

Stock Code: 2108

南帝化學工業股份有限公司
NANTEX INDUSTRY CO., LTD.

2020 Annual Regular shareholders meeting

Meeting Handbook

Time of Meeting: 10:00 a.m., June 16, 2020

Meeting Venue: No, 366, Sec. 1, Zhonghua E. Rd., East Dist., Tainan City(Outdoor Parking Lot, T.S. Mall)

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NANTEX INDUSTRY CO., LTD.

2020 Annual Regular shareholders meeting Procedure

I. Call the Meeting to Order (report the number of shares represented by attending shareholders)

II. Chairperson's Remarks

III. Report Items

- (1) 2019 Business Report of the Company.
- (2) Report on Audit Committee's Review of 2019 Financial Statements of the Company.
- (3) Report on 2019 distribution of remuneration of employees, directors.
- (4) Report on endorsement and guarantee total amount related to businesses of the Company made by the Company and subsidiaries.
- (5) Report on status of loaning of funds to others related to the business of the Company made by the Company and subsidiaries.
- (6) Report on status of long-term investments acquired by the Company.
- (7) Report on status of indirect investments in Mainland China made by the Company.
- (8) To report amendment of the "Rules of Procedures for Board of Directors Meeting" of the Company.
- (9) Other report matters.

IV. Ratification Items

- (1) To approve 2019 Business Report and Financial Statements.
- (2) To approve the proposal for distribution of 2019 earnings.

V. Discussion Items

- (1) To discuss amendments to the "Rules of Procedure for Shareholders Meeting" of the Company.
- (2) Discussion on the proposal of amendments to the "Articles of Incorporation" of the Company.

VI. Extraordinary Motions

VII. Adjournment

Report Items

- (1) **Report Item: 2019 Business Report of the Company. (Please refer to pages 7~9 of this Handbook)**
- (2) **Report Item: Report on Audit Committee's Review of 2019 Financial Statements of the Company. (Please refer to page 10 of this Handbook)**
Description: The 2019 standalone and consolidated financial statements have been audited and certified by Certified Public Accountants (CPA), and together with the business report and earnings distribution table have been reviewed by the Audit Committee completely.
- (3) **Report Item: Report on 2019 distribution of remuneration of employees and directors**
Description:
 1. With respect to the resolution of the board of directors meeting dated March 16, 2020, according to the Articles of Incorporation of the company, an amount of NT\$ 35,986,308 is distributed as the employee remuneration and an amount of NT\$ 53,979,461 is distributed as the remuneration of directors in 2019, all distributed in cash.
 2. The total difference between the aforementioned amounts of resolution and the employee remuneration of NT\$ 36,206,000 and the remuneration of directors of NT\$ 54,309,000 recognized in 2019 financial statements is NT\$ 549,231. This mainly refers to the difference in the income before tax estimation; therefore, it is to be adjusted as 2020 profit/loss.
- (4) **Report Item: Report on endorsement and guarantee total amount related to businesses of the Company made by the Company and subsidiaries.**
Description: Up to the date of December 31, 2019, there are no endorsements and guarantees made by the

Company. Except where the subsidiary, Intermedium International Ltd. (B.V.I.), invested in Bao Minh Textile and Garment Joint Stock Company (Vietnam), and an endorsement /guarantee amount made according to the investment was NT\$ 95,866 thousand dollars (US\$ 3,197,650), and the actual amount drawn was NT\$ 70,078 thousand dollars (US\$ 2,337,500).

(5) Report Item: Report on status of loaning of funds to others related to the business of the Company made by the Company and subsidiaries.

Description: Up to the date of December 31, 2019, the loaning of funds to others related to the business of the Company made by the Company and subsidiaries is zero.

(6) Report Item: To report status of long-term investments acquired by the Company.

Description: Details as follows:

December 31, 2019

Company name	Number of shares (shares)	Book value (NT\$ thousand dollars)	Shareholding percentage (%)	Remarks
Lushun Warehouse Co., Ltd.	2,700,000	130,513	15.00	Financial assets at fair value through other comprehensive profit or loss - non-current
Micro Sova Co., Ltd.	(Preferred) 1,000,000 (Common) 21,317	368	0.52	Financial assets at fair value through other comprehensive profit or loss - non-current
Grand Bills Finance Corp.	720,345	8,641	0.13	Financial assets at fair value through other comprehensive profit or loss - non-current
President International Trade And Investment Corp.	8,820,000	83,720	0.67	Financial assets at fair value through other comprehensive profit or loss - non-current
NANMAT TECHNOLOGY CO., LTD.	16,054,238	291,780	44.20	Investment accounted for under the equity method
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	55,503,757	4,430,506	100.00	Investment accounted for under the equity method

(7) Report Item: Report on status of indirect investments in Mainland China made by the Company.

Description: Details as follows:

2019.12.31 Unit: in USD thousand dollars

Name of Invested Company (Investee)	Main Business Item	Original Investment Amount		End of Term Holding			Current Profit/Loss of Investee	Current Investment Profit/Losses Recognized
		End of Current Term	End of Last Term	Number of Shares	Ratio	Book Amount		
ZHENJIANG NANTEX CHEMICAL INDUSTRY CO., LTD.	Production and sales business of rubber and latex	USD 55,300	USD 55,300	---	100.00%	USD 95,735	USD 14,785	USD 14,785

(8) Report Item: To report amendment of the “Rules of Procedures for Board of Directors Meeting” of the Company.

Description: 1. In accordance with the amendment of the

laws of the competent authority, newly add relevant provision content on the election of chairperson of board of directors' meeting during the meeting convention by a majority of directors, and amend the provisions related to the recusal of directors with respect to conflicts of interest on meeting matters.

2. For the comparison table of provisions of amendment, please refer to pages 31~31 of this manual.
3. This proposal has been approved through the resolution of the board of directors meeting on March 16, 2020 of the Company.

- (9) Report Item: Other report matters, submitted for review.**
Description: Pursuant to Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of issued shares of a company may propose to the company a proposal for discussion at a regular shareholders meeting. The current proposal acceptance period is from April 13, 2020 to April 23, 2020, and the Company receives no proposals submitted by the shareholders.

Ratification Items

(1) Report Item: Ratification of 2019 Business Report and Financial Statements, proposed for ratification. (Proposed by the Board of Directors)

- Description:
1. The 2019 Business Report and Financial Statements of the Company have been approved in the Board of Directors meeting dated March 16, 2020, of which the financial statements have been audited and certified by CPA and submitted together with the business report to the Audit Committee for review completely. The review report has been issued and submitted for ratification.
 2. The 2019 For the business and financial statements, please refer to pages 11~29 of this Handbook.

Resolution:

(2) Report Item: Ratification of the 2019 Earnings Distribution Plan, proposed for ratification. (Proposed by the Board of Directors)

- Description:
1. This proposal has been approved in the Board of Directors meeting dated March 16, 2020, and has been submitted to the Audit Committee for review completely.
 2. The Company plans to distribute a cash dividend of NT\$2.1 per share. After the general meeting of shareholders approves, authorizes the board of directors to set an ex-dividend benchmark date.
 3. Please refer to “2019 Earnings Distribution Table” on page 30 of this Handbook.

Resolution:

Discussion Items

- (1) **Report Item:** **Discussion on amendments to the “Rules of Procedure for Shareholders Meeting” of the Company. (Proposed by the Board of Directors)**

Description:

1. In accordance with the amendment of the laws of the competent authority, it is mainly to amend the matters restricted to be listed in the extraordinary motions.
2. For the comparison table of provisions before and after amendment, please refer to pages 32~33 of this Handbook.
3. This proposal has been approved by the resolution in the Board of Directors meeting dated March 16, 2020 of the Company, and it is reported to the present shareholders’ meeting according to the regulations.

Resolution:

- (2) **Report Item:** **Discussion on the proposal of amendments to the “Articles of Incorporation” of the Company, submitted for resolution. (Proposed by the Board of Directors)**

Description:

1. Cooperate with the revision of the laws and regulations of the competent authority, mainly amend the policy of printing stocks and signing by the directors representing the company, authorizing the board of directors to approve the cash dividend distribution and adjust the dividend payment policy by special resolution.
2. For the comparison table of provisions before and after amendment, please refer to page 34 of this Handbook.
3. This proposal has been approved by the resolution in the Board of Directors meeting dated March 16, 2020 of the Company, and it is reported to the present shareholders’

Resolution: meeting according to the regulations.

Extraordinary Motions:

Adjournment:

Business Report

Dear Shareholders,

Looking back on 2019, at the impacts of the trade war between the U.S. and China as well as the Middle East air raid risk arising from the conflict between the U.S. and Iran, along with the weakening of global economic growth and the uncertainty in the market due to relatively violent fluctuations in the international oil price etc., all these factors introduce great challenges to the Company in various aspects. Fortunately, with the great effort and dedication of the entire team of the Company, despite a decrease in the revenue, the profit of the Company was able to be maintained at a certain level.

