7):</b>				
7100	Interest income	73	-	14	-
7010	Other income	26,655	1	22,509	1
7020	Other gains and losses	8,255	-	1,477	-
7050	Financial costs	(15,379)	(1)	(14,684)	(1)
7060	Share of profit/loss from equity-accounted associated companies (Note 6(5))	<u>(1,386)</u>	<u>-</u>	<u>(2,428)</u>	<u>-</u>
		<u>15,128</u>	<u>1</u>	<u>6,888</u>	<u>-</u>
	<b>Profit (loss) before tax from continuing segments</b>	99,726	4	106,276	4
7950	<b>Less: income tax expense (benefit) (Note 6(12))</b>	<u>685</u>	<u>-</u>	<u>(35)</u>	<u>-</u>
	<b>Current net income (loss)</b>	<u>99,041</u>	<u>4</u>	<u>106,311</u>	<u>4</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified into profit or loss (Note 6(18))</b>				
8316	Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income	<u>(7,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
8300	<b>Other comprehensive income for the current period (net, after-tax)</b>	<u>(7,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total comprehensive income for the current period</b>	<u>\$ 91,819</u>	<u>4</u>	<u>106,311</u>	<u>4</u>
	<b>Earnings (losses) per share (NTD) (Note 6(14))</b>				
9750	<b>Basic earnings (losses) per share</b>	<u>\$ 0.75</u>		<u>0.80</u>	
9810	<b>Diluted earnings per share</b>	<u>\$ 0.75</u>		<u>0.80</u>	

(Please refer to the attached notes to financial statements)

**Chairman:**  
Cheng-Tien Chan

**General Manager:**  
G.L. Lin

**Accountant Manager:**  
Wallace Lin

**Hung Chou Fiber Industrial Co., Ltd.**  
**Statement of Changes in Equity**  
**For the periods January 1 to December 31, 2022 and 2021**

**Unit: NTD thousands**

	Common share capital	Losses pending reimbursement	Other equity items - unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total equity
<b>Balance as at January 1, 2021</b>	\$ 1,321,124	(279,157)	(1,481)	1,040,486
Current net loss	-	106,311	-	106,311
Other comprehensive income for the current year	-	-	-	-
Total comprehensive income for the current period	-	106,311	-	106,311
Balance as at December 31, 2021	1,321,124	(172,846)	(1,481)	1,146,797
Current net income	-	99,041	-	99,041
Other comprehensive income for the current year	-	-	(7,222)	(7,222)
Total comprehensive income for the current period	-	99,041	(7,222)	91,819
	-	(10,657)	-	(10,657)
<b>Balance as at December 31, 2022</b>	<b>\$ 1,321,124</b>	<b>(84,462)</b>	<b>(8,703)</b>	<b>1,227,959</b>

(Please refer to the attached notes to financial statements)

**Chairman:**  
**Cheng-Tien Chan**

**General Manager:**  
**G.L. Lin**

**Accountant Manager:**  
**Wallace Lin**



## Hung Chou Fiber Industrial Co., Ltd.

### Cash Flow Statement

For the periods January 1 to December 31, 2022 and 2021

	Unit: NTD thousands	
	2022	2021
<b>Cash flow from operating activities:</b>		
<b>Pre-tax profit (loss) for the current period</b>	\$ 99,726	106,276
<b>Adjustments:</b>		
Income, expenses, and losses		
Depreciation expenses	67,871	72,836
Net gain on financial assets at fair value through profit or loss	2	(128)
Interest expenses	15,379	14,684
Interest income	(73)	(14)
Share of profit/loss from equity-accounted associated companies and joint ventures	1,386	2,428
Net other income and expenses	13,395	-
Gain on disposal of property, plant, and equipment	93	(3,038)
Income, expenses, and losses	98,053	86,768
Change in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Financial assets mandatory to be carried at fair value through profit or loss	(2)	128
Notes receivable	3,423	1,880
Notes receivable - related parties	(10,860)	3,228
Accounts receivable	11,544	(12,267)
Accounts receivable - related parties	(5,632)	1,011
Other receivables	(412)	9,716
Other receivables - related parties	327	(246)
Inventory	39,940	(72,204)
Prepayments	1,299	27,007
Other current assets - others	1	2,212
Net change in assets related to operating activities	39,628	(39,535)
Net change in liabilities related to operating activities:		
Notes payable	(12,502)	19,782
Notes payable - related parties	(1,126)	1,126
Accounts payable	(47,052)	101,030
Accounts payable - related parties	(107)	(3,729)
Other payables	(10,169)	15,978
Other payables - related parties	-	(1,124)
Contractual liabilities	(55,838)	58,317
Other current liabilities - others	(163)	90
Net change in liabilities related to operating activities	(126,957)	191,470
Net change in assets and liabilities related to operating activities	(87,329)	151,935
Total adjustments	10,724	238,703
Cash inflow (outflow) from operating activities	110,450	344,979
Interests received	73	14
Interests paid	(15,220)	(14,810)
Income tax paid	-	-
<b>Net cash inflow (outflow) from operating activities</b>	95,303	330,183

