

Stock Code:1414



# **Tung Ho Textile Co., Ltd.**

2023 Annual  
Shareholders' Meeting

## **Meeting Agenda (Translation)**

Meeting type: Physical Shareholders' Meeting

Time : Jun. 12, 2023 (Monday), 9:00 a.m.

Location : Floor 15, No. 99, Fuxing North Road, Taipei City

(Primasia Conference & Business Center)

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# 2023 Annual Shareholders' Meeting Procedures

- I. Meeting Called to Order
- II. Chairman's Speech
- III. Report Items
- IV. Ratifications
- V. Extempore Motions
- VI. Adjournment

# 2023 Annual Shareholders' Meeting Agenda

Meeting type: Physical Shareholders' Meeting

Meeting time: June 12, 2023 (Monday), 9:00 a.m.

Meeting venue: Floor 15, No. 99, Fuxing North Road, Taipei City  
(Primasia Conference & Business Center)

Chairman: Tsai, Sui-Ying

## I. Report Items

(I.) 2022 Business Report

(II.) Report on the Audit Committee's Review of 2022 Final Statements.

(III.) 2022 Report on the Balance of Guarantee Provided To and By External Parties.

(IV.) 2022 Report on the Distribution of Employees' and Directors' Remuneration.

(V.) 2022 Report on the Distribution of Cash Dividends from Earnings

## II. Ratifications

(I.) Adoption of the 2022 Business Report and Financial Statements.

(II.) Adoption of the proposal for distribution of 2022 earnings.

## III. Extempore Motions

## IV. Adjournment

# **I. Report Items**

## **Case 1: (Proposed by the Board of Directors)**

**Proposal: 2022 Business Report. Please examine the report.**

**Explanation:** Please refer to Attachment I (Page 7 to Page 17 of this handbook) for the Company's 2022 Business Report.

## **Case 2: (Proposed by the Board of Directors)**

**Proposal: Report on the Audit Committee's Review of 2022 Final Statements. Please examine the report.**

**Explanation:** Please refer to Attachment II (Page 18 of this handbook) for the Audit Committee's review report.

## **Case 3: (Proposed by the Board of Directors)**

**Proposal: 2022 Report on the Balance of Guarantee Provided To and By External Parties. Please examine the report.**

**Explanation:** The balance of the Company's guarantee provided to and by external parties in 2022 is zero.

## **Case 4: (Proposed by the Board of Directors)**

**Proposal: 2022 Report on the Distribution of Employees' and Directors' Remuneration. Please examine the report.**

**Explanation:**

1. This proposal has been handled in accordance with Article 235-1 of the Company Act and Article 38-1 of the Articles of Association.
2. The Company's profit in 2022 was NT\$132,469,537; at the 4th session of the 37th Board of Directors, a resolution was adopted to distribute 3.5% of the Company's profit as the remuneration of employees in 2022 and the amount was NT\$4,636,434; 2.5% of the Company's profit was distributed as the remuneration of directors in 2022, and the amount was NT\$3,311,738.

**Case 5: (Proposed by the Board of Directors)**

**Proposal: 2022 Report on the Distribution of Cash Dividends from Earnings.**

**Please examine the report.**

**Explanation:**

1. In accordance with Article 39, Paragraph 2 of the Articles of Association of the Company, the Board of Directors shall be authorized by special resolution to distribute all or part of the dividends and bonuses in cash.
2. The earnings after tax of the Company in 2022 were NT\$104,362,881, the accumulated earnings distributable in the current period were NT\$199,917,793. The fourth meeting of the 37th Board of Directors passed a special resolution to distribute a cash dividend of NT\$0.32 per share to shareholders, totaling NT\$ 70,400,000.
3. The cash dividend is calculated to NTD according to the distribution proportion, with the amount less than NT\$1 removed, and any total amount less than NT\$1 in the distribution is counted as other income in the Company's financial statements.
4. The chairman of the board of directors has been authorized to determine the ex-dividend record date, payment date and other relevant matters separately.

## **II. Ratifications**

### **Case 1: (Proposed by the Board of Directors)**

#### **Proposal: Adoption of the 2022 Business Report and Financial Statements.**

#### **Explanation:**

1. The Company's 2022 Business Report and Financial Statements were approved by the Board of Directors, among which the Financial Statements were audited by Hsieh, Tung-Ju and Liu, Ming-Hsien, CPAs of Deloitte & Touche. The above Financial Statements and Business Report have been submitted to the Audit Committee for review and an audit report has been issued.
2. For the 2022 Business Report, Independent Auditors' Report and Financial Statements, please refer to Attachment I to Attachment III (Page 7 to Page 28 of this handbook).

#### **Resolution:**

### **Case 2: (Proposed by the Board of Directors)**

#### **Proposal: Adoption of the proposal for distribution of 2022 earnings.**

**Explanation:** The 2022 earnings distribution table was approved by the Board of Directors and submitted to the Audit Committee for review. Please refer to Attachment IV (Page 29 of this handbook)

#### **Resolution:**

## **III. Extempore Motions**

## **IV. Adjournment**

## Attachment I

# Tung Ho Textile Co., Ltd.

## I. 2022 Business Report

### (I) Overview of the Textile Industry

#### 1. Short Fiber Market Condition of Taiwan:

- (1) As for the staple market scale, the current number of spinning spindles in Taiwan is about 550,000 and the number of actually operated spindles is about 330,000.
- (2) The conditions and overall operations in the first and second half of 2022 are different. In the first half of 2022, the overall shipment volume retained high in that foreign brand customers placed considerable orders in the second half of 2021 due to concerns about soaring freight rates and port closures. However, with the outbreak of the Russia-Ukrainian War at the end of February 2022, the global political and economic landscape was affected constantly, and prices of international commodities such as crude oil, grains, cotton, and metals surged, resulting in the increasing cost of imported raw materials and higher pressure on global inflation. Governments around the world have announced interest rate hikes to curb inflation in succession, but the effects have not been prominent. Therefore, the end-consumers' demands were greatly weakened, poor brand sales were caused, and inventory was increasingly accumulated, affecting the willingness of brands to place subsequent orders. As a result, the volume of orders and shipments in the second half of 2022 decreased by about 30% to 40% from 2021 and the first half of 2022.

#### 2. Predict future development tendency:

Due to impacts on supply chain of the pandemic in recent years, in the post-



pandemic era, the textile industry has been confronted with greater challenges. As supply chain of production lines has been influenced by the pandemic in recent years, it is indicated that Taiwan's textile industry still needs to continuously make changes in the post-pandemic era. The EU has proposed three major production directions for textiles: 1. durability and recycling; 2. continuously recyclable materials; 3. the contemplation of unmarketable brands, which manifests that the "fast fashion" of clothing in the past has indeed yielded great pressure and change to the environment, and that the textile industry will be bound to move towards these three major production directions in the future.

**(II) Product mix optimization: continuous growth of the sales share of special yarns in the turnover**

The Company still needs to strengthen R&D and collect relevant market information to develop differentiated functional yarns and continue to orient towards environmental sustainability. In addition, issues such as energy conservation, carbon reduction, and recycling of textile waste will be the focus of future development.