<I. 2019 Business Report >

1. Financial Results:

The consolidated revenue of the Company for the whole year was NT\$ 12.392 billion, an annual decrease of approximately 10.3%. The revenue of Linyuan Plant reached NT\$ 6.95 billion, a decrease of approximately 10.3% from last year. The revenue of Zhenjiang Plant was NT\$ 4.683 billion, a decrease of approximately 11.2% from last year. For the invested Nanmat Technology Co., Ltd., the annual revenue was NT\$ 759 million, a decrease of approximately 4.1% from last year. The standalone income before tax of the Company for the year was NT\$ 1.709 billion, net income after tax was NT\$ 1.427 billion, return on equity was 17.5%, return on asset was 15.0%, and the basic earnings per share was NT\$ 2.90. The consolidated income before tax was NT\$ 2.03 billion, net income after tax was NT\$ 1.481 billion (including minority holding of NT\$ 55 million), return on equity was 17.4%, return on asset was 14.2% and the basic earnings per share was NT\$ 2.90.

Synthetic latex

Synthetic latex is the main product of Linyuan Plant of the Company and accounts for more than 80% of the revenue of Linyuan Plant. The product quality is stable, unique, and outstanding such that it has been able to gain customers' trust and satisfaction. With successful development of new customers, the customer group and sales volume of synthetic latex in this year slightly increased from last year. As for the sales price, the sales price was reduced due to the drop in the price of the key raw material of butadiene. Nevertheless, with the advantages in the product quality, both the gross margin and profit indicated growth from last year. With regard to Zhenjiang Plant, due to the impact of the severe competition in the market of synthetic latex for gloves, the sales volume and amount decreased from last year. Nonetheless, with the price drop of the key raw material of butadiene and appropriate control of the management and marketing expenses, the gross margin and profit still indicated growth.

NBR rubber

The international natural rubber market had recovered from the bottom; however, the market competition was still severe. Despite the fact that the sales volume of Linyuan Plant was reduced this year, nevertheless, due to the flexible sales strategy adopted, the profit still increased. For Zhenjiang Plant, with the product quality advantage and the business expansion of new customers and new applications, such that the sales volume was increased from the same period of last year, but both the gross margin and profit were decreased due to the drop of the sales price.

TPV Thermoplastic Vulcanizate

TPV Thermoplastic Vulcanizate has been qualified in the customer sample inspection and evaluation with certification over the past years, and the sales volume and customer group have demonstrated growth this year. In the future, the Company continues to strengthen the business promotion and cost management such that the future profit is expected to increase gradually.

Carbon Master Batch

With regard to Carbon Master Batch, in addition to the commitment in the quality stability and the

development of new products, the Company also actively expands markets in Mainland China and overseas markets. In this year, the sales volume indicated a slight decrease; however, the profit was still stable.

2. Research and Development Status:

In 2019, the research and development expense of Linyuan Plant was NT\$ 64.93 million, accounting for approximately 0.9% of the revenue, a slight increase from last year.

Synthetic latex

Through proper use of the existing emulsion polymerization technology, satisfying the market demands for thin gloves with high physical properties while complying with the regulations of environmental protection, we seek to continuously improve the application performance of the synthetic latex and to utilize existing equipment to further achieve the most optimal design and function for synthetic latex, thereby satisfying the needs of business operators.

NBR rubber

The development of special Nitrile Butadiene Rubber (NBR) and the environmental type of NBR has expanded into the fields of bonding agents, flexible printed circuit boards, and LED application. In addition, such products have been gradually promoted to overseas markets.

TPV Thermoplastic Vulcanizate

TPV Thermoplastic Vulcanizate focuses on the application of auto parts, and the products for the applications of car window strips and shock absorber dust boots have continued to demonstrate stable production quantity and shipment. In addition, price-oriented products have been developed to expand the market in Mainland China and overseas markets in Southeast Asia, and the niche of the existing production line is also expanded. Other fields of applications, such as cable sheath parts, have been verified by customers and are entering the electronic component market gradually.

Carbon Master Batch

Blend glue of wet blending NBR/PVC and fusion grade NBR/PVC blend glue have been developed completely and are under mass production for shipment.

3. Financial Revenue/Expenditure Analysis:

The financial policy of the Company has always adhered to the principle of stable and steady growth. With continuous shortening of account recovery period, the currently available financial fund is enough to cope with the future needs, such that the financial fund is ample and without any shortage. With regard to the financial structure of Linyuan Plant, the debt-to-equity ratio is approximately 14:86, i.e. the Company's own fund is sufficient, and the corporate risk exposure level is low. The current ratio and quick ratio reach 369.2% and 308.1% respectively, indicating that the Company's liquidity is excellent, and the capital turnover is relatively flexible.

<II. 2020 Business Plan Overview>

1. Business Plan:

For the outlook of 2020, as the oil price is expected to continue its decline, and the concern that the global economy is not likely to recover at least until the end of the first half of the year, which in turn affects the price of the key raw material of butadiene continuing to be at low price, along with the continuous expansion of the production capacity in the competitive market, the Company will adopt the customer-oriented marketing approach while facing rapid changes in the future domestic and foreign environments. In addition, the Company is committed to the product research and innovation, cost reduction and increase of production capacity in order to continuously and effectively improve customer satisfaction and strengthening customer relationship in light of maintaining the competitive advantages and profitability continuously as well as achieving sustainable operation of the Company.

Synthetic latex

The Company will continue to strengthen the relationship of Nantex with the leading companies in

glove business in order to jointly develop high-end and high-value product application and promotion in light of maximizing the difference from other competition opponents in the market. In addition, the Company also develops synthetic latex for special industrial gloves and purposes other than gloves and continuously evaluate auxiliaries of different sources in order to reduce cost and to satisfy various customer market demands. Furthermore, the Company also actively develops new customers in order to maintain the leading brand position in the market.

NBR rubber

To establish the brand position in the Asian market, the Company utilizes technical services to understand customer demands and launches new NBR rubber suitable and satisfying the market demands in order to secure the brand position in the market.

TPV Thermoplastic Vulcanizate

The Company will continue to expand the planning in the auto industry sale, enhance customer sales, advertisement and trade show, technical service and application promotion, in order to further increase the popularity of the green material Dynaprene TPV brand reputation.

Carbon Master Batch

Develop new product types and new applications to increase sales.

2. Estimated Production and Sales:

For the main product sales volume in 2020, it is estimated that the sales of synthetic latex of Linyuan Plant can reach 211 thousand tons, NBR rubber can reach approximately 12 thousand tons. For Zhenjiang Plant, the sales of both synthetic latex and NBR rubber are estimated to be approximately 50 thousand tons respectively.

<III. Overall Economic Environment and Company Industry Trend Analysis>

1. Overall Economic Environment:

Look into 2020, both the U.S. And China are expected to reach an initial trade agreement and the tension between the two may be relieved temporarily. In addition, with the preventive interest rate reduction in the U.S. and various finance and economy stimulating policies implemented by all major countries, along with factor of the low base period, it is expected that the global economic growth in 2020 will be better than 2019. Nevertheless, due to the impact of the Novel Coronavirus (COVID-19) epidemic at the beginning of 2020 and the violent fluctuation of oil price, along with the consideration that the level of impact of the conflict between the U.S. and China on Taiwan's economy is still significant, the challenges and changes of the future economic environment are still expected to be severe.

2. Industry Trend:

Regarding the products of synthetic latex, with the increasing global safety and health protection awareness, the glove market is expected to be driven for growth. Despite that the Company faces the challenges of price increase of the key raw material of butadiene and the continuous increase of competitors' production capacity, nevertheless, the glove synthetic latex products of the Company are still of great advantages in terms of the product physical properties and use convenience, such that the future outlook is promising. Regarding the NBR rubber, the market competition is still severe, nevertheless, the overall demand is still relatively stable.

<IV. Future Development Strategy>

Article 1 Professional Sprout and Resource Development Strategy:

Use the existing core technology platform for emulsion polymerization and plastic rubber TPV to derive different customized materials, high-value distinctiveness, refinement or intelligent materials, and expand applications to different fields, in order to achieve greater quality performance and after-sale service, and continuous competition advantages in professional consultation and

product/service system integration.

Article 2 Regional, Globalization, Market-Oriented Development Strategy:

Starting from the innovation of finished product application, equipment processing and raw material design, implement traditional industry characterization, manufacturing industry integrated with service, service industry integrated with technology and international standards as well as develop patent portfolio or obtain certification and verification. In addition, through the expansion of brand channels, Nantex looks forward to developing its business in greater markets.

We sincerely appreciate all shareholders for the long-term support and feedbacks. The management team will continue to uphold the attitude of “Continuous Improvement, Excel for Excellence” in the operation of the Company with best effort. We expect that the business of the Company will continue to grow sustainably and profitably.

Responsible Person:

Managerial Officer:

Accounting Manager:

NANTEX INDUSTRY CO., LTD.
Audit Committee's Review Report

The board of directors has prepared the 2019 business report, standalone and consolidated financial statement and earnings distribution proposal, in which the standalone and consolidated financial statement have been audited and certified by PricewaterhouseCoopers Taiwan, and unqualified opinion audit report has been issued. The aforementioned Business Plan, Standalone and Consolidated Financial Statements and Earnings Distribution table have been Audit by the Audit Committee, considering it to be of conformity. Accordingly, report is prepared as disclosed above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

NANTEX INDUSTRY CO., LTD.
Chairman of the Audit Committee

March 16, 2020

NANTEX INDUSTRY CO., LTD.
Audit Committee's Review Report

The board of directors prepared the revised surplus distribution table of the company for the 108th year of the Republic of China. The above-mentioned revised surplus distribution table was checked by the audit committee and found that there is still no discrepancy. The provisions of the article, prepare a report, please check.