**Cash flow from investing activities:**

Acquisition of equity-accounted investments	(25,187)	-
Acquisition of property, plant and equipment	(33,019)	(42,110)
Disposal of property, plant and equipment	-	3,038
Acquisition of Investment property	(190)	-
Other non-current assets	(131)	(1,494)

**Net cash outflow from investing activities**

(58,527)      (40,566)

**Cash flow from financing activities:**

(Decrease) increase in short-term borrowings	(74,103)	(360,915)
Borrowing of long-term loan	-	200,000
Repayment of long-term borrowings	(49,528)	(40,000)

**Net cash inflow (outflow) from financing activities**

(123,631)      (200,915)

Increase in cash and cash equivalents for the current period	(86,855)	88,702
Opening cash and cash equivalents balance	158,555	69,853
Closing cash and cash equivalents balance	<b>\$ 71,700</b>	<b>158,555</b>

Appendix 1

Articles of Incorporation of Hung Chou Fiber Industrial Co., Ltd.

**Chapter One General Provisions**

Article 1: The Company is incorporated in accordance with The Company Act, and is named Hung Chou Fiber Industrial Co., Ltd.

Article 2: Business activities of the Company are as follows:

1. Manufacturing, processing, and trading of synthetic fibers.
2. Manufacturing, processing, and trading of plastic filaments.
3. Manufacturing of cosmetics.
4. Manufacturing, transportation, and sale of other chemicals and byproducts.
5. Manufacturing of petrochemicals.
6. Import and export trade and agency service for the above products and raw materials.
7. Investment into the design and technical service of manufacturing equipment relating to the business activities mentioned above.
8. Leasing of machinery, tool, instrument, transportation equipment, and vehicle (excluding small passenger vehicles).
9. Operation of supermarkets and departmental stores.
10. Design and implementation of interior renovation projects.
11. Weaving and processing of knitwear, textile, and fabrics.
12. Manufacturing and processing of garments.
13. Bleaching, dyeing, and printing of cotton yarn, fabrics, textile products, and nets.
14. General import and export trade (except for business activities subject to special approval),
15. H701010 - Housing and Building Development and Rental.
16. H701020 - Industrial Factory Development and Rental.
17. H701040 - Specific Area Development.
18. H701050 - Investment, Development and Construction in Public Construction.
19. H703090 - Real Estate Business.
20. H703100 - Real Estate Leasing.
21. ZZ99999 - All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- 22. F108031 - Wholesale of Medical Devices.
- 23. F208031 - Retail Sale of Medical Apparatus.
- 24. C303010 - Manufacture of Non-woven Fabrics.

- Article 3: The Company is headquartered in Taipei City, and may establish domestic or foreign branches subject to board of directors' resolution.
- Article 4: Public announcements of the Company shall be duly made in accordance with Article 28 of The Company Act.
- Article 4-1: The Company may invest in other business entities subject to board of directors' resolution, for more than 40% of paid up capital.

## **Chapter Two Share Capital**

- Article 5: The Company has an authorized capital of Three Billion Five Hundred Million New Taiwan Dollars, available in three hundred and fifty million shares. Each share has a face value of Ten New Taiwan Dollars. Share capital may be raised in multiple issues.
- Article 6: The Company issues its shares to registered owners only. Share certificates are issued with the signatures or authorized seals of at least three directors, subject to certification by the competent authority or any of its approved institutes.
- Shares of the Company may be issued in non-tangible form, subject to registration with the centralized securities depository.
- Article 7: Unless otherwise specified by laws and regulations, all share-related affairs shall be handled according to "Regulations Governing the Administration of Shareholder Services of Public Companies."
- Article 8: Transfer of share ownership shall be suspended during the 60 days prior to an annual general meeting, during the 30 days prior to an extraordinary shareholder meeting, and during the 5 days prior to the baseline date of any dividend, profit sharing, or rights distribution.