Unit: NT\$ thousand

Actual production volume of general/special yarns and estimated volume for 2023						
	2021		2022		2023 (estimate)	
	Production volume	%	Production volume	%	Production volume	%
General yarn	206,764	35%	212,219	35%	202,173	44%
Special yarn	388,562	65%	400,332	65%	251,570	56%
Total	595,326	100%	612,551	100%	453,743	100%

Actual sales volume of general/special yarns and estimated sales for 2023						
	2021		2022		2023 (estimate)	
	Sales volume	%	Sales volume	%	Sales volume	%
General yarn	213,271	31%	156,246	28%	124,276	32%
Special yarn	475,830	69%	404,737	72%	263,002	68%
Total	689,101	100%	560,983	100%	387,278	100%

**(III) Research and development status of products in the textile industry:**

**1. Development of special raw materials:**

In recent years, the issue of green recycling economy has been heated. Environmental protection, recycling and reuse of textiles, and low-carbon functional products will be under active development of the Company in the future. The Company persistently develops textiles made of miscellaneous yarns that can be recycled and reused before/after consumption, dedicated to promoting environmentally friendly and sustainable products with low pollution.

**2. Development of conjugated filament and staple yarns:**

Conjugated filament and staple yarns are still the trend of the future market. The Company will continue to develop combinations of various conjugated filament and staple yarns, as well as changes in different patterns and yarn structures, to create differentiated and highly value-added products.

**3. International brand partners:**

According to demands of international brand customers, the R&D team makes appropriate combinations based on features of miscellaneous raw materials, and develops new products with unique production configurations and optimized process.

#### (IV) Analysis of 2022 Business Condition, Debt Paying Ability and Profitability

2022 business condition:

Unit: NT\$ thousand

Item	2022	2021	Increase (decrease) amount	Increase (decrease) %
Net Sales	688,943	809,714	(120,771)	(14.92)%
Gross Profit	165,799	184,817	(19,018)	(10.29)%
Profit for the year	104,362	142,503	(38,141)	(26.77)%
Earnings per Share after Tax (TWD)	0.47	0.65	(0.18)	(27.69)%
Earnings Per Share (TWD)	14.11	14.61	(0.50)	(3.42)%

1. Analysis of the debt paying ability

Current ratio : 167.27%

Quick ratio : 91.30%

2. Analysis of the profitability

Return on assets : 2.42%

Return on shareholders' equity : 3.30%

Net profit ratio : 15.15%

#### (V) Asset investment and development

1. Strengthen the management of the rental area of the mass-market store in Rende District:

Environmental optimization, land management, communication with tenants, etc.

2. Solar power generation equipment

The annual generating capacity of solar power units in Mattau District and Rende District can reach 3,500,000 KWH, which can reduce 1,800 tons of carbon emission each year based on the standard that 509g CO<sub>2</sub> is generated in the coal-fired power generation of 1 KWH, not only responding to the government's environmental protection policy but bringing extra income of about NT\$ 1,500,000 to the Company each month.

3. Land lease activated assets:

Land of the industrial area in Mattau District: Office rezoning is completed,

and the new land number has been obtained in April 2021. As the large-scale investment plan of Southern Taiwan Science Park drives the willingness of high-tech supply chain to set factories, with convenient transportation, living facilities in the Mattau Interchange area have been improved, and manufacturers have continued to negotiate over the lease of the land and establishment of factories.

**(VI) ESG (Environmental, Social, Governance):**

“Sustainable operation” is always the business philosophy of Tung Ho. The sustainable development of environmental protection, social responsibility, and corporate governance is the core of Tung Ho’s strategy. The Company continues to pay close attention to the market updates on ESG related sustainability topics, optimize manufacturing processes, use environmentally friendly raw materials, and respond to the needs of brands and the market. In 2022, the Company reorganized and established the "Corporate Sustainability Committee", set up corporate governance personnel to implement relevant plans corporate sustainability and actively and substantively invested in promoting projects and tasks related to environmental sustainability:

1. Environmental:

The World Economic Forum (WEF) released The Global Risks Report 2023 (hereinafter referred to as “GRR 2023”) on January 11, 2023. Environmental risks account for six of the top ten risks in the next ten years, namely, "failure to mitigate climate change", "failure of climate change adaptation", "natural disasters and extreme weather events", "biodiversity loss and ecosystem collapse", "natural resource crises" and "large-scale environmental damage incidents". Compared to the top ten risks of last year (2022), in addition to the increase in projects and severity of environmental risks, this year has put emphasis on the significance of taking action to address climate change. Measures have been taken by the Company for this

issue:

- (1) Our company has established solar power generation, which is estimated to save more than 1,800 tons of carbon emissions per year.
- (2) Our company cooperates with IBM in building an air conditioning energy saving control system, combines windmill and water pump as well as converters with the image control system, and uses the minimum energy to reach a suitable temperature and humidity at the textile operating site, and the total energy conservation rate can reach 62.75%.
- (3) The Company implements the ISO14067 product carbon footprint verification and conducts carbon emissions inventory for our environmental protection products. By making improvements on raw materials, the Company reduces carbon emissions.
- (4) In the end of September 2021, it was planned to replace the energy consumption of the old centrifugal air compressor with a converter screw air compressor. The annual saving is 950,000 kWh and the carbon emission is reduced by 484 tons per year.
- (5) The Company introduces an energy management system to precisely manage electricity, identify improper heat sources, and improve sections with high carbon emission.

## 2. Social:

To take care of employees and their families, the Company provides comprehensive employee protection. In the "Corporate Social Responsibility Handbook", Tung Ho declares to protect human rights and support gender equality and diversity in the workplace. Tung Ho does not discriminate against anyone on the basis of race, class, politics, ideology, religion, place of origin, place of birth, gender, sexual orientation, age, family status, appearance, physical or mental disability, or previous union membership. We abide by the labor laws and regulations of local governments and do not

employ child labor.

In order to provide employees a safe workplace and take care of their health, Tung Ho has a sound safety and health management system, implements safety and health education and training, promotes health activities, offers employee occupational safety and health consultation and participation, and makes every effort to prevent occupational disasters. The Company has completed the ISO45001 in January 2021: 2018 and CNS45001 update certification.

This year, the Company also strengthens education on protection in response to the newly passed "Law on Prevention of Stalking and Harassment", and provide monthly professional occupational safety consultation of work doctors in cooperation, as well as psychological counseling for employees in need; The Company have also added AED facilities in the factory area and conducted training on usage to improve the safety of employees' work environment.

### 3. Governance:

The Company has established a corporate governance system. In addition to complying with the Articles of Association and relevant laws and regulations, in order to strengthen the functions of the board of directors, the Company has established a remuneration committee and an audit committee, appointed corporate governance officers, and provided directors with the information required for business operations, in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". In order to protect the rights and interests of shareholders and stakeholders and to improve information transparency, the Company discloses financial, business, and corporate governance information on the Company's website and has set up a specific area for stakeholders as a communication channel

with stakeholders.