NANTEX INDUSTRY CO., LTD.
Chairman of the Audit Committee

May 4, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NANTEX INDUSTRY CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of NANTEX INDUSTRY CO., LTD. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(10) to accounting policies on inventory, Note 5 for accounting estimates and assumptions uncertainty in relation to inventory valuation, and Note 6(5) for description of inventory. As of December 31, 2019, the balances of inventories and allowance for valuation losses were NT\$942,742 thousand and NT\$59,182 thousand, respectively.

The Group is primarily engaged in manufacturing, processing and sales of various types of latex, rubber and related products. As the Group's inventories are mostly chemicals, they are subject to deterioration and fluctuations in worldwide raw material prices. Since measurement of net realisable value for inventories involves subjective judgment resulting in a high degree of estimation uncertainty, we considered evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Examined whether the evaluation of inventories was implemented based on the Group's accounting policies, and assessed the reasonableness of policies and procedures related to the provision for inventory valuation losses.
- B. Assessed the appropriateness of provision for inventory valuation loss based on our evaluation and sampling on documents related to the net realisable value of inventories.

Cut off of operating revenue recognition from export sales in Taiwan region

Description

Refer to Note 4(26) for accounting policy on revenue recognition.

The Group's is engaged in domestic and international sales. Since there are numerous daily revenues from Taiwan region and transaction terms made with foreign customers are different, which involve significant risk in relation to inappropriate revenue recognition timing, we identified cutoff of operating revenue recognition from export sales in Taiwan region a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Inspected sales contracts and orders to ensure whether sales revenue was recognised in the appropriate period based on transaction terms.

- B. Obtained details of operating revenue from export sales, and sampled and verified supporting documents (such as customer orders, delivery orders and export declarations) in order to verify whether operating revenue from export sales was recognised in an appropriate period.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of NANTEX INDUSTRY CO., LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease 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.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

March 16, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 3,109,762	29	\$ 3,042,715	30
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	9,563	-
1136	Current financial assets at amortised cost	6(1)(3) and 8	1,404,920	13	814,566	8
1150	Notes receivable, net	6(4)	169,508	2	185,160	2
1170	Accounts receivable, net	6(4) and 12	1,305,801	12	1,487,136	15
1200	Other receivables		89,794	1	81,767	1
130X	Inventories	5 and 6(5)	883,560	8	1,016,681	10
1410	Prepayments		357,656	4	351,062	3
11XX	Total current assets		<u>7,321,001</u>	<u>69</u>	<u>6,988,650</u>	<u>69</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	326,268	3	278,583	3
1535	Non-current financial assets at amortised cost	6(1)(3)	214,657	2	-	-
1600	Property, plant and equipment	6(7) and 8	2,313,901	22	2,483,167	24
1755	Right-of-use assets	3(1), 6(8) and 7	121,852	1	-	-
1780	Intangible assets	6(9)	11,499	-	12,876	-
1840	Deferred income tax assets	6(23)	66,415	1	60,668	1
1915	Prepayments for equipment	6(7)	17,838	-	10,449	-
1920	Guarantee deposits paid	8	547	-	628	-
1985	Long-term prepaid rent	3(1) and 6(10)	-	-	39,394	-
1990	Other non-current assets		277,152	2	282,364	3
15XX	Total non-current assets		<u>3,350,129</u>	<u>31</u>	<u>3,168,129</u>	<u>31</u>
1XXX	Total assets		<u>\$ 10,671,130</u>	<u>100</u>	<u>\$ 10,156,779</u>	<u>100</u>

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 190,000	2	\$ 70,000	1
2110	Short-term notes and bills payable	6(12)	9,997	-	9,984	-
2130	Current contract liabilities	6(17)	81,019	1	47,044	-
2150	Notes payable		-	-	187	-
2170	Accounts payable		340,321	3	353,714	4
2200	Other payables		632,585	6	727,454	7
2230	Current income tax liabilities	6(23)	199,423	2	239,994	2
2280	Current lease liabilities	3(1), 6(8) and 7	21,422	-	-	-
21XX	Total current liabilities		<u>1,474,767</u>	<u>14</u>	<u>1,448,377</u>	<u>14</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(23)	309,384	3	305,881	3
2580	Non-current lease liabilities	3(1), 6(8) and 7	64,948	-	-	-
2640	Net defined benefit liabilities	6(13)	76,372	1	109,542	1
25XX	Total non-current liabilities		<u>450,704</u>	<u>4</u>	<u>415,423</u>	<u>4</u>
2XXX	Total liabilities		<u>1,925,471</u>	<u>18</u>	<u>1,863,800</u>	<u>18</u>
Equity						
Equity attributable to owners of the parent						
Share capital						
3110	Share capital - common stock	6(14)	4,924,167	46	4,924,167	49
Retained earnings						
		6(14)(15)				
3310	Legal reserve		1,185,566	11	1,032,070	10
3320	Special reserve		433,442	4	433,442	5
3350	Unappropriated retained earnings		2,146,359	20	1,754,420	17
Other equity interest						
3400	Other equity interest	6(6)(16)	(312,231)	(2)	(184,963)	(2)
31XX	Total equity attributable to owners of the parent		<u>8,377,303</u>	<u>79</u>	<u>7,959,136</u>	<u>79</u>
36XX	Non-controlling interest		<u>368,356</u>	<u>3</u>	<u>333,843</u>	<u>3</u>
3XXX	Total equity		<u>8,745,659</u>	<u>82</u>	<u>8,292,979</u>	<u>82</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
		6(25), 7 and 9				
3X2X	Total liabilities and equity		<u>\$ 10,671,130</u>	<u>100</u>	<u>\$ 10,156,779</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 12,391,836	100	\$ 13,809,832	100
5000	Operating costs	6(5)(9)(13)(21)(22)(25) and 7	(9,171,120)	(74)	(10,555,225)	(76)
5950	Net operating margin		3,220,716	26	3,254,607	24
	Operating expenses	6(9)(10)(13)(21)(22)(25) and 12				
6100	Selling expenses		(488,652)	(4)	(502,320)	(4)
6200	General and administrative expenses		(661,607)	(5)	(722,652)	(5)
6300	Research and development expenses		(92,136)	(1)	(88,461)	(1)
6450	Expected credit impairment gain (loss)		813	-	(1,276)	-
6000	Total operating expenses		(1,241,582)	(10)	(1,314,709)	(10)
6900	Operating profit		1,979,134	16	1,939,898	14
	Non-operating income and expenses					
7010	Other income	6(3)(18)	104,547	1	94,677	-
7020	Other gains and losses	6(2)(19) and 12	(51,074)	(1)	96,534	1
7050	Finance costs	6(7)(8)(20) and 7	(2,581)	-	(1,049)	-
7000	Total non-operating income and expenses		50,892	-	190,162	1
7900	Profit before income tax		2,030,026	16	2,130,060	15
7950	Income tax expense	6(23)	(548,574)	(4)	(538,330)	(4)
8200	Profit for the year		\$ 1,481,452	12	\$ 1,591,730	11
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plans	6(13)	\$ 6,391	-	\$ 6,392	-
8316	Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)(16)	23,791	-	19,018	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(1,278)	-	(527)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(151,059)	(1)	(51,296)	-
8300	Other comprehensive loss for the year		(\$ 122,155)	(1)	(\$ 26,413)	-
8500	Total comprehensive income for the year		\$ 1,359,297	11	\$ 1,565,317	11
	Profit attributable to:					
8610	Owners of the parent		\$ 1,426,780	12	\$ 1,534,951	10
8620	Non-controlling interest		54,672	-	56,779	1
	Profit for the year		\$ 1,481,452	12	\$ 1,591,730	11
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 1,304,517	11	\$ 1,509,347	11
8720	Non-controlling interest		54,780	-	55,970	-
	Total comprehensive income for the year		\$ 1,359,297	11	\$ 1,565,317	11
	Earnings per share (in dollars)	6(24)				
9750	Basic		\$ 2.90		\$ 3.12	
9850	Diluted		\$ 2.89		\$ 3.11	

The accompanying notes are an integral part of these consolidated financial statements.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,030,026	\$ 2,130,060
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on valuation of financial assets at fair value through profit or loss		(13,069)	(3,839)
Expected credit impairment (gain) loss	12	(813)	1,276
Reversal of inventory market price decline	6(5)	(874)	(481)
Depreciation	6(7)(8)(21)	309,699	283,900
Losses on disposals of property, plant and equipment	6(19)	1,671	610
Property, plant and equipment transferred to expenses	6(7)	3,299	1,879
Amortisation	6(9)(21)	2,640	2,693
Amortisation of long-term prepaid rent	6(10)	-	1,325
Interest income	6(18)	(86,170)	(63,379)
Dividend income	6(18)	(8,051)	(9,314)
Interest expense	6(20)	2,581	1,049
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,632	21,933
Notes receivable		15,652	15,493
Accounts receivable		182,202	(233,663)
Other receivables		(2,569)	(71,830)
Inventories		133,995	(112,784)
Prepayments		(6,594)	126,961
Other non-current assets		5,212	(45,561)
Changes in operating liabilities			
Current contract liabilities		33,975	(46,687)
Notes payable		(187)	1
Accounts payable		(13,393)	(43,876)
Other payables		(96,989)	229,930
Net defined benefit liability		(26,779)	(22,970)
Cash inflow generated from operations		2,488,096	2,162,726
Interest received		80,712	60,647
Dividends received		8,051	9,314
Interest paid		(2,545)	(1,023)
Income taxes paid		(592,667)	(367,858)
Net cash flows from operating activities		<u>1,981,647</u>	<u>1,863,806</u>

