

Stock Code: 2108

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

**2022 Annual Shareholders' Meeting**

# **Handbook**

**Convening method: entity shareholders meeting**

**Time: 10:00 a.m., May 26, 2022**

**Location: No. 261, Nanmen Rd., Tainan City**  
**The Labor Recreation Center, Tainan City**

# Table of Contents

I.	Meeting Procedure .....	1
II.	Reports.....	2
III.	Ratifications.....	4
IV.	Discussions .....	5
V.	Elections .....	6
VI.	Others .....	10
VII.	Attachments	
1.	Business Report..... 錯誤! 尚未定義書籤。	
2.	Audit Committee’s Review Report .....	16
3.	CPA’s Audit Report and 2021 Financial Statements .....	17
4.	2021 Table of Earnings Distribution..... 錯誤! 尚未定義書籤。	38
5.	Table of Comparison Between Provisions of the “Procedures for Loaning of Funds to Others” Before and After Amendment .....	39
6.	Table of Comparison Between Provisions of the “Procedures for Acquisition or Disposal of Assets” Before and After Amendment .....	41
VIII.	Appendices	
1.	Rules of Procedure for Shareholders’ Meeting .....	47
2.	Articles of Incorporation .....	54
3.	Procedures for Election of Directors .....	60
4.	Minimum Shareholding Requirements for Total Directors and Number and Percentage of Shares Held by Each Individual Director .....	62

# **Nantex Industry Co., Ltd.**

## **2022 Annual Shareholders' Meeting Procedure**

- I. Call to order (announcing the number of shares represented by the attending shareholders)**
- II. Chairperson's statement**
- III. Reports**
  - (1) 2021 business report.
  - (2) Report on review of the 2021 final accounts by the Audit Committee.
  - (3) Report on distribution of remuneration for employees and directors in 2021.
  - (4) Report on the total amount of endorsement and guarantee from Nantex and subsidiaries to companies related to the business thereof.
  - (5) Report on funds loaned from Nantex and subsidiaries to companies related to the business thereof.
  - (6) Report on distribution of cash dividends from the earnings for 2021.
  - (7) Other reports.
- IV. Ratifications**
  - (1) Ratification of the 2021 business report and financial statements.
  - (2) Ratification of distribution of the earnings for 2021.
- V. Discussions**
  - (1) Discussion of amendment to the "Procedures for Loaning of Funds to Others."
  - (2) Discussion of amendment to the "Procedures for Acquisition or Disposal of Assets."
- VI. Elections**
  - (1) Election of directors.
- VII. Others**
  - (1) Lifting of non-compete restrictions on newly elected directors.
- VIII. Extempore Motions**
- IX. Adjournment**

# Reports

**(1) Item: 2021 business report. (Please see pp. 10–13 of this Handbook)**

**(2) Item: Report on review of the 2021 final accounts by the Audit Committee. (Please see p. 14 of this Handbook)**

Description: The 2021 parent-only and consolidated financial statements have been audited and certified by a certified public accountant (CPA) and have, together with the business report and table of earnings distribution, been reviewed by the Audit Committee.

**(3) Item: Report on distribution of remuneration for employees and directors in 2021.**

Description: 1. On March 8, 2022, the Board of Directors adopted a resolution for distribution, in cash, of NT\$182,460,665 as remuneration for employees and of NT\$273,690,997 as remuneration for directors in 2021 pursuant to the Articles of Incorporation.

2. There is a difference of NT\$313,912 between the above-said amounts in the resolution and the amounts of NT\$182,335,100 and NT\$273,502,650 recognized in the 2021 financial statements as remuneration for employees and directors respectively. Such a difference is primarily an estimated one recognized for the pre-tax net profit and will be adjusted as a profit/loss for 2022.

**(4) Item: Report on the total amount of endorsement and guarantee from Nantex and subsidiaries to companies related to the business thereof.**

Description: As of December 31, 2021, no endorsement or guarantee had been provided by Nantex, except in the case of the subsidiary Intermedium International Ltd. (B.V.I.), which had offered to provide an amount of NT\$88,511,000 (US\$3,197,650) as endorsement and guarantee to Bao Minh Textile and Garment Joint Stock Company (Vietnam),

where the subsidiary has made reinvestment, based on the capital contribution thereto from the subsidiary. The actual amount provided was NT\$64,702,000 (US\$2,337,500).

**(5) Item: Report on funds loaned from Nantex and subsidiaries to companies related to the business thereof.**

Description: As of December 31, 2021, the amount of funds loaned to companies related to the business of Nantex and subsidiaries had been zero.

**(6) Item: Report on distribution of cash dividends from the earnings for 2021.**

Description: 1. Pursuant to the Articles of Incorporation, the Board of Directors will be authorized to approve distribution of cash dividends by a special resolution.

2. The cash dividends distributable for 2021, as approved by a resolution of the Board of Directors, will be NT\$7.0 per share with a total amount of NT\$3,446,916,613. Any fractional amount less than NT\$1 for the cash dividends will be recognized as other income of Nantex.

3. On March 8, 2022, the Board of Directors adopted a resolution to set April 1, 2022 as the record date and April 25, 2022 as the distribution date for distribution of cash dividends.

**(7) Item: Reports on other matters, hereby submitted for review.**

Description: Pursuant to Article 172-1 of the Company Act, any shareholder holding at least 1% of the total outstanding shares of Nantex may submit a proposal for an annual shareholders' meeting. Submission of proposals for the current meeting was open from March 18 to 28, 2022, and Nantex had not received any proposal from any shareholder.

# Ratifications

**(1) Item: Ratification of the 2021 business report and financial statements. (Proposed by the Board of Directors)**

- Description: 1. The 2021 business report and financial statements, having been hereby submitted for ratification, were approved by the Board of Directors on March 8, 2022. The financial statements have been audited and certified by a CPA and have, together with the business report, been submitted to and reviewed by the Audit Committee. A review report has been issued thereafter.
2. **For statements of the 2021 final accounts, please see pp. 15–33 of this Handbook.**

Resolution:

**(2) Item: Ratification of distribution of the earnings for 2021. (Proposed by the Board of Directors)**

- Description: 1. This proposal was approved by the Board of Directors on March 8, 2022 and has been submitted to and reviewed by the Audit Committee.
2. Allotment of cash dividend of NT\$7.0 per share.
3. For the table of earnings distribution for 2021, please see p. 34 of this Handbook.

Resolution:

## Discussions

**(1) Item: Discussion of amendment to the “Procedures for Loaning of Funds to Others,” hereby submitted for approval. (Proposed by the Board of Directors)**

- Description:
1. Due to practical needs and need for integrity, amendment to certain provisions of the “Procedures for Loaning of Funds to Others” has been proposed and submitted to the Audit Committee for review.
  2. For the table of comparison between provisions before and after amendment, please see pp. 35–36 of this Handbook.
  3. This proposal was approved by the Board of Directors on March 8, 2022.

Resolution:

**(2) Item: Discussion of amendment to the “Procedures for Acquisition or Disposal of Assets,” hereby submitted for approval. (Proposed by the Board of Directors)**

- Description:
1. Due to practical needs and need for integrity, amendment to certain provisions of the “Procedures for Acquisition or Disposal of Assets” has been proposed and submitted to the Audit Committee for review.
  2. For the table of comparison between provisions before and after amendment, please see pp. 37–42 of this Handbook.
  3. This proposal was approved by the Board of Directors on March 8, 2022.

Resolution:

# Elections

**(1) Item: Election of directors.**

- Description:
1. The term of the members of the 15th Board of Directors will expire on June 18, 2022.
  2. Pursuant to Article 17 of the Articles of Incorporation and the resolution of the Board of Directors dated March 8, 2022, the current shareholders' meeting must elect 20 directors (including 4 independent directors) under a candidate nomination system from a list of candidates.
  3. The term of the newly elected members of the 16th Board of Directors will be three years, from May 26, 2022 to May 25, 2025.
  4. Pursuant to the Regulations for Election of Directors, the directors (including 4 independent directors) must be elected from the following list of candidates. (Please see p. 7 of this Handbook)

Resolution:



## List of Candidates for the 16th Board of Directors (including Independent Directors) of Nantex Industry Co., Ltd.

No.	Type of candidate	Name of candidate	Education	Experience	Current position	Number of shares held (Unit: Shares)	Name of government or juridical person represented (Enter full name)	Compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”
1	Director	Tung-Yuan Yang	Department of Business Administration, National Cheng Kung University	Director, Zhenjiang Nantex Chemical Industry Co., Ltd.; Director, Nanmat Technology Co., Ltd.; Advisor, Tainan Spinning Co., Ltd.	Chairman, Nantex Industry Co., Ltd.	105,549,052	Tainan Spinning Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
2	Director	Po-Ming Hou	Chinese Culture University	Group CEO, Tainan Spinning Co., Ltd.; Chairman, Tainan Spinning Co., Ltd (Vietnam); Chairman, Tainan Spinning International Investment Co., Ltd.; Chairman, T.S. Retail and Distribution Co., Ltd.	Group CEO, Tainan Spinning Co., Ltd.	—	"	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
3	Director	Li-Ling Cheng	Department of Agricultural Economics, National Taiwan University	Chairman, Kao-Hui Cheng Social Welfare and Charitable Foundation; Chairman, Lilin Investment Co., Ltd.	Chairman, Kao-Hui Cheng Social Welfare and Charitable Foundation	7,403,782	—	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
4	Director	Liang-Hung Wu	Department of Economics, National Taiwan University	Chairman, Kung Ching International Development Co., Ltd.; Vice Chairman, T.H. Wu Foundation; Vice Chairman, Shin Ho Sing Investment Co., Ltd.	Chairman, Kung Ching International Development Co., Ltd.	—	Tainan Spinning Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
5	Director	Po-Yu Hou	Shih Hsin Junior College	Chairman, Shin Yong Sing Investment Co., Ltd.; Chairman, Mao Jiang Investment Co., Ltd.; Director, Uni-President Enterprises Corporation	Chairman, Shin Yong Sing Investment Co., Ltd.	—	"	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
6	Director	Ching-Feng Wu	Beimen High School	Chairman, Shin Ho Sing Ocean Enterprise Co., Ltd.; Chairman, Shin Ho Sing Investment Co., Ltd.	Chairman, Shin Ho Sing Investment Co., Ltd.	10,129,684	Shin Ho Sing Investment Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A

No.	Type of candidate	Name of candidate	Education	Experience	Current position	Number of shares held (Unit: Shares)	Name of government or juridical person represented (Enter full name)	Compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”
7	Director	Ming-Fan Hsieh	Graduate Institute of Civil Engineering, Tamkang University	President, Prince Housing and Development Corp.	President, Prince Housing and Development Corp.	7,564,988	Prince Housing and Development Corp.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
8	Director	Ying-Chih Chuang	Hsing Wu Junior College of Commerce	Director, Prince Housing and Development Corp.; Director, Rui Xing International Investment Co., Ltd.; Director, Guang Wei Investment Co., Ltd.	Director, Rui Xing International Investment Co., Ltd.	12,496,717	Rui Xing International Investment Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
9	Director	Chung-Ho Wu	Department of Chemistry, Fu Jen Catholic University	Chairman, San Shing Spinning Co., Ltd.; Chairman, Yong Yuan Investment Co., Ltd.; Director, Tainan Spinning Co., Ltd.	Chairman, San Shing Spinning Co., Ltd.	1,043,150	Yong Yuan Investment Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
10	Director	Pi-Ying Cheng	Department of History, National Taiwan University	Director, Jiu Fu Investment Co., Ltd.	Director, Nantex Industry Co., Ltd.	3,942,940	—	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
11	Director	Chih-Yuan Hou	Center for East Asian Research, Harvard University	Vice President, Universal Cement Corporation; Director, Tainan Spinning Co., Ltd.	Vice President, Universal Cement Corporation	—	Tainan Spinning Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
12	Director	Li-Fan Wang	M.B.A., Clemson University	Chairman, Tainan Spinning Holdings Co., Ltd.; Chairman, Vietnam Development Co., Ltd.; Vice Chairman, Tainan Spinning Co., Ltd (Vietnam)	President, Tainan Spinning Co., Ltd.	—	"	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
13	Director	Ching-Yao Chuang	M.B.A., Golden Gate University	Chairman, Tainan Spinning Co., Ltd (Singapore); Chairman, United Investment Pte. Ltd., Taiwan Branch (Singapore)	Assistant Vice President, Tainan Spinning Co., Ltd.	—	"	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
14	Director	Po-Tsang Tu	University of Dallas	Chairman, Yao-Jun Technology Inc.; Chairman, Shun Fu Tai Industrial Co., Ltd.; Director, MY-Semi Inc.	Chairman, Yao-Jun Technology Inc.	23,960,668	Jiu Fu Investment Co., Ltd.	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A
15	Director	Meng-Sheng Liao	Department of Accountancy, National Cheng Kung University	Special Assistant to CEO, Tainan Spinning Co., Ltd.; Director, Nanmat Technology Co., Ltd.	Special Assistant to CEO, Tainan Spinning Co., Ltd.,	10,734,869	Hon Han Enterprise Corporation	<input type="checkbox"/> Yes <input type="checkbox"/> No ■N/A

No.	Type of candidate	Name of candidate	Education	Experience	Current position	Number of shares held (Unit: Shares)	Name of government or juridical person represented (Enter full name)	Compliance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”
16	Director	Wen-Teng Hou	Chinese Culture University	President, Asia Plywood Corporation; Director, Tainan Spinning Co., Ltd.	President, Asia Plywood Corporation	4,610,417	—	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A
17	Independent director	Te-Kuang Chou	PhD in Business Administration, National Sun Yat-sen University	Dean of the College of Business, Southern Taiwan University of Science and Technology; Independent Director, KNH Enterprise Co., Ltd.	Vice President and Dean of the Office of International Affairs, Southern Taiwan University of Science and Technology	0	—	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
18	Independent director	Yung-Tzu Huang	PhD. in Chemistry, Massachusetts Institute of Technology (MIT)	Dean of the Department of Chemical and Materials Engineering and the Office of Academia Research and Industry Collaboration, Southern Taiwan University of Science and Technology	Independent Director, Nantex Industry Co., Ltd.	0	—	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
19	Independent director	Ming-Tsai Lai	PhD. in Industrial Engineering, National Tsing Hua University	Dean of the College of Business and Chairman of the Department of Business Administration, Southern Taiwan University of Science and Technology	Professor, EMBA Program, Southern Taiwan University of Science and Technology	0	—	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
20	Independent director	Wu-Jung Shih	PhD. in Systems Science and Industrial Engineering, State University of New York	Vice Dean of the College of Business and Director of the GMBA Program, Southern Taiwan University of Science and Technology	Full-time Professor, Southern Taiwan University of Science and Technology	0	—	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

## Results of election:

## **Others**

**(1) Item: Lifting of non-compete restrictions on newly elected directors, hereby submitted for approval. (Proposed by the Board of Directors)**

- Description:
1. Pursuant to Article 209 of the Company Act, a director engaging in any action within the scope of the business of any company for himself/herself or another person shall provide a description of the essential information of such an action to the shareholders' meeting and obtain its approval therefor.
  2. If any newly elected member of the 16th Board of Directors (including any corporate shareholder or its representative) has made investment in or been operating any company whose scope of business is the same as that of Nantex and has served as a director or manager of that company, the newly elected member must, as required by law, submit a request to the shareholders' meeting for approval of lifting of the non-compete restrictions on him/her.
  3. If any corporate director of Nantex has appointed a corporate representative due to business needs, the non-compete restrictions on the representative of that corporate director will also be lifted.