## II. 2023 Business Plan Summary:

### **Strengthen the function and depth of existing products and expand market sales of new products in response to the trend:**

Develop high-quality yarns continuously to meet the needs of various industries. In-depth cultivation of environmentally friendly materials, home decoration fabrics, shoe materials, industrial fire protection, e-commerce, and functional fabrics; strengthen communication with customers; develop and implement conjugated filament and staple yarns.

1. Composite functional yarn: Multi-function raw materials, including moisture absorption and quick-drying, temperature control, antibacterial and deodorant, skin-friendly, moisturizing, etc. We design and develop high performance and durable functional yarns for customers, combining the advantages of siro spinning and compact spinning (COMPACT). Through high-end and diversified spinning processes, we assist Taiwanese fabric mills to create differentiated textiles that are environmentally friendly, comfortable, and functional. Design various hang tags and registered trademarks for yarns with various functions so that customers can get them and our company's products can be sold at the market. Design various hang tags and registered trademarks for yarns with various functions so that customers can get them and our company's products can be sold at the market.
2. Recycled yarns from waste textiles: We practice total recycling of waste textiles, optimize spinning technology, and implement precise single-spindle management to successfully produce unique and sustainable special yarns and progressively achieve the goal of complete recycling. At the same time, through special and precise spinning conditions and management, we continue to improve gross profits of products and create added value for customers.
3. Conjugated filament and staple yarns: SiroWrap conjugated filament and



staple yarn technology can use filament fibers, such as stretch yarn, fine denier, and polyester fiber, with cotton, tencel, modal, refibra, etc. to perfectly conjugate the strength and low hairiness of filament fibers with skin-friendly and comfortable staple fibers.

### **III. Future development strategy and impacts of external competitive environment, regulatory environment and overall business environment**

#### **Confronted with the general recession, we still need to make active response**

Negative factors including the Russia-Ukrainian War, inflation, interest rate hikes, and the recurring pandemic have exposed the global economy and end-consumer markets to a virtually unprecedented recession, with consumer industries such as electronics and clothing bearing the brunt and suffering a severe impact. No one is sure how long this downturn will last. Faced with this difficult obstacle, we cannot have complaints and hold back. Instead, we must stand firm in beliefs and strive for self-reliance. With our persistent efforts and perseverance, we expect the market can embrace gradual recovery as soon as possible. In terms of business side, we are more proactive in mining customers and exploring overseas markets, including industrial and medical markets that are unfamiliar to the Company. The primary goal of the factory side is to comprehensively improve quality, which can be regarded as the best salesperson. Especially in this period of extremely fierce competition among peers, only stable quality can guarantee sustainable and long-lasting orders. In the end, in terms of development side, we need to integrate the upstream, midstream, and downstream information continuously reflected by business with the new raw materials with special functions that the Company has successively purchased. Targeting the market demand and future trend, we have developed clusters of functional special yarns with unique characteristics and irreplaceable properties, which will serve as a major niche for the

Company positioning in Taiwan's supply chain stably.

**We have enhanced the establishment of a knowledge base and digital management**

By integrating on-site system quality data, we set up a big data knowledge management platform. By achieving high-speed and accurate decision-making, we deploy core system command capabilities, and reduce waste and manpower. By doing so, we can also quickly analyze product quality, quickly debug errors, and configure production lines to improve production efficiency.

Chairman: Tsai,  
Sui-Ying

Manager: Chang,  
Chia-Heng

Accounting Kuo,  
Manager: Yen-Liang

## Attachment II

# Tung Ho Textile Co., Ltd.

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements and proposal for distribution of earnings, among which the Financial Statements have been audited by Deloitte & Touche, and an audit report has been issued.

The above Business Report, Financial Statements and proposal for distribution of earnings have been examined by the Audit Committee and found to be consistent. According to relevant provisions of the Securities and Exchange Act and the Company Act, we hereby submit this report.

To:

2023 Annual Shareholders' Meeting of Tung Ho Textile Co., Ltd.

Convener of the Audit Committee:  
HWANG, JIN-FA

April 28, 2023

## Attachment III

### Independent Auditors' Report

To Tung Ho Textile Co., Ltd.:

#### **Opinion**

We have audited the financial statements of Tung Ho Textile Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, the statements of changes in equity, and the statements of cash flows from January 1 to December 31, 2022 and 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows from January 1 to December 31, 2022 and 2021, 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 auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Tung Ho Textile Co., Ltd. in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (“The Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only Financial Statements of Tung Ho Textile Co., Ltd. for the year ended December 31, 2022. These matters were addressed in the context of our audit of the 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 Parent Company Only Financial Statements of Tung Ho Textile Co., Ltd. for the year ended December 31, 2022 are stated as follows:

### Inventories losses

The inventory balance of Tung Ho Textile Co., Ltd. as of December 31, 2022 was NT\$ 503,983 thousand. Due to the fluctuation of raw material prices and fierce market competition in the textile industry, the risk of inventory evaluation losses may be too high. Since the net realizable value used often involves subjective judgments and has a high degree of estimation uncertainty, considering that Tung Ho's inventory and its allowance evaluation losses have a significant impact on the financial statements, the accountant believes that the reasonableness of Tung Ho Textile Co., Ltd.'s inventory loss assessment is a key audit item identified in this year.

The accountant's explanation for testing the reasonableness of the aforementioned inventory loss assessment is as follows:

1. To understand the internal control related to the inventory depreciation loss, evaluate the effectiveness of the internal control of Tung Ho Textile Co., Ltd.'s inventory depreciation loss.
2. Acquire the inventory net realizable value evaluation report, understand its calculation logic, and sample the correctness and completeness of the net realizable value.
3. Participate in inventory at the end of the year and evaluate the inventory status during inventory to assess the appropriateness of the provision of outdated and damaged inventories for the loss of inventory depreciation.

Please refer to Notes 4, 5, and 10 of the Financial Report for the uncertainty estimates and relevant disclosures of accounting policies, accounting estimates, and assumptions related to the impairment assessment of inventories.

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

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

In preparing the financial statements, management is responsible for assessing Tung Ho Textile Co., Ltd.'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 Tung Ho Textile Co., Ltd. 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 Tung Ho Textile Co., Ltd.'s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. 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, it is considered material.

As part of an audit in accordance with the auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tung Ho Textile Co., Ltd's internal control.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause Tung Ho Textile Co., Ltd. to cease to continue as a going concern.

5. Evaluate the overall expression, structure and contents of the Financial Statements (including relevant Notes), and whether the Financial Statements fairly present relevant transactions and items.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2022 financial statements of Tung Ho Textile Co., Ltd. and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

HSIEH, TUNG-JU ,CPA

LIU, MING-HSIEN ,CPA

FSC No.

FSC No. 1090347472

FSC No.