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial assets at amortised cost		(\$ 3,744,842)	(\$ 3,109,407)
Proceeds from disposals of current financial assets at amortised cost		3,115,544	3,008,649
Decrease in other current assets		-	1,422
Acquisition of financial assets at fair value through other comprehensive income		(26,589)	(7,201)
Acquisition of non-current financial assets at amortised cost		(223,801)	-
Cash paid for acquisition of property, plant and equipment	6(26)	(127,238)	(94,652)
Interest paid for acquisition of property, plant and equipment	6(7)(20)(26)	(42)	(126)
Proceeds from disposal of property, plant and equipment		381	1,098
Increase in intangible assets	6(9)	(1,593)	(1,745)
Increase in prepayments for equipment		(35,669)	(67,754)
Decrease in guarantee deposits paid		81	14
Net cash flows used in investing activities		(1,043,768)	(269,702)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(27)	120,000	(30,000)
Decrease in short-term notes and bills payable	6(27)	-	(20,000)
Payment of lease liabilities	6(27)	(21,620)	-
Payment of cash dividends	6(15)	(886,350)	(468,968)
Decrease in non-controlling interest		(20,267)	-
Net cash flows used in financing activities		(808,237)	(518,968)
Effect of foreign exchange rate changes		(62,595)	(13,507)
Net increase in cash and cash equivalents		67,047	1,061,629
Cash and cash equivalents at beginning of year	6(1)	3,042,715	1,981,086
Cash and cash equivalents at end of year	6(1)	<u>\$ 3,109,762</u>	<u>\$ 3,042,715</u>

The accompanying notes are an integral part of these consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NANTEX INDUSTRY CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of NANTEX INDUSTRY CO., LTD. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(9) for description of accounting policy on inventory, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of inventory. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses were NT\$415,946 thousand and NT\$28,272 thousand, respectively.

The Company is primarily engaged in manufacturing, processing and sales of various types of latex, rubber and related products. As the Company's inventories are mostly chemicals, they are subject to deterioration and fluctuations in worldwide raw material prices. Since measurement of net realisable value for inventories involves subjective judgment resulting in a high degree of estimation uncertainty, we considered evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Examined whether the evaluation of inventories was implemented based on the Company's accounting policies, and assessed the reasonableness of policies and procedures related to the provision for inventory valuation losses.
- B. Assessed the appropriateness of provision for inventory valuation loss based on our evaluation and sampling on related documents related to the net realisable value of inventories.

Cut off of operating revenue recognition from export sales

Description

Refer to Note 4(26) for the accounting policies on revenue recognition.

The Company's is engaged in domestic and international sales. Since there are numerous daily revenues and transaction terms made with foreign customers are different, which involve significant risk in relation to inappropriate revenue recognition timing, we identified cut off of operating revenue recognition from export sales a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Inspected sales contracts and orders to ensure whether sales revenue was recognised in the appropriate period based on transaction terms.

- B. Obtained details of operating revenue from export sales, and sampled and verified supporting documents (such as customer orders, delivery orders and export declarations) in order to verify whether operating revenue from export sales was recognised in an appropriate period.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 16, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,488,406	15	\$ 1,322,440	14
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	9,563	-
1136	Current financial assets at amortised cost	6(3)	299,800	3	-	-
1150	Notes receivable, net	6(4)	37,669	-	52,700	1
1170	Accounts receivable, net	6(4)	933,376	10	1,053,257	11
1200	Other receivables		79,335	1	72,619	1
1210	Other receivables - related parties	7	20,540	-	32,857	-
130X	Inventories	5 and 6(5)	387,674	4	479,728	5
1410	Prepayments		179,092	2	232,514	3
11XX	Total current assets		<u>3,425,892</u>	<u>35</u>	<u>3,255,678</u>	<u>35</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	223,242	2	199,451	2
1550	Investments accounted for under equity method	6(7)	4,722,286	48	4,443,969	48
1600	Property, plant and equipment	6(8) and 8	1,219,773	13	1,291,606	14
1755	Right-of-use assets	3(1), 6(9) and 7	66,034	1	-	-
1780	Intangible assets	6(10)	1,062	-	2,083	-
1840	Deferred income tax assets	6(22)	55,187	1	48,066	1
1920	Guarantee deposits paid	8	413	-	423	-
1990	Other non-current assets		15,394	-	13,514	-
15XX	Total non-current assets		<u>6,303,391</u>	<u>65</u>	<u>5,999,112</u>	<u>65</u>
1XXX	Total assets		<u>\$ 9,729,283</u>	<u>100</u>	<u>\$ 9,254,790</u>	<u>100</u>

(Continued)

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 100,000	1	\$ -	-
2130	Current contract liabilities	6(16)	11,150	-	11,204	-
2170	Accounts payable		270,721	3	296,913	3
2200	Other payables		365,403	4	411,296	5
2230	Current income tax liabilities	6(22)	165,324	2	176,823	2
2280	Current lease liabilities	3(1), 6(9) and 7	15,454	-	-	-
21XX	Total current liabilities		<u>928,052</u>	<u>10</u>	<u>896,236</u>	<u>10</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(22)	309,384	3	305,881	3
2580	Non-current lease liabilities	3(1), 6(9) and 7	51,454	-	-	-
2640	Net defined benefit liabilities	6(12)	63,090	1	93,537	1
25XX	Total non-current liabilities		<u>423,928</u>	<u>4</u>	<u>399,418</u>	<u>4</u>
2XXX	Total liabilities		<u>1,351,980</u>	<u>14</u>	<u>1,295,654</u>	<u>14</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	4,924,167	51	4,924,167	53
Retained earnings						
		6(13)(14)				
3310	Legal reserve		1,185,566	12	1,032,070	11
3320	Special reserve		433,442	5	433,442	5
3350	Unappropriated retained earnings		2,146,359	22	1,754,420	19
Other equity interest						
3400	Other equity interest	6(6)(7)(15)	(312,231)	(4)	(184,963)	(2)
3XXX	Total equity		<u>8,377,303</u>	<u>86</u>	<u>7,959,136</u>	<u>86</u>
Significant Contingent Liabilities and 9						
Unrecognised Contract Commitments						
3X2X	Total liabilities and equity		<u>\$ 9,729,283</u>	<u>100</u>	<u>\$ 9,254,790</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 6,957,021	100	\$ 7,757,462	100
5000 Operating costs	6(5)(12)(20)(21) and 7	(5,021,115)	(72)	(5,984,819)	(77)
5900 Net operating margin		<u>1,935,906</u>	<u>28</u>	<u>1,772,643</u>	<u>23</u>
Operating expenses	6(10)(12)(20)(21) and 7				
6100 Selling expenses		(269,759)	(4)	(278,842)	(3)
6200 General and administrative expenses		(341,594)	(5)	(369,738)	(5)
6300 Research and development expenses		(64,933)	(1)	(63,377)	(1)
6000 Total operating expenses		(676,286)	(10)	(711,957)	(9)
6900 Operating profit		<u>1,259,620</u>	<u>18</u>	<u>1,060,686</u>	<u>14</u>
Non-operating income and expenses					
7010 Other income	6(3)(17) and 7	57,099	1	65,139	1
7020 Other gains and losses	6(2)(18) and 12	(51,930)	(1)	70,617	1
7050 Finance costs	6(9)(19) and 7	(1,332)	-	-	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	445,344	7	607,363	7
7000 Total non-operating income and expenses		<u>449,181</u>	<u>7</u>	<u>743,119</u>	<u>9</u>
7900 Profit before income tax		<u>1,708,801</u>	<u>25</u>	<u>1,803,805</u>	<u>23</u>
7950 Income tax expense	6(22)	(282,021)	(4)	(268,854)	(3)
8200 Profit for the year		<u>\$ 1,426,780</u>	<u>21</u>	<u>\$ 1,534,951</u>	<u>20</u>
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Actuarial gains on defined benefit plans	6(12)	\$ 6,149	-	\$ 8,136	-
8316 Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)(15)	23,791	-	19,018	-
8330 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(7)	86	-	(641)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(1,230)	-	(821)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations	6(7)(15)	(151,059)	(2)	(51,296)	(1)
8300 Other comprehensive loss for the year		<u>(\$ 122,263)</u>	<u>(2)</u>	<u>(\$ 25,604)</u>	<u>(1)</u>
8500 Total comprehensive income for the year		<u>\$ 1,304,517</u>	<u>19</u>	<u>\$ 1,509,347</u>	<u>19</u>
Earnings per share (in dollars)	6(23)				
9750 Basic		<u>\$ 2.90</u>		<u>\$ 3.12</u>	
9850 Diluted		<u>\$ 2.89</u>		<u>\$ 3.11</u>	