Resolution:

**Extempore Motions:**

**Adjournment:**

# Business Report

Dear shareholders,

In the year of 2021, despite the persisting impact of the US–China trade war and the pandemic of COVID-19 and its Omicron variant, the global economy had apparently been recovering as a result of increasing vaccination coverage in major countries and gradual lifting of lockdowns in Europe and the US. However, due to port congestion, container shortage and rising transportation costs across the world, expected tightening of monetary policies caused by inflation, heavily fluctuating oil and raw materials prices worldwide and other uncertain factors, Nantex is still faced with challenges and tests posed by tremendous global change. In 2021, with low prices of the main raw materials and high demands in the latex market during the first half of the year, sales prices had gone up and led to an increase in the gross profit. Thanks to the hard work of our management team, our revenue and profit have grown significantly.

## **<I. 2021 Business Report>**

### **1. Business performance:**

Our annual consolidated revenue was NT\$23.518 billion, with an annual growth rate of approximately 63.3%. The revenue of the Linyuan Plant was NT\$14.056 billion, with an annual growth rate of approximately 69.6%. The revenue of the Zhenjiang Plant was NT\$8.188 billion, with an annual growth rate of approximately 59.0%. The annual revenue of Nanmat Technology Co., Ltd., where we have made reinvestment, was NT\$1.427 billion, with an annual growth rate of approximately 43.1%. For 2021, on a parent-only basis, we recorded a pre-tax net profit of NT\$8.667 billion, an after-tax net profit of NT\$7.346 billion, a return on equity of 54.3%, a return on assets of 45.9% and a basic earnings per share of NT\$14.92. On a consolidated basis, we recorded a pre-tax net profit of NT\$9.796 billion, an after-tax net profit of NT\$7.495 billion (including NT\$0.148 billion for minority interest), a return on equity of 53.5%, a return on assets of 42.7% and a basic earnings per share of NT\$14.92.

## **Latex**

Latex is the main product of our Linyuan Plant. Primarily consisting of NBR latex, it can be used for making various types of gloves. With clear product positioning, excellent quality, and a brand reputation born out of highly efficient production and technological expertise, latex has laid a strong foundation for us. The COVID-19 pandemic continued into the first half of 2021. During the second half of the year, our sales in this period were significantly impacted and affected by pandemic control measures in Western countries, the worsening of the pandemic in Malaysia, the main producer of NBR gloves, as well as sales and supply problems encountered by NBR gloves manufacturers in terms of transportation. Latex is not the most important product of our Zhenjiang Plant, but its capability to supply NBR latex has placed it in an advantageous position to meet the urgent market demand for latex.

## **Oil-resistant rubber**

Our commitment to our pricing strategy has contributed to slight growth in the sales of our oil-resistant rubber in 2021. With gradual easing of the pandemic restrictions in Western countries, the resumption of many industrial activities and major changes in market supplies, we have recorded good performance for our oil-resistant rubber. The rubber business of our Zhenjiang Plant declined in early 2021 as a result of COVID-19 lockdowns. With the subsequent lifting of lockdowns, the rubber business has begun to recover gradually and see its demand grow.

## **Thermoplastic vulcanizate (TPV)**

After the gradual easing of COVID-19 lockdowns in many countries, the demands for TPV and NBR/PVC have slowly returned to a normal level due to their broad applications in the automotive industry.

## **2. Research and development:**

In 2021, the research and development expense of the Linyuan Plant was NT\$85.96 million, accounting for approximately 0.6% of the revenue, which was less than in the previous year.

## **Latex**

In light of the general trend in and need for energy efficiency and reduction of energy consumption, we have made prompt improvement to reduce energy consumed in the latex manufacturing process, where such

improvement has also helped increase production capacity and profit. Furthermore, we have cooperated with our customers in developing new products and broadening their applications.

### **Oil-resistant rubber**

In addition to making improvement regarding energy efficiency and reduction of energy consumption in the existing manufacturing process of commercialized rubber, we have continued to develop niche products, such as adhesives used in the electronics industry, for which we have continued to receive customer orders. We will subsequently make further improvement to the processes of wastewater treatment and optimization.

### **Thermoplastic vulcanizate (TPV)**

We have improved the formula to lower costs. Due to a shortage of raw materials, we have conducted an assessment of alternative raw materials in order to stabilize the supply sources.

### **Carbon Master Batch (CMB)**

We have kept production ongoing for the orders of wet mixing NBR/PVC blend glue and have continued to send samples for evaluation regarding new applications of fusion grade NBR/PVC blend glue in textiles.

## **3. Analysis of financial revenue and expenses:**

Our financial policy has always adhered to the principle of stability and steadiness. As we have continued to shorten the period for recovery of accounts, we currently have sufficient financial funds to meet future needs, meaning such funds are ample and not in shortage. The debt-to-equity ratio of the parent-only financial structure is approximately 15:85, meaning our own funds are sufficient and that we have a low level of corporate risk exposure. The current and quick ratios have reached 345.6% and 322.2% respectively, indicating that our liquidity is good and that there is relative flexibility in our capital turnover.

## **<II. Overview of 2022 Business Plan>**

### **1. Business plan:**

We expect 2022 to be a year full of challenges, whether in relation to rubber or latex. Troubles in global transportation and a big rise in

transportation costs have led to more cost pressure. The ensuing inflation and its impact will be a normal occurrence we mainly face in 2022.

### **Latex**

We are facing fiercer competition at the customer end, and how we should respond to this will be one of main tests in 2022.

### **Oil-resistant rubber**

With a tremendous change in supply, how we implement strategies is a challenge we have to face.

### **Thermoplastic vulcanizate (TPV)**

We will seek a way to continue growth under high TPV costs and find a balance point as market attempts to control rising product prices.

## **2. Estimated production and sales:**

An estimation of the sales of our main products in 2022 indicates that for the Linyuan Plant, the sales of latex and oil-resistant rubber may reach approximately 268,000 and 13,100 metric tons respectively. For the Zhenjiang Plant, the estimated sales of latex and oil-resistant are approximately 69,000 and 46,000 metric tons respectively.

## **<III. Analysis of Trends in the Overall Economic Environment and Related Industry>**

### **1. Overall economic environment:**

The year 2022 is expected to be a year where the world enters a post-pandemic era, countries gradually reverse their financial policies, the borders begin to open, and economic activities are likely to slowly recover. In the short term, however, there is still no effective solution to the uncertainty over COVID-19 variants, tightened monetary policies and higher interest rates caused by greater inflation, and the problems of port congestion, container shortage and rising transportation costs. Moreover, the war between Russia and Ukraine has led to heavier fluctuations in oil prices, while Taiwan's economy continues to be deeply affected by the US and China. Considering the factor of low base period in the previous year, we can expect an overall highly rocky economic environment in



2022, which may even perform worse than in 2021. Such challenges and changes are truly severe.

## **2. Industrial trends:**

It is a fact that competition over latex for NBR gloves has become fierce and heated, and such competition is especially fierce between gloves manufacturers. In the future, issues we need to consider include how to expand our customer base and find a direction for special applications in response to a changing competitive environment. We will continue to demonstrate our local reliability through stable supplies and pricing strategies not only for oil-resistant rubber but also with regard to NANCAR NBR/PVC and Dynaprene TPV.

## **<IV. Strategy for Future Development>**

### **1. Strategy for professional dedication and resource development:**

With years of dedication in the field of NBR, we hope to identify more interactions between the technologies for latex and oil-resistant rubber to develop high value-added products.

### **2. Strategy for regional and global market-oriented development:**

Starting with innovation in the application of end products, processing of equipment and design of raw materials, we will engage in the characterization of traditional industries, servitization of manufacturing industry, and technologization and internationalization of the service industry for patent planning, accreditation or certification. Furthermore, we seek to progressively establish ourselves in more markets through the expansion of brand channels.

We sincerely appreciate the long-time encouragement and advice from our shareholders. Our management team will continue to do their best with an attitude based on their commitment to “Keep Improving and Excelling Ourselves.” It is our hope to see the business of Nantex flourish with sustainable growth and profitability.

**Chairman:**  
**Tung-Yuan Yang**

**President:**  
**Chien-Chu Hsu**

**Accounting Manager:**  
**Sheng-Chung Huang**

Nantex Industry Co., Ltd.  
Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2021 business report, parent-only and consolidated financial statements and table of earnings distribution. The parent-only and consolidated financial statements have been audited by PricewaterhouseCoopers Taiwan, with an unqualified audit report issued thereafter. An audit by the Audit Committee of the above-mentioned business report, parent-only and consolidated financial statements and table of earnings distribution has found no discrepancies. Therefore, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, this report is hereby submitted for review.

Nantex Industry Co., Ltd.  
Convener of the Audit Committee : CHOU TE-KUANG

March 8, 2022

INDEPENDENT AUDITORS' REPORT 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, 2021 and 2020, 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, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. 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 2021 consolidated statements are stated as follows:

## **Evaluation of inventories**

### Description

Refer to Note 4(10) for description of accounting policies on inventories, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of inventory. As at December 31, 2021, the balances of inventories and allowance for inventory valuation losses were NT\$1,203,722 thousand and NT\$51,691 thousand, respectively.

The Group is primarily engaged in the 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 global commodity prices. Since measurement of net realisable value for inventories involves subjective judgment resulting in a high degree of estimation uncertainty, we considered the 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 adequacy 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 in Taiwan region**

#### Description

Refer to Note 4(25) for accounting policies on revenue recognition.

The Group 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 the cut off 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 ascertain 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 the 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, 2021 and 2020.

### **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.

### **Auditors' responsibilities for the audit of the consolidated financial statements**

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance (including the audit committee) 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 (including the audit committee) 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 8, 2022

---

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 independent auditors' report 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, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 10,997,019	53	\$ 4,841,191	34
1110	Current financial assets at fair value through profit or loss	6(2)	31,080	-	-	-
1136	Current financial assets at amortised cost	6(1)(3) and 8	2,377,272	11	1,777,310	12
1150	Notes receivable, net	6(4)	235,769	1	170,601	1
1170	Accounts receivable, net	6(4)	1,586,109	8	2,244,529	16
1200	Other receivables		104,447	-	74,500	-
130X	Inventories	5 and 6(5)	1,152,031	6	953,581	7
1410	Prepayments		328,456	2	487,423	3
11XX	<b>Total current assets</b>		<u>16,812,183</u>	<u>81</u>	<u>10,549,135</u>	<u>73</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	478,240	2	448,598	3
1535	Non-current financial assets at amortised cost	6(1)(3)	-	-	218,441	1
1600	Property, plant and equipment	6(7) and 8	2,854,958	14	2,587,108	18
1755	Right-of-use assets	6(8) and 7	105,702	1	101,775	1
1780	Intangible assets	6(9)	14,945	-	11,694	-
1840	Deferred income tax assets	6(24)	65,920	-	75,874	1
1915	Prepayments for equipment	6(7)	33,228	-	121,106	1
1920	Guarantee deposits paid	8	1,100	-	582	-
1975	Net defined benefit assets	6(14)	20,917	-	-	-
1990	Other non-current assets		364,377	2	295,541	2
15XX	<b>Total non-current assets</b>		<u>3,939,387</u>	<u>19</u>	<u>3,860,719</u>	<u>27</u>
1XXX	<b>Total assets</b>		<u>\$ 20,751,570</u>	<u>100</u>	<u>\$ 14,409,854</u>	<u>100</u>

(Continued)

**NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10) and 8	\$ 170,000	1	\$ 190,000	1
2110	Short-term notes and bills payable	6(11)	9,999	-	9,988	-
2130	Current contract liabilities	6(17)	96,793	-	161,355	1
2170	Accounts payable		414,794	2	392,168	3
2200	Other payables	6(12)	1,674,668	8	1,217,669	9
2230	Current income tax liabilities	6(24)	1,162,401	6	692,584	5
2280	Current lease liabilities	6(8) and 7	22,009	-	9,413	-
2320	Long-term liabilities, current portion	6(13) and 8	20,000	-	10,000	-
2365	Current refund liabilities		20,418	-	-	-
21XX	<b>Total current liabilities</b>		<u>3,591,082</u>	<u>17</u>	<u>2,683,177</u>	<u>19</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(13) and 8	21,667	-	17,500	-
2570	Deferred income tax liabilities	6(24)	320,475	2	314,701	2
2580	Non-current lease liabilities	6(8) and 7	51,721	-	58,245	1
2640	Net defined benefit liabilities	6(14)	13,892	-	48,821	-
25XX	<b>Total non-current liabilities</b>		<u>407,755</u>	<u>2</u>	<u>439,267</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>3,998,837</u>	<u>19</u>	<u>3,122,444</u>	<u>22</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
Share capital						
3110	Common stock	6(15)	4,924,167	24	4,924,167	34
Capital surplus						
3200	Capital surplus		608	-	-	-
Retained earnings						
3310	Legal reserve	6(16)	1,683,582	8	1,328,744	9
3320	Special reserve		433,442	2	433,442	3
3350	Unappropriated retained earnings		9,564,596	46	4,517,491	31
Other equity interest						
3400	Other equity interest	6(6)	( 399,196 )	( 2 )	( 335,025 )	( 2 )
31XX	<b>Total equity attributable to owners of the parent</b>		<u>16,207,199</u>	<u>78</u>	<u>10,868,819</u>	<u>75</u>
36XX	Non-controlling interest		<u>545,534</u>	<u>3</u>	<u>418,591</u>	<u>3</u>
3XXX	<b>Total equity</b>		<u>16,752,733</u>	<u>81</u>	<u>11,287,410</u>	<u>78</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 20,751,570</u>	<u>100</u>	<u>\$ 14,409,854</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, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 23,517,740	100	\$ 14,402,725	100
5000	Operating costs	6(5)(9)(14)(22)(23)	( 11,277,224)	( 48)	( 7,924,266)	( 55)
5900	Net operating margin		12,240,516	52	6,478,459	45
	Operating expenses	6(9)(14)(22)(23) and 12				
6100	Selling expenses		( 766,438)	( 3)	( 568,614)	( 4)
6200	General and administrative expenses		( 1,449,886)	( 6)	( 974,041)	( 6)
6300	Research and development expenses		( 112,713)	( 1)	( 112,892)	( 1)
6450	Expected credit impairment gain (loss)		170	-	( 1,875)	-
6000	Total operating expenses		( 2,328,867)	( 10)	( 1,657,422)	( 11)
6900	Operating profit		9,911,649	42	4,821,037	34
	Non-operating income and expenses					
7100	Interest income	6(3)(6)(18)	69,606	1	79,902	1
7010	Other income	6(6)(8)(19)	26,479	-	27,000	-
7020	Other gains and losses	6(2)(20) and 12	( 207,982)	( 1)	( 217,511)	( 2)
7050	Finance costs	6(7)(8)(21) and 7	( 3,477)	-	( 4,133)	-
7000	Total non-operating income and expenses		( 115,374)	-	( 114,742)	( 1)
7900	<b>Profit before income tax</b>		9,796,275	42	4,706,295	33
7950	Income tax expense	6(24)	( 2,301,468)	( 10)	( 1,086,070)	( 8)
8200	<b>Profit for the year</b>		\$ 7,494,807	32	\$ 3,620,225	25

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss)</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311 Actuarial gains (losses) on defined benefit plans	6(14)	\$ 24,221	-	(\$ 1,673)	-
8316 Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)	17,259	-	9,199	-
8349 Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(24)	( 4,844)	-	335	-
<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>					
8361 Financial statements translation differences of foreign operations		( 76,199)	-	( 30,685)	-
8367 Unrealised losses on valuation of investments in debt instruments measured at fair value through other comprehensive income, net	6(6)	( 1,362)	-	( 1,308)	-
8300 <b>Other comprehensive loss for the year</b>		<u>(\$ 40,925)</u>	<u>-</u>	<u>(\$ 24,132)</u>	<u>-</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 7,453,882</u>	<u>32</u>	<u>\$ 3,596,093</u>	<u>25</u>
Profit attributable to:					
8610 Owners of the parent		\$ 7,346,499	31	\$ 3,548,909	25
8620 Non-controlling interest		148,308	1	71,316	-
Profit for the year		<u>\$ 7,494,807</u>	<u>32</u>	<u>\$ 3,620,225</u>	<u>25</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 7,307,439	31	\$ 3,525,591	25
8720 Non-controlling interest		146,443	1	70,502	-
Total comprehensive income for the year		<u>\$ 7,453,882</u>	<u>32</u>	<u>\$ 3,596,093</u>	<u>25</u>
Earnings per share (in dollars)	6(25)				
9750 Basic		\$ 14.92		\$ 7.21	
9850 Diluted		\$ 14.85		\$ 7.18	

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent											
	Share Capital	Capital Surplus	Retained Earnings			Other Equity Interest				Total	Non-controlling interest	Total equity
	Notes	Common stock	Changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	Total			
Total									Total equity			
<u>Year ended December 31, 2020</u>												
Balance at January 1, 2020		\$ 4,924,167	\$ -	\$ 1,185,566	\$ 433,442	\$ 2,146,359	(\$ 346,729 )	\$ 34,498	\$ 8,377,303	\$ 368,356	\$ 8,745,659	
Profit for the year		-	-	-	-	3,548,909	-	-	3,548,909	71,316	3,620,225	
Other comprehensive income (loss) for the year		-	-	-	-	( 524 )	( 30,685 )	7,891	( 23,318 )	( 814 )	( 24,132 )	
Total comprehensive income (loss)		-	-	-	-	3,548,385	( 30,685 )	7,891	3,525,591	70,502	3,596,093	
Distribution of 2019 net income:												
Legal reserve		-	-	143,178	-	( 143,178 )	-	-	-	-	-	
Cash dividends	6(16)	-	-	-	-	( 1,034,075 )	-	-	( 1,034,075 )	-	( 1,034,075 )	
Changes in non-controlling interests		-	-	-	-	-	-	-	-	( 20,267 )	( 20,267 )	
Balance at December 31, 2020		<u>\$ 4,924,167</u>	<u>\$ -</u>	<u>\$ 1,328,744</u>	<u>\$ 433,442</u>	<u>\$ 4,517,491</u>	<u>(\$ 377,414 )</u>	<u>\$ 42,389</u>	<u>\$ 10,868,819</u>	<u>\$ 418,591</u>	<u>\$ 11,287,410</u>	
<u>Year ended December 31, 2021</u>												
Balance at January 1, 2021		<u>\$ 4,924,167</u>	<u>\$ -</u>	<u>\$ 1,328,744</u>	<u>\$ 433,442</u>	<u>\$ 4,517,491</u>	<u>(\$ 377,414 )</u>	<u>\$ 42,389</u>	<u>\$ 10,868,819</u>	<u>\$ 418,591</u>	<u>\$ 11,287,410</u>	
Profit for the year		-	-	-	-	7,346,499	-	-	7,346,499	148,308	7,494,807	
Other comprehensive income (loss) for the year		-	-	-	-	21,242	( 76,199 )	15,897	( 39,060 )	( 1,865 )	( 40,925 )	
Total comprehensive income (loss)		-	-	-	-	7,367,741	( 76,199 )	15,897	7,307,439	146,443	7,453,882	
Distribution of 2020 net income:												
Legal reserve		-	-	354,838	-	( 354,838 )	-	-	-	-	-	
Cash dividends	6(16)	-	-	-	-	( 1,969,667 )	-	-	( 1,969,667 )	-	( 1,969,667 )	
Changes in equity of associates and joint ventures accounted for using equity method		-	608	-	-	-	-	-	608	767	1,375	
Disposal of financial assets at fair value through other comprehensive income	6(6)	-	-	-	-	3,869	-	( 3,869 )	-	-	-	
Changes in non-controlling interests		-	-	-	-	-	-	-	-	( 20,267 )	( 20,267 )	
Balance at December 31, 2021		<u>\$ 4,924,167</u>	<u>\$ 608</u>	<u>\$ 1,683,582</u>	<u>\$ 433,442</u>	<u>\$ 9,564,596</u>	<u>(\$ 453,613 )</u>	<u>\$ 54,417</u>	<u>\$ 16,207,199</u>	<u>\$ 545,534</u>	<u>\$ 16,752,733</u>	

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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 9,796,275	\$ 4,706,295
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on valuation of financial assets at fair value through profit or loss	6(2)(20)	( 1,080 )	-
Expected credit impairment (gain) loss	12	( 170 )	1,875
Reversal of inventory market price decline	6(5)	( 6,308 )	( 1,183 )
Depreciation	6(7)(8)(22)	311,544	298,385
Losses on disposals of property, plant and equipment	6(20)	3,994	2,648
Property, plant and equipment transferred to expenses	6(7)	5,900	231
Amortisation	6(9)(22)	2,103	2,734
Interest income	6(18)	( 69,606 )	( 79,902 )
Dividend income	6(6)(19)	( 8,794 )	( 10,951 )
Rent concession	6(8)(19)	( 995 )	( 497 )
Interest expense	6(21)	3,477	4,133
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		( 30,000 )	-
Notes receivable		( 65,168 )	( 1,093 )
Accounts receivable		658,597	( 940,623 )
Other receivables		( 21,319 )	37,199
Inventories		( 192,142 )	( 68,838 )
Prepayments		158,967	( 129,767 )
Net defined benefit assets		( 20,917 )	-
Other non-current assets		( 68,836 )	( 18,389 )
Changes in operating liabilities			
Current contract liabilities		( 64,562 )	80,336
Accounts payable		22,626	51,847
Other payables		486,997	556,258
Current refund liabilities		20,418	-
Net defined benefit liabilities		( 10,708 )	( 29,224 )
Cash inflow generated from operations		10,910,293	4,461,474
Interest received		60,978	57,997
Dividends received		8,794	10,951
Interest paid		( 3,453 )	( 4,142 )
Income tax paid		( 1,820,767 )	( 596,716 )
Net cash flows from operating activities		<u>9,155,845</u>	<u>3,929,564</u>

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Cash paid for acquisition of current financial assets at amortised cost		(\$ 5,127,464 )	(\$ 3,567,732 )
Proceeds from disposal of current financial assets at amortised cost		4,731,309	3,191,826
Acquisition of financial assets at fair value through other comprehensive income		( 88,359 )	( 119,593 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		71,907	-
Cash paid for acquisition of property, plant and equipment	6(26)	( 447,354 )	( 491,103 )
Interest paid for acquisition of property, plant and equipment	6(7)(21)(26)	( 366 )	( 133 )
Proceeds from disposal of property, plant and equipment		2,730	755
Increase in intangible assets	6(9)	( 5,405 )	( 2,780 )
Increase in prepayments for equipment		( 66,801 )	( 118,307 )
Increase in guarantee deposits paid		( 518 )	( 35 )
Net cash flows used in investing activities		( 930,321 )	( 1,107,102 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(27)	( 20,000 )	-
Payment of lease liabilities	6(27)	( 20,905 )	( 21,212 )
Increase in long-term borrowings	6(27)	30,000	30,000
Repayments of long-term borrowings	6(27)	( 15,833 )	( 2,500 )
Payment of cash dividends	6(16)	( 1,969,667 )	( 1,034,075 )
Decrease in non-controlling interest		( 20,267 )	( 20,267 )
Net cash flows used in financing activities		( 2,016,672 )	( 1,048,054 )
Effect of foreign exchange rate changes		( 53,024 )	( 42,979 )
Net increase in cash and cash equivalents		6,155,828	1,731,429
Cash and cash equivalents at beginning of year	6(1)	4,841,191	3,109,762
Cash and cash equivalents at end of year	6(1)	<u>\$ 10,997,019</u>	<u>\$ 4,841,191</u>

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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
Notes	2021	2020

INDEPENDENT AUDITORS' REPORT 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, 2021 and 2020, 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, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 parent company only financial statements. 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 2021 parent company only financial statements are stated as follows:

**Evaluation of inventories**

Description

Refer to Note 4(9) for description of accounting policies on inventory, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for description of inventory. As at December 31, 2021, the balances of inventories and allowance for inventory valuation losses were NT\$436,931 thousand and NT\$28,137 thousand, respectively.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Year ended December 31	
Notes	2021	2020

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 global commodity prices. Since measurement of net realisable value for inventories involves subjective judgment resulting in a high degree of estimation uncertainty, we considered the 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 adequacy of provision for inventory valuation loss based on our evaluation and sampling on supporting documents related to the net realisable value of inventories.

**Cut off of operating revenue recognition from export sales**

Description

Refer to Note 4(25) for the accounting policies on revenue recognition.

The Company 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 the 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 ascertain 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 the 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.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Notes	Year ended December 31	
	2021	2020

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.

**Auditors' responsibilities for the audit of the parent company only financial statements**

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, 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 auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.



NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Notes	Year ended December 31	
	2021	2020

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 (including the audit committee) 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 (including the audit committee) 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 8, 2022

-----  
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 independent auditors' report 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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 6,750,267	35	\$ 2,214,123	17
1110	Current financial assets at fair value through profit or loss	6(2)	31,080	-	-	-
1150	Notes receivable, net	6(3)	85,475	1	45,851	-
1170	Accounts receivable, net	6(3) and 7	1,163,675	6	1,873,649	15
1200	Other receivables		67,327	1	46,644	-
1210	Other receivables - related parties	7	49,276	-	28,246	-
130X	Inventories	5 and 6(4)	408,794	2	381,437	3
1410	Prepayments		181,354	1	317,471	3
11XX	<b>Total current assets</b>		<u>8,737,248</u>	<u>46</u>	<u>4,907,421</u>	<u>38</u>
<b>Non-current assets</b>						
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	383,117	2	350,726	3
1550	Investments accounted for under equity method	6(6)	8,249,770	43	6,008,169	47
1600	Property, plant and equipment	6(7) and 8	1,581,315	8	1,431,104	11
1755	Right-of-use assets	6(8) and 7	60,042	1	51,693	-
1780	Intangible assets	6(9)	708	-	524	-
1840	Deferred income tax assets	6(22)	56,057	-	65,634	-
1915	Prepayments for equipments	6(7)	-	-	84,727	1
1920	Guarantee deposits paid	8	413	-	413	-
1975	Net defined benefit assets	6(12)	20,917	-	-	-
1990	Other non-current assets		13,953	-	13,377	-
15XX	<b>Total non-current assets</b>		<u>10,366,292</u>	<u>54</u>	<u>8,006,367</u>	<u>62</u>
1XXX	<b>Total assets</b>		<u>\$ 19,103,540</u>	<u>100</u>	<u>\$ 12,913,788</u>	<u>100</u>

(Continued)

NANTEX INDUSTRY CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(10)	\$ 50,000	-	\$ 100,000	1
2130	Current contract liabilities	6(15) and 7	50,900	-	38,314	-
2170	Accounts payable		273,097	2	277,211	2
2200	Other payables	6(11)	1,096,154	6	782,985	6
2230	Current income tax liabilities	6(22)	1,022,811	5	442,057	4
2280	Current lease liabilities	6(8) and 7	15,115	-	3,271	-
2365	Current refund liabilities		20,418	-	-	-
21XX	<b>Total current liabilities</b>		<u>2,528,495</u>	<u>13</u>	<u>1,643,838</u>	<u>13</u>
<b>Non-current liabilities</b>						
2570	Deferred income tax liabilities	6(22)	320,475	2	314,701	3
2580	Non-current lease liabilities	6(8) and 7	47,371	-	50,079	-
2640	Net defined benefit liabilities	6(12)	-	-	36,351	-
25XX	<b>Total non-current liabilities</b>		<u>367,846</u>	<u>2</u>	<u>401,131</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>2,896,341</u>	<u>15</u>	<u>2,044,969</u>	<u>16</u>
<b>Equity</b>						
Share capital						
3110	Common stock	6(13)	4,924,167	26	4,924,167	38
Capital surplus						
3200	Capital surplus		608	-	-	-
Retained earnings						
		6(14)				
3310	Legal reserve		1,683,582	9	1,328,744	10
3320	Special reserve		433,442	2	433,442	4
3350	Unappropriated retained earnings		9,564,596	50	4,517,491	35
Other equity interest						
3400	Other equity interest	6(5)(6)	( 399,196)	( 2)	( 335,025)	( 3)
3XXX	<b>Total equity</b>		<u>16,207,199</u>	<u>85</u>	<u>10,868,819</u>	<u>84</u>
Significant Contingent Liabilities and Unrecognised Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 19,103,540</u>	<u>100</u>	<u>\$ 12,913,788</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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

				Year ended December 31			
				2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%		
4000	Operating revenue	6(15) and 7	\$ 14,055,601	100	\$ 8,286,235	100	
5000	Operating costs	6(4)(12)(20)(21)	( 6,182,125)	( 44)	( 4,394,009)	( 53)	
5900	Net operating margin		<u>7,873,476</u>	<u>56</u>	<u>3,892,226</u>	<u>47</u>	
	Operating expenses	6(9)(12)(20)(21)					
6100	Selling expenses		( 501,878)	( 3)	( 345,063)	( 4)	
6200	General and administrative expenses		( 855,915)	( 6)	( 572,151)	( 7)	
6300	Research and development expenses		( 85,957)	( 1)	( 87,428)	( 1)	
6000	Total operating expenses		<u>( 1,443,750)</u>	<u>( 10)</u>	<u>( 1,004,642)</u>	<u>( 12)</u>	
6900	Operating profit		<u>6,429,726</u>	<u>46</u>	<u>2,887,584</u>	<u>35</u>	
	Non-operating income and expenses						
7100	Interest income	6(5)(16)	7,509	-	23,355	-	
7010	Other income	6(5)(17) and 7	71,031	-	49,437	1	
7020	Other gains and losses	6(2)(18) and 12	( 171,902)	( 1)	( 169,113)	( 2)	
7050	Finance costs	6(8)(19) and 7	( 1,297)	-	( 2,624)	-	
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	<u>2,332,128</u>	<u>17</u>	<u>1,333,267</u>	<u>16</u>	
7000	Total non-operating income and expenses		<u>2,237,469</u>	<u>16</u>	<u>1,234,322</u>	<u>15</u>	
7900	<b>Profit before income tax</b>		<u>8,667,195</u>	<u>62</u>	<u>4,121,906</u>	<u>50</u>	
7950	Income tax expense	6(22)	( 1,320,696)	( 10)	( 572,997)	( 7)	
8200	<b>Profit for the year</b>		<u>\$ 7,346,499</u>	<u>52</u>	<u>\$ 3,548,909</u>	<u>43</u>	
	<b>Other comprehensive income (loss)</b>						
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>						
8311	Actuarial gains on defined benefit plans	6(12)	\$ 28,400	-	\$ 151	-	
8316	Unrealised gains on financial assets measured at fair value through other comprehensive income	6(5)	14,662	-	9,199	-	
8330	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(6)	1,119	-	( 645)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	( 5,680)	-	( 30)	-	
	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>						
8361	Financial statements translation differences of foreign operations	6(6)	( 76,199)	-	( 30,685)	-	
8367	Unrealised losses on valuation of investments in debt instruments measured at fair value through other comprehensive income, net	6(5)	( 1,362)	-	( 1,308)	-	
8300	<b>Other comprehensive loss for the year</b>		<u>( \$ 39,060)</u>	<u>-</u>	<u>( \$ 23,318)</u>	<u>-</u>	
8500	<b>Total comprehensive income for the year</b>		<u>\$ 7,307,439</u>	<u>52</u>	<u>\$ 3,525,591</u>	<u>43</u>	
	Earnings per share (in dollars)	6(23)					
9750	Basic		\$ 14.92		\$ 7.21		
9850	Diluted		\$ 14.85		\$ 7.18		

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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share Capital	Capital Surplus	Retained Earnings			Other Equity Interest		Total
		Common stock	Changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	
<u>Year ended December 31, 2020</u>									
Balance at January 1, 2020		\$ 4,924,167	\$ -	\$ 1,185,566	\$ 433,442	\$ 2,146,359	(\$ 346,729)	\$ 34,498	\$ 8,377,303
Profit for the year		-	-	-	-	3,548,909	-	-	3,548,909
Other comprehensive income (loss) for the year	6(5)(6)	-	-	-	-	(524)	(30,685)	7,891	(23,318)
Total comprehensive income (loss)		-	-	-	-	3,548,385	(30,685)	7,891	3,525,591
Distribution of 2019 net income:									
Legal reserve		-	-	143,178	-	(143,178)	-	-	-
Cash dividends	6(14)	-	-	-	-	(1,034,075)	-	-	(1,034,075)
Balance at December 31, 2020		\$ 4,924,167	\$ -	\$ 1,328,744	\$ 433,442	\$ 4,517,491	(\$ 377,414)	\$ 42,389	\$ 10,868,819
<u>Year ended December 31, 2021</u>									
Balance at January 1, 2021		\$ 4,924,167	\$ -	\$ 1,328,744	\$ 433,442	\$ 4,517,491	(\$ 377,414)	\$ 42,389	\$ 10,868,819
Profit for the year		-	-	-	-	7,346,499	-	-	7,346,499
Other comprehensive income (loss) for the year		-	-	-	-	21,242	(76,199)	15,897	(39,060)
Total comprehensive income (loss)		-	-	-	-	7,367,741	(76,199)	15,897	7,307,439
Distribution of 2020 net income:									
Legal reserve		-	-	354,838	-	(354,838)	-	-	-
Cash dividends	6(14)	-	-	-	-	(1,969,667)	-	-	(1,969,667)
Changes in equity of associates and joint ventures accounted for using equity method		-	608	-	-	-	-	-	608
Disposal of financial assets at fair value through other comprehensive income	6(5)	-	-	-	-	3,869	-	(3,869)	-
Balance at December 31, 2021		\$ 4,924,167	\$ 608	\$ 1,683,582	\$ 433,442	\$ 9,564,596	(\$ 453,613)	\$ 54,417	\$ 16,207,199

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, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 8,667,195	\$ 4,121,906
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on valuation of financial assets at fair value through profit or loss	6(2)	( 1,080 )	-
(Reversal of) provision for inventory market price decline	6(4)	( 3,331 )	3,196
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	( 2,332,128 )	( 1,333,267 )
Depreciation	6(7)(8)(20)	142,709	151,947
Losses on disposal of property, plant and equipment	6(18)	1,332	1,582
Property, plant and equipment transferred to expense	6(7)	5,900	231
Amortisation	6(9)(20)	229	845
Interest income	6(16)	( 7,509 )	( 23,355 )
Dividend income	6(5)(17)	( 8,794 )	( 10,951 )
Interest expense	6(19)	1,297	2,624
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		( 30,000 )	-
Notes receivable		( 39,624 )	( 8,182 )
Accounts receivable		709,974	( 940,273 )
Other receivables		( 20,683 )	32,691
Other receivables - related parties		( 21,030 )	( 7,706 )
Inventories		( 24,026 )	3,041
Prepayments		136,117	( 138,379 )
Net defined benefit assets		( 20,917 )	-
Other non-current assets		( 576 )	2,017
Changes in operating liabilities			
Current contract liabilities		12,586	27,164
Accounts payable		( 4,114 )	6,490
Other payables		342,561	383,368
Current refund liabilities		20,418	-
Net defined benefit liabilities		( 7,951 )	( 26,588 )
Cash inflow generated from operations		7,518,555	2,248,401
Interest received		7,509	23,355
Dividends received		24,849	27,005
Interest paid		( 1,297 )	( 2,624 )
Income tax paid		( 730,271 )	( 301,424 )
Net cash flows from operating activities		<u>6,819,345</u>	<u>1,994,713</u>

(Continued)

NANTEX INDUSTRY CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial asstes at amortised cost		\$ -	(\$ 598,550 )
Proceeds from disposal of current financial assets at amortised cost		-	898,350
Acquisition of financial assets at fair value through other comprehensive income		( 36,030 )	( 119,593 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		16,939	-
Cash paid for acquisition of property, plant and equipment	6(24)	( 231,508 )	( 315,190 )
Proceeds from disposal of property, plant and equipment		2,381	754
Increase in intangible assets	6(9)	( 413 )	( 307 )
Increase in prepayments for equipment		-	( 84,727 )
Net cash flows used in investing activities		( 248,631 )	( 219,263 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(25)	( 50,000 )	-
Payment of lease liabilities	6(25)	( 14,903 )	( 15,658 )
Payment of cash dividends	6(14)	( 1,969,667 )	( 1,034,075 )
Net cash flows used in financing activities		( 2,034,570 )	( 1,049,733 )
Net increase in cash and cash equivalents		4,536,144	725,717
Cash and cash equivalents at beginning of year	6(1)	2,214,123	1,488,406
Cash and cash equivalents at end of year	6(1)	\$ 6,750,267	\$ 2,214,123

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

Nantex Industry Co., Ltd.  
2021 Table of Earnings Distribution

Unit: In New Taiwan Dollars

Item	Amount
Net Income after tax of the Company	7,346,499,400
Add: Other comprehensive income - actuarial income with confirmed welfare plan	21,241,885
Add: Profit or loss on disposal of financial assets measured at fair value through other comprehensive income, transferred to retained earnings	3,869,086
Less: Appropriation of 10% for legal reserve	<u>(737,161,037)</u>
Current distributable earnings	6,634,449,334
Add: Retained earnings from last period	<u>2,192,985,914</u>
Total distributable earnings	<u>8,827,435,248</u>
2021 Earnings Distribution Status	
Stock dividends (0 share for every 1,000 shares)	0
Cash dividends (NT\$ 7,000 for every 1,000 shares)	<u>3,446,916,613</u>
Ending undistributed earnings	<u><u>5,380,518,635</u></u>

## Remarks:

1. Regarding the distribution order in this year, the 2021 earnings are distributed in priority.
2. Any fractional amount less than NT\$1 for the cash dividends will be recognized as other income of Nantex.  
Any fractional amount less than NT\$1 for the cash dividends will be allocated for transfer to the Employee Welfare Committee.



## Nantex Industry Co., Ltd.

### Procedures for Loaning of Funds to Others

#### Table of Comparison Between Provisions Before and After Amendment

Provision no.	Before amendment	Provision no.	After amendment	Description of amendment
Article 4	<p>Limits on Total Funds Loaned and Funds Loaned to a Single Counterparty</p> <p>I. Total funds loaned: 40% of the net value of Nantex or 40% of the net value of the company loaning funds between subsidiaries whose voting shares are wholly held by Nantex directly or indirectly, except in the case of funds loaned to Nantex from any foreign company whose voting shares are wholly held by Nantex directly or indirectly, where no limit shall apply.</p> <p>Notwithstanding the foregoing, Nantex shall set limits on the total funds loaned and funds loaned to a single counterparty and shall determine a time limit for loaning of funds.</p> <p>II. Limit on funds loaned to a single counterparty:</p> <ol style="list-style-type: none"> <li>1. Companies engaging in business with Nantex: No more than NT\$100 million for each company and not exceeding the amount of business transactions with that company.</li> <li>2. Companies requiring short-term financing: No more than NT\$100 million for each company.</li> </ol>	Article 4	<p>Limits on Total Funds Loaned and Funds Loaned to a Single Counterparty</p> <p>I. Total funds loaned: 40% of the net value of Nantex, or 40% of the net value of the company loaning funds between subsidiaries whose voting shares are wholly held by Nantex directly or indirectly, except in the case of funds loaned to Nantex from any foreign company whose voting shares are wholly held by Nantex directly or indirectly, where no limit shall apply.</p> <p>Notwithstanding the foregoing, Nantex shall set limits on the total funds loaned and funds loaned to a single counterparty and shall determine a time limit for loaning of funds.</p> <p>II. Limit on funds loaned to a single counterparty:</p> <ol style="list-style-type: none"> <li>1. Companies engaging in business with Nantex: No more than NT\$100 million for each company and not exceeding the amount of business transactions with that company.</li> <li>2. Companies requiring short-term financing: No more than NT\$200 million for each company.</li> </ol>	For practical needs and integrity
Article 7	<p>Procedures for Loaning of Funds</p> <p>I. Any loaning of funds by Nantex, once reviewed by the responsible department at Nantex with a loaning limit set and approved by the President, shall require the approval of at least half of all members of the Audit Committee and shall be submitted to the Board of Directors for a resolution. In the case of failure to obtain approval from at least half of all members of the Audit Committee, such approval may be given by at least two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors. "All members of the Audit Committee" and "all directors," as referred to herein, shall mean those who are actually in office. Once approved by a resolution of the Board of Directors, the said loaning may proceed. For any loaning of funds</p>	Article 7	<p>Procedures for Loaning of Funds</p> <p>I. Any loaning of funds by Nantex, once reviewed by the responsible department at Nantex with a loaning limit set and approved by the President, shall require the approval of at least half of all members of the Audit Committee and shall be submitted to the Board of Directors for a resolution. In the case of failure to obtain approval from at least half of all members of the Audit Committee, such approval may be given by at least two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the meeting minutes of the Board of Directors. "All members of the Audit Committee" and "all directors," as referred to herein, shall mean those who are actually in office. Once approved by a resolution of the Board of Directors, the said loaning may proceed. For any loaning of funds</p>	For practical needs and integrity