FSC No. 1100356048

March 15, 2023

Tung Ho Textile Co., Ltd.  
Balance Sheets  
December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 202,677	5	\$ 275,877	6
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	55,536	1	62,884	2
1120	Financial assets at fair value through other comprehensive income - Current (Notes 4 and 8)	313,037	7	333,378	7
1150	Notes receivable (Notes 4 and 9)	2,795	-	10,589	-
1170	Accounts receivable (Notes 4 and 9)	22,985	1	36,288	1
1200	Other receivables (Notes 4)	12,285	-	16,639	-
130X	Inventories (Notes 4, 5, and 10)	503,983	11	510,515	11
1410	Prepayments	6,824	-	11,377	-
1470	Other current assets	4,613	-	100	-
11XX	Total current assets	<u>1,124,735</u>	<u>25</u>	<u>1,257,647</u>	<u>27</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income - Non-current (Notes 4 and 8)	40,005	1	45,547	1
1600	Real estate, plant and equipment (Notes 4, 11, and 25)	1,542,513	35	1,550,848	34
1760	Net investment properties (Notes 4, 13, and 25)	1,699,158	38	1,685,057	37
1780	Other intangible assets	53	-	267	-
1840	Deferred tax assets (Notes 4 and 19)	46,637	1	45,796	1
1990	Other non-current assets	9,125	-	16,683	-
15XX	Total non-current assets	<u>3,337,491</u>	<u>75</u>	<u>3,344,198</u>	<u>73</u>
1XXX	Total assets	<u>\$ 4,462,226</u>	<u>100</u>	<u>\$ 4,601,845</u>	<u>100</u>
	<b>Liabilities and Equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Notes 14 and 25)	\$ 567,500	13	\$ 544,500	12
2130	Contract liabilities - current	16,379	-	54,174	1
2170	Accounts payable	7,697	-	6,806	-
2219	Other payables	60,842	1	70,082	2
2230	Current tax liabilities (Notes 4 and 19)	19,004	1	8,692	-
2399	Other current liabilities	973	-	950	-
21XX	Total current liabilities	<u>672,395</u>	<u>15</u>	<u>685,204</u>	<u>15</u>
	<b>Non-current liabilities</b>				
2570	Deferred tax liabilities (Notes 4 and 19)	634,838	14	634,752	14
2610	Long-term payables	415	-	6,632	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 15)	6,370	-	14,805	-
2645	Guarantee deposits received (Notes 13, 24, and 26)	44,812	1	46,760	1
25XX	Total non-current liabilities	<u>686,435</u>	<u>15</u>	<u>702,949</u>	<u>15</u>
2XXX	Total liabilities	<u>1,358,830</u>	<u>30</u>	<u>1,388,153</u>	<u>30</u>
	<b>Equity (Note 16)</b>				
	Share capital				
3110	Common stock	2,200,000	49	2,200,000	48
	Retained earnings				
3310	Legal reserve	92,585	2	77,247	2
3320	Special reserve	793,158	18	793,264	17
3350	Unappropriated retained earnings	209,872	5	244,024	5
3300	Total retained earnings	<u>1,095,615</u>	<u>25</u>	<u>1,114,535</u>	<u>24</u>
3400	Other equity interest	(192,219)	(4)	(100,843)	(2)
3XXX	Total equity	<u>3,103,396</u>	<u>70</u>	<u>3,213,692</u>	<u>70</u>
	Total liabilities and equity	<u>\$ 4,462,226</u>	<u>100</u>	<u>\$ 4,601,845</u>	<u>100</u>

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

Chairman: TSAI, SUI-YING

General Manager: CHANG, CHIA-HENG

Accounting Manager: KUO, YEN-LIANG



Tung Ho Textile Co., Ltd.  
Statements of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021  
Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 17, 24 and 29)				
4100	Sales revenue	\$ 561,132	81	\$ 689,386	85
4300	Rental income	<u>127,811</u>	<u>19</u>	<u>120,328</u>	<u>15</u>
4000	Total operating revenue	<u>688,943</u>	<u>100</u>	<u>809,714</u>	<u>100</u>
	Operating cost				
5110	Cost of goods sold (Notes 10 and 18)	( 500,393 )	( 73 )	( 603,680 )	( 74 )
5300	Lease cost	( <u>22,751</u> )	( <u>3</u> )	( <u>21,217</u> )	( <u>3</u> )
5000	Total operating cost	( <u>523,144</u> )	( <u>76</u> )	( <u>624,897</u> )	( <u>77</u> )
5900	Gross Profit	<u>165,799</u>	<u>24</u>	<u>184,817</u>	<u>23</u>
	Operating expenses (Note 18)				
6100	Selling expenses	( 17,434 )	( 2 )	( 20,241 )	( 3 )
6200	General and administrative expenses	( 55,496 )	( 8 )	( 49,292 )	( 6 )
6300	Research and development expenses	( <u>12,010</u> )	( <u>2</u> )	( <u>12,991</u> )	( <u>2</u> )
6000	Total operating expenses	( <u>84,940</u> )	( <u>12</u> )	( <u>82,524</u> )	( <u>11</u> )
6900	Net operating income	<u>80,859</u>	<u>12</u>	<u>102,293</u>	<u>12</u>
	Non-operating income and expenses (Note 18)				
7100	Interest income	871	-	61	-
7010	Other income	42,580	6	53,080	7
7020	Other profits and losses	6,821	1	9,647	1
7050	Finance costs	( <u>6,611</u> )	( <u>1</u> )	( <u>5,919</u> )	( <u>1</u> )
7000	Total non-operating income and expenses	<u>43,661</u>	<u>6</u>	<u>56,869</u>	<u>7</u>

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Code		2022		2021	
		Amount	%	Amount	%
7900	Profit before income tax	\$ 124,520	18	\$ 159,162	19
7950	Income tax expenses (Notes 4 and 19)	( 20,158)	( 3)	( 16,659)	( 2)
8200	Net income	<u>104,362</u>	<u>15</u>	<u>142,503</u>	<u>17</u>
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurement of defined benefit plans (Notes 15)	4,970	1	( 2,744)	-
8316	Unrealized gain (loss) on valuation of equity instruments at fair value through profit or loss	( 100,274)	( 15)	7,815	1
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 19)	( 994)	-	548	-
8300	Other comprehensive income/(loss) for the year (net of income tax)	( 96,298)	( 14)	5,619	1
8500	Total comprehensive income	<u>\$ 8,064</u>	<u>1</u>	<u>\$ 148,122</u>	<u>18</u>
	Earnings per share (Notes 20)				
9710	Basic earnings per share	<u>\$ 0.47</u>		<u>\$ 0.65</u>	
9810	Diluted earnings per share	<u>\$ 0.47</u>		<u>\$ 0.65</u>	

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

Chairman: TSAI, SUI-YING      General Manager: CHANG, CHIA-HENG      Accounting Manager: KUO, YEN-LIANG

