

Stock Code: 1459

LAN FA TEXTILE CO., LTD.

**2021 Annual Shareholders' Meeting
Meeting Handbook**

June 25, 2021

Table of Contents

I.	Meeting Procedure	2
II.	Report Items	4
III.	Ratification Items.....	9
IV.	Discussion Items.....	31
V.	Election Items.....	37
VI.	Other Discussion Items	38
VII.	Extemporary Motion.....	38
VIII.	Adjournment.....	38
	Appendix.....	39
	1. Articles of Incorporation	
	2. Rules of Procedural for Shareholders' Meeting	
	3. Rules of Election of Directors of the Company	
	4. Shareholdings of the Company's Directors	

LAN FA TEXTILE CO., LTD.

Procedure of Shareholders Meeting in 2021

I. Time: 9:00 a.m., on Friday, June 25, 2021

**II. Place: No. 291, Shixing Rd., Shixing Vil., Zhubei City, Hsinchu County ,
Taiwan (R.O.C.)(The sixth floor of the administrative building of the
Zhubei factory of the company)**

III. Procedure of Meeting

1. The Chairman Calls the Meeting to order.

2. Chairman's Remark

3. Report Items

(1) Business report in 2020.

(2) Audit Committee's Review Report on the 2020 Financial Statements.

(3) The company's Lending of Capita and Making Endorsements/Guarantees
operation overview report in 2020.

4. Ratification Items (Proposed by the Board of Directors)

(1) 2020 Business Report & Financial Statements Report.

(2) 2020 Appropriation of profit & loss.

5. Discussion Items (Proposed by the Board of Directors)

(1) To amend some of the provisions of the company's "Rules of Election of Directors of the Company".

(2) To amend some of the provisions of the company's "Rules of Procedural for Shareholders' Meeting".

6. Election Items (Proposed by the Board of Directors)

(1) The re-election of directors of the company.

7. Other Discussion Items (Proposed by the Board of Directors)

(1) Removal of the non-competing duty for directors

8. Extemporary Motion

9. Adjournment

Report Items

1. Business Report in 2020.

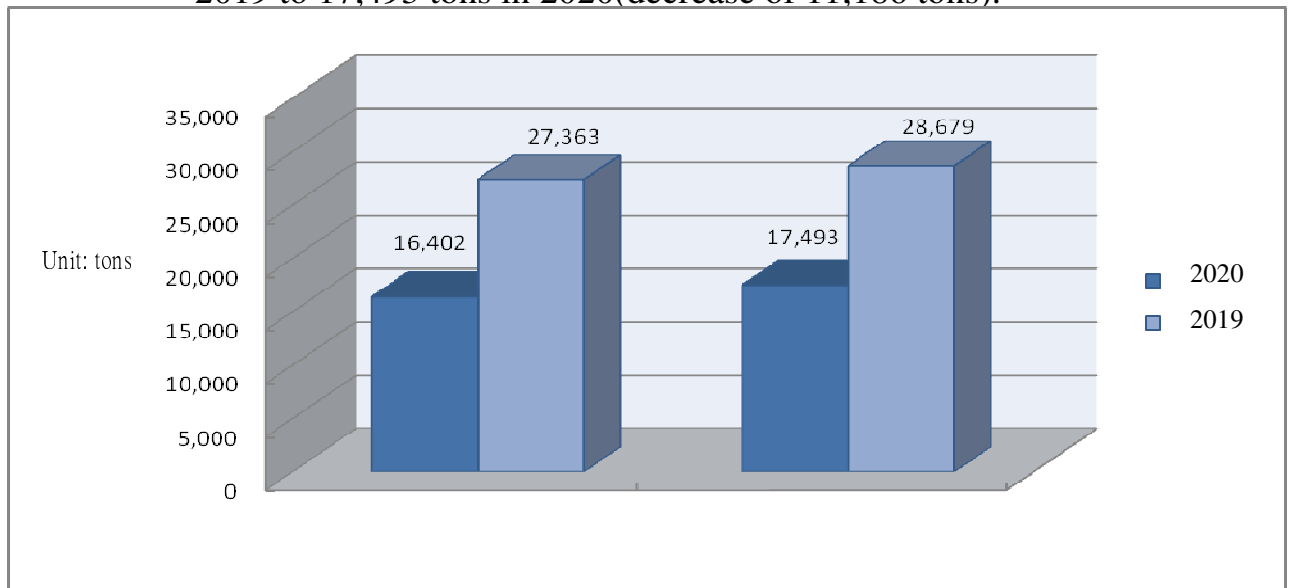
Business Report of LAN FA TEXTILE CO., LTD.

(1) Company's business status in 2020.

1. Production and sale situation

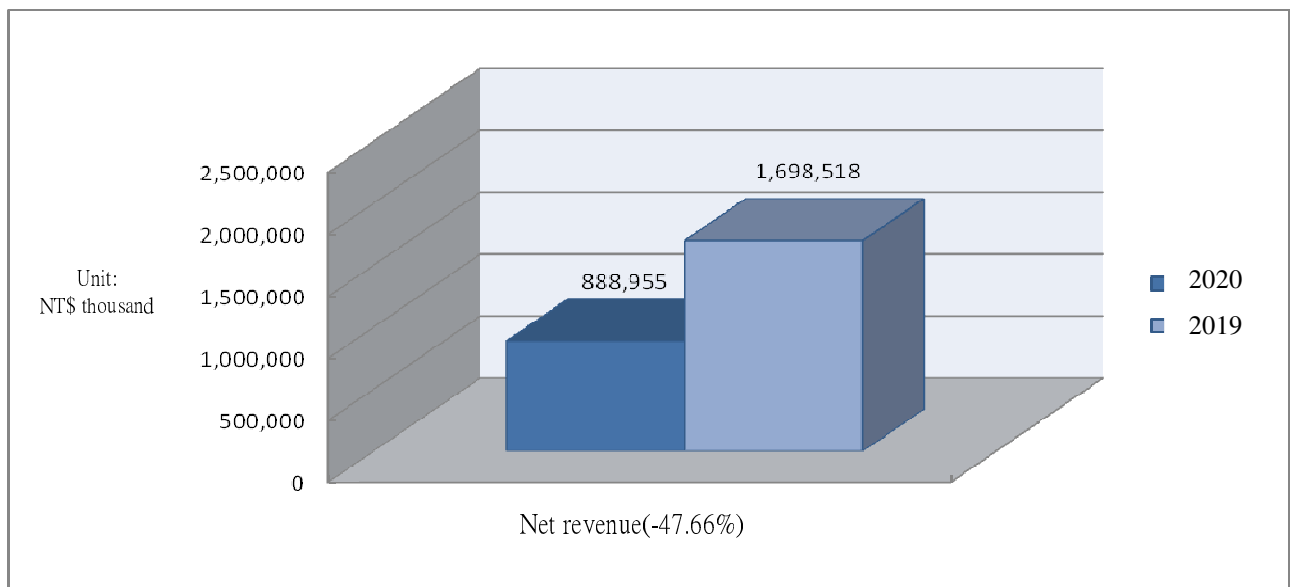
The company's annual production dropped by 40.06%, from 27,363 tons in 2019 to 16,402 tons in 2020(decrease of 10,961 tons).

The company's sales volume dropped by 39.00%, from 28,679 tons in 2019 to 17,493 tons in 2020(decrease of 11,186 tons).



2. Revenue situation:

The company's net revenue dropped by 47.66%, from NT\$1, 698.518 million in 2019 to NT\$888.955 million in 2020(decrease of NT\$809.563 million).

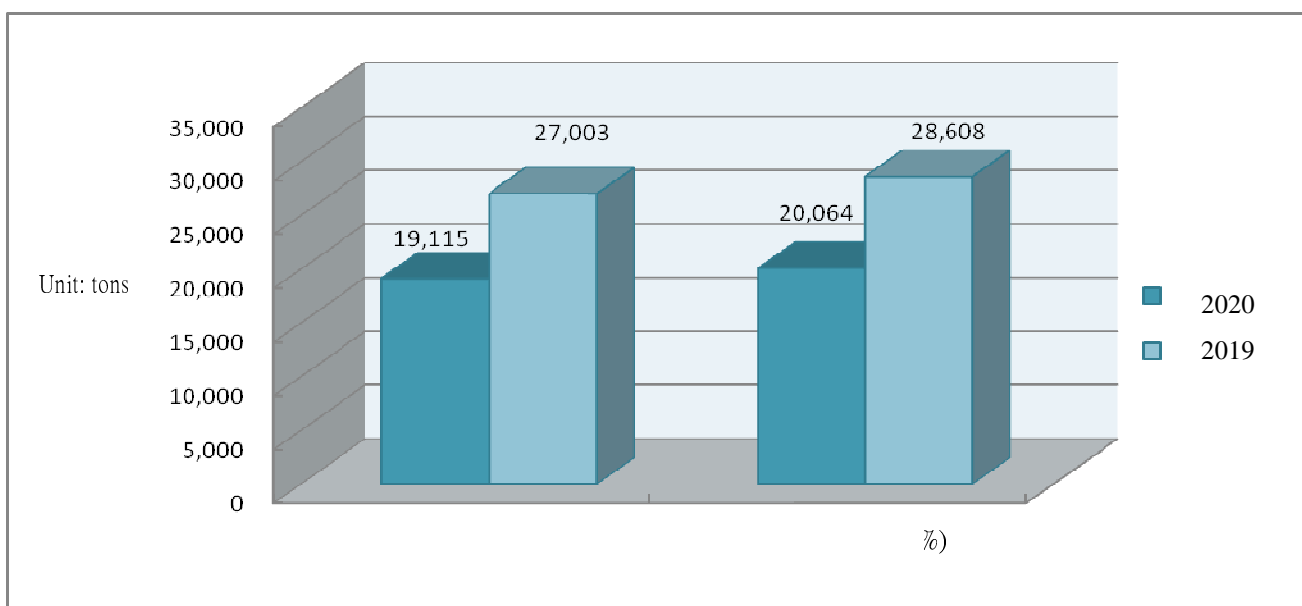


(2) Business report of subsidiary HANGZHOU LANFA in 2020.

1. Production and sale situation

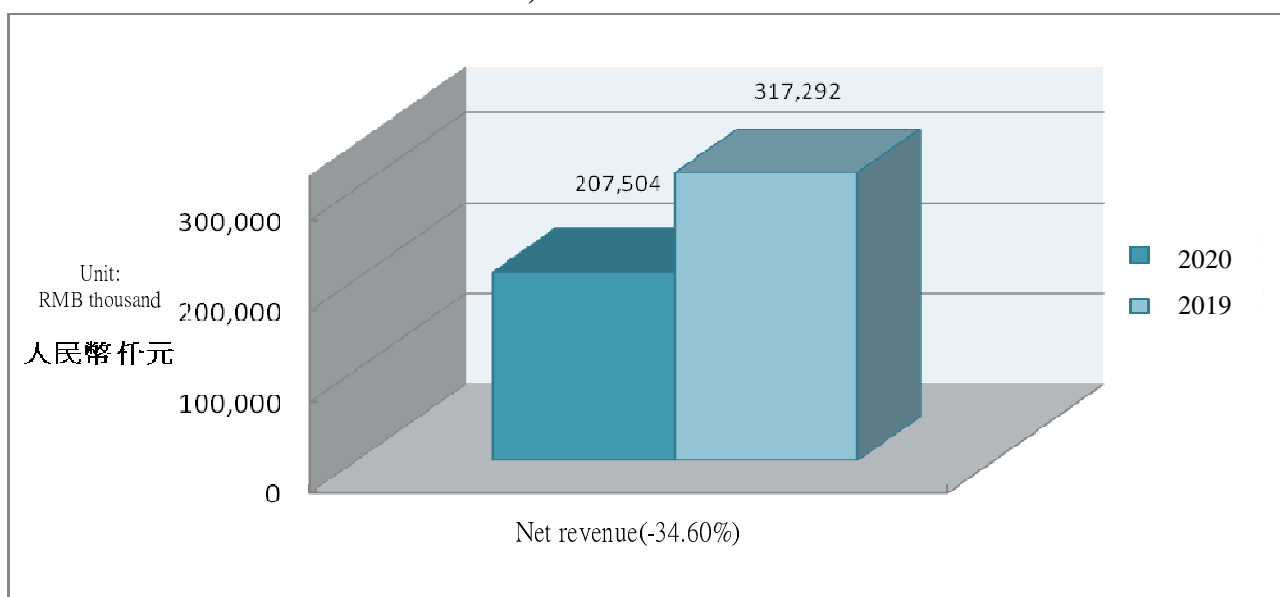
HANGZHOU LANFA's annual production dropped by 29.21%, from 27,003 tons in 2019 to 19,115 tons in 2020(decrease of 7,888 tons).