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Financial statements translation differences of foreign operations	Other Equity Interest		Total equity
		Share capital - common stock	Legal reserve	Special reserve	Unappropriated retained earnings		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	
Year ended December 31, 2018									
Balance at January 1, 2018		\$ 4,689,683	\$ 950,675	\$ 433,442	\$ 988,546	(\$ 144,374)	\$ -	(\$ 1,703)	\$ 6,916,269
Effects of retrospective application	6(15)	-	-	-	9,096	-	(8,311)	1,703	2,488
Balance at January 1 after adjustments		<u>4,689,683</u>	<u>950,675</u>	<u>433,442</u>	<u>997,642</u>	<u>(144,374)</u>	<u>(8,311)</u>	<u>-</u>	<u>6,918,757</u>
Profit for the year		-	-	-	1,534,951	-	-	-	1,534,951
Other comprehensive income (loss) for the year	6(6)(7)(15)	-	-	-	6,674	(51,296)	19,018	-	(25,604)
Total comprehensive income (loss)		-	-	-	<u>1,541,625</u>	<u>(51,296)</u>	<u>19,018</u>	<u>-</u>	<u>1,509,347</u>
Distribution of 2017 net income:									
Legal reserve		-	81,395	-	(81,395)	-	-	-	-
Stock dividends	6(13)(14)	234,484	-	-	(234,484)	-	-	-	-
Cash dividends	6(14)	-	-	-	(468,968)	-	-	-	(468,968)
Balance at December 31, 2018		<u>\$ 4,924,167</u>	<u>\$ 1,032,070</u>	<u>\$ 433,442</u>	<u>\$ 1,754,420</u>	<u>(\$ 195,670)</u>	<u>\$ 10,707</u>	<u>\$ -</u>	<u>\$ 7,959,136</u>
Year ended December 31, 2019									
Balance at January 1, 2019		\$ 4,924,167	\$ 1,032,070	\$ 433,442	\$ 1,754,420	(\$ 195,670)	\$ 10,707	\$ -	\$ 7,959,136
Profit for the year		-	-	-	1,426,780	-	-	-	1,426,780
Other comprehensive income (loss) for the year	6(6)(7)(15)	-	-	-	5,005	(151,059)	23,791	-	(122,263)
Total comprehensive income (loss)		-	-	-	<u>1,431,785</u>	<u>(151,059)</u>	<u>23,791</u>	<u>-</u>	<u>1,304,517</u>
Distribution of 2018 net income:									
Legal reserve		-	153,496	-	(153,496)	-	-	-	-
Cash dividends	6(14)	-	-	-	(886,350)	-	-	-	(886,350)
Balance at December 31, 2019		<u>\$ 4,924,167</u>	<u>\$ 1,185,566</u>	<u>\$ 433,442</u>	<u>\$ 2,146,359</u>	<u>(\$ 346,729)</u>	<u>\$ 34,498</u>	<u>\$ -</u>	<u>\$ 8,377,303</u>

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,708,801	\$ 1,803,805
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss		(13,069)	(3,839)
Provision for (reversal of) loss on inventory market price decline	6(5)	1,548	(2,281)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	(445,344)	(607,363)
Depreciation	6(8)(9)(20)	151,580	129,551
Loss on disposal of property, plant and equipment	6(18)	-	31
Property, plant and equipment transferred to expense	6(8)	3,299	1,879
Amortisation	6(10)(20)	1,066	1,117
Interest income	6(17)	(21,075)	(12,976)
Dividend income	6(17)	(8,051)	(9,314)
Interest expense	6(19)	1,332	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,632	21,933
Notes receivable		15,031	(12,426)
Accounts receivable		119,881	(92,976)
Other receivables		(6,716)	(71,575)
Other receivables - related parties		12,317	(12,789)
Inventories		90,506	(68,671)
Prepayments		53,422	72,618
Other non-current assets		(1,880)	(2,256)
Changes in operating liabilities			
Current contract liabilities		(54)	(5,230)
Accounts payable		(26,192)	(49,400)
Other payables		(45,893)	166,684
Net defined benefit liabilities		(24,298)	(21,950)
Cash inflow generated from operations		1,588,843	1,224,572
Interest received		21,075	12,976
Dividends received		24,105	9,314
Interest paid		(1,332)	-
Income tax paid		(298,368)	(98,400)
Net cash flows from operating activities		<u>1,334,323</u>	<u>1,148,462</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial assets at amortised cost		(638,820)	-
Proceeds from disposal of current financial assets at amortised cost		339,020	-
Cash paid for acquisition of property, plant and equipment	6(8)	(66,417)	(27,104)
Proceeds from disposal of property, plant and equipment		-	622
Increase in intangible assets	6(10)	(45)	(238)
Decrease in guarantee deposits paid		10	13
Net cash flows used in investing activities		<u>(366,252)</u>	<u>(26,707)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(24)	100,000	-
Payment of lease liabilities	6(24)	(15,755)	-
Payment of cash dividends	6(14)	(886,350)	(468,968)
Net cash flows used in financing activities		<u>(802,105)</u>	<u>(468,968)</u>
Net increase in cash and cash equivalents		165,966	652,787
Cash and cash equivalents at beginning of year	6(1)	1,322,440	669,653
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,488,406</u>	<u>\$ 1,322,440</u>

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.

2019 Earnings Distribution Table

Item	Unit: In New Taiwan Dollars Amount
Net Income after tax of the Company	1,426,779,504
Add: Other comprehensive income - actuarial income with confirmed welfare plan	5,004,781
Less: Appropriation of 10% for legal reserve	(143,178,429)
Current distributable earnings	1,288,605,856
Add: Retained earnings from last period	714,575,150
Total distributable earnings	2,003,181,006

2019 Earnings Distribution Status

Stock dividends (0 share for every 1,000 shares)	0
Cash dividends (NT\$ 2,100 for every 1,000 shares)	1,034,074,984
Ending undistributed earnings	969,106,022

Remarks:

1. Regarding the distribution order in this year, the 2019 earnings are distributed in priority.
2. The fractional amount of the cash dividends less than NT\$ 1 dollar in this distribution is recorded as other income of the Company.

NANTEX INDUSTRY CO., LTD.

“Rules of Procedure for Board of Directors Meeting” Provision Amendment
Comparison Table

Original Article No.	Original Provision	New Provision	Provision after Amendment	Descriptions
Article 7	<p>Meetings of the board of directors shall be called and chaired by the Chairman. However, the first meeting of each term of the board of directors' meetings shall be called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting, and such director calling the meeting shall act as the chairperson of the meeting. If there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so.</p> <p>In case where the Chairman is on leave or cannot exercise his or her power for any cause, the Vice Chairman shall act as a proxy thereof. If there is no Vice Chairman or the Vice Chairman is also on leave or cannot exercise his or her power due to reasons, the Chairman shall appoint a managing director to act as a proxy thereof. In case where the Chairman fails to appoint a proxy, the managing directors shall elect one person from among themselves to act as the proxy.</p>	Article 7	<p>Meetings of the board of directors shall be called by the Chairman, and the <u>Chairman</u> shall act as the chairperson of the board. However, where the first meeting of each term of the board of directors' meetings is called by the director <u>who</u> received votes representing the largest portion of voting rights at the shareholders' meeting, such director calling the meeting shall act as the chairperson of the meeting. If there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so. <u>Where a board of director's meeting is convened by a majority of directors according to Paragraph 4 of Article 203 or Paragraph 3 of Article 203-1 of the Company Act, the directors shall elect a chairperson from among themselves.</u></p> <p>In case where the Chairman is on leave or cannot exercise his or her power for any cause, the Vice Chairman shall act as a proxy thereof. If there is no Vice Chairman or the Vice Chairman is also on leave or cannot exercise his or her power due to reasons, the Chairman may appoint a director to act as a proxy thereof. In case where the Chairman fails to appoint a proxy, the directors shall elect one person from among themselves to act as the proxy.</p>	In accordance with the amendment of the laws of, newly add provision on the election of chairperson of board of directors' meeting during the meeting convention by a majority of directors.
Article 15	Where a director or a juristic person represented by the director is an interested party	Article 15	Where a director or a juristic person represented by the director is an interested party with respect	Amend the provision content

	<p>with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. In addition, the director may not act as another director's proxy to exercise voting rights on that matter.</p> <p>Where the spouse, a blood 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 matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</p>		<p>to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. In addition, the director may not act as another director's proxy to exercise voting rights on that matter.</p> <p>Where the spouse, a blood 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 matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.</p> <p><u>With regard to a resolution of a board of directors' meeting, for a director restricted from exercising his/her voting rights according to the preceding two paragraphs, the regulation specified in Paragraph 2 of Article 180 shall be applied mutatis mutandis according to Paragraph 4 of Article 206 of the Company Act.</u></p>	<p>according to the amendment of laws.</p>
Article 18	<p>The provisions of Article 2, Paragraph 2 of Article 3, Article 4 to Article 6, Article 8 to Article 11, and Article 13 to Article 16 shall be applied mutatis mutandis to the managing directors' meeting affairs of the Company. However, where the managing directors' meeting is convened periodically within seven days, all managing directors may be informed two days in advance.</p>	Article 18	Deleted	<p>This article is deleted since the positions of managing directors are no longer available</p>

NANTEX INDUSTRY CO., LTD.