Tung Ho Textile Co., Ltd.  
Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		Retained earnings				Other equity items	Total Equity
		Share capital	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized profits and losses of financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2021	\$ 2,200,000	\$ 69,234	\$ 793,273	\$ 152,775	(\$ 95,592)	\$ 3,119,690
B17	Legal reversal of first-time adoption of IFRSs-related special reserve			( 9)	9		
	Distribution of earnings for 2020						
B1	Legal reserve	-	8,013	-	( 8,013)	-	-
B5	Cash dividends distributed by the Company	-	-	-	( 54,120)	-	( 54,120)
D1	Net income in 2021	-	-	-	142,503	-	142,503
D3	Other comprehensive income after tax in 2021	-	-	-	( 2,196)	7,815	5,619
D5	Total comprehensive income in 2021	-	-	-	140,307	7,815	148,122
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	13,066	( 13,066)	-
Z1	Balance as of December 31, 2021	2,200,000	77,247	793,264	244,024	( 100,843)	3,213,692
B17	Legal reversal of first-time adoption of IFRSs-related special reserve	-	-	( 106)	106	-	-
	Distribution of earnings for 2021						
B1	Legal reserve	-	15,338	-	( 15,338)	-	-
B5	Cash dividends distributed by the Company	-	-	-	( 118,360)	-	( 118,360)
D1	Net income in 2022	-	-	-	104,362	-	104,362
D3	Other comprehensive income after tax in 2022	-	-	-	3,976	( 100,274)	( 96,298)
D5	Total comprehensive income in 2022	-	-	-	108,338	( 100,274)	8,064
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	( 8,898)	8,898	-
Z1	Balance as of December 31, 2022	\$ 2,200,000	\$ 92,585	\$ 793,158	\$ 209,872	(\$ 192,219)	\$ 3,103,396

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

Chairman: TSAI, SUI-YING

General Manager: CHANG, CHIA-HENG

Accounting Manager: KUO, YEN-LIANG

## Tung Ho Textile Co., Ltd.

## Statement of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		2022	2021
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
A10000	Income before income tax	\$ 124,520	\$ 159,162
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation	55,900	61,668
A20200	Amortization expense	214	213
A22500	Disposal of abandonment of real estate, plant, and equipment interests	( 280)	-
A21200	Interest income	( 871)	( 61)
A21200	Rental income	( 15,476)	( 15,476)
A21300	Dividend income	( 38,239)	( 39,422)
A20400	Net gain on financial assets measured at fair value through profit or loss	10,377	( 872)
A20900	Finance costs	6,611	5,919
A23700	Inventory loss from market price decline and for loss on obsolete and slow-moving inventories	4,462	-
A23800	Reversal of write-downs of inventories	-	( 23,076)
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss	( 3,029)	( 3,483)
A31130	Notes receivable	7,794	( 3,838)
A31150	Accounts receivable	13,303	13,107
A31180	Other receivables	4,354	( 7,094)
A31200	Inventories	2,070	( 9,351)
A31230	Prepayments	6,343	6,815
A31240	Other current assets	( 4,513)	8,001
A32125	Contract liabilities	( 37,795)	23,247
A32150	Accounts payable	891	3,979
A32180	Other payables	( 9,400)	6,453
A32220	Other current liabilities	23	147
A32240	Net defined benefit liabilities - Non-current	( 3,465)	( 781)
A32990	Long-term payables	( 6,217)	1,690
A33000	Cash generated from operations	117,577	186,947
A33100	Interest received	871	61
A33200	Dividends received	38,239	39,422

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Code		2022	2021
A33300	Interest paid	(\$ 6,451)	(\$ 5,802)
A33500	Income tax paid	( 11,595)	( 927)
AAAA	Net cash inflows from operating activities	<u>138,641</u>	<u>219,701</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
B00010	Purchase of financial assets measured at fair value through other comprehensive income	( 396,479)	( 658,981)
B00020	Proceeds from sale of financial assets measured at fair value through other comprehensive income	320,659	653,534
B00030	Refund of capital reduction of financial assets measured at fair value through other comprehensive profit	1,429	741
B02700	Acquisition of property, plant, and equipment	( 14,894)	( 11,956)
B02800	Proceeds from disposal of real estate, plant, and equipment	382	83
B07100	Increase in prepayments for equipment	( 25,630)	( 28,208)
B05400	Acquisition of investment properties	<u>-</u>	<u>( 8,093)</u>
BBBB	Net cash flows used in investing activities	<u>( 114,533)</u>	<u>( 52,880)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
C00200	Increase in short-term borrowings	23,000	47,108
C03000	Increase in guarantee deposits received	-	110
C03100	Decrease in guarantee deposits received	( 1,948)	-
C04500	Payment of dividends to the Company's owners	<u>( 118,360)</u>	<u>( 54,120)</u>
CCCC	Net cash flows used in financing activities	<u>( 97,308)</u>	<u>( 6,902)</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 73,200)	159,919
E00100	Cash and Cash Equivalents at Beginning of Year	<u>275,877</u>	<u>115,958</u>
E00200	Cash and Cash Equivalents at End of Year	<u>\$ 202,677</u>	<u>\$ 275,877</u>

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

Chairman:	TSAI, SUI-YING	General Manager:	CHANG, CHIA-HENG	Accounting Manager:	KUO, YEN-LIANG
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## Attachment IV

### Tung Ho Textile Co., Ltd. Earning Distribution Table 2022

Unit: NT\$

	Amount
Undistributed earnings at beginning of the period	Note (1) \$110,326,170
Add: Reversal of the original special reserve from the application of IFRS	Note (2) \$105,965
Add: Actuarial gains (losses) included in retained earnings	3,975,838
Less: Disposal of equity instrument investment at fair value through other comprehensive income transferred to retained earnings	(8,898,436)
Add: Net income after tax for 2022	104,362,881
Less: Appropriation of statutory surplus reserve (10%)	Note (3) <u>(9,954,625)</u>
Distributable earnings for the current period	199,917,793
Distribution items	
Shareholders' dividends - cash dividends (NT\$ 0.32 per share)	Notes (4 & 5 & 6) <u>(70,400,000)</u>
Unappropriated earnings at the end of period	Note (8) <u>\$129,517,793</u>

#### Notes

1. Resolve to distribute unappropriated earnings after dividends at the 2022 shareholders' meeting (June, 2022)
2. Special reserve that was reversed proportionally when relevant assets were used, disposed, or reclassified in 2022.
3. Appropriate 10% earnings to the legal reserve according to the provisions of Article 232 of the Company Act.
4. According to the provisions of paragraph I, item I, Article 39 of the Articles of Association, the payment of dividends shall not be higher than 60% of the residual distributable earnings. The year's distributable earnings is NT\$199,917,793, and 60% thereof is about NT\$119,950,676
5. According to the provisions of paragraph II, item I, Article 39 of the Articles of Association, for earnings in each year's final accounting, after payment of taxes according to law, recovery of the previous years' losses and appropriation of 10% earnings to the legal reserve and a certain percentage to the special reserve to be appropriated according to the Company Act and the need or reversal of the special reserve, any remaining balance shall be distributed as 75% or more of shareholders' dividends.  
The net earnings in the year's final accounting is NT\$89,591,623, and 75% thereof is about NT\$67,193,717.
6. At present, the number of ordinary shares outstanding is 220,000,000, and therefore, the Company plans to distribute cash dividends at a price of NT\$0.32 per share, totaling NT\$70,400,000(220,000,000 \* NT\$0.32).