## **Chapter Three Shareholder Meetings**

- Article 9: The Company holds two types of shareholder meeting: the annual general meeting and extraordinary shareholder meeting. The annual general meeting is held once a year within six months after the end of an accounting period, whereas extraordinary shareholder meetings may be held whenever deemed necessary. For shareholders that hold less than one thousand shares, meeting advices can be communicated by way of public announcement instead.
- Article 10: Shareholders who are unable to attend shareholder meetings in person may delegate proxy attendees in compliance with Article 177 of The Company Act

and relevant laws.

- Article 11: For shareholder meetings that are convened by the board of directors, the chair shall be determined in accordance with Paragraph 3, Article 208 of The Company Act. For shareholder meetings that are convened by any entitled party other than the board of directors, the convener shall chair the meeting. If two or more parties are equally eligible to serve as convener, one shall be elected among themselves to chair the meeting.
- Article 12: Unless otherwise regulated by laws, shareholders of the Company shall be entitled to one voting right for every share held.
- Article 13: Except otherwise regulated by laws, a shareholder meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and that the motion is voted in favor by more than 50% of all voting rights represented at the meeting.
- Article 14: Shareholder meeting resolutions shall be compiled into detailed minutes, signed or sealed by the chair, and disseminated to each shareholder by no later than 20 days after the meeting. Preparation and dissemination of meeting minutes can be made in electronic form.  
The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The minutes shall be kept persistently throughout the life of the company.

#### **Chapter Four Directors and Supervisors**

- Article 15: The Company shall have 7 to 13 directors who are elected using the nomination system from the list of director (including independent director) candidates presented during the shareholder meeting. Directors shall serve a term of 3 years, which is renewable if re-elected. The total number of registered shares held across all directors shall not fall below a certain percentage of the Company's total outstanding shares, which is calculated according to rules of the authority. Amongst the directors chosen above, there shall be no fewer than two independent directors representing no less than one-fifth of the board. Restrictions concerning independent directors' eligibility, shareholding, concurrent employment, nomination, method of election, and all other compliance issues are governed by relevant laws of the securities authority.
- Article 16: If the board loses more than one-third of its directors or if supervisors are entirely dismissed, the board of directors shall convene a shareholder meeting within 60 days to elect new members for the shortfall. In which case, the newly elected members shall serve the remaining term of the existing

board.

- Article 17: If directors and supervisors can not be re-elected in time at the end of service, the existing directors and supervisors shall have services extended until new directors/supervisors have been elected and commenced duty.
- Article 18: The board shall appoint one Chairman in a board meeting with more than two-thirds of directors present and with the support of more than half of all attending directors. The Chairman will chair shareholder meetings and board of directors meetings internally, and represent the Company to the outside world. Board of directors meetings shall be convened at least once every quarter.
- Article 19: Strategies and key issues concerning the Company's operations shall be resolved by the board of directors. The first meeting of a new board is to be convened according to Article 203 of The Company Act, whereas all subsequent board meetings shall be convened and chaired by the Chairman. If the Chairman is unable to perform duties for any reason, the Chairman may appoint one standing director to act on behalf. If no delegate is appointed, the remaining directors will appoint one among them to perform the Chairman's duties on behalf.
- Article 20: Unless otherwise regulated by The Company Act, a board of directors resolution is passed with more than half of the board present in a meeting, and supported by more than half of attending directors. If a director is unable to attend the meeting, another director can be appointed to attend on behalf by issuing a proxy form detailing the scope of delegated authority. One director can only represent the presence of one other director. In case a meeting of the board of directors is proceeded via visual communication network, then the directors taking part in such a visual communication meeting shall be deemed to have attended the meeting in person. Convention of board of directors meetings may be advised through written correspondence, e-mail, or fax.
- Article 21: Details of board meeting shall be recorded in minutes and signed or sealed by the chair. Minutes are to be distributed to directors within 20 days after each meeting. The minutes shall contain details including the progress and outcome of each motion. The minutes, the attendance log, and proxy forms shall be retained permanently within the Company.
- Article 22: The Company shall have two supervisors who are elected from persons of adequate capacity in a shareholder meeting to serve a term of three years, which can be renewed if re-elected. The total number of registered shares held across all supervisors shall not fall below a certain percentage of the Company's total outstanding shares, which is calculated according to rules of the authority.