The company's sales volume dropped by 29.871%, from 28,608 tons in 2019 to 20,064 tons in 2020(decrease of 8,544 tons).



2. Revenue situation:

HANGZHOU LANFA's net revenue dropped by 34.60%, from RMB317.292 million in 2019 to RMB207.504 million in 2020(decrease of RMB109.788 million).



(3) Business prospects for 2021

The company has a total of 90 German ultra-high-speed false twisting machines (including 17 twin false twisting machines) in Zhubei Factory and Hangzhou Factory in 2021. This year, it will increase the proportion of production and sales of products with high prices and high gross profit, such as ultra-fine fiber, TOP elastic fiber yarn, recycled yarn and easy-drawing yarn. The annual output of polyester processed silk in false twisting department of Zhubei Factory is about 35,000 metric tons, while that of Hangzhou Factory is about 30,000 metric tons in 2021, and the total output of the two factories can reach about 65,000 metric tons.

Chairman: YEH, CHING-TSE

President: WONG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

2. Audit Committee's Review Report on the 2020 Financial Statements

LAN FA TEXTILE CO., LTD.

Audit Committee Review Report

The Company's 2020 Business Report, Financial Statements, including Consolidated and Parent Company Only ones, and the plan of appropriation of profit and loss have been prepared by the Board of Directors. An audit of the Financial Statements was conducted by CPA CHANG, CHIANG-HSUN and CPA CHIH, JUI-CHUAN of Deloitte & Touche.. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to the Securities and Exchange Act and the Company Act, we hereby submit this report. Please be advised accordingly.

LAN FA TEXTILE CO., LTD. 2021 Shareholders' Meeting

Convener of the Audit Committee: CHANG, CHING-TSUNG

March 22, 2021

3. The company's “Lending of Capital and Making Endorsements/Guarantees operation” overview report in 2020.

According to the company's operating procedures of “Lending of Capital and Making Endorsements/Guarantees operation“, until December 31, 2020, the balance of external capital loan and actual moving expenditure of the company is US\$ 8.2 million dollars; the financing balance of external endorsement guarantee is NT\$ 141 million dollars and US\$ 13 million dollars, which is explained as follows:

Loan to

HANGZHOU LAN FA TEXTILE CO., LTD.	US\$ 8.2 million dollars
-----------------------------------	--------------------------

Endorsement guarantee

LAN TSE INVESTMENT CO., LTD.	NT\$ 111 million dollars
------------------------------	--------------------------

LAN CHING DEVELOPMENT CO., LTD.	NT\$ 30 million dollars
---------------------------------	-------------------------

HANGZHOU LANFA TEXTILE CO., LTD.	US\$ 13 million dollars
----------------------------------	-------------------------

Recognition Items

(Proposed by the Board of Directors)

ITEM 1

Proposal: Ratification of the 2020 Business Report and Financial Statements.

Description:

1. The Company's 2020 individual statement and consolidated financial statements have been audited by Ms CHEN, CHIANG-HSUN and Mr. CHIH, JUI-CHUAN of Deloitte & Touche; together with the annual business report have been reviewed and determined to be correct and accurate by the Company's Audit Committee which hereby to submit for adoption.
2. Please refer to page 4 of this Handbook for the company's business report in 2020 and page 10 through page 29 for the Financial Statements. Please approve the Business Report and the Financial Statements.

Resolution:

Audit Report of Accountant

LAN FA TEXTILE CO., LTD.:

Audit Opinion

The entity's balance sheets of LAN FA TEXTILE CO., LTD. of December 31, 2020 and 2019, and the entity consolidated income statement, statement of changes in entity equity, statement of entity cash flows and notes to entity's financial statements (including the summary of major accounting policies) from January 1 to December 31, 2020 and 2019, have been checked by the accountant.

In the opinion of the accountant, the above entity's financial statements have been prepared in all major respects in accordance with the financial report compilation standards for securities issuers, which are sufficient to express the entity's financial position of LAN FA TEXTILE CO., LTD. on December 31, 2020 and 2019, and entity's financial performance and entity's cash flows from January 1 to December 31, 2020 and 2019.

Basis of Audit Opinion

The accountant had carried out the inspection in accordance with the rules for checking the financial statements and the generally accepted auditing standards. The accountant's responsibility under these standards will be further explained in the paragraph of responsibility for the accountant's examination of the entity's financial statements. In accordance with the professional ethics of accountants, the personnel who are subject to the independence standards of the accounting firm have maintained their independence from LAN FA TEXTILE CO., LTD. and performed other responsibilities of the standards. The accountant believes that sufficient and appropriate audit evidence has been obtained as the basis for expressing the audit opinion.

Key Audit Items

The key audit items means the most important items for the inspection of the entity's financial statements of LAN FA TEXTILE CO., LTD. in 2020 according to the professional judgment of the accountant. These items have been responded to in the process of examining the entity's financial statements as a whole and forming audit opinions, and the accountant does not comment on these items separately.

The key items for checking the entity's financial statements of LAN FA TEXTILE CO., LTD. in 2020 are described as follows:

Key check items: Authenticity of customers' sales income under specific credit conditions

Due to the inherent high risk of revenue recognition, the volume of sales transactions between LAN FA TEXTILE CO., LTD. and customers under specific credit conditions is

relatively low, but the transaction volume is high and there are many new sales customers. Therefore, the accountant thinks the authenticity of sales income transactions between LAN FA TEXTILE CO., LTD. and customers under the above specific credit conditions as a key check item.

For the accounting policy on income, please see Note 4 (11) for details.

By learning the above-mentioned sales transactions (processed silk) and other relevant internal control procedures, the accountant designs the relevant internal control check procedures in response to the risk, in order to confirm and evaluate the effectiveness of the relevant internal control operations of sales customers in marketing goods transactions under specific credit conditions. The accountant also selects appropriate samples from the sales details of the above-mentioned sales customers to examine the original orders, external shipping documents or customer signing documents and confirm the recovery of payment; and to check whether the object has significant sales returns after the balance sheet date to confirm whether there is material misrepresentation of the sales revenue of the sales customers under specific credit conditions.

Responsibilities of Management and Governance Unit to entity's Financial Statements

The responsibility of management is to prepare properly expressed entity's financial statements in accordance with the financial reporting standards of securities issuers, and to maintain the necessary internal controls relating to the preparation of the entity's financial statements to ensure that the entity's financial statements do not contain material misrepresentations caused by fraud or errors.

In preparing the entity's financial statements, the responsibility of management also includes the assessment of the ability of LAN FA TEXTILE CO., LTD. to continue to operate, the disclosure of related items, and the adoption of the accounting basis for continued operation, unless the management intends to liquidate the LAN FA TEXTILE CO., LTD. or cease business, or there is no practical alternative other than liquidation or closure.

The governance unit of LAN FA TEXTILE CO., LTD. (including the audit committee) is responsible for supervising the financial reporting process.

Responsibility of Accountant to Check Entity's Financial Statements

The purpose of the accountant to check the entity's financial statements is to obtain reasonable assurance as to whether there are material misrepresentations caused by fraud or error in the entity's financial statements as a whole, and to issue an audit report. Reasonable certainty is a high degree of certainty, but audits carried out in accordance with generally accepted audit standards do not guarantee that material misrepresentations in the entity's financial statements

will be identified. False expression may be caused by fraud or error. It is considered significant if the individual amounts or remittances misrepresented can be reasonably expected to affect the economic decisions made by the users of the entity's financial statements.

When checking in accordance with generally accepted audit standards, the accountant shall use professional judgment and maintain professional doubts. The accountant also performs the following work:

1. Identify and evaluate the risk of material misrepresentation resulting from fraud or error in the entity's financial statements; design and implement appropriate measures to the assessed risks; and obtain sufficient and appropriate audit evidence to serve as the basis for audit opinions. Because fraud may involve collusion, forgery, deliberate omission, misrepresentation or internal control, the risk of material misrepresentation due to fraud is higher than that caused by error.
2. Acquire the necessary understanding of the internal controls related to the audit in order to design appropriate audit procedures in the circumstances, but not for the purpose of expressing the opinion on the effectiveness of internal controls of LAN FA TEXTILE CO., LTD.
3. Assess the appropriateness of accounting policies adopted by management and the reasonableness of accounting estimates and related disclosures.
4. Based on the audit evidence obtained, draw a conclusion as to whether there is significant uncertainty about the appropriateness of the management's adoption of the accounting basis of continuing operations and whether there is significant uncertainty about the events or circumstances that may give rise to significant doubts about the ability of the LAN FA TEXTILE CO., LTD. to continue to operate. If the accountant considers that there is material uncertainty in such events or circumstances, the accountant shall, in the audit report, remind users of the entity's financial statements to pay attention to the relevant disclosures of the entity's financial statements, or amend the audit opinion if such disclosures are inappropriate. The accountant's conclusion is based on the audit evidence obtained as of the date of the inspection report. However, future events or circumstances may cause the LAN FA TEXTILE CO., LTD. have no ability to continue to operate.

5. Assess the overall expression, structure and content of the entity's financial statements (including related notes), and whether there are related transactions and events expressed in the entity's financial statements.
6. Obtain sufficient and appropriate audit evidence for the financial information of the constituent individuals within the LAN FA TEXTILE CO., LTD. to express the opinion on entity's financial statements. The accountant is responsible for the guidance, supervision and implementation of group audit cases, and is responsible for forming audit opinions of LAN FA TEXTILE CO., LTD.

The items that the accountant communicates with the governance unit include the scope and timing of the planned audit, as well as major audit findings (including significant deficiencies in internal controls identified in the audit process).

The accountant also provides the governance unit with a statement that the personnel of the firm to which the accountant belongs to the independence standard have complied with the professional ethics of accountants of the Republic of China, and communicate with the governance unit all relationships and other items (including relevant protective measures) that may be considered to affect the independence of accountants.

From the items of communication with the governance unit, the accountant decides on the key items for checking the consolidated financial statements of LAN FA TEXTILE CO., LTD. in 2020. The accountant describes these items in the audit report, unless the law does not allow public disclosure of specific items, or in rare cases, the accountant decides not to communicate specific items in the audit report, because it can be reasonably expected that the negative impact of this communication is greater than the promotion of the public interest.

Deloitte & Touche

Accountant
CHEN, CHIANG-HSUN

Financial Supervisory Commission Audit No.

Jin Guan Zheng Shen Tzu No. 1060023872

MARCH 22, 2021

Accountant
CHIH, JUI-CHUAN

Financial Supervisory Commission Audit No.