Provision no.	Before amendment	Provision no.	After amendment	Description of amendment
	<p>between Nantex and a subsidiary or between subsidiaries, the Chairman may be authorized to loan funds, in installments or on a revolving basis, to the same borrower within a certain limit set by a resolution of the Board of Directors and within one year. Except for any loaning of funds between Nantex and a foreign company whose voting shares are wholly held by Nantex directly or indirectly, the authorized amount of funds loaned by Nantex to a single company shall not exceed 10% of the net value shown in the most recent financial statements of Nantex.</p> <p>2-6 (Omitted)</p>		<p>between Nantex and a subsidiary or between subsidiaries, the Chairman may be authorized to loan funds, in installments or on a revolving basis, to the same borrower within a certain limit set by a resolution of the Board of Directors and within one year. Except for any loaning of funds between Nantex and a foreign company whose voting shares are wholly held by Nantex directly or indirectly, the authorized amount of funds loaned by Nantex to a single company shall not exceed <u>NT\$200 million</u>.</p> <p>2-6 (Omitted)</p>	

## Nantex Industry Co., Ltd.

### Procedures for Acquisition or Disposal of Assets

#### Table of Comparison Between Provisions Before and After Amendment

Provision no.	Before amendment	Provision no.	After amendment	Description of amendment
Article 4	<p>Assessment procedures:</p> <p>I. For any acquisition or disposal of securities or any transaction of derivatives by Nantex, the financial and accounting departments shall conduct an analysis of relevant benefits and an assessment of potential risks. For any acquisition or disposal of real property, equipment or right-of-use assets thereof and other assets, the relevant department shall draw up a capital expense plan in advance and conduct a feasibility assessment of the purposes and expected benefits of such acquisition or disposal. For any acquisition of real property or right-of-use assets thereof from a related party, an assessment of the reasonableness of the transaction terms shall be conducted in accordance with Chapter 2 of these Procedures.</p> <p>II. For any acquisition or disposal of securities by Nantex, the most recent financial statements of the target company that have been audited and certified or reviewed by a CPA shall be used as reference for evaluation of the transaction price prior to the date of occurrence. Where the amount of any such transaction equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall engage a CPA to issue an opinion regarding the reasonableness of the transaction price prior to the date of occurrence. <del>If the CPA needs to use an expert's report, such use shall be in accordance with the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation ("ARDF").</del> The aforesaid requirement does not apply where any securities have open quoted prices of an active market or where any regulations of the FSC have provided otherwise.</p> <p>III. Where the transaction amount of any acquisition or disposal of real property, equipment or right-of-use assets thereof by Nantex, except if the counterparty is a domestic government agency, Nantex has</p>	Article 4	<p>Assessment procedures:</p> <p>I. For any acquisition or disposal of securities or any transaction of derivatives by Nantex, the financial and accounting departments shall conduct an analysis of relevant benefits and an assessment of potential risks. For any acquisition or disposal of real property, equipment or right-of-use assets thereof and other assets, the relevant department shall draw up a capital expense plan in advance and conduct a feasibility assessment of the purposes and expected benefits of such acquisition or disposal. For any acquisition of real property or right-of-use assets thereof from a related party, an assessment of the reasonableness of the transaction terms shall be conducted in accordance with Chapter 2 of these Procedures.</p> <p>II. For any acquisition or disposal of securities by Nantex, the most recent financial statements of the target company that have been audited and certified or reviewed by a CPA shall be used as reference for evaluation of the transaction price prior to the date of occurrence. Where the amount of any such transaction equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall engage a CPA to issue an opinion regarding the reasonableness of the transaction price prior to the date of occurrence. The aforesaid requirement does not apply where any securities have open quoted prices of an active market or where any regulations of the FSC have provided otherwise.</p> <p>III. Where the transaction amount of any acquisition or disposal of real property, equipment or right-of-use assets thereof by Nantex, except if the counterparty is a domestic government agency, Nantex has contracted others to build on land owned or leased by it or Nantex acquires or disposes of equipment or right-of-use assets thereof used for operating purposes, equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall obtain an appraisal report issued by a</p>	Amended in accordance with the law

	<p>contracted others to build on land owned or leased by it or Nantex acquires or disposes of equipment or right-of-use assets thereof used for operating purposes, equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall obtain an appraisal report issued by a professional appraiser (see Attachment 1 for the information required in such a report) prior to the date of occurrence, subject to the following requirements:</p> <p>(I) Where it is necessary, due to special reasons, to use an exclusive, specific or special price as a basis of reference for the price of any transaction, the transaction shall be submitted to the Board of Directors and approved by a resolution thereof in advance. The aforesaid requirement shall also apply to any subsequent change in the terms of the transaction.</p> <p>(II) Any transaction amount equaling or exceeding NT\$1 billion shall require appraisals from two or more professional appraisers.</p> <p>(III) Where any of the following circumstances applies to the result of appraisal from a professional appraiser, except if all the results of appraisal for the acquisition of assets are higher than the transaction amount or all the results of appraisal for the disposition of assets are lower than the transaction amount, a CPA shall be engaged to <del>perform an evaluation in accordance with the Statement of Auditing Standards No. 20 published by the ARDF and</del> issue a specific opinion regarding the reason of any difference and the fairness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The difference between the result of appraisal and the transaction amount equals or exceeds 20% of the transaction amount.</li> <li>2. The difference between the results of appraisals from two or more professional appraisers equals or exceeds 10% of the transaction amount.</li> </ol> <p>(IV) The period between the date of issuance of a report by a professional appraiser and the date of conclusion of contract shall be no longer than three months, provided that an opinion may be issued by the original professional appraiser if the announced current value for the same period is applicable and if the period does not exceed six months.</p>		<p>professional appraiser (see Attachment 1 for the information required in such a report) prior to the date of occurrence, subject to the following requirements:</p> <p>(I) Where it is necessary, due to special reasons, to use an exclusive, specific or special price as a basis of reference for the price of any transaction, the transaction shall be submitted to the Board of Directors and approved by a resolution thereof in advance. The aforesaid requirement shall also apply to any subsequent change in the terms of the transaction.</p> <p>(II) Any transaction amount equaling or exceeding NT\$1 billion shall require appraisals from two or more professional appraisers.</p> <p>(III) Where any of the following circumstances applies to the result of appraisal from a professional appraiser, except if all the results of appraisal for the acquisition of assets are higher than the transaction amount or all the results of appraisal for the disposition of assets are lower than the transaction amount, a CPA shall be engaged to issue a specific opinion regarding the reason of any difference and the fairness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The difference between the result of appraisal and the transaction amount equals or exceeds 20% of the transaction amount.</li> <li>2. The difference between the results of appraisals from two or more professional appraisers equals or exceeds 10% of the transaction amount.</li> </ol> <p>(IV) The period between the date of issuance of a report by a professional appraiser and the date of conclusion of contract shall be no longer than three months, provided that an opinion may be issued by the original professional appraiser if the announced current value for the same period is applicable and if the period does not exceed six months.</p> <p>(V) Any professional appraiser and its agents from whom Nantex obtains an appraisal report or any CPA, attorney or securities underwriter from whom Nantex obtains an opinion shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. The relevant person has not been subject to any final sentence of imprisonment of no less than one</li> </ol>	
--	---	--	---	--

	<p>(V) Any professional appraiser and its agents from whom Nantex obtains an appraisal report or any CPA, attorney or securities underwriter from whom Nantex obtains an opinion shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. The relevant person has not been subject to any final sentence of imprisonment of no less than one year for violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or any occupational crime, except where a period of 3 years has elapsed after the sentence has been completed, the period of suspended sentence has expired or the relevant person has received a pardon.</li> <li>2. The relevant person shall not be related or de facto related to any counterparty.</li> <li>3. Where Nantex is required to obtain appraisal reports from two or more professional appraisers, no two of such professional appraisers or their agents shall be related or de facto related to each other. Any person issuing an appraisal report or opinion under the preceding paragraph shall fulfill the following requirements: <ol style="list-style-type: none"> <li>(I) Prior to accepting a case, the person must prudently assess his/her own professional competence, practical experience and independence.</li> <li>(II) When <del>auditing</del> a case, the person must properly plan and execute appropriate operating procedures to draw a conclusion based on which a report or opinion will be issued. The procedures executed, the data collected and the conclusion must be thoroughly specified in the working paper of the case.</li> <li>(III) The person must undertake an item-by-item evaluation of the <del>comprehensiveness, accuracy</del> and reasonableness of the data sources, parameters and information used, based on which an appraisal report or opinion will be issued.</li> </ol> </li> </ol>		<p>year for violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or any occupational crime, except where a period of 3 years has elapsed after the sentence has been completed, the period of suspended sentence has expired or the relevant person has received a pardon.</p> <ol style="list-style-type: none"> <li>2. The relevant person shall not be related or de facto related to any counterparty.</li> <li>3. Where Nantex is required to obtain appraisal reports from two or more professional appraisers, no two of such professional appraisers or their agents shall be related or de facto related to each other. Any person issuing an appraisal report or opinion under the preceding paragraph shall <u>comply with the self-regulatory standards of the relevant industry association and</u> fulfill the following requirements: <ol style="list-style-type: none"> <li>(I) Prior to accepting a case, the person must prudently assess his/her own professional competence, practical experience and independence.</li> <li>(II) When <u>executing</u> a case, the person must properly plan and execute appropriate operating procedures to draw a conclusion based on which a report or opinion will be issued. The operating procedures executed, the data collected and the conclusion must be thoroughly specified in the working paper of the case.</li> <li>(III) The person must undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the data sources, parameters and information used, based on which an appraisal report or opinion will be issued.</li> <li>(IV) Any statement must include descriptions that the relevant person is professional and independent, that he/she has evaluated the information used as <u>appropriate and</u> reasonable, and that he/she</li> </ol> </li> </ol>	
--	--	--	--	--

	<p>(IV) Any statement must include descriptions that the relevant person is professional and independent, that he/she has evaluated the information used as reasonable <del>and accurate</del>, and that he/she has complied with applicable laws and regulations.</p> <p>IV. For any merger, division, acquisition or assignment of shares by Nantex, an attorney, CPA or securities underwriter shall be invited to issue an opinion regarding the reasonableness of the share exchange ratio, acquisition price or the cash or other property distributable to shareholders prior to the convening of a meeting of the Board of Directors for a resolution, and such an opinion shall be submitted to the Board of Directors for discussion and approval. An opinion from any aforesaid expert is not required in the case of a merger between Nantex and any subsidiary whose outstanding stock or total capital is wholly held by Nantex or between subsidiaries whose respective outstanding stock or total capital is wholly held by Nantex.</p> <p>V. Where the transaction amount of any acquisition or disposal of intangible assets or right-of-use assets thereof or membership certificates by Nantex, except if the counterparty is a domestic government agency, equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall engage a CPA to issue an opinion regarding the reasonableness of the transaction price prior to the date of occurrence <del>in accordance with the Statement of Auditing Standards No. 20 published by the ARDF.</del></p>		<p>has complied with applicable laws and regulations.</p> <p>IV. For any merger, division, acquisition or assignment of shares by Nantex, an attorney, CPA or securities underwriter shall be invited to issue an opinion regarding the reasonableness of the share exchange ratio, acquisition price or the cash or other property distributable to shareholders prior to the convening of a meeting of the Board of Directors for a resolution, and such an opinion shall be submitted to the Board of Directors for discussion and approval. An opinion from any aforesaid expert is not required in the case of a merger between Nantex and any subsidiary whose outstanding stock or total capital is wholly held by Nantex or between subsidiaries whose respective outstanding stock or total capital is wholly held by Nantex.</p> <p>V. Where the transaction amount of any acquisition or disposal of intangible assets or right-of-use assets thereof or membership certificates by Nantex, except if the counterparty is a domestic government agency, equals or exceeds 20% of Nantex's paid-in capital or NT\$300 million, Nantex shall engage a CPA to issue an opinion regarding the reasonableness of the transaction price prior to the date of occurrence.</p>	
Article 6	<p>Procedures for submission for public disclosure:</p> <p>(VI) The amount of any transaction of assets other than those under the preceding five subparagraphs or of any investment in Mainland China, or the cumulative amount of transactions for acquisition or disposal of property of the same nature from or to the same counterparty within one year, or the cumulative amount for acquisition or disposal (respective cumulative amount for acquisition or disposal) of real property or right-of-use assets thereof under the same development project within one year, or the cumulative amount for acquisition or disposal (respective cumulative amount for acquisition or disposal) of the same</p>	Article 6	<p>Procedures for submission for public disclosure:</p> <p>(VI) The amount of any transaction of assets other than those under the preceding five subparagraphs or of any investment in Mainland China, or the cumulative amount of transactions for acquisition or disposal of property of the same nature from or to the same counterparty within one year, or the cumulative amount for acquisition or disposal (respective cumulative amount for acquisition or disposal) of real property or right-of-use assets thereof under the same development project within one year, or the cumulative amount for acquisition or disposal (respective cumulative amount for acquisition or disposal) of the same</p>	Amended in accordance with the law