Article 23: In addition to exercising individual supervisory power in accordance with laws, supervisors may also be invited to board meetings, but can not participate in the voting.

Article 23-1: Compensation to the Chairman, directors, and supervisors shall be determined based on their participation and contribution to the Company's operations, in reference to peer level. The board of directors is authorized to set the level of compensation.

The Company may purchase liability insurance for directors, supervisors, and key staff subject to board of directors' resolution.

### **Chapter Five Managers and Staff**

Article 24: The Company may create managerial positions. Appointment, dismissal, and compensation of whom shall comply with Article 29 of The Company Act.

Article 25: The Company may engage consultants subject to board of directors' resolution.

### **Chapter Six Year-end Closure**

Article 26: The Company's board of directors is responsible for preparing the following statements and reports at the end of each financial year; these statements and reports must be submitted to supervisors for review at least 30 days before the annual general meeting, and presented during the annual general meeting for the final acknowledgment: 1. Business report. 2. the financial statements; and 3. Earnings distribution or deficit compensation proposal.

Article 27: Profits concluded in a year (refers to profit before tax, employee remuneration, and director/supervisor remuneration) are subject to employee remuneration of 2% and director/supervisory remuneration of no more than 2%. However, profits must first be reserved to offset against cumulative losses (including adjustment of unappropriated earnings) if any.

Employee remuneration in the preceding paragraph can be paid in cash or in shares. Payments may also be made to employees of subordinate companies that satisfy the eligibility criteria set forth by the board of directors. The director/supervisor remuneration mentioned in the preceding paragraph may be paid in cash only.

The two decisions above shall be resolved by the board of directors and reported during the next shareholder meeting.

Article 27-1: Any current net income concluded at year-end closing shall first be taken to offset cumulative losses (including adjustment of unappropriated earnings), followed by a 10% provision for legal reserve unless the legal reserve has accumulated to an amount equal to paid-up capital. The remaining balance of net income is then subject to provision or reversal of special reserve pursuant

to laws or the authority's instructions. Part of the earnings may be retained, and the remaining balance can be added to the opening balance of unappropriated earnings in the current period (including adjustment of unappropriated earnings), which the board of directors may propose to distribute in the form of dividends for shareholders' resolution.

Any cash distribution of the above dividend, profit, legal reserve, or capital reserve, whether in whole or in part, may be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting. The Company's dividend policy has been established to accommodate current and future development plans after taking into consideration the investment environment, capital requirement, domestic/foreign competition, and shareholders' interests. No less than 10% of distributable earnings from the above shall be paid as dividend each year. Dividends can be paid in cash or in shares, with cash dividends amounting to no less than 10% of total dividends.

## **Chapter Seven      Supplementary Provisions**

- Article 28: Charters and enforcement rules of the Company shall be established separately by the board of directors.
- Article 29: Any matters that are not addressed in the Articles of Incorporation shall be governed by The Company Act and related laws.
- Article 30: To better support business requirements, the Company authorizes the board of directors to exercise full discretion over decisions concerning the transfer, trading, and pledge of property and seek acknowledgment afterwards in the upcoming shareholder meeting, except for the circumstances listed in Article 185 of The Company Act.
- Article 31: The Articles of Incorporation was established on July 8, 1968. The 1st amendment was made on June 24, 1969; the 2nd amendment was made on May 29, 1971; the 3rd amendment was made on May 15, 1972; the 4th amendment was made on April 21, 1973; the 5th amendment was made on June 12, 1973; the 6th amendment was made on May 25, 1974; the 7th amendment was made on October 27, 1974; the 8th amendment was made on May 31, 1975; the 9th amendment was made on June 16, 1975; the 10th amendment was made on September 25, 1976; the 11th amendment was made on June 25, 1977; the 12th amendment was made on June 17, 1978; the 13th amendment was made on May 12, 1979; the 14th amendment was made on June 14, 1980; the 15th amendment was made on June 12, 1982; the 16th amendment was made on June 18, 1983; the 17th amendment was made on June 16, 1984; the 18th amendment was made on April 13, 1985;