Jin Guan Zheng Shen Tzu No. 1060023872

LAN FA TEXTILE CO., LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Code	Asset	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 320,830	7	\$ 215,087	5
1110	Financial Assets Measured at Fair Value through Profit or Loss (Note 4 and 7)	972,012	20	1,087,272	22
1150	Notes Receivable - Non-related Parties (Note 4, 10 and 21)	24,335	-	13,134	-
1160	Notes Receivable - Related Parties (Note 4, 21 and 28)	174	-	870	-
1170	Accounts Receivable - Non-related Parties (Note 4, 10 and 21)	128,143	3	95,743	2
1180	Accounts Receivable - Related Parties (Note 4, 21 and 28)	677	-	789	-
1200	Other Accounts Payable	1,733	-	847	-
1210	Other Accounts Payable - Related Parties (Note 28)	234,232	5	573,981	12
1220	Income Tax Liabilities of Current Period (Note 4 and 23)	526	-	247	-
130X	Inventory (Note 4 and 11)	137,155	3	158,053	3
1421	Prepayment	40,766	1	12,785	-
1470	Other Current Assets	<u>2</u>	<u>-</u>	<u>14</u>	<u>-</u>
11XX	Total Current Assets	<u>1,860,585</u>	<u>39</u>	<u>2,158,822</u>	<u>44</u>
	Non-current Assets				
1517	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss (Note 4 and 8)	478,740	10	255,638	5
1535	Financial Assets Measured at Amortized Cost (Note 4 and 9)	74,951	2	-	-
1550	Investment Using Equity Method (Note 4 and 12)	1,206,161	25	1,283,982	26
1600	Immovable Property, Plant and Equipment (Note 4 and 13)	1,034,953	21	1,088,980	22
1755	Right-of-use Assets (Note 4 and 14)	781	-	1,242	-
1760	Net Investment Property (Note 4 and 15)	113,917	2	118,381	2
1840	Deferred Income Tax Assets (Note 4 and 23)	6,525	-	7,806	-
1920	Refundable Deposits	36,646	1	36,646	1
1990	Other Non-current Assets	<u>1,400</u>	<u>-</u>	<u>1,431</u>	<u>-</u>
15XX	Total Non-current Assets	<u>2,954,074</u>	<u>61</u>	<u>2,794,106</u>	<u>56</u>
1XXX	Total Assets	<u>\$ 4,814,659</u>	<u>100</u>	<u>\$ 4,952,928</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term Loans (Note 16)	\$ 200,000	4	\$ 530,311	11
2110	Short-term Notes and Bills Payable (Note 16)	369,911	8	319,919	7
2120	Financial Liabilities Measured at Fair Value through Profit or Loss (Note 4 and 7)	220	-	-	-
2130	Contract Liabilities (Note 21)	8,320	-	2,993	-
2150	Notes Payable (Note 17)	6,614	-	9,035	-
2170	Accounts Payable (Note 17)	41,843	1	18,145	-
2219	Other Accounts Payable (Note 18)	62,723	1	76,436	2
2280	Lease Liabilities (Note 4 and 14)	431	-	459	-
2320	Long-term Loans Due within One Year (Note 16)	-	-	14,609	-
2399	Other Current Liabilities	<u>257</u>	<u>-</u>	<u>317</u>	<u>-</u>
21XX	Total Current Liabilities	<u>690,319</u>	<u>14</u>	<u>972,224</u>	<u>20</u>
	Non-current Liabilities				
2540	Long-term Loans (Note 18)	1,300,000	27	1,019,075	21
2570	Deferred Income Tax Liabilities (Note 4 and 25)	14,957	-	13,967	-
2580	Lease Liabilities (Note 4 and 16)	361	-	792	-
2640	Long-term Accounts Receivable - Related Parties (Note 30)	6,515	-	6,690	-
2650	Net Defined Benefit Liabilities (Note 4 and 21)	18,264	1	17,928	-
2670	Other Non-current Liabilities	<u>150</u>	<u>-</u>	<u>162</u>	<u>-</u>
25XX	Total Non-current Liabilities	<u>1,340,247</u>	<u>28</u>	<u>1,058,614</u>	<u>21</u>
2XXX	Total Liabilities	<u>2,030,566</u>	<u>42</u>	<u>2,030,838</u>	<u>41</u>
	Interest (Note 20)				
3110	Ordinary Share Capital	<u>3,586,289</u>	<u>75</u>	<u>3,586,289</u>	<u>72</u>
	Capital Reserves				
3210	Capital Reserves - Issuance Premium	53,822	1	53,822	1
3220	Capital Reserves - Treasury Stock Trading	<u>165,463</u>	<u>4</u>	<u>165,463</u>	<u>3</u>
3200	Total Capital Reserves	<u>219,285</u>	<u>5</u>	<u>219,285</u>	<u>4</u>
	Accumulated Loss				
3320	Special Surplus Reserve	413,828	9	413,828	9
3350	Losses to Be Made up	(<u>650,279</u>)	(<u>14</u>)	(<u>529,730</u>)	(<u>11</u>)
3300	Total Accumulated Loss	(<u>236,451</u>)	(<u>5</u>)	(<u>115,902</u>)	(<u>2</u>)
3400	Other Interests	(<u>271,457</u>)	(<u>6</u>)	(<u>254,009</u>)	(<u>5</u>)
3500	Treasury Stock	(<u>513,573</u>)	(<u>11</u>)	(<u>513,573</u>)	(<u>10</u>)
3XXX	Total Interests	<u>2,784,093</u>	<u>58</u>	<u>2,922,090</u>	<u>59</u>
	Total Liabilities and Interests	<u>\$ 4,814,659</u>	<u>100</u>	<u>\$ 4,952,928</u>	<u>100</u>

The attached notes form part of the entity's financial statements.

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Code		Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4100	Operating Revenues (Note 4, 21 and 28)	\$ 888,955	100	\$ 1,698,518	100
5110	Operating Costs (Note 11 and 22)	<u>940,639</u>	<u>106</u>	<u>1,700,726</u>	<u>100</u>
5900	Operating Gross Losses	(<u>51,684</u>)	(<u>6</u>)	(<u>2,208</u>)	<u>-</u>
	Operating Expenses (Note 22)				
6100	Selling Expenses	26,647	3	35,034	2
6200	Administrative Expenses	<u>47,345</u>	<u>5</u>	<u>51,015</u>	<u>3</u>
6000	Total Operating Expenses	<u>73,992</u>	<u>8</u>	<u>86,049</u>	<u>5</u>
6900	Net Operating Losses	(<u>125,676</u>)	(<u>14</u>)	(<u>88,257</u>)	(<u>5</u>)
	Non-operating Revenues and Expenses (Note 22)				
7100	Interest Revenues	5,986	1	7,372	-
7010	Other Revenues	123,375	14	72,808	4
7635	Financial Assets (Losses) Measured at Fair Value through Profit or Loss	(47,980)	(6)	77,724	5
7590	Other Benefits and Losses	(34,347)	(4)	(12,599)	(1)
7050	Financial Costs	(23,978)	(3)	(26,023)	(1)
7070	Share of Profit and Loss of Subsidiaries Using Equity Method (Note 12)	(<u>80,469</u>)	(<u>9</u>)	(<u>119,844</u>)	(<u>7</u>)
7000	Total Non-operating Revenues and Expenses	(<u>57,413</u>)	(<u>7</u>)	(<u>562</u>)	<u>-</u>
7900	Net Pre-tax Losses	(183,089)	(21)	(88,819)	(5)
7950	Income Tax (Expenses) Benefits (Note 4 and 25)	(<u>1,223</u>)	<u>-</u>	<u>3,809</u>	<u>-</u>
8200	Net Losses for Current Year	(<u>184,312</u>)	(<u>21</u>)	(<u>85,010</u>)	(<u>5</u>)

(Continued)

LAN FA TEXTILE CO., LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Code		Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
	Other Consolidated Profits and Losses				
8310	Items that are not reclassified to profit or loss				
8311	Actuarial gains (losses) on defined benefit plans (Note 21)	\$ 292	-	\$ 2,778	-
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	46,654	5	32,081	2
8330	Share of Other Consolidated Profit and Loss of Subsidiaries Using Equity Method	79	-	(9,596)	(1)
8349	Income tax related to non-reclassified items (Note 23)	(58)	-	(556)	-
8360	Items that may be reclassified to profit or loss in the future				
8361	Exchange difference in the conversion of financial statements of foreign operating institutions	4,948	1	(21,014)	(1)
8380	Share of Other Consolidated Profit and Loss of Subsidiaries Using Equity Method	(4,610)	(1)	(2,010)	-
8399	Income tax related to non-reclassified items (Note 23)	(990)	-	4,203	-
8300	Other consolidated profit and loss of current year (Net amount after tax)	46,315	5	5,886	-
8500	Total consolidated profit and loss of current year	(\$ 137,997)	(16)	(\$ 79,124)	(5)
	Loss per share (Note 24)				
9710	Basic	(\$ 0.58)		(\$ 0.27)	

The attached notes form part of the entity's financial statements.

Chairman: YEH, CHING-TSE President: WANG, FONG-YUEH In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
January 1 to December 31, 2020 and 2019

		Other Equity Interest								
Code		Capital		Retained Earnings (Accumulated Losses)			Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury Stock	Total Interests
		Number of Shares (1,000 shares)	Common Equity			Undivided Surplus				
A1	Balance on January 1, 2019	358,629	\$ 3,586,289	\$ 219,285	\$ 413,828	(\$ 444,286)	(\$ 62,295)	(\$ 198,034)	(\$ 513,573)	\$ 3,001,214
D1	Net Losses of 2019	-	-	-	-	(85,010)	-	-	-	(85,010)
D3	Other Consolidated Profit and Loss after Tax of 2019	-	-	-	-	2,222	(18,821)	22,485	-	5,886
D5	Other Consolidated Profit and Loss of 2019	-	-	-	-	(82,788)	(18,821)	22,485	-	(79,124)
Q1	Subsidiaries deal with equity instruments measured at fair value through other consolidated profit and loss	-	-	-	-	(2,656)	-	2,656	-	-
Z1	Balance on December 31, 2019	358,629	3,586,289	219,285	413,828	(529,730)	(81,116)	(172,893)	(513,573)	2,922,090
D1	Net Losses of 2020	-	-	-	-	(184,312)	-	-	-	(184,312)
D3	Other Consolidated Profit and Loss after Tax of 2020	-	-	-	-	234	(652)	46,733	-	46,315
D5	Other Consolidated Profit and Loss of 2020	-	-	-	-	(184,078)	(652)	46,733	-	(137,997)
Q1	Deal with equity instruments measured at fair value through other consolidated profit and loss	-	-	-	-	63,529	-	(63,529)	-	-
Z1	Balance on December 31, 2020	358,629	\$ 3,586,289	\$ 219,285	\$ 413,828	(\$ 650,279)	(\$ 81,768)	(\$ 189,689)	(\$ 513,573)	\$ 2,784,093

The attached notes form part of the entity's financial statements.