Rules of Procedure for Shareholders Meeting Provision Comparison Table

Original Article No.	Original Provision	New Provision	Provision after Amendment	Descriptions
Article 3	<p>Paragraphs 1, 2, and 3 omitted</p> <p>Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or 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 notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>A shareholder holding 1 percent</p>	Article 3	<p>Paragraphs 1, 2, and 3 omitted</p> <p>Matters pertaining to election or discharge of directors, alteration of the Articles of Incorporation, <u>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares,</u> dissolution, merger, spin-off, or any matters as set forth in Paragraph 1 of Article 185 of the Company Act shall be itemized in the causes or subjects to be described and the essential contents shall be <u>explained in the notice to convene a meeting of shareholders, and shall not be brought up as extraordinary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.</u></p> <p><u>Where the notice to convene a shareholders' meeting has indicate the full re-election of directors and the date of assumption of duty has been specified, then after the completion of the re-election in such shareholders' meeting, the date of assumption of duty shall not be altered via extraordinary motion or other methods.</u></p> <p>A shareholder holding 1 percent</p>	Amended content according to the amendment of laws of the competent authority

	<p>or more of the total number of issued shares may submit to the Company a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances described in Paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Content below omitted</p>	<p>or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. Such proposals are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. <u>However, where a proposal of a shareholder is to promote the improvement of public welfare or fulfillment of social responsibility of the Company, the board of directors may still list such proposal in the meeting agenda.</u> In addition, when the circumstances described in Paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals <u>in writing or electronic filing method</u>, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Content below omitted</p>	
Article 10	<p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p>	<p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors, and <u>relevant proposals (including extraordinary motions and original proposal revisions) shall adopt the voting method for each proposal.</u> The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p>	Amended content according to the amendment of laws of the competent authority

	<p>Paragraphs 2 and 3 omitted</p> <p>The chairperson shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.</p>		<p>Paragraphs 2 and 3 omitted</p> <p>The chairperson shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote. <u>In addition, sufficient voting time shall be arranged.</u></p>	
Article 13	<p>Paragraph 1 omitted</p> <p>When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.</p> <p>Content below omitted</p>	Article 13	<p>Paragraph 1 omitted</p> <p>When the Company holds a shareholders meeting, it <u>shall</u> allow the shareholders to exercise <u>their</u> voting rights via electronic means <u>and may adopt</u> the written <u>method</u>. When voting rights are exercised <u>via the written or electronic method,</u> the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. <u>Accordingly, it is recommended to prevent the submission of a request for the revision of the extraordinary motions or original proposal.</u></p> <p>Content below omitted</p>	Amended content according to the amendment of laws of the competent authority
Article 15	<p>Paragraphs 1 and 2 omitted</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which</p>	Article 15	<p>Paragraphs 1 and 2 omitted</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which</p>	Amended content according to the amendment of laws of the

	<p>resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.</p>	<p>resolutions were adopted, and a summary of the deliberations and the <u>voting results (including the number of rights counted),</u> <u>When there is an election of directors, the number of voting rights received by each candidate shall be disclosed.</u> The meeting minutes shall be properly and perpetually kept by the Company during its legal existence.</p>	<p>competent authority</p>
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NANTEX INDUSTRY CO., LTD.

Articles of Incorporation Provision Amendment Comparison Table

Original Article No.	Original Provision	New Provision	Provision after Amendment	Descriptions
Article 7	The shares of the Company shall be registered, which shall be signed or sealed by at least three directors along with the stamp of the Company's seal and code after the approval of registration or the new share alternation registration, and certification shall be performed according to the law for issuance of the shares.	Article 7	The shares of the Company shall be registered, which shall be signed or sealed by the <u>directors representing the Company</u> along with the stamp of the Company's seal and code after the approval of registration or the new share alternation registration, and certification shall be performed according to the law for issuance of the shares.	Amend the provision according to the Company Act
Article 10-1	The Rules of Procedure for Shareholders Meeting of the Company shall be handled according to the "Guidelines to Rules of Procedures for Shareholders Meeting for TWSE/GTSM Listed Companies."	Article 10-1	The Rules of Procedure for Shareholders Meeting of the Company shall be handled according regulations of the competent authority.	Delete the name of the law for compliance
Article 31	The industrial environment of the Company is close related to the overall domestic and foreign economies, and the industry growth cycle is at the stage of heading toward maturity; therefore, regarding the determination on the proposal of earnings distribution, the board of directors shall consider the future capital expense budget and demand of fund of the Company and shall also evaluate the necessity to fulfill the demand of fund with the surplus earnings in order to determine the amount of earnings to be reserved or distributed as well as the amount of distribution of dividends or bonuses in cash to shareholders. Where the Company has a surplus earnings after closing of accounts in each fiscal year, the amount shall be appropriate to pay the	Article 31	The industrial environment of the Company is close related to the overall domestic and foreign economies, and the industry growth cycle is at the stage of heading toward maturity; therefore, regarding the determination on the proposal of earnings distribution, the board of directors shall consider the future capital expense budget and demand of fund of the Company and shall also evaluate the necessity to fulfill the demand of fund with the surplus earnings in order to determine the amount of earnings to be reserved or distributed as well as the amount of distribution of dividends or bonuses in cash to shareholders. Where the Company has a surplus earnings after closing of accounts in each fiscal year, the amount shall be appropriate to	In response to the amendment of the Company Act. Authorize the board of directors to decide the cash dividend distribution; and adjust the dividend payment policy.

	<p>profit-seeking enterprise income tax according to the laws and make up the accumulated loss from the past years, followed by setting aside 10% thereof as the legal reserve first. In addition, after further appropriating or reversing special reserve according to the laws, the balance shall be the current distributable earnings, and after the accumulated retained earnings from the last year is added to the current distributable earnings, the sum thereof refers to the accumulated distributable earnings.</p> <p>Shareholder dividends should be 50% to 100% of the cumulative distributable earnings, and the cash dividend ratio should not be less than 30% of the total dividend distribution for the year. The Board of Directors shall propose an earnings distribution plan based on the relevant factors, such as future business or reinvestment needs, in the shareholders meeting for resolution before distribution.</p>		<p>pay the profit-seeking enterprise income tax according to the laws and make up the accumulated loss from the past years, followed by setting aside 10% thereof as the legal reserve first. In addition, after further appropriating or reversing special reserve according to the laws, the balance shall be the current distributable earnings, and after the accumulated retained earnings from the last year is added to the current distributable earnings, the sum thereof refers to the accumulated distributable earnings.</p> <p><u>Shareholders dividends should not be less than 20% of the current distributable amount, and the cash dividend ratio should not be less than 30% of the total dividend distribution for the year. The Board of Directors shall propose an earnings distribution plan based on the relevant factors, such as future business or reinvestment needs, in the shareholders meeting for resolution before distribution.</u></p> <p><u>The company authorizes the Board of Directors to make a special resolution in accordance with the law to have all or part of the dividends and bonuses distributed in cash, and report it to the shareholders meeting since it is not subject to the requirement of having a resolution reached in the shareholders meeting as stated in the preceding paragraph.</u></p>	
Article 36	<p>These Articles of Incorporation were established on November 13, 1978, and were amended on (01) June 3, 1979... omitted (45) June 12, 2018 (46) June 19, 2019</p>	Article 36	<p>These Articles of Incorporation were established on November 13, 1978, and were amended on (01) June 3, 1979... omitted (45) June 12, 2018 (46) June 19, 2019 (47) June 16, 2020</p>	Newly added the date of current amendment

NANTEX INDUSTRY CO., LTD.
Rules of Procedure for Shareholders Meeting

Date of Establishment: June 20, 2013

Date of Amendment: June 10, 2015

June 19, 2019

- Article 1 To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" jointly established by Taiwan Stock Exchange Corporation and Taipei Exchange.
- Article 2 The rules of procedures for shareholders meeting of the Company, except as otherwise provided by law, regulation or the articles of incorporation, shall be as provided in these Rules.
- Article 3 Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors. The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, 15 days prior to the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated by the Company as well as being distributed on-site at the meeting place. The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form. Election or dismissal of directors, amendments to the articles of incorporation, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act,

Articles 26-1 and 43-6 of the Securities and Exchange Act, or 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 notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.

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

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

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

Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

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

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail; unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 days before the meeting date. If the cancellation notice is submitted after

that time, votes cast at the meeting by the proxy shall prevail.

Article 5 The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 6 The shareholders meeting notices shall specify the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

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

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting.

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

Article 7 Where a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise his or her powers, the Vice Chairman shall act as a proxy thereof; if there is no Vice Chairman or the Vice Chairman is also on leave or for any reason unable to exercise the powers, the Chairman shall appoint a director to act as a proxy thereof. Where the Chairman fails to make such appointment, the directors shall elect from among themselves one director to act as a proxy thereof.

When a director serves as the chairperson as referred to in the preceding paragraph, the director shall be one who has held that

position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chairperson. It is recommended that shareholders meetings convened by the board of directors be chaired by the Chairman in person and attended by a majority of the directors, at least one independent director in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes. If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairperson from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting.

Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures. The recorded materials of the preceding paragraph shall be retained for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recorded materials shall be retained until the conclusion of the litigation.

Article 9 Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairperson shall declare the meeting adjourned.

If the quorum is not met after two postponements 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 1 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.

Article 10 If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chairperson may 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 of the shareholders meeting. If the chairperson declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chairperson in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chairperson shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chairperson may announce the discussion closed and call for a vote.

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

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

Except with the consent of the chairperson, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairperson may terminate the speech.

When an attending shareholder is speaking, other shareholders may

not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor; the chairperson shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

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

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

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

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

When the Company holds a shareholders meeting, it may allow the shareholders to exercise voting rights by correspondence or electronic means. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written

declaration of intent to the Company before 2 days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail; except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before 2 days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chairperson or a person designated by the chairperson shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for or against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or 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.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairperson, provided that all monitoring personnel shall have the identity of shareholders of the Company.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14 The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted

by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recorded materials shall be retained until the conclusion of the litigation.