the 19th amendment was made on May 24, 1986; the 20th amendment was made on May 21, 1988; the 21st amendment was made on May 6, 1989; the 22nd amendment was made on June 23, 1990; the 23rd amendment was made on June 15, 1991; the 24th amendment was made on June 20, 1992; the 25th amendment was made on June 19, 1993; the 26th amendment was made on June 4, 1994; the 27th amendment was made on May 20, 1995; the 28th amendment was made on May 25, 1996; the 29th amendment was made on May 24, 1997; the 30th amendment was made on June 27, 1998; the 31st amendment was made on May 20, 2000; the 32nd amendment was made on June 21, 2002; the 33rd amendment was made on June 17, 2005; the 34th amendment was made on June 26, 2009; the 35th amendment was made on June 25, 2010; the 36th amendment was made on June 27, 2012; the 37th amendment was made on June 26, 2014; the 38th amendment was made on May 22, 2015; the 39th amendment was made on June 22, 2016; the 40th amendment was made on June 4, 2019; the 41st amendment was made on August 4, 2021

Hung Chou Fiber Industrial Co., Ltd.

Chairman Cheng-Tien Chan

## Shareholders Conference Rules of Hung Chou Fiber Industrial Co., Ltd.

- Article 1 This policy has been established in accordance with Article 5 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to promote proper governance over the Company’s shareholder meetings and to enforce supervisory and administrative functions of such meetings.
- Article 2 Unless otherwise specified by law or the Articles of Incorporation, shareholder meetings of the Company shall proceed according to the terms of this policy.
- Article 3 Unless otherwise specified by law, shareholder meetings are to be convened by the board of directors.
- The Company shall prepare an electronic file that contains the meeting advice, a proxy form, a detailed agenda of topics to be acknowledged or discussed during the meeting, and notes on the election or dismissal of directors and supervisors and post it onto the Market Observation Post System (MOPS) at least 30 days before an annual general meeting, or 15 days before an extraordinary shareholder meeting. At least 21 days before an annual general meeting or 15 days before an extraordinary shareholder meeting, an electronic copy of the shareholder meeting handbook and supplementary information shall be prepared and posted onto MOPS. Hard copies of the shareholder meeting handbook and supplementary information also have to be prepared at least 15 days before the meeting and made accessible to shareholders at any time. These documents must be made available at the Company’s premises and at the share transfer agent, and distributed on-site at the shareholder meeting.
- The meeting advice and announcement shall include a detailed agenda. Advices can be served in electronic form with the recipient’s consent. Issues that involve election or dismissal of directors or supervisors, amendments to the Articles of Incorporation, corporate liquidation, merger, divestment, or any matters listed in Paragraph 1, Article 185 of The Company Act and Articles 26-1 and Article 43-6 of Securities and Exchange Act must be raised as regular motions and can not be raised in the form of extraordinary motion.
- Shareholders that own more than 1% of the Company’s outstanding shares are entitled to propose motions for discussion in annual general meetings. However, each shareholder may only propose one motion; proposals above that limit will be excluded from discussion. The board of directors may

disregard shareholders' proposals if the proposed motions exhibit any of the conditions described in Paragraph 4, Article 172-1 of The Company Act. The Company shall announce, before the book closure date of annual general meeting, the conditions, places, and time within which shareholders' proposals are accepted. The acceptance period must not be less than ten days.

Shareholders shall limit their proposed motions to 300 words only; proposals that exceed 300 words will not be accepted for discussion. Shareholders who have successfully proposed their motions shall attend the annual general meeting in person or through proxy and participate in the discussion.

The Company shall notify each proposing shareholder the outcomes of their proposed motions before the date the meeting advice is sent. Meanwhile, motions that satisfy the conditions listed in this Article shall be included as part of the meeting advice. With regard to the proposals submitted by shareholders but not included in the agenda of the meeting, the cause of exclusion of such proposals and explanation shall be made by the board of directors at the shareholders' meeting to be convened.

Article 4 Shareholders may appoint proxies to attend shareholder meetings on their behalf by completing the Company's proxy form and specifying the scope of delegated authority.

Each shareholder may issue one proxy form and delegate one proxy only. All proxy forms must be received by the Company at least 5 days before the shareholder meeting. In cases where multiple proxy forms are issued, the one that arrives first shall prevail. However, this excludes situations where the shareholder has issued a proper declaration to withdraw the previous proxy arrangement.