	<p>securities within one year, has equaled or exceeded 20% of Nantex’s paid-in capital or NT\$300 million. “Within one year,” as referred to herein, shall mean the year preceding the date of occurrence of any transaction, excluding any amount that has been publicly disclosed as required, except for any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds.</li> <li>2. Trading of bonds with conditions for repurchase or resale, or subscription or repurchase of money market funds issued by any domestic securities investment trust enterprise.</li> </ol>		<p>securities within one year, has equaled or exceeded 20% of Nantex’s paid-in capital or NT\$300 million. “Within one year,” as referred to herein, shall mean the year preceding the date of occurrence of any transaction, excluding any amount that has been publicly disclosed as required, except for any of the following circumstances:</p> <ol style="list-style-type: none"> <li>1. Trading of domestic government bonds <u>or any foreign government bond whose credit rating is no lower than the level of sovereign rating of the Republic of China (Taiwan).</u></li> <li>2. Trading of bonds with conditions for repurchase or resale, or subscription or repurchase of money market funds issued by any domestic securities investment trust enterprise.</li> </ol>	
Article 11	<p>Resolution procedures:</p> <p>Where the transaction amount of any acquisition or disposal of real property or right-of-use assets thereof from a related party or any acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party equals or exceeds 20% of Nantex’s paid-in capital, 10% of Nantex’s total assets or NT\$300 million, except for trading of domestic government bonds or bonds with conditions for repurchase or resale, or subscription or repurchase of money market funds issued by any domestic securities investment trust enterprise, no transaction contract shall be concluded and no payment shall be made by the responsible department until after the following information is approved by at least half of the members of the Audit Committee and then submitted to the Board of Directors and approved by a resolution thereof:</p> <ol style="list-style-type: none"> <li>I. The purposes, necessity and expected benefits of the acquisition or disposal of real property.</li> <li>II. The reasons for selecting the related party as a counterparty.</li> <li>III. Information relevant to assessment of the reasonableness of the expected transaction terms for acquisition or disposal of real property or right-of-use assets thereof from or to the related party in accordance with the exceptions under Article 12 or 13.</li> <li>IV. The original date and price of acquisition by the related party, the counterparty and his/her relationship with Nantex and the related party.</li> <li>V. Monthly cash balance forecasts for the year beginning from the expected month</li> </ol>	Article 11	<p>Resolution procedures:</p> <p>Where the transaction amount of any acquisition or disposal of real property or right-of-use assets thereof from a related party or any acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party equals or exceeds 20% of Nantex’s paid-in capital, 10% of Nantex’s total assets or NT\$300 million, except for trading of domestic government bonds or bonds with conditions for repurchase or resale, or subscription or repurchase of money market funds issued by any domestic securities investment trust enterprise, no transaction contract shall be concluded and no payment shall be made by the responsible department until after the following information is approved by at least half of the members of the Audit Committee and then submitted to the Board of Directors and approved by a resolution thereof:</p> <ol style="list-style-type: none"> <li>I. The purposes, necessity and expected benefits of the acquisition or disposal of real property.</li> <li>II. The reasons for selecting the related party as a counterparty.</li> <li>III. Information relevant to assessment of the reasonableness of the expected transaction terms for acquisition or disposal of real property or right-of-use assets thereof from or to the related party in accordance with the exceptions under Article 12 or 13.</li> <li>IV. The original date and price of acquisition by the related party, the counterparty and his/her relationship with Nantex and the related party.</li> <li>V. Monthly cash balance forecasts for the year beginning from the expected month</li> </ol>	Amended in accordance with the law

	<p>of conclusion of contract, with an assessment of the necessity of the transaction and the reasonableness of the use of funds.</p> <p>VI. An appraisal report from a professional appraiser or an opinion from a CPA obtained in accordance with the preceding paragraph.</p> <p>VII. Restrictive covenants and other important terms agreed for the transaction.</p> <p><del>Any transaction amount under the preceding subparagraph shall be calculated in accordance with Subparagraph (6), Paragraph 1, Article 6. "Within one year," as referred to therein, shall mean the year preceding the date of occurrence of any transaction. Any amount which has been approved by the Audit Committee and then submitted to and approved by the Board of Directors in accordance with these Procedures may be excluded from such calculation. In the case of any of the following transactions between Nantex and the parent company or any subsidiary or between subsidiaries whose respective outstanding stock or total capital is wholly held by Nantex directly or indirectly, the transaction may be approved in advance by the Chairman for a maximum amount of NT\$1 billion and may then be submitted to the most recent meeting of the Board of Directors for ratification:</del></p> <p>(I) Any acquisition or disposal of equipment or right-of-use assets thereof used for operating purposes.</p> <p>(II) Any acquisition or disposal of right-of-use assets of real property used for operating purposes.</p>		<p>of conclusion of contract, with an assessment of the necessity of the transaction and the reasonableness of the use of funds.</p> <p>VI. An appraisal report from a professional appraiser or an opinion from a CPA obtained in accordance with the preceding paragraph.</p> <p>VII. Restrictive covenants and other important terms agreed for the transaction.</p> <p>In the case of any of the following transactions between Nantex and the parent company or any subsidiary or between subsidiaries whose respective outstanding stock or total capital is wholly held by Nantex directly or indirectly, the transaction may be approved in advance by the Chairman for a maximum amount of NT\$1 billion and may then be submitted to the most recent meeting of the Board of Directors for ratification:</p> <p>(I) Any acquisition or disposal of equipment or right-of-use assets thereof used for operating purposes.</p> <p>(II) Any acquisition or disposal of right-of-use assets of real property used for operating purposes.</p> <p><u>Where the amount of any transaction under Paragraph 1 by Nantex or any subsidiary that is not a domestic public company equals or exceeds 10% of Nantex's total assets, except for any transaction between Nantex and the parent company or a subsidiary or between subsidiaries, no transaction contract shall be concluded and no payment shall be made by Nantex until after the information under the subparagraphs of Paragraph 1 is submitted to and approved by a shareholders' meeting.</u></p> <p><u>Any transaction amount under Paragraph 1 and the preceding subparagraph shall be calculated in accordance with Subparagraph (6) of Paragraph 1. "Within one year," as referred to therein, shall mean the year preceding the date of occurrence of any transaction. Any amount which has been submitted to and approved by a shareholders' meeting and the Board of Directors in accordance with these Procedures may be excluded from such calculation.</u></p>	
--	---	--	--	--



**Nantex Industry Co., Ltd.**  
**Rules of Procedure for Shareholders' Meeting**

Adopted at the shareholders' meeting on July 26, 2021

Article 1 This Rules of Procedure ("Rules") has been established in accordance with Article 5 of the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies for the purposes of creating a good system for governance by the shareholders' meeting of Nantex, improving oversight functions and enhancing management capabilities.

Article 2 Unless otherwise provided by law or the Articles of Incorporation, the rules of procedures for the shareholders' meeting of Nantex shall be governed by this Rules.

Article 3 Unless otherwise provided by law, a shareholders' meeting of Nantex shall be convened by the Board of Directors.

Nantex shall, 30 days prior to an annual shareholders' meeting or 15 days prior to a special shareholders' meeting, prepare electronic files of a notice of the shareholders' meeting, a letter of attorney form and the items and descriptions of proposals for ratification, discussion and election or discharge of directors, and shall upload such files to the Market Observation Post System (MOPS). Nantex shall, 21 days prior to an annual shareholders' meeting or 15 days prior to a special shareholders' meeting, prepare electronic files of a meeting handbook and supplementary materials for the shareholders' meeting, and shall upload such files to the MOPS. Nantex shall, 15 days prior to a shareholders' meeting, prepare the meeting handbook and supplementary materials for the shareholders' meeting and make them available to shareholders upon request at any time. They shall be displayed at Nantex and any professional shareholder service agent engaged by Nantex and shall be distributed at the venue of the shareholders' meeting.

The notice and announcement of a shareholders' meeting shall indicate the reasons for convening the meeting. Such a notice may, subject to consent of the recipient, be sent electronically.

Matters relating to election or discharge of directors, amendment to the Articles of Incorporation, capital reduction, application for cessation of public offerings, approval for any director to compete with Nantex, capital increase from earnings or reserves, the dissolution, merger or division of Nantex, or the matters set forth in Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be enumerated, along with a description of their key information, in the reasons for convening a shareholders' meeting and may not be proposed in the form of an extempore motion.

Where the reasons for convening a shareholders' meeting have indicated an election of new directors and the date of taking office, the shareholders' meeting may not, by an extempore motion or otherwise, change the date of taking office once such an election has been completed at that meeting.

Any shareholder holding at least 1% of the total outstanding shares may submit to Nantex a proposal for an annual shareholders' meeting. Such submission shall be limited to only one proposal, and any submission of more than one proposal will not be accepted. Where any of the circumstances under Paragraph 4, Article 172-1 of the Company Act applies to a proposal submitted by any shareholder, the Board of Directors may decline to accept the proposal. A shareholder may submit a

proposal for suggestions on urging Nantex to enhance public interest or fulfill its social responsibility. Procedurally, such submission shall be limited to only one proposal in accordance with Article 172-1 of the Company Act, and any submission of more than one proposal will not be accepted.

Nantex shall, prior to the book closure date before an annual shareholders' meeting, announce that it will accept proposals submitted by shareholders in writing or electronically and specify the location and period for accepting such proposals. The period for accepting such proposals shall be no less than 10 days. A proposal submitted by any shareholder shall contain no more than 300 words, and no proposal containing more than 300 words will be accepted. Any shareholder submitting a proposal shall attend the annual shareholders' meeting in person or by proxy and participate in the discussion of the proposal.

Nantex shall, prior to the date of notice of a shareholders' meeting, inform the shareholders submitting proposals of the results of review of their proposals, and shall include in the notice of meeting a list of proposals that have met the requirements under this article. With respect to shareholders' proposals that have not been accepted, the Board of Directors shall explain the reasons for not accepting the proposals at the shareholders' meeting.

Article 4 A shareholder may appoint a proxy to attend a shareholders' meeting by presenting a letter of attorney issued by Nantex indicating the scope of authorization.

A shareholder may appoint only one proxy by presenting a letter of attorney, which shall be delivered to Nantex 5 days prior to the date of a shareholders' meeting. In case of duplicate letters of attorney, the one delivered first shall prevail, unless a declaration has been made to cancel the said appointment. If, after a letter of attorney has been delivered to Nantex, a shareholder intends to attend a shareholders' meeting in person or exercise voting rights in writing or electronically, a written notice of cancellation of proxy appointment shall be submitted to Nantex two days prior to the date of the shareholders' meeting. Where such a notice of cancellation is not submitted within the said time limit, the voting rights exercised by the appointed proxy at the meeting shall prevail.

Article 5 The venue for a shareholders' meeting shall be in the place where Nantex is located or any location easily accessible to shareholders and suitable for a shareholders' meeting. The meeting start time shall be no earlier than 9:00 a.m. and no later than 3:00 p.m.

Article 6 A notice of meeting shall specify the time and location for shareholder check-in and other information requiring attention.

The time for shareholder check-in under the preceding paragraph shall be no later than 30 minutes prior to the meeting start time. The location for shareholder check-in shall be clearly marked, with a sufficient number of competent personnel assigned to accept check-ins.

A shareholder or his/her proxy ("shareholder") shall attend a shareholders' meeting by presenting an attendance card, a sign-in card or any other document of attendance. Nantex may not arbitrarily further require any shareholder attending with such a document to provide any other document. A solicitor soliciting letters of attorney shall carry an identity document for verification.

Nantex shall prepare an attendance book for an attending shareholder to sign in or, alternatively, an attending shareholder may hand in a sign-in card.

Nantex shall provide any shareholder attending a shareholders' meeting with a meeting handbook, an annual report, an attendance card, statement notes, voting ballots and other meeting materials. In case of an election of directors, election

ballots shall also be provided.

Where a shareholder is a government entity or juridical person, it may be represented by more than one person at a shareholders' meeting. Where a juridical person is appointed as a proxy to attend a shareholders' meeting, it may be represented by only one person at the meeting.

Article 7

Any shareholders' meeting convened by the Board of Directors shall be chaired by the Chairman. Where the Chairman is on leave or unable to perform his/her duties for whatever reason, the Vice Chairman shall act on his/her behalf. In the absence of a Vice Chairman or where the Vice Chairman is also on leave or unable to perform his/her duties for whatever reason, the Chairman shall appoint a director to act on his/her behalf. Where the Chairman has failed to make such appointment, the directors shall select one of them to act on his/her behalf.

Any director appointed to act as the chairperson under the preceding paragraph shall be one who has been in office for no less than 6 months and who understands the financial and business conditions of Nantex. The same requirement shall also apply where the chairperson is a representative of any corporate director.

It is advised that any shareholders' meeting convened by the Board of Directors be chaired by the Chairman in person and attended by a majority of the members of the Board of Directors, including at least one independent director and at least one representative of each functional committee, in person. The attendance at the meeting shall be recorded in the meeting minutes.

Where a shareholder's meeting is convened by any person other than the Board of Directors with the power to convene such a meeting, that person shall chair the meeting. If there are two or more such persons, they shall select one of them to chair the meeting.

Nantex may appoint any attorney or certified public accountant (CPA) it has engaged or any related person to attend a shareholders' meeting in a non-voting capacity.

Article 8

Nantex shall, from the time it starts to accept shareholder check-ins, make uninterrupted audio and video recordings of the processes of shareholder check-in, meeting, voting and vote counting.

The audio and video recordings under the preceding paragraph shall be retained for at least one year. Where any shareholder has filed a lawsuit pursuant to Article 189 of the Company Act, such recordings shall be retained until conclusion of the lawsuit.

Article 9

The attendance at a shareholders' meeting shall be calculated based on shares. The number of attending shares shall be calculated in accordance with the number of shares in the attendance book or sign-in cards handed in plus the number of shares whose voting rights have been exercised in writing or electronically.

The chairperson shall, at the specified meeting start time, call a meeting to order and announce the numbers of non-voting shares and attending shares and other relevant information.

Where the number of shares represented by the attending shareholders falls short of a majority of the total outstanding shares, the chairperson may postpone the meeting start time no more than twice, and the total duration of such postponement shall not exceed one hour. Where, after two postponements, the number of shares represented by the attending shareholders has failed to reach one-third of the total outstanding shares, the chairperson shall declare the meeting adjourned due to lack of quorum.