Article 15 Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the 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 Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System (MOPS).

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

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

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17 The chairperson may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment 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.

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

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.

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

Nantex Industry Co., Ltd. Articles of Incorporation

Chapter 1 General Rules

- Article 1 The Company shall be incorporated under the Company Act and its name shall be “Nantex Industry Co., Ltd.” (hereafter referred to as “Nantex”).
- Article 2 The scope of business of the Company shall be as follows:
1. C303010 Non-woven Fabrics Mills
 2. C601020 Paper Manufacturing
 3. C601030 Paper Containers Manufacturing
 4. C601040 Processed Paper Manufacturing
 5. C801020 Petrochemical Manufacturing
 6. C801060 Synthetic Rubber Manufacturing
 7. C801100 Synthetic Resin & Plastic Manufacturing
 8. C804020 Industrial Rubber Products Manufacturing
 9. C804990 Other Rubber Products Manufacturing
 10. C805050 Industrial Plastic Products Manufacturing
 11. CK01010 Footwear Manufacturing
 12. F401010 International Trade
 13. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may conduct re-investment(s) in other businesses for its business needs, the re-investment total amount shall not be subject to the limitation under Article 13 of the Company Act that its re-investment(s) shall not exceed 40% of its paid-in capital.
- Article 4 The Company establishes in Kaohsiung City and also establishes an office in Tainan City, establishes a manufacturing factory in Linyuan Industrial Park, Kaohsiung City. When it is considered necessary through resolution of the board of directors meeting, branch companies, offices and liaison office or additional manufacturing factories may be established in other domestic and foreign locations, and the same shall be applied to revocation or relocation thereof.
- Article 5 (Deleted)

Chapter 2 Shares

- Article 6 The total capital of the Company shall be in the amount of NT\$ 4,924,166,590, divided into 492,416,659 shares, at NT\$ 10 per share, and fully issued.
- Article 7 The shares of the Company shall be registered, which shall be signed or sealed by at least three directors along with the stamp of the Company's seal and code after the approval of registration or the new share alternation registration, and certification shall be performed according to the law for issuance of the shares.
- Article 7-1 For the registered shares of the Company after public issuance, the printing of share certificates may be exempted; however, they shall be registered with the Centralized Securities Depository Enterprises.
- Article 8 The Company shall establish the shareholders' roster for preservation at the Company. The administration of the shareholder services of the Company shall be

handled according to the “Regulations Governing the Administration of Shareholder Services of Public Companies”.

Article 9 Shareholders shall submit their seal patterns to the Company for recordation in order to use such seals as the basis for the shareholders’ collection of dividends for exchange of shares or to exercise the shareholders’ rights in writing. In case where the aforementioned seal is lost, it shall be handled according to the “Regulations Governing the Administration of Shareholder Services of Public Companies”.

Chapter 3 Shareholders’ Meeting

Article 10 The shareholders’ meeting shall be classified into two types of the regular shareholders meeting and special shareholders meeting:

- I. Regular shareholders meeting shall be convened by the board of directors within six months after the end of each fiscal year.
- II. Special shareholders meeting shall be convened when there is an important event and considered necessary by the board of directors or shall be convened upon the request of shareholders according to the regulations of the Company Act.

Article 10-1 The Rules of Procedure for Shareholders Meeting of the Company shall be handled according to the “Guidelines to Rules of Procedures for Shareholders Meeting for TWSE/GTSM Listed Companies.”

Article 11 Unless otherwise specified in the Company Act, the convention of a shareholders’ meeting shall be attended by a majority of the shareholders representing more than half of the total number of the Company’s issued shares, and a resolution of the shareholders’ meeting shall be executed based on the consents of a majority of the voting rights of attending shareholders.

When the number of attending shareholders is less than the number specified 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 based on the consents of a majority of the voting rights of the attending shareholders, and all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within 1 month. The resolution shall be made based on the condition where the attending shareholders represent more than one third of the total number of issued shares and the consents of a majority of voting rights of attending shareholders are obtained.

Article 12 Each shareholder of the Company shall be entitled to one vote for each share held, except when the shares are deemed non-voting shares under the Company Act, which may be exercised in writing or in electronic method.

Article 13 All shareholders shall be informed of the date, location and reasons of convention 30 days before the convention of the regular shareholders meeting, and 15 days before the convention of the special shareholders meeting.

Article 14 Where a shareholder for any reasons cannot attend the shareholders’ meeting in person, he or she may appoint a proxy to attend a shareholders’ meeting on his/her/its behalf by executing a power of attorney printed by the Company stating therein the scope of power authorized to the proxy or may exercise the power in electronic method. The regulations for authorizing proxies to attend meetings on behalf of shareholders of the Company shall comply with Article 177 of the Company Act and shall also be handled accordingly to the “Regulations Governing the Use of Proxies

for Attendance at Shareholder Meetings of Public Companies” announced by the competent authority.

Article 15 Where a shareholders’ meeting is convened by the board of directors, the chairperson shall be handled according to Article 208 of the Company Act. Where a shareholder’s meeting is convened by a party with power to convene but other than the board of directors, the convening party shall act as the chairperson of the meeting. When there are two or more such convening parties, they shall mutually select a chairperson from among themselves. If the chairperson declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors may elect a new chairperson based on the agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

Article 16 Matters relating to the resolutions of a shareholders meeting shall be recorded in meeting minutes. The meeting minutes shall include the content of year, month, date, place, number of shares represented by attending shareholders and proxies, name of the chairperson, resolution matters and resolution methods, summary of meeting procedure and result thereof, which shall be signed or sealed by the chairperson. The meeting minutes shall be distributed to each shareholder within 20 days after the conclusion of the meeting.

The preparation and distribution of the meeting minute described in the preceding paragraph may be handled in electronic method.

The distribution of the meeting minutes described in Paragraph 1 may be made via the method of public announcement.

The meeting minutes shall be properly and perpetually kept by the Company during its legal existence. The sign-in documents of attending shareholders and the power of attorney attending proxies, except the law specifies otherwise, shall have the preservation period of at least one year.

Chapter 4 Director and Functional Committees

Article 17 The Company shall have fifteen to twenty directors (the number of independent directors shall not be less than three and shall not be less than one fifth of the total number of directors). The number of directors shall be specified by the board of directors’ meeting.

The election of directors shall adopt the candidate nomination system, and shall be selected by the shareholders' meeting from the candidate list. The term of office shall be three years, and re-election shall be permissible.

The total shareholding ratio of all directors shall comply with the regulations specified by the competent authority of securities.

Relevant matters of the professional qualification, shareholding, concurrent job position limitation, determination of independence, nomination and election methods of the independent directors and other necessary requirements shall be handled according to relevant laws and regulations.

During the election of directors, the election shall be handled according to the regulations of the Company Act. Directors and independent directors shall be elected concurrently, and the number of successful candidates shall be counted separately.

The Regulations for Election of Directors shall be established by the shareholders’ meeting.

Article 17 -1 When the number of vacancies of directors reaches one third of the total number of directors, the board of directors shall convene a special shareholders meeting within

sixty days to fill the vacancies. The term office shall be limited to fulfill the original term of office only.

Article 18 Directors shall form the board of directors, and the authorities of the board of directors are as follows:

Establish the articles of incorporation.

Decide business directives.

Review of budget and final accounts.

Appointment and discharge of important employees.

Determine distribution of earnings.

Other matters according to the laws and the resolutions of shareholders' meetings.

Article 19 Directors shall elect a Chairman from among themselves, and may have one Vice Chairman. The Chairman represents the Company externally.

Article 20 The board of directors' meeting of the company is convened once quarterly. For the convention of board of directors' meeting, the convention reasons shall be indicated clearly, and all directors shall be informed of the meeting seven days in advance. However, in case of emergencies, a meeting may be convened at any time. The notice of meeting convention described in the preceding paragraph may be made in writing or via facsimile; provided that with the consent of the addressee, the notice may be given in electronic form.

Meetings of the board of directors shall be called and chaired by the Chairman.

However, the first meeting of each term of the board of directors' meetings shall be called by the director who received votes representing the largest portion of voting rights at the shareholders' meeting, and such director calling the meeting shall act as the chairperson of the meeting. If there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so.

In case where the Chairman is on leave or cannot exercise his or her power for any cause, the Vice Chairman shall act as a proxy thereof. If there is no Vice Chairman or the Vice Chairman is also on leave or cannot exercise his or her power due to reasons, the Chairman shall appoint a director to act as a proxy thereof. In case where the Chairman fails to appoint a proxy, the directors shall elect one person from among themselves to act as the proxy.

A director may attend a board of directors' meeting as a proxy of another director; provided that a director is limited to act as a proxy of another director only.

During the convention of a board of directors' meeting, if it is held with the video conference method, directors attending the meeting through video conference shall be deemed to attend the meeting in person.