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31	
		2020	2019
	Cash Flow of Operating Activities		
A10000	Net Losses before Tax	(\$ 183,089)	(\$ 88,819)
A20010	Income Expense Item		
A20100	Depreciation Expense	59,914	72,275
A20400	Measure the net loss of financial instruments at fair value through profit or loss (interests)	47,980	(77,724)
A20900	Financial Costs	23,978	26,023
A21200	Interest Revenues	(5,986)	(7,372)
A21300	Dividend Revenues	(98,315)	(60,266)
A22400	Share of Profit and Loss of Subsidiaries Using Equity Method	80,469	119,844
A22500	Dealing with losses of immovable property, plant and equipment	(1,895)	(1,895)
A24100	Unrealized loss of foreign currency	16,239	20,595
A30000	Net changes in operating assets and liabilities		
A31115	Measure the financial assets at fair value through profit or loss (interests)	(55)	818
A31130	Notes Receivable (Include Related Party)	(10,505)	80,645
A31150	Accounts Receivable (Include Related Party)	(32,288)	76,447
A31180	Other Accounts Receivable	40	116
A31200	Inventory	20,898	185,465
A31230	Prepayment	(27,950)	5,347
A31240	Other Current Capital	12	(5)
A32125	Contract Liabilities	5,327	(1,901)
A32130	Notes Payable	(2,421)	(14,297)
A32150	Account Payable	23,698	(12,303)
A32180	Other Accounts Receivable	(13,682)	(7,052)
A32230	Other Current Liabilities	(60)	(10)
A32240	Liabilities of Net Defined Benefits	117	205
A33000	Cash from Operating	(97,574)	316,136
A33500	Income Tax for Refund (Payment)	(279)	73
AAAA	Net cash inflow (outflow) from operating activities	(97,853)	316,209

Cash flow from investment activities

(Continued)

LAN FA TEXTILE CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31	
		2020	2019
B00040	Acquisition of financial assets measured at amortized cost	(\$ 78,760)	\$ -
B00010	Measure the financial assets at fair value through profit or loss	(465,258)	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	(737,938)	(442,373)
B00020	Deal with the financial assets at fair value through other consolidated profit or loss	288,810	-
B00200	Deal with financial assets measured at fair value through profit or loss	805,493	887,655
B02700	Purchase immovable property, plant and equipment (Note 25)	(962)	(4,704)
B03700	Refundable deposits added	-	-
B04100	Other accounts receivable - Related party decreased	325,653	55,128
B07500	Interest charged	7,222	7,178
B07600	Other dividends charged	97,815	60,266
BBBB	Net cash input of investment activities	<u>242,075</u>	<u>563,150</u>
	Cash flow from fund-raising activities		
C00100	Short-term Loans added	4,339,613	4,077,015
C00200	Short-term Loans decreased	(4,669,924)	(4,372,943)
C00500	Increase in short-term notes payable	5,270,000	5,080,000
C00600	Decrease in short-term notes payable	(5,220,000)	(5,340,000)
C01600	Borrow the long-term loan	1,000,000	330,000
C01700	Repay the long-term loan	(733,684)	(557,440)
C03100	Refundable deposits return	(12)	(18)
C04020	Principal repayment of lease liabilities	(459)	(452)
C05600	Interests paid	(24,017)	(26,197)
CCCC	Net cash outflow from fund-raising activities	<u>(38,483)</u>	<u>(810,035)</u>
DDDD	The impact of exchange rate changes on cash and cash equivalents	<u>4</u>	<u>(2,344)</u>
EEEE	Net increase of cash and cash equivalents	105,743	66,980
E00100	Cash and cash equivalents balance at the beginning of the year	<u>215,087</u>	<u>148,107</u>
E00200	Cash and cash equivalents balance at the end of the year	<u>\$ 320,830</u>	<u>\$ 215,087</u>

The attached notes form part of the entity's financial statements.

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

Audit Report of Accountant

LAN FA TEXTILE CO., LTD.:

Audit Opinion

The consolidated balance sheets of LAN FA TEXTILE CO., LTD. and its subsidiaries (LAN FA TEXTILE GROUP) of December 31, 2020 and 2019, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements (including the summary of major accounting policies) from January 1 to December 31, 2020 and 2019, have been checked by the accountant.

In the opinion of the accountant, the above consolidated financial statements have been prepared in all major respects in accordance with the financial report compilation standards for securities issuers and the international financial report standards, international accounting standards, interpretation and interpretation announcements approved and issued by the Financial Supervisory Commission, which are sufficient to express the consolidated financial position of LAN FA TEXTILE CO., LTD. and its subsidiaries on December 31, 2020 and 2019, and consolidated financial performance and consolidated cash flows from January 1 to December 31, 2020 and 2019.

Basis of Audit Opinion

The accountant had carried out the inspection in accordance with the rules for checking the financial statements and the generally accepted auditing standards. The accountant's responsibility under these standards will be further explained in the paragraph of responsibility for the accountant's examination of the consolidated financial statements. In accordance with the professional ethics of accountants, the personnel who are subject to the independence standards of the accounting firm have maintained their independence from LAN FA TEXTILE GROUP and performed other responsibilities of the standards. The accountant believes that sufficient and appropriate audit evidence has been obtained as the basis for expressing the audit opinion.

Key Audit Items

The key audit items means the most important items for the inspection of the consolidated financial statements of LAN FA TEXTILE Group in 2020 according to the professional judgment of the accountant. These items have been responded to in the process of examining the consolidated financial statements as a whole and forming audit opinions, and the accountant does not comment on these items separately. The key items for checking the consolidated financial statements of LAN FA TEXTILE Group in 2020 are described as follows:

Key check items: Authenticity of customers' sales income under specific credit conditions

Due to the inherent high risk of revenue recognition, the volume of sales transactions between LAN FA TEXTILE GROUP and customers under specific credit conditions is relatively low, but the transaction volume is high and there are many new sales customers. therefore, the accountant thinks the authenticity of sales income transactions between LAN FA TEXTILE Group and customers under the above specific credit conditions as a key check item.

For the accounting policy on income, please see Note 4 (11) for details.

By learning the above-mentioned sales transactions (processed silk) and other relevant internal control procedures, the accountant designs the relevant internal control check procedures in response to the risk, in order to confirm and evaluate the effectiveness of the relevant internal control operations of sales customers in marketing goods transactions under specific credit conditions. The accountant also selects appropriate samples from the sales details of the above-mentioned sales customers to examine the original orders, external shipping documents or customer signing documents and confirm the recovery of payment; and to check whether the object has significant sales returns after the balance sheet date to confirm whether there is material misrepresentation of the sales revenue of the sales customers under specific credit conditions.

Other Items

LAN FA TEXTILE CO., LTD. has prepared individual financial reports for 2020 and 2019, which have been filed with the audit report issued by the accountant for reference.

Responsibilities of Management and Governance Unit to Consolidated Financial Statements

The responsibility of management is to prepare properly expressed consolidated financial statements in accordance with the financial reporting standards of securities issuers and the international financial reporting standards, international accounting standards, interpretation and interpretation announcements approved by the Financial Supervisory Commission, and to maintain the necessary internal controls relating to the preparation of the consolidated financial statements to ensure that the consolidated financial statements do not contain material misrepresentations caused by fraud or errors.

In preparing the consolidated financial statements, the responsibility of management also includes the assessment of the ability of LAN FA TEXTILE Group to continue to operate, the disclosure of related items, and the adoption of the accounting basis for continued operation, unless the management intends to liquidate the LAN FA TEXTILE Group or cease business, or there is no practical alternative other than liquidation or closure.

The governance unit of LAN FA TEXTILE Group (including the audit committee) is responsible for supervising the financial reporting process.

Responsibility of Accountant to Check Consolidated Financial Statements

The purpose of the accountant to check the consolidated financial statements is to obtain reasonable assurance as to whether there are material misrepresentations caused by fraud or error in the consolidated financial statements as a whole, and to issue an audit report. Reasonable certainty is a high degree of certainty, but audits carried out in accordance with generally accepted audit standards do not guarantee that material misrepresentations in the consolidated financial statements will be identified. False expression may be caused by fraud or error. It is considered significant if the individual amounts or remittances misrepresented can be reasonably expected to affect the economic decisions made by the users of the consolidated financial statements.

When checking in accordance with generally accepted audit standards, the accountant shall use professional judgment and maintain professional doubts. The accountant also performs the following work:

1. Identify and evaluate the risk of material misrepresentation resulting from fraud or error in the consolidated financial statements; design and implement appropriate measures to the assessed risks; and obtain sufficient and appropriate audit evidence to serve as the basis for audit opinions. Because fraud may involve collusion, forgery, deliberate omission, misrepresentation or internal control, the risk of material misrepresentation due to fraud is higher than that caused by error.
2. Acquire the necessary understanding of the internal controls related to the audit in order to design appropriate audit procedures in the circumstances, but not for the purpose of expressing the opinion on the effectiveness of internal controls over financial reporting.
3. Assess the appropriateness of accounting policies adopted by management and the reasonableness of accounting estimates and related disclosures.
4. Based on the audit evidence obtained, draw a conclusion as to whether there is significant uncertainty about the appropriateness of the management's adoption of the accounting basis of continuing operations and whether there is significant uncertainty about the events or circumstances that may give rise to significant doubts about the ability of the LAN FA TEXTILE GROUP to continue to operate. If the accountant considers that there is material uncertainty in such events or circumstances, he shall, in the audit report, remind users of the consolidated financial statements to pay attention to the relevant disclosures of the consolidated financial statements, or amend the audit opinion if such disclosures are

inappropriate. The accountant's conclusion is based on the audit evidence obtained as of the date of the inspection report. However, future events or circumstances may cause the LAN FA TEXTILE GROUP have no ability to continue to operate.

5. Assess the overall expression, structure and content of the consolidated financial statements (including related notes), and whether there are related transactions and events expressed in the consolidated financial statements.
6. Obtain sufficient and appropriate audit evidence for the financial information of the constituent individuals within the group to express an opinion on the consolidated financial statements. The accountant is responsible for the guidance, supervision and implementation of group audit cases, and is responsible for forming group audit opinions.

The items that the accountant communicates with the governance unit include the scope and timing of the planned audit, as well as major audit findings (including significant deficiencies in internal controls identified in the audit process).

The accountant also provides the governance unit with a statement that the personnel of the firm to which the accountant belongs to the independence standard have complied with the professional ethics of accountants of the Republic of China, and communicate with the governance unit all relationships and other items (including relevant protective measures) that may be considered to affect the independence of accountants.

From the items of communication with the governance unit, the accountant decides on the key items for checking the consolidated financial statements of LAN FA TEXTILE Group in 2020. The accountant describes these items in the audit report, unless the law does not allow public disclosure of specific items, or in rare cases, the accountant decides not to communicate specific items in the audit report, because it can be reasonably expected that the negative impact of this communication is greater than the promotion of the public interest.

Deloitte & Touche

Accountant

CHEN, CHIANG-HSUN

Financial Supervisory Commission Audit No.

Accountant

CHIH, JUI-CHUAN

Financial Supervisory Commission Audit No.