7. The cash dividend is calculated to NTD according to the distribution proportion, with the amount less than NT\$1 removed, and any total amount less than NT\$1 in the distribution is counted as other income in the Company's financial statements.
8. After measuring the capital expenditures and investment development budget expenditures, to make the Company's funds correspond to the capital expenditures, retain earnings of about NT\$129,518 thousand appropriately.

Chairman: Tsai, Sui-Ying    Manager: Chang, Chia-Heng    Accounting Manager: Kuo, Yen-Liang

# Appendix 1

## Tung Ho Textile Co., Ltd. Rules of Procedure for Shareholders' Meetings

The Rules are amended and approved at the annual shareholders' meeting on May 20, 2002.

- Article 1 The shareholders' meeting of the Company, except as otherwise provided by laws and regulations, shall be in accordance with the Rules.
- Article 2 An attendance register shall be set for attending shareholders to sign in or require the attending shareholders to submit their sign-in cards in lieu of signing the register.
- The calculation of the number of shares present shall be based on the attendance register or sign-in cards submitted by the shareholders.
- Article 3 The attendance and voting at the shareholders' meeting shall be calculated based on the number of shares.
- Article 4 The venue for a shareholders' meeting shall be at the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting shall begin no earlier than 9 a.m. and no later than 3 p.m.
- Article 5 The chairman of the board shall chair shareholders' meetings if the meeting is convened by the Board of Directors. In the event the Chairman is on leave or unable to exercise his/her authority, the vice chairman, if available, shall act on his/her behalf. In the absence of a vice chairman, or the vice chairman is also on leave or unable to exercise his/her authority, the chairman shall designate a managing director to act on his/her behalf. In the absence of managing directors, a director shall be designated. If none has been designated by the chairman, a managing director or director shall be elected to act on the chairman's behalf from among all managing directors or directors of the Company.
- If a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting.
- Article 6 The lawyers, accountants or other relevant personnel appointed by the Company shall attend the shareholders' meeting as nonvoting delegates. Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.
- Article 7 The Company shall make an audio and video recording of the entire shareholders' meeting and retain it for at least one year.
- Article 8 The chairperson shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairperson may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to the provisions of item 1, Article 175 of the Company Act.



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

Article 9 If a shareholders' meeting is convened by the Board of Directors, the agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph shall apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors.

The chairperson may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except for a resolution of the shareholders' meeting.

After adjournment of the meeting, shareholders shall not elect another chairperson to reconvene a meeting at the original venue or another place; however, if the chairperson announces adjournment of the meeting against the rules of procedure, a member of the board may be elected by a majority of the attending shareholders to act as the chairperson to reconvene the meeting.

Article 10 Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number) and account name. The order in which shareholders speak will be set by the chairperson.

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

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairperson and the shareholder that has the floor, the chairperson shall stop any violation.

Article 11 Except with the consent of the chairperson, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes.

The chairperson may stop the speech of any shareholder that is in violation of the preceding paragraph or exceeds the scope of the proposal.

Article 12 If a juristic person is entrusted to attend the shareholders' meeting, such juristic person may only appoint one person to be its representative at the meeting.

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

Article 13 After an attending shareholder has spoken, the chairperson may respond in person or designate a related personnel to respond.

Article 14 If the chairperson believes that the discussion for a proposal has reached a level where a vote may be called, the chairperson may make an announcement to end such discussion and call for a vote.

Article 15 The person(s) supervising the casting of the ballots and the person(s) counting the ballots shall be designated by the chairperson, provided that the person(s) supervising the casting of the ballots is a shareholder.

The voting results shall be announced at the meeting and recorded in writing.

Article 16 During the process of the meeting, the chairperson may announce a recess at an appropriate time.

Article 17 Except as otherwise provided by the Company Act and the Articles of Association, a resolution shall be adopted with the consent of more than half of the votes of the shareholders present.

At the time of a vote, if the chairperson asks and affirms that there is no objection, the related proposal shall be deemed to have been passed, and it have the same force as a vote.

Article 18 When there is an amendment or an alternative to a proposal, the chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 19 The chairperson may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor".

Article 20 The Rules, and any amendment hereto, shall be implemented after adoption by shareholders' meetings.

# Appendix 2

## Articles of Association of Tung Ho Textile Co., Ltd.

Amended at the annual shareholders' meeting on June 17, 2022

### Chapter 1 General Provisions

Article 1 The company is established in accordance with the provisions of the Company Act on the joint stock company, with the name "東和紡織股份有限公司" and English name "Tung Ho Textile Co., Ltd."

Article 2 The business scope of the Company is as follows:

- I. C302010 weaving industry
- II. C303010 non-woven industry
- III. F401010 international trade industry
- IV. C301010 spinning industry
- V. C801120 artificial fiber manufacturing industry
- VI. A401010 animal farm operation
- VII. H701020 industrial plant development, lease and sale
- VIII. H701040 specialized field development
- IX. F209060 retail of stationery articles, musical instruments and educational entertainment articles
- X. F203010 food and beverage retail
- XI. F203020 tobacco and wine retail
- XII. F501060 restaurant
- XIII. F501030 beverage store
- XIV. F501050 drinks store
- XV. F601010 intellectual property
- XVI. I102010 investment consulting
- XVII. J701020 amusement park
- XVIII. J601010 art and cultural services
- XIX. J801030 athletics and recreational sports stadium
- XX. JB01010 conference and exhibition services
- XXI. G801010 warehousing
- XXII. H703100 real estate leasing
- XXIII. H701010 residence and building development, lease and sale
- XXIV. H701050 investment in public construction

XXV. IZ06010 distribution and packing

XXVI. ZZ99999 Business items not prohibited or restricted by law, in addition to the approved business.

Article 2-1 The Company's total investment shall not be limited by Article 13 of the Company Act, "the investment shall not exceed 40% of the paid-up capital".

Article 2-2 Article 2-2: For business needs, the Company handles the fund loaning matters according to the provisions of the operating procedures for loaning of funds to others. The Company prohibits the making of endorsements/guarantees for other individuals or companies.

Article 3 The Company is established in Tainan City and may establish subsidiaries or branches at home or abroad.

Article 3-1 Deleted.

Article 4 Deleted.

## **Chapter 2 Shareholding**

Article 5 The Company's total capital is NT\$3.6 billion, divided into 0.36 billion shares, with a par value of NT\$10 per share, and the undistributed shares shall be issued in installments by the Board of Directors.

Article 5-1 Deleted.

Article 6 The Company's shares shall be registered and affixed with the signatures or personal seals of the director representing the Company, and shall be duly certified or authenticated by the bank legally authorized to act as the stock issuer before issuance. After public issuance of shares, the shares issued by the Company may be without certificates, provided that such shares are registered with a central securities depository.

Article 7 In the year when there are distributable earnings for the Company's dividends, a proposal for distribution of such earnings shall be made by the Board of Directors and submitted to the shareholders' meeting for resolution.