Should the shareholder decide to attend shareholder meeting in-person or exercise voting rights in writing or using electronic means after a proxy form has been received by the Company, a written notice must be sent to the Company by no later than two days before the meeting commences to withdraw the proxy arrangement. If the shareholder fails to withdraw proxy arrangement before the due date, vote of the proxy attendee shall prevail.

Article 5 Shareholder meetings shall be held at locations that are suitable and convenient for shareholders to attend. Meetings must not commence anytime earlier than 9AM or later than 3PM. Independent directors' opinions shall be fully taken into consideration when choosing the meeting venue and time.

Article 6 The meeting advice shall specify details such as the meeting time, venue, and other important issues to take note of.

Admission of meeting participants shall begin at least 30 minutes before the meeting commences. The reception area must be clearly labeled and

stationed with adequate and competent personnel.

Shareholders and proxies thereof (collectively referred to as shareholders) shall attend shareholder meetings by presenting valid conference pass, attendance card or other document of similar nature. Proxy form acquirers are required to bring identity proof for verification.

The Company shall provide an attendance log to record attendance of shareholders or proxies thereof (collectively referred to as shareholders below); alternatively, attendance cards may be presented to signify shareholders' presence at the meeting.

Shareholders who attend the meeting shall be given a copy of the conference handbook, annual report, attendance pass, opinion slip, motion ballot, and any materials relevant to the meeting. Prepare additional ballots if director election is also being held during the meeting.

Shareholders shall attend shareholder meetings by presenting valid conference pass, attendance card, or other document of similar nature. Proxy form acquirers are required to bring identity proof for verification.

Where the shareholder is a government agency or corporate entity, more than one representative may attend shareholder meetings on their behalf.

Corporate entities that have been designated as proxy attendees can only appoint one representative to attend shareholder meeting.

#### Article 7

Shareholder meetings that are convened by the board of directors shall be chaired by the Chairman. If the Chairman is on leave or is unable to exercise duties for any reason, the Vice Chairman will act on behalf; if there is no Vice Chairman or if the Vice Chairman is also on leave or is unable to exercise duties for any reason, the Chairman may appoint one standing director to assume acting duty; if there is no standing director, one of the directors shall be appointed to perform acting duty; if no delegate is appointed by the Chairman, one shall be appointed among standing directors or directors.

Where the chair described in the preceding Paragraph is to be assumed by a standing director or director, the standing director or director must be on the board for more than six months and possess adequate understanding of the Company's financial and business operations. The same applies if the chair is a representative of a corporate director.

Shareholder meetings that are convened by the board of directors should have more than have of the board attending.

For shareholder meetings convened by any eligible party other than the board of directors, the convener shall serve as the chair. If there are two or more conveners at the same time, one shall be appointed among themselves to chair the meeting.

The Company may summon its lawyers, certified public accountants, and any

relevant personnel to be present at shareholder meetings.

Article 8 The Company shall record non-stop, in audio and video, from the time admission is accepted and throughout the entire meeting proceeding, voting process, and vote count.

These recordings must be retained for at least one year. However, should a shareholder raise a litigious claim against the Company in accordance with Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 9 Shareholders' presence is determined by the number of shares represented during the meeting. The number of shares represented in a meeting is calculated based on attendance log records or the attendance cards collected, plus the number of shares that have voting rights exercised in writing or through electronic means.

The chair should announce commencement of meeting as soon as it is due. However, if current attendees represent less than half of the Company's outstanding shares, the chair may announce to postpone the meeting up to two times, for a period totaling no more than one hour. The chair shall dismiss the meeting if attending shareholders still represent less than one-third of outstanding shares after two postponements.

If attending shareholders still represent more than one-third but less than half of outstanding shares after two postponements, a tentative resolution may be passed in accordance with Paragraph 1, Article 175 of The Company Act. This tentative resolution shall then be communicated to every shareholder, and another shareholder meeting shall be held within the next month.

If the number of shares represented accumulate to more than half of all outstanding shares as the meeting progresses, the chair may propose the tentative resolutions for final voting according to Article 174 of The Company Act.

Article 10 If the shareholder meeting is convened by the board of directors, the board of directors will determine the meeting proceeding. The proceeding can not be changed unless resolved during the shareholder meeting.

The above rule also applies to shareholder meetings that are convened by any entitled party other than the board of directors.

In either of the two situations described above, the chair can not dismiss the meeting while a motion (including extraordinary motion) is still in progress. If the chair violates conference rules by dismissing the meeting when not allowed to do so, other members of the board shall immediately assist attending shareholders in electing another chair that has the support of more than half of voting rights represented on-site to continue the meeting.