Jin Guan Zheng Shen Tzu No. 1060023872

Jin Guan Zheng Shen Zi No. 1060023872

MARCH 22, 2021

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Code	Asset	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and Cash Equivalents (Note 4 and 6)	\$ 401,233	7	\$ 458,081	7
1110	Financial Assets Measured at Fair Value through Profit or Loss (Note 4 and 7)	1,205,815	20	1,337,688	22
1150	Notes Receivable - Non-related Parties (Note 4, 11 and 23)	26,714	1	40,213	1
1160	Notes Receivable - Related Parties (Note 4, 23 and 30)	174	-	870	-
1170	Accounts Receivable - Non-related Parties (Note 4, 11 and 23)	185,351	3	182,443	3
1180	Accounts Receivable - Related Parties (Note 4, 23 and 30)	677	-	789	-
1220	Income Tax Assets of Current Period (Note 4 and 25)	530	-	247	-
130X	Inventory (Note 4 and 12)	238,000	4	276,346	5
1410	Prepayment (Note 13)	69,840	1	77,888	1
1476	Other Financial Assets (Note 10)	137,719	2	111,791	2
1479	Other Current Assets	<u>2,734</u>	-	<u>1,578</u>	-
11XX	Total Current Assets	<u>2,268,787</u>	<u>38</u>	<u>2,487,934</u>	<u>41</u>
	Non-current Assets				
1517	Financial Assets Measured at Fair Value through Other Consolidated Profit or Loss (Note 4 and 8)	566,293	10	343,112	6
1535	Financial Assets Measured at Amortized Cost (Note 4 and 9)	74,951	1	-	-
1600	Immovable Property, Plant and Equipment (Note 4 and 15)	2,412,167	40	2,584,346	42
1755	Right-of-use Assets (Note 3, 4 and 16)	71,688	1	73,532	1
1760	Net Investment Property (Note 4 and 17)	537,498	9	542,589	9
1840	Deferred Income Tax Assets (Note 4 and 25)	9,379	-	9,507	-
1920	Refundable Deposits	41,188	1	40,751	1
1990	Other Non-current Assets	<u>11,075</u>	-	<u>11,718</u>	-
15XX	Total Non-current Assets	<u>3,724,239</u>	<u>62</u>	<u>3,605,555</u>	<u>59</u>
1XXX	Total Assets	<u>\$ 5,993,026</u>	<u>100</u>	<u>\$ 6,093,489</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term Loans (Note 18)	\$ 865,136	14	\$ 1,106,063	18
2110	Short-term Notes and Bills Payable (Note 19)	434,896	7	404,898	7
2120	Financial Liabilities Measured at Fair Value through Profit or Loss (Note 4 and 7)	220	-	-	-
2130	Contract Liabilities (Note 23)	44,647	1	46,834	1
2150	Notes Payable (Note 19)	6,614	-	9,035	-
2170	Accounts Payable (Note 19)	45,652	1	23,442	-
2219	Other Accounts Payable (Note 20)	149,014	3	173,161	3
2230	Income Tax Liabilities of Current Period (Note 4 and 25)	318	-	334	-
2280	Lease Liabilities (Note 4 and 16)	431	-	459	-
2320	Long-term Loans Due within One Year (Note 18)	85,523	1	14,609	-
2399	Other Current Liabilities	<u>431</u>	-	<u>488</u>	-
21XX	Total Current Liabilities	<u>1,632,882</u>	<u>27</u>	<u>1,779,323</u>	<u>29</u>
	Non-current Liabilities				
2540	Long-term Loans (Note 18)	1,300,000	22	1,109,582	18
2570	Deferred Income Tax Liabilities (Note 4 and 25)	14,957	-	13,967	-
2580	Lease Liabilities (Note 4 and 16)	361	-	792	-
2622	Long-term Accounts Receivable - Related Parties (Note 30)	87,721	2	95,023	2
2640	Net Defined Benefit Liabilities (Note 4 and 21)	6,515	-	6,690	-
2670	Other Non-current Liabilities	<u>19,430</u>	-	<u>19,560</u>	1
25XX	Total Non-current Liabilities	<u>1,428,984</u>	<u>24</u>	<u>1,245,614</u>	<u>21</u>
2XXX	Total Liabilities	<u>3,061,866</u>	<u>51</u>	<u>3,024,937</u>	<u>50</u>
	Interests Vested in the Owners of the Parent Company (Note 22)				
3110	Ordinary Share Capital	<u>3,586,289</u>	<u>60</u>	<u>3,586,289</u>	<u>59</u>
	Capital Reserves				
3210	Capital Reserves - Issuance Premium	53,822	1	53,822	1
3220	Capital Reserves - Treasury Stock Trading	<u>165,463</u>	<u>3</u>	<u>165,463</u>	<u>3</u>
3200	Total Capital Reserves	<u>219,285</u>	<u>4</u>	<u>219,285</u>	<u>4</u>
	Accumulated Loss				
3320	Special Surplus Reserve	413,828	7	413,828	7
3350	Losses to Be Made up	(650,279)	(11)	(529,730)	(9)
3300	Total Accumulated Loss	(236,451)	(4)	(115,902)	(2)
3400	Other Interests	(271,457)	(4)	(254,009)	(4)
3500	Treasury Stock	(513,573)	(9)	(513,573)	(9)
31XX	Total Interests of the Owners of the Parent Company	2,784,093	47	2,922,090	48
36XX	Non-controlling Interests	<u>147,067</u>	<u>2</u>	<u>146,462</u>	<u>2</u>
3XXX	Total Interests	<u>2,931,160</u>	<u>49</u>	<u>3,068,552</u>	<u>50</u>
	Total Liabilities and Interests	<u>\$ 5,993,026</u>	<u>100</u>	<u>\$ 6,093,489</u>	<u>100</u>

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

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Code		Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
4100	Operating Revenues (Note 4, 23 and 30)	\$ 1,783,734	100	\$ 3,122,224	100
5110	Operating Costs (Note 12 and 24)	<u>1,869,696</u>	<u>105</u>	<u>3,157,563</u>	<u>101</u>
5900	Operating Gross Losses	(<u>85,962</u>)	(<u>5</u>)	(<u>35,339</u>)	(<u>1</u>)
	Operating Expenses (Note 24)				
6100	Selling Expenses	66,594	4	81,110	2
6200	General and administrative expenses	<u>73,819</u>	<u>4</u>	<u>81,612</u>	<u>3</u>
6000	Total Operating Expenses	<u>140,413</u>	<u>8</u>	<u>162,722</u>	<u>5</u>
6900	Net Operating Losses	(<u>226,375</u>)	(<u>13</u>)	(<u>198,061</u>)	(<u>6</u>)
	Non-operating income and expenses (Note 24)				
7100	Interest income	5,302	-	5,968	-
7010	Other income	139,245	8	86,532	3
7020	Other gains and losses	11,845	1	(30,095)	(1)
7050	Financial Costs (Note 30)	(49,907)	(3)	(60,360)	(2)
7635	Financial Assets (Losses) Measured at Fair Value through Profit or Loss	(<u>62,072</u>)	(<u>3</u>)	<u>108,221</u>	<u>3</u>
7000	Total non-operating income and expenses	<u>44,413</u>	<u>3</u>	<u>110,266</u>	<u>3</u>
7900	Net Pre-tax Losses	(181,962)	(10)	(87,795)	(3)
7950	Income Tax (Expenses) Benefits (Note 4 and 25)	(<u>1,745</u>)	<u>-</u>	<u>3,333</u>	<u>-</u>
8200	Net Losses for Current Year	(<u>183,707</u>)	(<u>10</u>)	(<u>84,462</u>)	(<u>3</u>)
	Other Consolidated Profits and Losses				

(Continued)

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Code		Year ended December 31			
		2020		2019	
		Amount	%	Amount	%
8310	Other comprehensive loss that will not be reclassified to profit or loss				
8311	Actuarial gains (losses) on defined benefit plans (Note 21)	292	-	2,778	-
8316	Unrealized loss on valuation of financial assets at fair value through other comprehensive income	46,733	2	22,485	1
8349	Income tax related to non-reclassified items (Note 25)	(58)	-	(556)	-
8360	Other comprehensive loss that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations operating	(815)	-	(23,526)	(1)
8399	Income tax related to items that may be reclassified (Note 25)	163	-	4,705	-
8300	Total other comprehensive loss for the year	<u>46,315</u>	<u>2</u>	<u>5,886</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>(\$ 137,392)</u>	<u>(8)</u>	<u>(\$ 78,576)</u>	<u>(3)</u>
	Profit (loss) attributable to:				
8610	Owners of the parent	(\$ 184,312)	(10)	(\$ 85,010)	(3)
8620	Non-controlling Interests	605	-	548	-
8600		<u>(\$ 183,707)</u>	<u>(10)</u>	<u>(\$ 84,462)</u>	<u>(3)</u>
	Total consolidated profit and loss is attributable to:				
8710	Owners of the parent company	(\$ 137,997)	(8)	(\$ 79,124)	(3)
8720	Non-controlling Interests	605	-	548	-
8700		<u>(\$ 137,392)</u>	<u>(8)</u>	<u>(\$ 78,576)</u>	<u>(3)</u>
	Loss per share (Note 26)				
	From the continuing business entity				
9710	Basic	<u>(\$ 0.58)</u>		<u>(\$ 0.27)</u>	

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

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of New Taiwan dollars)

January 1 to December 31, 2020 and 2019

		Equity attributable to owners of the parent (Note 22)										
							Other Equity Interest					
		Capital		Retained Earnings (Accumulated Losses)			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Treasury Stock		Non-controlling Interests
Code		Number of Shares (1,000 shares)	Amount	Capital surplus	Special reserve	Unappropriated retained earnings (Losses to be Made up)	Financial statements translation differences of foreign operations				Total	
A1	Balance at January 1, 2019	358,629	\$3,586,289	\$ 219,285	\$ 413,828	(\$ 444,286)	(\$ 62,295)	(\$ 198,034)	(\$ 513,573)		\$3,001,214	\$ 145,914
D1	Net Losses of 2019	-	-	-	-	(85,010)	-	-	-	-	(85,010)	548
D3	Other Consolidated Profit and Loss after Tax of 2019	-	-	-	-	2,222	(18,821)	22,485	-	-	5,886	-
D5	Other Consolidated Profit and Loss of 2019	-	-	-	-	(82,788)	(18,821)	22,485	-	-	(79,124)	548
Q1	Subsidiaries deal with equity instruments measured at fair value through other consolidated profit and loss (Note 8)	-	-	-	-	(2,656)	-	2,656	-	-	-	-
Z1	Balance on December 31, 2019	358,629	3,586,289	219,285	413,828	(529,730)	(81,116)	(172,893)	(513,573)		2,922,090	146,462
D1	Net Losses of 2020	-	-	-	-	(184,312)	-	-	-	-	(184,312)	605
D3	Other Consolidated Profit and Loss after Tax of 2020	-	-	-	-	234	(652)	46,733	-	-	46,315	-
D5	Other Consolidated Profit and Loss of 2020	-	-	-	-	(184,078)	(652)	46,733	-	-	(137,997)	605
Q1	Deal with equity instruments measured at fair value through other consolidated profit and loss (Note 8)	-	-	-	-	63,529	-	(63,529)	-	-	-	-
Z1	Balance at December 31, 2020	<u>358,629</u>	<u>\$3,586,289</u>	<u>\$ 219,285</u>	<u>\$ 413,828</u>	<u>(\$ 650,279)</u>	<u>(\$ 81,768)</u>	<u>(\$ 189,689)</u>	<u>(\$ 513,573)</u>		<u>\$2,784,093</u>	<u>\$ 147,067</u>

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

Chairman: YEH, CHING-TSE

President: WANG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31	
		2020	2019
	Cash Flow from Operating Activities		
A10000	Net Losses before Tax	(\$ 181,962)	(\$ 87,795)
A20010	Income Expense Item		
A20100	Depreciation Expense	192,838	193,542
A20400	Measure the net loss of financial instruments at fair value through profit or loss (interests)	62,072	(108,221)
A20900	Financial Costs	49,907	60,360
A21200	Interest Revenues	(5,302)	(5,968)
A21300	Dividend Revenues	(113,362)	(73,272)
A22500	Dealing with losses of immovable property, plant and equipment	1,094	-
A24100	Unrealized loss of foreign currency exchange (interest)	(1,064)	10,405
A30000	Net changes in operating assets and liabilities		
A31115	Measure the financial assets at fair value through profit or loss (interests)	(474)	800
A31130	Notes Receivable	14,027	146,324
A31150	Accounts Receivable	(2,447)	73,777
A31200	Inventory	39,229	265,360
A31230	Prepayment	8,061	33,316
A31240	Other Current Capital	54	109
A32125	Contract Liabilities	(2,496)	40,325
A32130	Notes Payable	(2,421)	(14,297)
A32150	Account Payable	22,183	(14,607)
A32180	Other Accounts Receivable	(21,270)	12,724
A32230	Other Current Liabilities	(57)	32
A32240	Liabilities of Net Defined Benefits	117	205
A33000	Cash from Operating	58,727	533,119
A33500	Income Tax for Payment	(821)	(327)
AAAA	Net cash inflow from operating activities	<u>57,906</u>	<u>532,792</u>
	Cash flow from investment activities		
B00010	Measure the financial assets at fair value through profit or loss	(465,258)	-