Article 8 All transfer of stocks by the Company's shareholders, pledge of rights, report of loss, inheritance, gift and report of loss or change of seals and other stock affairs shall be handled according to the "Regulations Governing the Handling of Stock Affairs of Public Companies", unless otherwise stipulated by law and securities regulations.

Article 9 Deleted.

Article 10 Deleted.

- Article 11 Deleted.
- Article 12 The transfer of shares shall be suspended within 60 days prior to the convening date of an annual shareholders' meeting, or within 30 days prior to the convening date of an interim shareholders' meeting, or within five days prior to the target date fixed by the Company for distribution of dividends or other benefits.

### **Chapter 3 Shareholders' Meeting**

- Article 13 Shareholders' meetings comprise of two types:
- I. The annual shareholders' meeting shall be convened by the Board of Directors within six months after the end of each fiscal year.
  - II. The interim shareholders' meeting shall be convened when the Board of Directors deems it necessary in the event of important matters or when a shareholder requires according to the provisions of the Company Act.
- Article 14 All shareholders shall be informed of the meeting date, place and purpose 30 days prior to an annual shareholders' meeting and 15 days prior to an interim shareholders' meeting.
- Article 15 A shareholder may issue a proxy bearing his/her/its signature or seal to authorize an agent to attend a shareholders' meeting on his/her/its behalf. The method of attendance by proxy, besides acting pursuant to the provisions of the Company Act, shall be subject to the "Regulations Governing the Use of Proxies for Attendance at Shareholders' Meetings of Public Companies" promulgated by the competent authority.
- Article 16 The shareholders' meeting shall be chaired by the chairman of the board, and if the chairman is on leave or cannot perform his/her duties for any reason, a chairperson shall be appointed in accordance with the provisions of item 3, Article 208 of the Company Act.
- Article 17 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent a majority of the total number of voting share.
- Article 18 Unless otherwise stated in relevant laws and regulations, a shareholder of the Company shall have one vote for each share held.
- Article 19 For decision items at a shareholders' meeting, the meeting minutes shall be kept, signed or sealed by the chairman, and distributed to each shareholder within 20 days after the meeting. The distribution of copies of the meeting minutes shall be in accordance with the provisions of the Company Act. The meeting minutes shall record the year, month and date and place of the meeting, name of the chairperson,

method for adoption of resolutions, summary and results of the proceedings. The meeting minutes shall be kept for the duration of the existence of the Company.

The signature book of attending shareholders and the power of attorney for proxy shall be kept for at least one year. In the event that a shareholder files a lawsuit according to Article 189 of the Company Act, the meeting minutes shall be kept until the conclusion of the lawsuit.

## **Chapter 4 Board of Directors**

Article 20 The Company shall have five to nine directors. Election of directors adopts a candidate nomination system, the board of shareholders shall elect the directors from among the nominees listed in the roster of director candidates, the term of office of a director is three years, and upon re-election, the director may serve for another term of office.

Among the above-mentioned directors, the number of independent directors shall be no less than three and no less than one fifth of the directors.

The independent directors' professional qualifications and restrictions on concurrent positions held shall be subject to the provisions of relevant laws. Independent and non-independent directors are elected at the same time, but in separately calculated numbers.

The total number of registered shares held by all directors in the Company shall be subject to the regulations of the competent securities authority.

Article 21 Directors shall elect from among themselves a chairman and vice chairman of the Board of Directors. The chairman of the Board shall represent the Company externally and serve as the chairpersons of meetings of the board of shareholders and those of the Board of Directors internally, and the vice chairman shall assist the chairman in handling conference matters.

Article 22 In case that the vacancies in the office of directors reach one third of the Board of Directors, the Board of Directors shall hold an interim shareholders' meeting within 60 days to elect new directors to fill the vacancies. A director elected to fill such vacancy shall hold office for the unexpired term of the director whose office was vacant.

Article 23 The functions and powers of the Board of Directors are as follows:

- I. Review and approval of various rules and regulations.
- II. Review and approval of the business policy.
- III. Decision on budget and final accounts.
- IV. Preparation of the proposal for distribution of earnings.

- V. Preparation of the proposal for increase or decrease of the capital.
- VI. Decision on important personnel.
- VII. Implementation of the decisions made at the shareholders' meeting.
- VIII. Functions and powers as granted by laws and the Board of Shareholders.

Article 24 The meeting of the Board of Directors shall be held once every three months, and in case of emergency or upon the request of more than half of the directors, an interim meeting may be convened.

Article 25 The chairman of the Board shall chair all meetings of the Board of Directors. If the Chairman is on leave or cannot perform his/her duties, a chairperson shall be appointed pursuant to item 3, Article 208 of the Company Act.

If the meeting of the Board of Directors is held by means of video conferencing, directors who attend the meeting by such means shall be deemed to have attended such meeting in person.

If a director cannot attend a meeting of the Board of Directors for a particular reason, he/she shall appoint another director to attend the meeting as proxy by issuing a power of attorney stating the scope of power authorized by the proxy.

Article 26 In principle, directors shall attend meeting of the Board of Directors in person, but any director failing to attend the meeting for a particular reason may appoint another director to attend the meeting as proxy. A director who appoints another director to attend the meeting as proxy shall issue a power of attorney and setting forth the scope of authorization, and the above proxy is limited to one person.

Article 27 Unless otherwise provided by the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors present at a meeting attended by a majority of the directors.

## **Chapter 5 Audit Committee**

Article 28 The Company shall establish an Audit Committee according to the provisions of the Securities and Exchange Act, and the Audit Committee shall be composed of all independent directors. The Audit Committee or members thereof is responsible for performing the supervisors' functions and powers under the Company Act, Securities and Exchange Act and other laws.

Article 29 Deleted.

Article 30 Deleted.

Article 31 Deleted.

Article 32 Deleted.

## **Chapter 6 Managers and Employees**

- Article 33 The Company shall have a general manager and several vice general managers, assistant managers and managers, and the appointment, discharge and remuneration of such managerial personnel shall be subject to the provisions of Article 29 of the Company Act.
- Article 34 The general manager shall have the power of general supervision on the Company's business with the authorization of the Board of Directors, and if the general manager is unable to perform his/her duties, the vice general manager(s) shall assume such duties of the general manager.
- Article 35 The Company's organizational structure, headcounts and employment of employees at various levels shall be determined by the Board of Directors.
- Article 36 The remuneration of the Company's directors (including the chairman) shall be determined by the Board of Directors based on the degree of participation in the Company's operations, the value of their contributions, and the general pay levels in the same industry.