The chair must allow adequate time to explain and discuss various motions,

amendments or extraordinary motions proposed during the meeting. The chair may announce to discontinue further discussions if the issue in question is considered to have been sufficiently discussed to proceed with the voting.

Article 11

Shareholders who wish to speak during the meeting must produce an opinion slip detailing the topic, shareholder ID (or attendance card ID serial), and shareholder's name. The order of shareholders' comments is determined by the chair.

Shareholders who submit an opinion slip without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the opinion slip, the actual comments expressed shall be taken into record.

Each shareholder shall speak no more than two times for 5 minutes each on the same motion unless otherwise agreed upon by the chair. The chair may stop shareholders from speaking if they violate any terms of the conference rules or speak outside the discussed topic.

While a shareholder is speaking, other shareholders can not speak simultaneously or interfere in any way unless agreed by the chair and the person speaking. The chair shall restrain any person who violates this process.

Where a corporate shareholder has appointed two or more representatives to attend the shareholder meeting, only one representative may speak per motion.

After a shareholder has finished speaking, the chair may answer the shareholder's queries personally or appoint any relevant personnel to do so.

Article 12

Voting rights in a shareholder meeting are calculated based on the number of shares represented.

The shares held by shareholders having no voting right shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.

Shareholders can not vote, or vote on behalf of other shareholders, on any motion that presents a conflict between their own interests and interests of the Company.

The number of shares held by shareholders who are not permitted to vote, as described in the preceding Paragraph, shall be excluded from the calculation of total voting rights.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by him/her shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13 Shareholders are entitled to one vote per share, except for shares that are subject to voting restrictions or situations outlined in Paragraph 2, Article 179 of The Company Act.

Voting rights can be exercised in writing or using the electronic method (according to Paragraph 1, Article 177-1 of The Company Act: the Company must give shareholders the option to exercise voting rights in writing or using the electronic method during shareholder meetings). Instructions for exercising voting rights in writing or through electronic means must be stated clearly in writing on the meeting advice. Shareholders who opt to exercise voting rights in writing or using electronic method are considered to have participated in the shareholder meeting in person. However, they are considered to have waived their rights to participate in any extraordinary motion or any amendment to the original discussion that may arise during the shareholder meeting. For this reason, the Company should avoid proposing extraordinary motions or amendments to the original motion where possible. Written and electronic voting instructions, as mentioned in the preceding Paragraph, shall be delivered to the Company at least 2 days before the shareholder meeting. In the event of duplicate submissions, the earliest submission shall be taken into record. However, this excludes situations where a proper declaration is issued to withdraw the previous arrangement. Shareholders who wish to attend the shareholder meeting in person after exercising their voting rights in writing or using electronic methods are required to withdraw their votes using the same method by which the vote was cast in the first place, and by no later than two days before the day of shareholder meeting. The written/electronic vote shall prevail if not withdrawn before the cutoff time. If a shareholder exercises vote in writing or through electronic means and at the same time delegates a proxy to attend shareholder meeting, the voting decision exercised by the proxy shall prevail. Unless otherwise regulated by The Company Act or stated in the Articles of Incorporation, a motion is passed when supported by shareholders representing more than half of total voting rights in the meeting. When voting, the chair or delegate thereof shall announce the total number of voting rights represented by attending shareholders for every motion discussed, and have shareholders vote on a case-by-case basis. Details including the number of votes in favor, against, and abstained for each discussion shall be uploaded onto MOPS on the same day the shareholder meeting ends. In cases where several amendment or alternative solutions have been proposed at the same time, the chair shall determine the order in which proposals are to be voted. However, if any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

The chair shall appoint ballot examiners and ballot counters to support the voting process. The ballot examiner must be a shareholder.

Motion and election votes are to be counted openly at the shareholder meeting. Results of the vote, including the final tally, shall be announced on-site and recorded in minutes.

Article 14 Shareholder meetings that involve election of director or supervisor shall proceed according to the Company's election policy. Results of the election, including the list of director and supervisor elects and the final tally, must be announced on-site.