(Continued)

LAN FA TEXTILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

Code		Year ended December 31	
		2020	2019
B00020	Deal with the financial assets at fair value through other consolidated profit or loss	\$ 288,810	\$ 1,243
B00040	Acquisition of financial assets measured at amortized cost	(78,760)	-
B00100	Acquisition of financial assets measured at fair value through profit or loss	(768,971)	(492,468)
B00200	Deal with financial assets measured at fair value through profit or loss	839,475	1,072,290
B02700	Purchase immovable property, plant and equipment (Note 27)	(1,005)	(3,364)
B03700	Refundable deposits added	(437)	-
B06500	Other financial assets added	(31,548)	(6,451)
B06800	Other non-current assets decreased	643	619
B07500	Interest charged	4,753	6,589
B07600	Other dividends charged	<u>112,862</u>	<u>73,272</u>
BBBB	Net cash input (output) of investment activities	(<u>99,436</u>)	<u>651,730</u>
	Cash flow from fund-raising activities		
C00100	Short-term Loans added	5,590,898	5,736,302
C00200	Short-term Loans decreased	(5,814,272)	(6,062,896)
C00500	Increase in short-term notes payable	6,235,000	6,360,000
C00600	Decrease in short-term notes payable		
		(6,205,000)	(6,720,000)
C01600	Borrow the long-term loan	1,000,000	330,000
C01700	Repay the long-term loan	(733,684)	(588,148)
C03000	Refundable deposits (return) charged	(133)	54
C03500	Increase in financing payable	57,437	60,337
C03600	Decrease in financing payable	(60,014)	-
C04020	Principal repayment of lease	(459)	(452)
C05600	Interests paid	(<u>53,705</u>)	(<u>71,459</u>)
CCCC	Net cash inflow (outflow) from fund-raising activities	<u>16,068</u>	(<u>956,262</u>)
DDDD	The impact of exchange rate changes on cash and cash equivalents	(<u>31,386</u>)	<u>9,245</u>
EEEE	Net increase (decrease) of cash and cash equivalents	(56,848)	237,505
E00100	Cash and cash equivalents balance at the beginning of the year	<u>458,081</u>	<u>220,576</u>
E00200	Cash and cash equivalents balance at the end of the year	<u>\$ 401,233</u>	<u>\$ 458,081</u>

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

Chairman: YEH, CHING-TSE

President: WONG, FONG-YUEH

In-charge Accountant: LEE, HSUN-YI

ITEM 2

Proposal: Ratification of the 2020 Appropriation of profit & loss.

Description: The company's net loss after tax settlement in 2020 is NTD 184,312,550, and the Appropriation of profit & loss allocation statement in 2020 is as follows:

Appropriation of profit & loss Statement in 2020

Unit: NTD

Item	Amount		Remarks
	Subtotal	Total	
Beginning undistributed surplus		(529,729,240)	If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, it shall first make up for previous annual losses, and then its balance shall be 10% of the statutory reserve, deducting the special surplus reserve, and the remaining surplus plus the accumulated undistributed surplus of previous years shall be retained at the discretion of the board of directors according to operational needs, and the proposed distribution plan shall be submitted to the shareholders meeting for distribution. The company is in a period of business growth, and the dividend policy for the next three years takes into account the company's capital expenditure and operating turnover requirements, adopts a balanced dividend policy, and the dividend is paid in principle in a parallel manner of stock and cash. The annual cash dividend shall not be less than 10% of the dividend and dividend of the shareholders in the current year, and the stock dividend shall be paid if the cash dividend is less than NT\$ 0.1 per share.
Make sure that the welfare plan is remeasured and recognized as the retained surplus.		233,747	
The disposition is invested in equity instruments measured at fair value through other comprehensive gains and losses, and the accumulated gains and losses are transferred directly to retained earnings.		63,528,631	
Adjusted undistributed surplus		(465,966,862)	
Plus: net (loss) after tax this year		(184,312,550)	the company's capital expenditure and operating turnover requirements, adopts a balanced dividend policy, and the dividend is paid in principle in a parallel manner of stock and cash. The annual cash dividend shall not be less than 10% of the dividend and dividend of the shareholders in the current year, and the stock dividend shall be paid if the cash dividend is less than NT\$ 0.1 per share.
Minus: set the statutory surplus reserve	0		
Plus: turn around special surplus reserve	0	0	
total surplus eligible for appropriation		(650,279,412)	
Assign items:			the company's capital expenditure and operating turnover requirements, adopts a balanced dividend policy, and the dividend is paid in principle in a parallel manner of stock and cash. The annual cash dividend shall not be less than 10% of the dividend and dividend of the shareholders in the current year, and the stock dividend shall be paid if the cash dividend is less than NT\$ 0.1 per share.
Shareholder dividend - cash	0		
- Stock	0	0	
The end of period undistributed surplus		(650,279,412)	

Resolution:

Discussion Item

(Proposed by the Board of Directors)

ITEM 1

Proposal: To amend some of the provisions of the company's 「Rules of Election of Directors of the Company」 and submit for resolution.

Description: To amend some of the provisions of the company's 「Rules of Election of Directors of the Company」 as follows:

Revised Provision	Current Provision	Description
Article 1 <u>Unless otherwise provided in the statute or articles of association,</u> the election of directors of the company shall be handled in accordance with this procedure.	Article 1 The company's election of directors shall be conducted in accordance with this procedure.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.
Article 2 The company's election of directors shall <u>follow the procedure of nominating candidates as provided for in Article 192(1) of the Company Act, and shall adopt a cumulative voting system,</u> in which each share shall have the same right to vote as the number of persons to be elected, and one person may be elected centrally, or several persons may be allocated. Shareholders have one vote per share. However, if any of the circumstances specified in paragraph 2 of Article 179(2) of the Company Act occurs in this company, they shall not have the right to vote.	Article 2 The company's election of directors of the company, each share shall have the same right to vote as the number of persons to be elected, and may elect one person or allocate several persons. Shareholders have one vote per share. However, the company shall not have the right to vote if any of the circumstances specified in paragraph 2 of Article 179(2) of the Company Act occurs. Those who are dissatisfied with the right will not be counted.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.
Article 3 The directors of the company shall, in accordance with the number of independent directors and non-independent directors specified in the articles of association, <u>respectively calculate the election of independent directors and non-independent directors,</u> and those who have more voting rights shall be elected	Article 3 The number of directors of the company, in accordance with the number of seats stipulated in the articles of association, shall be elected sequentially by those who have more voting rights than the representatives elected. If two or more persons have the same number of votes and exceed the prescribed	Cooperate with the relevant laws and regulations of the competent authority to amend the text.

Revised Provision	Current Provision	Description
<u>respectively</u> . If two or more persons have the same number of votes and exceed the prescribed quota, it shall be decided by drawing lots with the same number of weights, and those who are not present shall be drawn by the chairman on their behalf.	number, they shall be decided by the same number of lots, and those who are not present shall be drawn by the chairman on their behalf.	
Article 4 At the beginning of the election, the chairman shall appoint the supervision, the recording and the counting personnel to perform all relevant duties, and only the inspector shall have the status of shareholder.	Article 4 At the beginning of the election, the chairman shall appoint the personnel to carry out the supervision, counting and counting of votes.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.
Article 5 The number of voting votes prepared by the board of directors is the same as the number of directors to be elected, which may be numbered according to the number of attendance cards and the number of voting rights shall be added.	Article 5 The election votes shall be prepared and issued by the board of directors and shall be numbered according to the attendance card number and the number of voting rights shall be added.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.
Article 7 The election shall be invalid under any of the following circumstances. 1. There is no need to have votes prepared by the convener. 2. Those who put blank ballots in the voting counter. 3. Illegible or altered handwriting. 4. If the list of candidates filled in by the elector and the director is not in accordance with the check. 5. In addition to filling in the number of allocated voting rights, those who write other words	Article 7 The election shall be invalid under any of the following circumstances. 1. Those who do not use the votes specified in this method. 2. Those who put blank ballots in the voting counter. 3. A person whose handwriting is blurred and illegible. 4. If the selected name does not match the name book of shareholders 5. Write other words except the name of the selected person and the account number of the shareholder. 6. <u>If the number of selected persons exceeds the prescribed quota on the same ballot.</u>	1. Shareholders may, in accordance with Article 173 of the Company Act, under specific circumstances (if the board of directors does not give notice of the summoning), call on their own with the permission of the competent authority, and intend to cooperate with the adjustment of the first paragraph of this Article. 2. In conjunction with the Financial Management Commission's order No. 1080311451 issued on April 25, 2019, the election of directors and supervisors of listed (counter) companies shall adopt a candidate nomination system from 2021, and shareholders shall be selected from the list of candidates for directors adjust paragraphs 3, 4 and 5, and delete

Revised Provision	Current Provision	Description
	<u>7. The name of the selected person is the same as that of other shareholders, but the account number of the shareholder is not filled in for identification.</u>	paragraphs 6 and 7.
Article 9 Votes shall be issued on the spot after voting, and the result shall be announced by the chairman on the spot, including the list of directors elected and their election weights. <u>The election votes referred to in the preceding paragraph shall be sealed and signed by the examiner, properly kept and kept for at least one year. However, if a lawsuit is brought by a shareholder in accordance with Article 189 of the Company Act, it shall be preserved until the conclusion of the lawsuit.</u>	Article 9 The votes shall be issued after the votes have been cast, and the result shall be announced by the chairman on the spot.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.

Resolution:

ITEM 2

Proposal: To amend some of the provisions of the company's 「Rules of Procedure of the Shareholders Meeting」 and submit for resolution.

Description: Some of the amendments to the company's 「Rules of Procedure of the Shareholders Meeting」 are as follows:

Revised Provision	Current Provision	Description
Article 3 The items 1, 2 and 3 are omitted. <u>The election or dismissal of directors, change of articles of association, capital reduction, application for suspension of public offering, business competition permission of directors, transfer of surplus to capital increase, capital increase of public accumulation, dissolution, merger, division or matters of paragraph 1 of Article 185 of the Company Act, Article 26(1) of the Securities and Exchange Act, Article 43(6), Article 56(1) and Article 60(2) of the criteria for the offering and issuance of marketable securities by issuers. The main contents shall be enumerated and stated in the cause of the summoning, and shall not be raised by an interim motion.</u> <u>The reason for convening the shareholders meeting has stated the general re-election of directors and the date of appointment. After the completion of the re-election of the shareholders meeting, the date of appointment shall not be changed by extempore motion or other means at the same meeting.</u> Shareholders who hold more than 1% of the total number of issued shares may submit to the company a resolution of the shareholders' standing meeting, which shall be limited to one. If more than one proposal is proposed, it shall not be included in the motion. <u>However, the shareholders' proposal is a proposal to urge the company to promote the public interest or fulfill its social responsibility, and the board of directors shall still include it.</u> The following is omitted.	Article 3 The items 1, 2 and 3 are omitted. Matters relating to the election or dismissal of directors, change of articles of association, dissolution, merger, division or paragraph 1 of Article 185 of the Company ACT, Article 26(1) of the Securities and Exchange Act, Article 43(6), Article 56(1) and Article 60(2) of the criteria for the offering and issuance of marketable securities by the issuer, shall be listed in the summoning reasons and shall not be raised by temporary motion. Shareholders who hold more than 1% of the total number of issued shares shall submit a motion of the shareholders' standing meeting to the company, which shall be limited to one. If there is more than one proposal, it shall not be included in the motion. Shareholders who hold more than 1% of the total number of issued shares may submit a motion of the shareholders' standing meeting to the company in writing. However, it is limited to one item, and if there is more than one proposal, it will not be included in the bill. The following is omitted.	Cooperate with the relevant laws and regulations of the competent authority to amend the text.