## **Chapter 7 Accounting**

- Article 37 The Company's fiscal year shall begin on Jan. 1 and end on Dec. 31 of each year. Final accounting statements shall be prepared for each fiscal year.
- Article 38 At the end of each fiscal year, the Board of Directors shall prepare the following statements and submit them to the annual shareholders' meeting for recognition according to the legal procedure.
- I. Business Report
  - II. Financial statements
  - III. Proposal for distribution of earnings or loss recovery
- Article 38-1 The Company shall distribute 1% to 5% of the year's profit as employees' remuneration, less than 5% of the year's profit as directors' remuneration, but if the Company still have accumulated losses, such losses shall be recovered first.
- The year's profit as mentioned in the preceding paragraph refers to the profit before deduction of the employee's and director's remuneration from the year's profit before tax.
- The proposal for distribution to employees' and directors' remuneration as mentioned in the first paragraph shall be implemented with the consent of a majority of the attending directors accounting for two thirds or more of the Board of Directors, and reported to the shareholders' meeting.



The distribution can be made in the form of cash or stocks for employees.

Article 39

The Company is a mature and highly competitive traditional industry and adopts residual dividend policy under the condition of shareholder benefit and company growth.

I. Conditions and Opportunities for Distribution of Dividends:

For earnings in each year's final accounting, after payment of taxes according to law, recovery of the previous years' losses and appropriation of 10% earnings to the legal reserve and a certain percentage to the special reserve to be appropriated according to the Company Act and the need or reversal of the special reserve, any remaining balance shall be distributed as 75% or more of shareholders' dividends.

II. Limit of Dividends:

To maintain the balance of business needs and each year's stabilized dividends, the distribution of dividends shall not be higher than 60% of the residual distributable earnings.

III. Types of Dividends:

According to the capital budgeting plan and the degree of dilution of earnings per share, for dividends distributed each year, the means of stock dividends or cash dividends shall be adopted moderately.

The aforesaid dividend distribution conditions and opportunities, limit and type are subject to the principles only. The Company should determine the optimal dividend policy according to practical situation and in consideration of the budget plan of the next year.

In accordance with Paragraph 5 of Article 240 of the Company Act, the Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses mentioned in the preceding three paragraphs in the form of cash with the presence of more than two-thirds of the directors and after a resolution has been adopted by a majority vote. A report of such distribution shall be submitted to the shareholders' meeting without the need to request for ratification by shareholders. If the distribution is to be made in the form of new shares, a proposal shall be submitted to the shareholders' meeting for resolution.

## **Chapter 8 Supplementary Provisions**

Article 40

The matters not specified in the Articles of Association shall be subject to the provisions of the Company Act.

Article 41

The rules of organization and by-laws of the Company shall be formulated by the Board of Directors.

Article 42

The Articles of Association were established on Aug. 18, 1959 and came into force as of the date of resolution at the shareholders' meeting, and such provision shall also apply to any amendment.

The first amendment was made on Sep. 5, 1960.

The second amendment was made on Dec. 31, 1960.

The third amendment was made on Oct. 15, 1961.

The fourth amendment was made on Apr. 15, 1964.

The fifth amendment was made on Jan. 3, 1968.

The sixth amendment was made on Mar. 25, 1969.

The seventh amendment was made on Mar. 20, 1970.

The eighth amendment was made on Jul. 20, 1971.

The ninth amendment was made on Oct. 8, 1971.

The tenth amendment was made on Apr. 26, 1972.

The eleventh amendment was made on Mar. 30, 1973.

The twelfth amendment was made on Apr. 10, 1974.

The thirteenth amendment was made on May 25, 1974.

The fourteenth amendment was made on Jun. 12, 1974.

The fifteenth amendment was made on Apr. 9, 1975.

The sixteenth amendment was made on Apr. 22, 1976.

The seventeenth amendment was made on Nov. 23, 1976.

The eighteenth amendment was made on May 23, 1977.

The nineteenth amendment was made on Jun. 15, 1978.

The twentieth amendment was made on May 12, 1979.

The twenty-first amendment was made on Jun. 21, 1980.

The twenty-second amendment was made on Jun. 27, 1981.

The twenty-third amendment was made on Jun. 19, 1982.

The twenty-fourth amendment was made on Aug. 30, 1983.

The twenty-fifth amendment was made on Jun. 14, 1986.

The twenty-sixth amendment was made on May 14, 1988.

The twenty-seventh amendment was made on Apr. 22, 1989.

The twenty-eighth amendment was made on Apr. 25, 1990.

The twenty-ninth amendment was made on Apr. 23, 1991.

The thirtieth amendment was made on Apr. 23, 1992.

The thirty-first amendment was made on Jun. 15, 1993.

The thirty-second amendment was made on Dec. 2, 1993.

The thirty-third amendment was made on Apr. 8, 1996.

The thirty-fourth amendment was made on May 16, 2000.

The thirty-fifth amendment was made on May 20, 2002.

The thirty-sixth amendment was made on May 14, 2004.

The thirty-seventh amendment was made on May 19, 2005.  
The thirty-eighth amendment was made on Jun. 21, 2006.  
The thirty-ninth amendment was made on May 25, 2010.  
The fortieth amendment was made on Jun. 6, 2012.  
The forty-first amendment was made on Jun. 4, 2013.  
The forty-second amendment was made on Jun. 3, 2015.  
The forty-third amendment was made on Jun. 8, 2016.  
The forty-fourth amendment was made on Jun. 11, 2018.  
The forty-fifth amendment was made on Jun. 12, 2019.  
The forty-sixth amendment was made on Jul. 1, 2021.  
The forty-seventh amendment was made on Jun. 17, 2022.

Tung Ho Textile Co., Ltd.

Chairman: Tsai, Sui-Ying

# Appendix 3

## Tung Ho Textile Co., Ltd.

### List of Directors

Base date: April 14, 2023

Position	Name	Date Elected	Number of Shares While Elected			Current Shareholding			Note
			Category	Number of Shares	Shareholding Ratio (%)	Category	Number of Shares	Shareholding Ratio (%)	
Chairman	Yushun Investment Development Co., Ltd. represented by: Tsai, Sui-Ying	2022.06.17	Ordinary shares	28,000,626	12.73%	Ordinary shares	28,000,626	12.73%	
Vice Chairman	Yushun Investment Development Co., Ltd. represented by: Cheng, Chih-Wen								
Director	Yushun Investment Development Co., Ltd. represented by: Tsai, Fu-Jen								
Director	Yushun Investment Development Co., Ltd. represented by: Chang, Chia-Heng								
Independent Director	Lin, Chang-Hsiung	2022.06.17	Ordinary shares	0	0.00%	Ordinary shares	0	0.00%	
Independent Director	Chen, Cheng-Keng	2022.06.17	Ordinary shares	0	0.00%	Ordinary shares	0	0.00%	
Independent Director	Hwang, Jin-Fa	2022.06.17	Ordinary shares	0	0.00%	Ordinary shares	0	0.00%	
Total			Ordinary shares	28,000,626	12.73%	Ordinary shares	28,000,626	12.73%	

The total number of shares issued by the Company as of Apr. 19, 2022 is 220,000,000

The total number of shares issued by the Company as of Apr. 14, 2023 is 220,000,000

Notes: The legal number of shares to be held by all directors of the Company is 12,000,000, and as of Apr. 14, 2023, the directors hold 28,000,626 shares.

©The shareholding of independent directors are not included in the shareholding of directors.