Article 20-1 During the period of adjournment of board of directors' meeting of the Company, except for matters required to be submitted to the board of directors' meeting for discussion according to the laws, the Chairman may be authorized to exercise the authorities of board of directors, and the content of authorization is as follows:

I. Approval of various important contracts

II. Approval of real estate mortgage loan and other loans.

III. Approval of the purchase and disposition of general properties and real properties of the Company.

IV. Designation of directors and supervisors of re-invested companies.

V. Approval of capital increase or decrease base date and cash dividend distribution base date.

Article 21 Unless otherwise specified in the Company Act, resolutions of board of directors shall be executed based on the attendance of the majority of directors and the consents of more than half of the attending directors. In addition, to satisfy relevant business needs, the Company may provide guarantees to the external according to the resolution of the board of directors' meeting.

Where a meeting proposal or matter is related to one's personal interest of a director, such director shall explain the important content of the personal interest in the board of directors' meeting at that time.

Article 22 The Company establishes the Audit Committee according to Article 14-4 and Article 181-2 of the Securities and Exchange Act. The original authorities required to be exercised by the supervisors according to the Company Act, Securities and Exchange act as well as other laws shall be exercised by the Audit Committee. Thee Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

Article 23 (Deleted)

Article 24 The board of directors of the Company may further establish other functional committees, and the committee charters are to be stipulated by the board of directors.

Article 25 (Deleted)

Article 26 The remuneration of directors of the Company shall be paid based on the participation level and the contribution of the directors to the operation of the Company along with the consideration of the standard adopted in the same industry.

Chapter 5 Managerial Officers and Consultants

Article 27 The Company may have a number of managerial officers, and the appointment, discharge and the remuneration of the managerial officers shall be handled according to the Company Act.

Article 28 Upon the resolution of the board of directors' meeting, the Company may employ a number of consultants.

Chapter 6 Final Account and Earnings Distribution

Article 29 The general final account of the Company is performed once for each fiscal year, and the date of December 31 shall be the final account date.

Article 30 At the end of each fiscal year, the board of directors of the Company shall prepare the following statements and reports, and shall be reviewed according to the statutory procedure and audited, followed by submitting to the regular shareholders meeting to request for ratification:

I. Business report.

II. Financial statements.

III. Proposal for earnings distribution or loss off-setting.

After the ratification by the regular shareholders meeting the board of directors shall distribute the resolutions for the financial statements and earnings distribution or loss off-setting to all shareholders.

The distribution of the financial statements and earnings distribution or loss off-setting resolutions may be made via the public announcement method.

Article 31 The industrial environment of the Company is close related to the overall domestic and foreign economies, and the industry growth cycle is at the stage of heading toward maturity; therefore, regarding the determination on the proposal of earnings distribution, the board of directors shall consider the future capital expense budget and demand of fund of the Company and shall also evaluate the necessity to fulfill the demand of fund with the surplus earnings in order to determine the amount of earnings to be reserved or distributed as well as the amount of distribution of dividends or bonuses in cash to shareholders.

Where the Company has a surplus earnings after closing of accounts in each fiscal year, the amount shall be appropriate to pay the profit-seeking enterprise income tax according to the laws and make up the accumulated loss from the past years, followed by setting aside 10% thereof as the legal reserve first. In addition, after further appropriating or reversing special reserve according to the laws, the balance shall be the current distributable earnings, and after the accumulated retained earnings from the last year is added to the current distributable earnings, the sum thereof refers to the accumulated distributable earnings.

Shareholders' bonus shall be 50% to 100% of the accumulated distributable earnings, and the cash dividend ratio shall not be less than 30% of the total dividend distribution amount of the current year. Board of directors shall prepare the earnings distribution proposal according to relevant factors of the future business or re-investment needs and submit the proposal to the shareholders' meeting for resolution, followed by executing the distribution accordingly.

Article 32 Where the Company has a profit in a fiscal year, it shall allocate 2% of the profit as employees' remuneration and no more than 3% of the profit as the remuneration of directors. However, where the Company still has accumulated losses, amount shall be reserved to make up the accumulated loss first.

The term of "current-year profit" described above refers to the profit before subtracting the employees' remuneration and the remuneration of directors from the current-year income before tax.

Chapter 7 Supplemental Provisions

Article 33 The organizational charters and operational rules of the Company shall be further established by the board of directors.

Article 34 For any matters not specified in this Article of Incorporation, such matters shall be handled according to the regulations of the Company Act and relevant laws.

Article 35 These Articles of Incorporation shall become effective after the resolution of the shareholders' meeting for execution, and the same requirement shall be applied to amendments thereof.

Article 36 These Articles of Incorporation were established on November 13, 1978, and were amended on:

- | | | |
|------------------------|------------------------|-----------------------|
| (01) June 03, 1979 | (02) June 26, 1979 | (03) July 19, 1979 |
| (04) May 05, 1981 | (05) April 02, 1982 | (06) June 29, 1982 |
| (07) July 15, 1983 | (08) April 20, 1984 | (09) October 18, 1984 |
| (10) November 10, 1985 | (11) February 15, 1986 | (12) May 23, 1987 |
| (13) July 25, 1987 | (14) February 10, 1988 | (15) April 27, 1988 |

- | | | |
|---------------------|-----------------------|-----------------------|
| (16) May 02, 1989 | (17) January 25, 1990 | (18) May 29, 1991 |
| (19) March 20, 1992 | (20) June 09, 1993 | (21) May 18, 1994 |
| (22) June 08, 1995 | (23) June 07, 1996 | (24) June 05, 1997 |
| (25) May 26, 1999 | (26) June 12, 2000 | (27) June 14, 2001 |
| (28) May 29, 2002 | (29) May 29, 2003 | (30) June 09, 2004 |
| (31) June 10, 2005 | (32) June 12, 2006 | (33) June 14, 2007 |
| (34) June 12, 2008 | (35) June 17, 2009 | (36) June 21, 2010 |
| (37) June 16, 2011 | (38) June 20, 2012 | (39) June 20, 2013 |
| (40) June 11, 2014 | (41) June 10, 2015 | (42) January 15, 2016 |
| (43) June 14, 2016 | (44) June 13, 2017 | (45) June 12, 2018 |
| (46) June 19, 2019 | | |

NANTEX INDUSTRY CO., LTD.

Chairman: Tung-Yuan Yang

Minimum Shareholding Requirements for All Directors and Supervisors and Number and Percentage of Shareholdings of Individual Directors and Supervisors

- I. In accordance with the provisions of Article 26 of the Securities Exchange Law and the provisions of the directors of the publicly issued company, the number of supervisors' rights and the implementation rules of the review, the company selects four independent directors, and the percentage of shareholders holding the shares calculated by the directors other than the independent directors is reduced to 80%, that is, the share merger shares of the registered stocks held by all directors have to obtain 80% of the company's issued share merger 4% (15,757,333 shares).
- II. The number and percentage of shareholdings of each director and supervisor are as follows:

Base Date: April 18, 2020

Title	Name	Number of shares held	Percentage
Chairman	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	105,549,052	21.43%
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou	Same as Tainan Spinning Co., Ltd.	
Director	Li-Ling Cheng	7,493,782	1.52%
Director	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu	Same as Tainan Spinning Co., Ltd.	
Director	Tainan Spinning Co., Ltd. Representative: Po-Yu Hou	Same as Tainan Spinning Co., Ltd.	
Director	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	10,129,684	2.06%
Director	Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh	13,327,483	2.71%
Director	Rei Xing International Investment Co., Ltd. Representative: Ying-Chih Chuang	1,002,000	0.20%
Director	Yong Yuan Investment Co., Ltd. Representative: Chung-Ho Wu	1,043,150	0.21%
Director	Pi-Ying Cheng	3,942,940	0.80%
Director	Tainan Spinning Co., Ltd. Representative: Chih-Yuan Hou	Same as Tainan Spinning Co., Ltd.	
Director	Tainan Spinning Co., Ltd. Representative: Li-Fan Wang	Same as Tainan Spinning Co., Ltd.	
Director	Tainan Spinning Co., Ltd. Representative: Ching-Yao Chuang	Same as Tainan Spinning Co., Ltd.	
Director	Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu	23,960,668	4.87%
Director	HON HAN ENTERPRISE CORPORATION Representative: Meng-Hsing Liao	10,734,869	2.18%
Director	Wen-Teng Hou	4,610,417	0.93%
Independent director	Te-Kuang Chou	0	0.00%
Independent director	Yung-Tzu Huang	0	0.00%
Independent director	Ming-Tsai Lai	0	0.00%
Independent director	Wu-Jung Shih	0	0.00%
Total		181,794,045	36.91%

- III. The number of shares held disclosed above is up to the book closure date (April 18, 2020) of the present shareholders' meeting. The shareholders' roster of the Company indicates the number of shares held by individual and all directors and supervisors.

Impact of the distribution of bonus shares proposed in the present shareholders' meeting on the business performance of the Company and earning per share:

Item	2019 Estimation	
Beginning paid-in capital	NT\$4,924,166,590	
Cash and stock dividend distribution of the current year (Note 1)	Cash dividend per share	NT\$2.1
	Dividend per share for capitalization of earnings	NT\$0.0
	Dividend per share for capitalization of reserve	NT\$0.0
Operating performance change status	According to the regulation specified in (89) Tai-Tsai-Zhen(1)-Zi No. 00371 Letter of the Securities and Futures Bureau dated February 1, 2000, since the Company has not prepared and announced the 2019 financial forecast previously, the Company is not required to disclose such information.	
Pro Forma EPS and PER		

Note 1: The 2019 dividend distribution proposal is yet to be resolved by the 2020 annual regular shareholders meeting.