Revised Provision	Current Provision	Description
Article 9 The first item is omitted When it is time for the meeting, the chairman shall immediately declare the meeting, <u>and at the same time publish relevant information such as the number of non-voting rights and the number of shares present.</u> When shareholders representing more than half of the total number of issued shares is not present, the chairman may declare an adjournment of the meeting, which shall be limited to two times and shall not exceed one hour in total. The following is omitted.	Article 9 The first item is omitted When it is time for the meeting, the chairman shall immediately declare the meeting. When shareholders representing more than half of the total number of issued shares is not present, the chairman may declare an adjournment of the meeting, which shall be limited to two times and shall not exceed one hour in total. The following is omitted.	The second item shall be amended in accordance with the revision of the relevant decrees of the competent authority.
Article 10 If the shareholders meeting is convened by the board of directors, the agenda shall be <u>determined</u> by the board of directors, <u>and the relevant motions (including Questions and Motions and amendments to the original motion) shall be decided on a case-by-case basis,</u> and the meeting shall be held in accordance with the scheduled agenda and shall not be changed except by a resolution of the shareholders meeting. The second and third items are omitted. The chairman shall give full explanation and discussion to the motion and the amendments or Questions and Motions proposed by the shareholders. When he considers that the motion and the amendments or Questions and Motions proposed by the shareholders are ready to vote, he shall declare that the discussion shall be closed, put to a vote, <u>and arrange an adequate voting time.</u>	Article 10 If the shareholders meeting is convened by the board of directors, its agenda shall be <u>set by the board of directors,</u> and the meeting shall be held in accordance with the scheduled agenda and shall not be changed except by a resolution of the shareholders meeting. The second and third items are omitted. The chairman shall give full explanation and discussion to the motion and the amendments or Questions and Motions proposed by the shareholders. When he considers that the motion and the amendments or Questions and Motions proposed by the shareholders are ready to vote, he shall declare that the discussion shall be closed, put to a vote	In line with the revision of the relevant decrees of the competent authorities, listed over-the-counter companies have fully implemented electronic voting since 2018, amending item 1 and item 4.

Revised Provision	Current Provision	Description
Article 13 The first item is omitted. When <u>the company</u> holds a shareholders meeting, <u>it shall exercise its voting rights electronically and in writing; when it exercises its voting rights</u> in writing or electronically, the method of exercise shall be specified in the notice of convening the shareholders meeting. The following is omitted.	Article 13 The first item is omitted. When holding a shareholders meeting, <u>the company may exercise its voting rights in writing or electronically (electronic voting shall be implemented in accordance with the proviso to paragraph 1 of Article 177 of the Company ACT:</u> The following is omitted.	In line with the revision of the relevant decrees of the competent authorities, listed over-the-counter companies have fully implemented electronic voting since 2018, amending item 2.
Article 14 When the shareholders meeting elects directors, it shall <u>act in accordance with the relevant rules for the election of directors laid down by the company</u>, and shall announce the election results on the spot, including the list of elected directors and their election rights, <u>and the list of unelected directors and the number of voting rights they have obtained.</u> The second item is omitted.	Article 14 When the shareholders meeting elects directors, it shall <u>follow the relevant rules for the election of directors made by the company</u>, and shall announce the election results on the spot, including the list of elected directors and their election rights. The second item is omitted.	Cooperate with the revision of the relevant decrees of the competent authority, it shall be considered to amend the first item.
Article 15 The first and second items are omitted. The minutes shall be recorded <u>on the basis of the year, month, day, place, name of the chairman, the method of resolution, the essentials of the proceedings and voting results (including statistical weights). When there is an election of directors, the number of votes obtained by each candidate shall be disclosed. During the period of existence of the company, it should be kept permanently.</u>	Article 15 The first and second items are omitted. The minutes shall be recorded <u>in accordance with the year, month, day and place of the meeting</u>, the name of the chairman, the method of resolution, the essentials of the proceedings and the results, and shall be kept permanently during the existence of the company.	In order to implement the spirit of case-by-case voting, the competent authority shall amend the third paragraph in coordination with the revision of the relevant decrees.

Resolution:

Election Item

(Proposed by the Board of Directors)

Proposal: Election of the Company's 17th directors.

Description: 1. The term of the 16th director of the company expires on June 26, 2021.

2. In this election of directors, 9 directors (including 3 independent directors) should be elected. The original director agrees that in order to cooperate with the operation of the shareholders meeting, the date of re-election of the director is June 25, 2021, and the term of office of the current director will be automatically dismissed at the same time after the re-election of the new director is completed.
3. The term of the new board director will be 3 years, started from June 25, 2021 to June 24, 2024.
4. The candidates must be nominated through a nomination process. The directors including 3 independent directors will be selected in this shareholders' meeting. Total of 9 candidates for directors (including 3 independent directors) were examined and approved by the Board of Directors of the company on May 03, 2021. The list is as follows:

Type	Candidate	Educational	Experience	Current occupation	Shareholding
Director	Zexin Investment Co., Ltd. Representative: YEH, CHING-TSE	Tainan Nan Ying Senior Commercial & Industrial Vocational School	(1)Director of the National Federation of Industry Executive, (2)Director of the Taiwan Man-made Fiber Industries Association	Chairman of LAN FA TEXTILE CO., LTD.	34,998,156
Director	YEH, CHUAN-CHENG	Department of Medicine, Taipei Medical University	President of YEH, CHUAN-CHENG Obstetrics and Gynecology	Director of LAN FA TEXTILE CO., LTD.	4,331,323
Director	YEH, YU-LUN	Master in Finance, LA SIERRA University, USA	Director of LAN FA TEXTILE CO., LTD.	Deputy General Manager of LAN FA TEXTILE CO., LTD.	2,946,034
Director	ANTHONY POLIANG YEH	EMBA, Fu Jen Catholic University	Director of LAN FA TEXTILE CO., LTD.	General Manager of Evertex Fabrinology Limited.	2,391,689
Director	YEH, KOI-HUI	Master in Business Administration, SHENANDOAH University, USA	Director of Evertex Fabrinology Ltd.	Director of LAN FA TEXTILE CO., LTD.	4,002,087

Type	Candidate	Educational	Experience	Current occupation	Shareholding
Director	WANG FONG-YUEH	Department of International Trade, Fu Jen Catholic University	Supervisor of the Taiwan Man-made Fiber Industries Association	General Manager of LAN FA TEXTILE CO., LTD.	3,451,851
Independent Director	CHANG CHING-TSUNG	Department of Textile Engineering, Feng Chia University	Manager of Business Department of Hualong Co., Ltd.	Convener of the Remuneration Committee, Independent Director of LAN FA TEXTILE CO., LTD.	0
Independent Director	LIU, CHIU-HU	Department of Economics, National Chung Hsing University	General Manager of Hsin Sin Textiles Co. Ltd.	Consultant of Hsin Sin Textiles Co. Ltd. Independent Director of LAN FA TEXTILE CO., LTD.	0
Independent Director	WANG, TSANG-EN	Department of Medicine, Kaohsiung Medical University	Doctor of Society of Internal Medicine, Department of Gastroenterology and Endoscopic Medicine of MacKay Memorial Hospital	Senior Attending Physician and Director of Nutrition Center of MacKay Memorial Hospital	1,512,167

Election Results:

Other Discussions Item (Proposed by the Board of Directors)

Proposal: Removal of the non-competing duty for directors

Description: As provisioned in Article 209 of the Company Act, "A director who does anything for himself or on behalf of another person that is within the scope of the company's business shall explain to the meeting of shareholders the essential contents of such an act and secure its approval." If the new director after this re-election invests or operates other companies similar to or similar to the company and acts as a director, without prejudice to the interests of the company, in accordance with the provisions of Article 209 of the Company Act, request the shareholders' standing meeting to lift its prohibited restrictions.

Resolution:

Extemporaneous Motion

Adjournment

Appendix

Articles of Incorporation of LAN FA TEXTILE CO., LTD.

Chapter I General Provisions

Article 1: The Corporation shall be incorporated, as a company limited by shares, under the Company Act of the Republic of China, and its name shall be 聯發紡織纖維股份有限公司 in the Chinese language, and LAN FA Textile Fiber Co., Ltd in the English language.

Article 2: The businesses of the company are as follows:

1. Knitting, manufacturing and trading of all kinds of cotton, linen, wool, synthetic and chemical fiber fabrics.
2. All kinds of knitted fabrics, woven fabrics, dyeing and finishing, dyeing, spinning and yarn trading.
3. Manufacturing, processing and trading of all kinds of synthetic fiber raw materials, synthetic fibers and their processed products and chemical fiber yarns.
4. The import and export business of the above-mentioned related products and the entrusted processing and manufacturing from home and abroad.
5. Housing and Building Development and Rental.
6. Industrial Factory Development and Rental.
7. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The company has its head office in Taipei and, if necessary, may set up branches at home and abroad with the resolution of the board of directors and the approval of the competent authority.

Article 4: The company may guarantee that the voting shares held by the company directly and indirectly exceed 50% of the company's external guarantee that the company shall reinvest in other undertakings, and the amount of the reinvestment shall exceed 40% of the paid-in capital of the company.

Chapter II Share

Article 5: The total capital of the company is set at NT\$ 4.7 billion dollars, which is divided into 470 million shares, and each share is NT\$ 10 dollars. The unissued part shall be issued by the board of directors according to the actual need.

Article 6: Delete.

Article 7: The shares of the company shall be signed and sealed by more than three directors and issued with visas in accordance with the law. The shares issued by the company may be exempted from printing shares and shall be registered in the securities centralized custody institution.

Article 8: The company shall set up the register of shareholders to keep in the company, and the share affairs shall be handled in accordance with the 「Guidelines for the Handling of Share Affairs of the company with Public Offering」 issued by the competent authority.

Article 9: Shareholders shall send their seal samples to the company for reference, so that shareholders can rely on the seal when they receive dividends and exchange shares and contact the company in writing. If there is any loss of the seal, they should report the loss to the company in writing, and guarantee to replace the seal with the company after making a self-report and annulment.

Article 10: If the shares are lost or damaged, the shareholders shall explain the reasons in writing to the company and publish a notice in the daily newspaper of the place where the company is located. If there is no disagreement raised by a third party one month from the date of the announcement, a guarantee shall be issued, the new shares may be reissued only after examination and verification by the company.

Article 11: The transfer of shares shall be suspended within 60 days before each shareholders meeting, within 30 days before the interim shareholders meeting or within 5 days before the basis on which the company decides to distribute dividends and bonuses or other benefits.

Chapter III Shareholders Meeting

Article 12: There are two kinds of shareholders meeting: regular meeting and interim meeting. The regular meeting shall be convened once a year and shall be convened by the board of directors within six months after the end of each fiscal year. The interim meeting shall be held in accordance with the law when necessary.

Article 13: If a shareholder is unable to attend the shareholders meeting for some reason, he may issue a power of attorney to entrust an agent to attend the meeting in accordance with Article 177 of the Company Act. Except in accordance with Article 177 of the Company Act, the measures for shareholders' entrustment and agency attendance shall be handled in accordance with the 「Rules on the Use of Power of Attorney of Public Offering company Attending Shareholders Meeting」 issued by the competent authority.

Article 14: Each shareholder of the company shall have one vote per share, but the shares of the company shall not have the right to vote if the circumstances specified in paragraph 2 of Article 179 of the Company Act occur. When the company holds a shareholders meeting, it shall exercise its voting rights in writing or electronically, and electronically "make the voting shareholders be deemed to be present in person, and its related matters shall be handled in accordance with the law". Less than one vote will not be counted.

Article 15: Except as otherwise provided in the relevant laws, the resolution of the shareholders meeting shall be present on behalf of more than half of the total number of issued shares with the consent of more than half of the voting rights of the shareholders present. However, under the following circumstances, 2/3 of the total number of issued shares shall be present with the consent of more than half of the voting rights of the shareholders present.