If, after two postponements, the number of shares represented by the attending shareholders still falls short of the quorum but has reached or exceeded one-third

of the total outstanding shares, a tentative resolution may be adopted in accordance with Paragraph 1, Article 175 of the Company Act, and all shareholders shall be notified of the tentative resolution indicating that another shareholders' meeting will be convened within one month.

If, prior to the conclusion of the meeting, the number of shares represented by the attending shareholders has reached or exceeded a majority of the total outstanding shares, the chairperson may, in accordance with Article 174 of the Company Act, call a re-vote by the meeting on any tentative resolution adopted.

Article 10 The agenda of any shareholders' meeting convened by the Board of Directors shall be set by the Board of Directors, and a vote shall be held on each of the relevant proposals (including extempore motions and amendments to original proposals). The meeting shall proceed according to the set agenda, which may only be changed by a resolution of the meeting.

The preceding paragraph shall also apply to any shareholders' meeting convened by any person other than the Board of Directors with the power to convene such a meeting.

The chairperson may not, prior to the conclusion of the meeting on the set agenda under the preceding two paragraphs (including extempore motions), declare the meeting adjourned without a resolution. Where the chairperson has declared the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders to elect a new chairperson in accordance with legal procedures, subject to approval of a majority of the voting rights represented by the attending shareholders, to continue the meeting.

The chairperson shall give sufficient opportunities for explanation and discussion of proposals and amendments or extempore motions submitted by shareholders. If the chairperson considers that such proposals and amendments or motions can be put to a vote, he/she may end the discussion thereof and submit them to a vote, for which sufficient voting time shall be arranged.

Article 11 Prior to giving a statement, an attending shareholder shall submit a statement note specifying the gist of his/her statement and his/her shareholder account number (or attendance card number) and account name. The chairperson shall determine the order in which the shareholder will give his/her statement.

Any attending shareholder who has submitted a statement note without giving any statement shall be deemed to not have given any statement. Where a statement given is inconsistent with that specified in the statement note, the statement given shall prevail.

Except with consent of the chairperson, no shareholder may give a statement more than twice on the same proposal, and each statement shall be given for no longer than 5 minutes. If a shareholder's statement has violated the relevant rules or gone beyond the scope of the proposal, the chairperson may stop the shareholder from continuing his/her statement.

When an attending shareholder is giving a statement, no other shareholder may interrupt by speaking without consent of the chairperson and the shareholder giving a statement. The chairperson shall stop any such interruption.

Where a corporate shareholder has appointed two or more representatives to attend a shareholders' meeting, only one of them may give a statement on a proposal.

After an attending shareholder has concluded his/her statement, the chairperson may give or appoint any related person to give a response.

Article 12 Voting at a shareholders' meeting shall be calculated based on shares.

For any resolution of a shareholders' meetings, the number of shares represented

by non-voting shareholders shall not be included in the number of total outstanding shares.

Where a shareholder has a personal stake in any proposal to a shareholders' meeting and is therefore likely to prejudice the interests of Nantex, the shareholder may not vote on that proposal and may not exercise voting rights as a proxy for any other shareholder.

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

Except for a trust company or any shareholder service agent approved by the competent securities authority, the voting rights represented by a proxy appointed by two or more shareholders shall not exceed 3% of the voting rights represented by the total outstanding shares. Any voting rights exceeding such limit will be excluded from calculation.

#### Article 13

A shareholder shall hold one voting right, except for any shareholder who is subject to restrictions or who has no voting rights under Paragraph 2, Article 179 of the Company Act.

At a shareholders' meeting convened by Nantex, shareholders shall be permitted to exercise their voting rights electronically or in writing. Where voting rights are exercised in writing or electronically, the manner of such exercise shall be specified in a notice of the shareholders' meeting. A shareholder exercising voting rights in writing or electronically shall be deemed to have attended a shareholders' meeting in person, but shall be deemed to have abstained with respect to any extempore motion or any amendment to an original proposal at the meeting. Accordingly, it is advised that no extempore motion or amendment to an original proposal be submitted.

A shareholder intending to exercise voting rights in writing or electronically under the preceding paragraph shall submit a declaration of such intent to Nantex two day prior to the date of the shareholders' meeting. In case of duplicate declarations of such intent, the one submitted first shall prevail, unless a declaration has been made to withdraw such intent.

Where any shareholder who has exercised voting rights in writing or electronically intends to attend a shareholders' meeting in person, the shareholder shall, two day prior to the meeting, withdraw his/her declaration of intent for such exercise under the preceding paragraph in the same manner in which he/she has exercised voting rights. Where such withdrawal is not made within the said time limit, the voting rights exercised in writing or electronically shall prevail. Where any shareholder exercising voting rights in writing or electronically has appointed a proxy to attend a shareholders' meeting by a letter of attorney, the voting rights exercised by the appointed proxy at the meeting shall prevail.

Unless otherwise provided by the Company Act and the Articles of Incorporation, any proposal subject to a vote shall be approved by a majority of the voting rights represented by the attending shareholders. At the time of voting, the chairperson or a person appointed by him/her shall, for each proposal, announce the total number of voting rights represented by the attending shareholders, after which shareholders shall vote on the proposal. The results of shareholders voting for and against or abstaining with respect to each proposal shall be uploaded to the MOPS on the same day of the meeting.

In case of an amendment or alternative to a proposal, the chairperson shall determine the order in which the amendment or alternative together with the original proposal will be put to a vote. Where either of them has been approved,

the other one shall be deemed rejected and require no further voting.  
For voting on proposals, the chairperson shall appoint voting monitors and tellers.  
A voting monitor shall be a shareholder.

Vote counting for proposals or elections at a shareholders' meeting shall be conducted at an open place inside the venue of the meeting. Upon the completion of vote counting, the voting results, including the numbers of voting rights counted, shall be announced in public and recorded.

Article 14 Any election of directors at a shareholders' meeting shall be conducted in accordance with the applicable rules of election and appointment established by Nantex. The election result shall be announced in public, including a list of elected directors and the numbers of voting rights they have received, and a list of unelected directors and the numbers of voting rights they have received.

The ballots for an election under the preceding paragraph shall be sealed with the signatures of the voting monitors and kept in proper custody for at least one year. Where any shareholder has filed a lawsuit pursuant to Article 189 of the Company Act, such recordings shall be retained until conclusion of the lawsuit.

Article 15 Resolutions of a shareholders' meeting shall be recorded in meeting minutes, which shall be signed or sealed by the chairperson and distributed to all shareholders within 20 days after the meeting. The meeting minutes may be prepared and distributed electronically.

Nantex may distribute the meeting minutes under the preceding paragraph via a public announcement by uploading them to MOPS.

The meeting minutes shall accurately record the date (year/month/day) and location of the meeting, the name of the chairperson, the methods of resolution, a summary of the meeting and the voting results (including the number of voting rights counted). Where an election of directors has been held, the number of voting rights received by each candidate shall be disclosed. The meeting minutes shall be permanently retained by Nantex during its existence.

Article 16 Nantex shall, on the day of a shareholders' meeting, prepare statistics of the number of shares solicited by solicitors and the number of shares represented by proxies in a required format, and shall make clear disclosure of such statistics at the venue of the meeting.

Where any a resolution of a shareholders' meeting includes material information defined under applicable laws or by the Taiwan Stock Exchange Corporation, Nantex shall upload such information to the MOPS within the required time limit.

Article 17 The chairperson may direct disciplinary or security officers to help maintain order at the venue of a shareholders' meeting. When helping maintain order at the venue of a shareholders' meeting, a disciplinary or security officer shall wear an armband bearing the words "Disciplinary Officer" or an identification badge.

Where the venue of a shareholders' meeting has loudspeaker equipment, a shareholder speaking through any equipment other than that provided by Nantex may be stopped by the chairperson from doing so.

Where a shareholder has violated the rules of procedure, rejected correction from the chairperson, interrupted the meeting and refused any call to stop such interruption, the chairperson may direct disciplinary or security officers to escort the shareholder out of the venue of the meeting.

Article 18 During a meeting, the chairperson may announce a break at any time deemed appropriate by him/her. In the event of any force majeure, the chairperson may suspend the meeting and announce a time for resumption of the meeting depending on the circumstances.

If, prior to the conclusion of a shareholders' meeting on its set agenda (including

extempore motions), the venue of the meeting is no longer available for use, a resolution may be adopted to continue the meeting at another venue. A shareholders' meeting may, in accordance with Article 182 of the Company Act, adopt a resolution to postpone or resume the meeting within 5 days.

Article 19 This Rules or and any amendment hereto shall be implemented after approval by a shareholders' meeting.

**Nantex Industry Co., Ltd.****Articles of Incorporation**

Adopted at the shareholders' meeting on July 26, 2021

Chapter 1	General Provisions
Article 1	This company has been incorporated in accordance with the provisions of the Company Act governing companies limited by shares under the name of "Nantex Industry Co., Ltd." (hereafter referred to as "Nantex").
Article 2	The scope of business of Nantex shall be as follows: <ol style="list-style-type: none"> <li>1. C303010 Manufacture of Non-woven Fabrics</li> <li>2. C601020 Paper Manufacturing</li> <li>3. C601030 Paper Containers Manufacturing</li> <li>4. C601040 Processed Paper Manufacturing</li> <li>5. C801020 Petrochemical Materials Manufacturing</li> <li>6. C801060 Synthetic Rubber Manufacturing</li> <li>7. C801100 Synthetic Resin and Plastic Manufacturing</li> <li>8. C804020 Industrial Rubber Products Manufacturing</li> <li>9. C804990 Other Rubber Products Manufacturing</li> <li>10. C805050 Industrial Plastic Products Manufacturing</li> <li>11. CK01010 Footwear Manufacturing</li> <li>12. F401010 International Trade</li> <li>13. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</li> </ol>
Article 3	Nantex may, for business needs, engage in reinvestment in any other business without being subject to the requirement under Article 13 of the Company Act that the total investment by a company shall not exceed 40% of its paid-in capital.
Article 4	Nantex shall be headquartered in Kaohsiung City and shall establish an office in Tainan City and a manufacturing plant in Linyuan Industrial Park, Kaohsiung City. If necessary, and subject to a resolution of the Board of Directors, Nantex may establish any branch, office, liaison office or additional manufacturing plant at any other domestic or foreign location, or dissolve or relocate any such branch, office, liaison office or manufacturing plant.
Article 5	(Deleted)
Chapter 2	Shares
Article 6	The total capital of Nantex shall be NT\$6 billion, divided into 600 million shares at NT\$10 per share. The Board of Directors shall be authorized to issue such shares in tranches as needed.
Article 7	The share certificates of Nantex shall be registered. Such certificates shall be signed or sealed by the directors representing Nantex and stamped with the seal and code of Nantex after the approval of registration or the registration of change for issuance of new shares, and shall be issued after they are certified as legally required.
Article 7-1	The registered shares issued publicly by Nantex do not require the printing of share certificates but shall be registered with a securities depository institution.
Article 8	Nantex shall prepare a shareholder register and keep it at Nantex. Share-related matters shall be handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.
Article 9	A shareholder shall submit his/her specimen seal to Nantex for record in order to collect dividends, exchange for share certificates or exercise his/her shareholding



	rights in writing on the basis of the specimen seal. Any loss of the aforesaid seal shall be subject to the “Regulations Governing the Administration of Shareholder Services of Public Companies” promulgated by the competent authority.
Chapter 3	Shareholders’ Meeting
Article 10	A shareholders’ meeting shall be convened on an annual or special basis: An annual shareholders’ meeting shall be convened by the Board of Directors within six months following the end of each fiscal year. A special shareholders’ meeting shall be convened in the event of important matters where the Board of Directors consider such a meeting to be necessary or upon the request of shareholders in accordance with the Company Act.
Article 10-1	The rules of procedure for a shareholders’ meetings of Nantex shall be in accordance with the regulations of the competent authority.
Article 11	Unless otherwise provided by the Company Act, a shareholders’ meeting shall be convened with the attendance of shareholders representing a majority of the total outstanding shares, and any resolution thereof shall be approved by a majority of the voting rights of the attending shareholders. Where the number of voting rights of the attending shareholders falls short of the quorum under the preceding paragraph but has reached or exceeded one-third of the total outstanding shares, a tentative resolution may be approved by a majority of the voting rights of the attending shareholders, and all shareholders shall be notified of the tentative resolution indicating that another shareholders’ meeting will be convened within one month, where any resolution shall be approved by a majority of the voting rights of the attending shareholders with the attendance of shareholders representing at least one-third of the total outstanding shares.
Article 12	Except for the non-voting shares under the Company Act, each shareholder of Nantex shall have one voting right per share, exercisable in writing or electronically.
Article 13	A notice of meeting date, location and reasons shall be sent to all shareholders thirty days prior to an annual shareholders’ meeting or fifteen days prior to a special shareholders’ meeting.
Article 14	Any shareholder who, for whatever reason, is unable to attend a shareholders’ meeting in person may appoint a proxy to attend the meeting by presenting a letter of attorney issued by Nantex indicating the scope of authorization, or the shareholder may attend the meeting electronically. The appointment of proxies by shareholders to attend meetings shall be subject to Article 177 of the Company Act and the “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” promulgated by the competent authority.
Article 15	Where a shareholders’ meeting is convened by the Board of Directors, its chairperson shall be selected in accordance with Article 208 of the Company Act. Where a shareholders’ meeting is convened by any person other than the Board of Directors with the power to convene such a meeting, that person shall chair the meeting. If there are two or more such persons, they shall select one of them to chair the meeting. Where the chairperson has declared adjournment of a meeting in violation of the rules of procedure of Nantex, another chairperson may be elected by a majority of the voting rights of the attending shareholders to continue the meeting.
Article 16	Resolutions of a shareholders’ meeting shall be recorded in meeting minutes, including the date (year/month/day) and location of the meeting, the number of shares represented by attending shareholders and proxies, the name of the chairperson, the matters and methods of resolution, and the summary and outcomes of the meeting. Such meeting minutes shall be signed or sealed by the

chairperson and distributed to all shareholders within twenty days after the meeting.

The meeting minutes under the preceding paragraph may be prepared and distributed electronically.

Distribution of the meeting minutes under Paragraph 1 may be made via a public announcement.