All ballots used in the above election shall be sealed and signed by the ballot examiner, and held in proper custody for at least one year. However, should a shareholder raise a litigious claim against the Company in accordance with Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 15 Shareholder meeting resolutions shall be compiled into detailed minutes, signed or sealed by the chair, and disseminated to each shareholder by no later than 20 days after the meeting. Preparation and distribution of meeting minutes can be made in electronic form.

The Company may disseminate meeting minutes by announcing details over MOPS.

The minutes shall detail the date and venue of the meeting, the chair's name, the method of resolution, the proceeding, and results of various motions.

Minutes shall be retained for as long as the Company exists.

Article 16 On the day of the shareholder meeting, the Company shall disclose information on the number of shares acquired by proxy form acquirers and the number of shares represented by proxies at the meeting venue using the prescribed format.

The Company shall disclose on MOPS in a timely manner any shareholder meeting resolutions that constitute material information as defined by law or the rules of Taiwan Stock Exchange Corporation (or Taipei Exchange).

Article 17 Officers of the shareholder meeting must wear proper identification or arm badge.

The chair may instruct disciplinary officers (or security staff) to help maintain order in the meeting. While maintaining order in the meeting, all disciplinary officers and security staff are required to wear arm badges or identifications that identify their role as "Security."

The chair may stop anyone who attempts to speak using instruments that are not provided by the Company.

The chair may instruct security staff to remove shareholders who continually violate conference rules or obstruct meeting proceeding despite being



warned.

Article 18 The chair may put the meeting in recess at appropriate times. In the event of force majeure, the chair may suspend the meeting temporarily and resume at another time.

If the shareholder meeting is unable to conclude all scheduled motions (including extraordinary motions) before the venue is due for return, participants may resolve to continue the meeting at an alternative location. Shareholders may also resolve to postpone or resume the meeting within the next 5 days, according to Article 182 of The Company Act.

Article 19 The above rules shall take effect immediately once approved in a shareholder meeting. The same applies to all subsequent amendments.

## Hung Chou Fiber Industrial Co., Ltd. Directors' and Supervisors' Shareholding Position

Position	Name	Shareholding position as of the book closure date	
		Shares	Shareholding percentage
Chairman	Cheng-Tien Chan	5,532,037	4.19%
Director	Yi Jinn Industrial Co., Ltd. Representative: Yu-Ching Cheng	36,601,000	27.70%
Director	Yi Jinn Industrial Co., Ltd. Representative: Yi-Ching Chan	36,601,000	27.70%
Director	Yi Jinn Industrial Co., Ltd. Representative: G.L. Lin	36,601,000	27.70%
Director	Yi Jinn Industrial Co., Ltd. Representative: Heng-Chia Chang	36,601,000	27.70%
Director	Yi Jinn Industrial Co., Ltd. Representative: Tse-Hua Lin	36,601,000	27.70%
Director	Lin-Te Chen	857,516	0.64%
Director	Bowa International Leasing Corporation Representative: Kuan-Ru Chen	1,171,000	0.88%
Independent director	Shou-Po Chao	-	-
Independent director	Wei-Chi Huang	-	-
Independent director	Hsien-Chang Kuo	-	-

- Note: 1. As of the book closure date for the annual general meeting, the Company had NT\$1,321,124,540 of paid-up capital in 132,112,454 shares.
2. According to Article 26 of the Securities and Exchange Act, the entire board of directors and supervisors are required to maintain the minimum shareholding position below: ● Minimum shareholding across all directors: 8,000,000. (Note 3)
3. Pursuant to Article 2 of "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," minimum shareholding of non-independent directors and supervisors may be reduced to 80% of the required percentage if the Company has elected at least 2 independent directors.

## Appendix 4

Effects of stock dividends on the Company's business performance, earnings per share, and shareholder ROI

Not applicable

## Appendix 5

### Other remarks

Acceptance of shareholders' proposals and nominations for the 2022 annual general meeting:

1. According to Articles 172-1 and Article 192-1 of The Company Act, shareholders that own more than 1% of the Company's outstanding shares are entitled to propose, in writing, motions to be discussed and a list of director (including independent director) candidates to be elected in the annual general meeting.
2. Proposals: Each shareholder may propose one motion only and shall limit text description to no more than 300 words. Proposals that exceed the above limits will not be accepted.
3. The Company has made an official announcement over MOPS, as required by laws, to accept shareholders' proposals and nominations for the upcoming annual general meeting between March 27 and April 6(if using registered mail, the mail must be received within this time).
4. The Company has not received any proposal or nomination from shareholders.