The meeting minutes shall be permanently retained by Nantex during its existence. Unless otherwise provided by law, the sign-in records of attending shareholders and the letters of attorney for attending proxies shall be retained for no less than one year.

Chapter 4  
Article 17

Directors and Functional Committees

Nantex shall have seven to twenty directors (including no less than three independent directors, who shall account for no less than one-fifth of the total directors). The number of directors shall be determined by the Board of Directors. Directors shall be elected under a candidate nomination system by a shareholders' meeting from a list of candidates. Directors shall serve a term of three years and may be re-elected.

The total shareholding percentage of directors shall be subject to the requirements of the competent authority of securities.

The professional qualifications, shareholdings, restrictions on concurrent employment, determination of independence, methods of nomination and election of and other requirements for independent directors shall be subject to the applicable laws and regulations.

An election of directors shall be conducted in accordance with the Company Act. Elections of directors and independent directors shall be conducted at the same time with the number of elected seats counted separately.

Article 17-1

Where at least one-third of seats of directors are vacant, the Board of Directors shall convene a special shareholders' meeting within sixty days to hold a by-election to fill the vacancies, whose term shall only continue until the expiration of the original term.

Article 18

The Board of Directors shall be composed of directors and shall have the following responsibilities and powers:

Establishing bylaws.

Deciding on business policies.

Reviewing budgets and final accounts.

Appointing and discharging key officers.

Determining on the distribution of earnings.

Other responsibilities and powers in accordance with the law and the resolutions of shareholders' meetings.

Article 19

Directors shall elect a Chairman from among themselves and may elect a Vice Chairman. The Chairman shall represent Nantex externally.

Article 20

The Board of Directors shall meet on a quarterly basis. A notice indicating the reasons for convening a meeting of the Board of Directors shall be sent to all directors seven days prior to the meeting. In the event of an emergency, such a meeting may be convened at any time. A notice of convention under the preceding paragraph may be sent in writing or by fax or, subject to consent of the recipient, electronically.

All meetings of the Board of Directors shall be convened and chaired by the Chairman, except for the first meeting of each Board of Directors, which shall be convened and chaired by the director elected by a shareholders' meeting with votes representing the highest number of voting rights. If there are two or more

persons with the power to convene such a meeting, they shall select one of them to chair the meeting.

Where the Chairman is on leave or unable to perform his/her duties for whatever reason, the Vice Chairman shall act on his/her behalf. In the absence of a Vice Chairman or where the Vice Chairman is also on leave or unable to perform his/her duties for whatever reason, the Chairman shall appoint a director to act on his/her behalf. Where the Chairman has failed to make such appointment, the directors shall select one of them to act on his/her behalf.

A director may appoint another director to attend a meeting of the Board of Directors as his/her proxy, provided that such a proxy may act on behalf of only one director.

Where a meeting of the Board of Directors is held via video conference, any director attending the meeting via video conference shall be deemed to have attended the meeting in person.

Article 20-1 During the recess of the Board of Directors, the Chairman shall be authorized to exercise the following powers of directors except with respect to matters required by law to be submitted to the Board of Directors for discussion:

Approval of important contracts.

Approval of real property mortgage loans and other loans.

Approval of purchases and disposals of the general property and real property of Nantex.

Appointment of the directors and supervisors of reinvested companies.

Approval of record dates for capital increase or decrease and distribution of cash dividends.

Article 21 Unless otherwise provided by the Company Act, any resolution of the Board of Directors shall be approved by a majority of the attending directors with the attendance of a majority of directors. Subject to a resolution of the Board of Directors, Nantex may provide guarantees externally if necessary for related business.

Where any director has a personal stake in any proposal to a meeting of the Board of Directors, the director shall give an explanation of the key aspects of such a stake at the meeting.

Article 22 Nantex shall establish an Audit Committee in accordance with Articles 14-4 and 181-2 of the Securities and Exchange Act. The responsibilities and powers originally performed by supervisors in accordance with the Company Act, the Securities and Exchange Act and other applicable laws shall be performed by the Audit Committee. The Audit Committee shall be composed of all independent directors, whose number shall be no less than three and one of whom shall be the convener. At least one of them shall be specialized in accounting or finance.

Article 23 (Deleted)

Article 24 The Board of Directors may establish other functional committees, the bylaws of which shall be adopted by the Board of Directors.

Article 25 (Deleted)

Article 26 The Board of Directors shall be authorized to determine the payment of remuneration for directors based on the level of their participation in and their contribution to the operations of Nantex and the general standards of peer companies.

Chapter 5 Managers and Advisors

Article 27 Nantex may appoint, discharge and remunerate managers in accordance with the Company Act.

Article 28 Nantex may, subject to a resolution of the Board of Directors, hire a number of

	advisors.
Chapter 6	Final Accounting and Distribution of Earnings
Article 29	Nantex shall perform a general final accounting for each fiscal year, with December 31 as the date of final accounting.
Article 30	After the end of each fiscal year, the Board of Directors shall prepare the following documents, which shall be reviewed and audited in accordance with legal procedures and be submitted to an annual shareholders' meeting for ratification: A business report. Financial statements. A proposal for distribution of earnings or offsetting of losses. Upon ratification by an annual shareholders' meeting, the Board of Directors shall distribute the financial statements and the resolution for distribution of earnings or offsetting of losses to all shareholders. Distribution of the financial statements and the resolution for distribution of earnings or offsetting of losses under the preceding paragraph may be made via a public announcement.
Article 31	Nantex is in an industrial environment closely related to the overall domestic and foreign economic situations, and the industrial growth cycle is currently at a stage of growth to maturity. Therefore, in preparing a proposal for distribution of earnings, the Board of Directors must consider the future capital expense budget and funding needs of Nantex and evaluate the necessity of meeting funding needs with earnings in order to determine the amount of earnings retainable or distributable and the amount of shareholder dividends or bonuses distributable in cash. Where Nantex has earnings in the final accounts of a fiscal year, except for the amount thereof appropriated for paying legally required profit-seeking enterprise income tax and offsetting losses from the previous years, Nantex shall set aside 10% thereof as legal reserves and set aside or reverse a further amount thereof for special reserves as legally required. The remaining amount thereof shall be the amount distributable for the current year, which plus the annually accumulated undistributed earnings shall be the accumulated distributable earnings. Shareholder bonuses shall account for no less than 20% of the amount distributable for the current year, and cash dividends shall account for no less than 30% of the total dividends distributed in the current year. The Board of Directors shall, based on future business, reinvestment needs or other relevant factors, prepare a proposal for distribution of earnings and submit it to a shareholders' meeting for a resolution, after which earnings will be distributed. The requirement for a resolution of a shareholders' meeting under the preceding paragraph does not apply to the case where Nantex has, in accordance with the law, authorized the Board of Directors to adopt a special resolution for distribution of all or part of the distributable dividends and bonuses and to submit a report thereof to a shareholders' meeting.
Article 32	Where Nantex has a profit in the current year, it shall allocate 2% thereof as remuneration for employees and no more than 3% thereof as remuneration for directors, provided that an amount thereof shall be reserved to offset the accumulated losses of Nantex, if any. A "profit in the current year" referred to above shall mean the pre-tax profit of the current year before subtracting the remuneration for employees and directors.
Chapter 7	Supplementary Provisions
Article 33	The organizational bylaws and operational rules of Nantex shall be established by

- resolutions of the Board of Directors.
- Article 34 Matters not provided in this Articles of Incorporation shall be subject to the Company Act and other applicable laws.
- Article 35 This Articles of Incorporation or any amendment hereto shall be implemented after approval by a resolution of a shareholders' meeting.
- Article 36 This Articles of Incorporation was established on November 13, 1978, and was amended on:
- |                       |                        |                        |                     |
|-----------------------|------------------------|------------------------|---------------------|
| (01) June 3, 1979     | (02) June 26, 1979     | (03) July 19, 1979     | (04) May 5, 1981    |
| (05) April 2, 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 2, 1989    |
| (17) January 25, 1990 | (18) May 29, 1991      | (19) March 20, 1992    | (20) June 9, 1993   |
| (21) May 18, 1994     | (22) June 8, 1995      | (23) June 7, 1996      | (24) June 5, 1997   |
| (25) May 26, 1999     | (26) June 12, 2000     | (27) June 14, 2001     | (28) May 29, 2002   |
| (29) May 29, 2003     | (30) June 9, 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     | (47) June 16, 2020     | (48) July 26, 2021  |

Nantex Industry Co., Ltd.  
Chairman: Tung-Yuan Yang

## **Nantex Industry Co., Ltd.**

### **Procedures for Election of Directors**

Adopted at the shareholders' meeting on July 26, 2021

- Article 1 This Procedures has been established in accordance with Articles 21 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” for the purpose of ensuring a fair, impartial and open election of directors.
- Article 2 Except as otherwise provided by law or the Articles of Incorporation, an election of the directors of Nantex shall be governed by these Procedures.
- Article 3 The overall composition of the Board of Directors shall be taken into consideration for an election of the directors of Nantex. The composition of the Board of Directors shall be determined by taking diversity into account and formulating an appropriate diversity policy based on Nantex’s business operation, business type and development needs. It is advised that such a policy include, but is not limited to, the following two categories of criteria:
- I. Basic requirements and values: Gender, age, nationality and culture.
  - II. Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.
- Members of the Board of Directors shall possess the necessary knowledge, skills and experience for performing their duties. They shall possess the following abilities:
- I. Ability in operational judgment.
  - II. Ability in accounting and financial analysis.
  - III. Ability in business management.
  - IV. Ability in crisis management.
  - V. Industrial knowledge.
  - VI. An international market vision.
  - VII. Leadership ability.
  - VIII. Decision-making ability.
- More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.
- The Board of Directors shall consider adjusting its composition based on the results of performance evaluation.
- Article 4 Qualifications of the independent directors of Nantex shall meet the requirements of Articles 2, 3 and 4 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”
- An election of the independent directors of Nantex shall meet the requirements of Articles 5, 6, 7, 8 and 9 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” and shall be conducted in accordance with Article 24 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”
- Article 5 An election of the directors of Nantex shall be conducted in accordance with the procedures of a candidate nomination system under Article 192-1 of the Company Act.
- Where the number of directors falls below five due to the dismissal of any director for any reason, Nantex shall hold a by-election to fill the vacancy at a most recent shareholders’ meeting. Where at least one-third of seats of directors as set forth in the Articles of Incorporation are vacant, Nantex shall convene a special shareholders’ meeting within sixty days from the date of occurrence to hold a by-election to fill the vacancies.
- Where the number of independent directors falls below the number as set forth in the proviso of Paragraph 1, Article 14-2 of the Securities and Exchange Act, Nantex shall hold a by-election at a most recent shareholders’ meeting. Where all the independent directors have been discharged,

Nantex shall convene a special shareholders' meeting within sixty days from the date of occurrence to hold a by-election for the independent directors.

- Article 6 An election of the directors of Nantex shall be held under a system of cumulative voting. Each share shall have a number of voting rights equal to the number of directors to be elected. Such voting rights may be cast for a single candidate or among multiple candidates.
- Article 7 The Board of Directors shall prepare ballots whose number is equal to that of directors to be elected and shall specify on each ballot the number of its voting rights. The ballots shall then be distributed to the shareholders attending a shareholders' meeting. The attendance card number printed on each ballot may be used for the registration of any voting shareholder.
- Article 8 Based on the number of directors set forth in the Articles of Incorporation, the voting rights for independent and non-independent directors shall be calculated separately. Candidates receiving ballots representing the higher numbers of voting rights shall be elected by order of the number of voting rights. Where two or more candidates have received the same number of voting rights and the number of elected directors has exceeded that set forth, they shall draw lots to determine the winner. If any of them is absent, the chairperson shall draw lots on behalf thereof.
- Article 9 Prior to the start of an election, the chairperson shall appoint a number of shareholders as voting monitors and tellers to perform the relevant duties. A ballot box shall be prepared by the Board of Directors and publicly checked by the voting monitors before voting starts.
- Article 10 A ballot shall be invalid under any of the following circumstances:
- I. A ballot not prepared by the Board of Directors has been used.
  - II. A blank ballot has been cast into the ballot box.
  - III. The handwriting on a ballot is unclear and indecipherable or has been altered.
  - IV. The name of candidate written on a ballot does not conform to the list of candidates for directors.
  - V. Words other than the number of voting rights allocated have been written on a ballot.
- Article 11 The ballots shall be counted in public immediately after the end of voting. The chairperson shall announce the election results, including a list of elected directors and the numbers of voting rights they have received.
- The ballots for an election under the preceding paragraph shall be sealed with the signatures of the voting monitors and kept in proper custody for at least one year. Where any shareholder has filed a lawsuit pursuant to Article 189 of the Company Act, such recordings shall be retained until conclusion of the lawsuit.
- Article 12 The Board of Directors shall issue a notice of election to an elected director.
- Article 13 This Procedures or any amendment hereto shall be implemented after approval by an annual shareholders' meeting.

## Minimum Shareholding Requirements for Total Directors and Number and Percentage of Shares Held by Each Individual Director

I. In accordance with Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, we have elected four independent directors, and the shareholding percentage of our total directors other than the independent ones, as calculated according to the required ratio, has been lowered to 80%, i.e. the total registered shares held by our total directors shall be no less than 80% (15,757,333 shares) of our total outstanding shares.

II. The number and percentage of shares held by each director are as follows:

Title	Name	Number of shares held	Percentage
<b>Chairman</b>	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	105,549,052	21.43%
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou Representative: Liang-Hung Wu Representative: Po-Yu Hou Representative: Chih-Yuan Hou Representative: Li-Fan Wang Representative: Ching-Yao Chuang	Same as Tainan Spinning Co., Ltd.	
Director	Li-Ling Cheng	7,403,782	1.50%
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	Rui Xing International Investment Co., Ltd. Representative: Ying-Chih Chuang	12,496,717	2.53%
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	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%
<b>Total</b>		193,198,762	39.23%

III. The above numbers of shares held are the numbers of shares held by each individual director and total directors as recorded in our shareholder register as of the book closure date (March 28, 2022) of the current shareholders' meeting.