1. Purchase or merge other domestic and foreign enterprises.
2. Dissolve or liquidate or divide.

The decisions of the shareholders meeting shall be made into minutes and shall be handled in accordance with Article 183 of the Company Act.

Chapter IV Director

Article 16: The company shall have seven to eleven directors, all of whom shall be elected by the shareholders meeting for a term of three years, and shall be eligible for re-election.

Among the number of directors referred to in the preceding paragraph, the number of independent directors shall be not less than three, and the candidate nomination system shall be adopted, and the shareholders meeting shall select and appoint them from the list of candidates for independent directors. The nomination and election of independent directors shall be handled in accordance with the provisions of the Company Act and the securities authority.

The directors adopt the candidate nomination system, and its implementation shall be handled in accordance with the provisions of the Company ACT, Securities and Exchange Act and other relevant laws and decrees.

The audit committee shall be established in accordance with Article 14(4) of the Securities and Exchange Act, which shall be composed of all independent directors.

The exercise of the functions and powers of the audit committee and its members and related matters shall be handled in accordance with the provisions of the relevant decrees of the Securities and Exchange Law.

Article 17: The directors shall organize the board of directors, and more than 2/3 of the directors present and more than half of the directors present agree to elect a chairman from among themselves to represent the company. When the vacancy of directors reaches 1/3 or all independent directors are dismissed, the board of directors shall convene a by-election of an interim shareholders meeting within 60 days, and its term of office shall be limited to the period of replenishment of the original term of office.

Article 18: The business policy and other important matters of the company shall be decided by the board of directors, and the board of directors shall convene and serve as chairman except for the first session of the board of directors in accordance with the provisions of Article 203 of the Company Act. When the chairman asks for leave or is unable to perform his

duties for some reason, his agent shall be handled in accordance with Article 208 of the Company Act, and the agency of directors shall be handled in accordance with Article 205 of the Company Act.

Article 19: (Delete)

Article 20: The remuneration and travel expenses of all directors, regardless of profits or losses, are authorized to be paid by the board of directors at a general level.

Chapter V Manager

Article 21: The board of directors of the company may set up the salary and remuneration committee or other functional committees due to the needs of business operation.

Chapter VI Final Accounting

Article 22: In the fiscal year, the company shall complete the following lists to be compiled by the board of directors and submit them to the shareholders' regular meeting for recognition in accordance with legal procedures.

1. Business report.
2. Financial statement.
3. The surplus earning distribution or loss off-setting proposals.

The above list shall be compiled in accordance with the rules and regulations prescribed by the central competent authority.

Article 23: the Company allocates the profit of the current year, if any, no less than 1.5% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 2.5% of the aforesaid profit as Directors' compensation. The

distribution of employee remuneration and directors' remuneration shall be reported to the shareholders meeting. However, when the company still has accumulated losses, it shall retain the compensation amount in advance, and then allocate the employee remuneration and director remuneration in accordance with the proportion referred to in the preceding paragraph.

Article 24: If there is a surplus in the company's annual final accounts, in addition to paying taxes in accordance with the law, it shall first make up for the losses of previous years, and then take its balance as the statutory reserve and deduct the special surplus reserve, the remaining surplus shall be added to the accumulated undistributed surplus of previous years as distributable surplus, which shall be retained by the board of directors according to operational needs, if the net profit after tax for the current period is positive. Shareholders' dividends and bonuses shall be distributed at a rate of not less than 10% of the surplus available for distribution in the current period, and the proposed distribution shall be distributed by resolution of the shareholders meeting. The company is in a period of business growth, and the dividend policy for the next three years is to take into account the company's capital expenditure and operating turnover requirements, adopt a balanced dividend policy, and pay dividends in principle in a parallel manner of stock and cash, the annual cash dividend shall not be less than 10% of the dividend and dividend of the shareholders in the current year, and if the cash dividend is less than NT\$ 0.1 per share, it shall be paid by stock dividend.

Chapter VII Supplementary Provisions

Article 25: Matters not stipulated in these articles of association shall be handled in accordance with the provisions of the Company ACT and other decrees.

Article 26: The articles of association was made on November 15, 1972, the first amendment was made on April 20, 1973, the second amendment was made on August 5, 1974, and the third

amendment was made on September 13, 1975, the fourth amendment was made on March 17, 1976, the fifth amendment was made on April 8, 1975, the sixth amendment was made on April 20, 1982, the seventh amendment was made on July 28, 1984, the eighth amendment was on September 8, 1984, the ninth amendment was on December 3, 1984, the tenth amendment was on June 26, 1985, the eleventh amendment was made on September 2, 1985, the twelfth amendment was made on September 30, 1986, the thirteenth amendment was made on May 4, 1987, the fourteenth amendment was made on November 5, 1988, the fifteenth amendment was made on November 25, 1989, the sixteenth on October 2, 1990, the seventeenth amendment was on May 28, 1991, the eighteenth amendment was on October 18, 1991, the nineteenth amendment was made on May 29, 1992, the twentieth amendment was made on December 5, 1992, the twenty-first amendment was made on June 4, 1993, the twenty-second amendment was made on March 22, 1994, the twenty-third amendment was made on April 11, 1995, the twenty-fourth amendment was made on September 10, 1996, and the twenty-fifth amendment was made on April 28, 1998, the twenty-sixth amendment was made on May 27, 1999, the twenty-seventh amendment was made on May 22, 2000, the twenty-eighth amendment was made on June 12, 2002, the twenty-ninth amendment was made on June 11, 2004, the thirtieth amendment was on June 10, 2005, the thirty-first revision on June 9, 2006, and the thirty-second amendment was on June 15, 2007, the thirty-third amendment was made on June 13, 2008, the thirty-fourth amendment was made on June 26, 2009, the thirty-fifth amendment was made on June 25, 2010, the thirty-sixth amendment was made on June 22, 2012, the thirty-seventh amendment was on June 24, 2013, the thirty-eighth amendment was on June 26, 2014, the thirty-ninth amendment was on June 24, 2015, and the forty amendment was on June 27, 2017.

LAN FA TEXTILE CO., LTD.

Rules of Procedure of Shareholders' Meeting

Made on September 6, 1991

Revised on June 12, 2002

Revised on June 9, 2006

Revised on June 22, 2012

Revised on June 26, 2015

Revised on June 27, 2018

Article 1: To establish a strong governance system and sound supervisory capabilities for the Company's shareholders' meetings, and to strengthen management capabilities, these Rules are adopted pursuant to the Corporate Governance Best Practice Principles for Taiwan Stock Exchange Corp ("TWSE")/Taipei Exchange ("TPEX") Listed Companies.

Article 2: The rules of procedures for the Company's shareholders' meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3: Unless otherwise provided by law or regulation, the Company's Shareholders' Meetings shall be convened by the Board of Directors. To convene a shareholders' meeting, the Company shall prepare a meeting handbook. The Company shall prepare electronic versions of a shareholders' meeting notice and proxy forms, and causes of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the MOPS no later than 30 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. The Company shall prepare electronic versions of a shareholders' meeting handbook and supplemental meeting materials and upload them to the MOPS no later than 21 days prior to the scheduled Annual Shareholders' Meeting date or no later than 15 days prior to the scheduled Special Shareholders' Meeting date. In addition, the Company shall also have prepared a shareholders' meeting handbook and supplemental meeting materials and made them available for review by shareholders at any time no later than 15 days prior to the scheduled Shareholders' Meeting date. The Meeting Agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent engaged by the Company as well as being distributed on-site at the meeting place. The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the Articles of Incorporation, dissolution, merger, division or paragraph 1 of Article 185 the Company ACT, Article 26 (1) and Article 43(6) of the Securities and Exchange Law, Article 56(1) and Article 60(2) of the Guidelines for the Offering and Issuance of Marketable Securities by the issuer shall be listed in the cause of summoning and shall not be raised by temporary motion. Shareholders who hold more than 1% of the total number of issued shares may submit a motion of the shareholders' interim meeting to the company in writing.

However, it is limited to one item, and if there is more than one proposal, it will not be included in the bill. In addition, when the circumstances of any subparagraph of paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the Agenda. Prior to the book closure date before an annual shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, the method of receiving such proposals (whether written or in electronic form), and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the Annual Shareholders' Meeting and take part in discussion of the proposal. Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the Shareholders' Meeting the Board of Directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

Article 4: For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the power authorized to the proxy. A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company no later than 5 days prior to the Shareholders' Meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to revoke the previous proxy appointment. After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by way of electronic transmission, a written notice of proxy rescission shall be submitted to the Company no later than 2 days prior to the meeting date. If the rescission notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

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

Article 6: The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished. Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company shall not impose arbitrary requirements on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Solicitors soliciting proxy forms shall also bring identification documents for verification. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7: If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. When the Chairman is on leave or for any reason unable to exercise the powers of the Chairman, the Vice Chairman shall act in place of the Chairman; if there is no Vice Chairman or the Vice Chairman also is on leave or for any reason unable to exercise the powers of the Vice Chairman, the Chairman shall appoint one of the Managing Director to act as chair, or, if there are no Managing Directors, one of the Directors shall be appointed to act as chair. Where the Chairman does not make such a designation, the Managing Directors or the Directors shall select from among themselves one person to serve as chair. When a Managing Director or a Director serves as chair, as referred to in the preceding paragraph, the Managing Director or Director shall be one who has held that position for 6 months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair

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

Article 9: Quorum at shareholders' meetings shall be calculated based on numbers of shares. The quorum shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised in writing or by way of electronic transmission. The Chair 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 Chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the Chair shall declare the meeting adjourned. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to paragraph 1 of Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within 1 month. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the Chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article 10: If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The relevant proposals (including extraordinary motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting. The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party having the convening right that is not the Board of Directors. The Chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the Chair declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by a majority of the votes represented by the attending shareholders, and then continue the meeting. The Chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the Chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chair may announce the discussion closed and shall also arrange ample time for a vote.

Article 11: Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the Chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. Except with the consent of the Chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chair

may terminate the speech. When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chair and the shareholder that has the floor; the Chair shall stop any violation. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal. After an attending shareholder has spoken, the Chair may respond in person or direct relevant personnel to respond.

Article 12: Voting at a shareholders' meeting shall be calculated based on the number of shares. With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares. When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder. In case a director of the Company has created a pledge on the Company's shares more than half of the Company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised. The number of shares for which voting rights may not be exercised under the preceding two paragraphs shall not be calculated as part of the voting rights represented by attending shareholders. With the exception of a trust enterprise or a stock agency approved by the competent authority for securities, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of voting shares, otherwise, the portion of excessive voting rights shall not be counted.

Article 13: A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under paragraph 2 of Article 179 of the Company Act. When the Company convenes a shareholders' meeting, shareholders shall exercise their voting rights by electronic means and may exercise their voting rights in writing. (the company that shall implement electronic voting in accordance with the proviso to paragraph 1 of Article 177(1) of the Company Act: when the company holds a shareholders' meeting, it shall exercise its voting rights in electronic means and may exercise its voting rights in writing or electronic means); When voting rights are exercised in writing or by way of electronic transmission, the method for exercising the voting rights shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights in writing or by way of electronic transmission will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting. A shareholder intending to exercise voting rights in writing or by way of electronic transmission under the preceding paragraph shall deliver a written declaration of intent to the Company no later than 2 days prior to the scheduled shareholders' meeting date. When duplicate declarations of intent are delivered, the one received earliest by the Company shall prevail, except when a declaration is made to revoke the earlier declaration

of intention. After a shareholder has exercised voting rights in writing or by way of electronic transmission, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to rescind the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, no later than 2 days prior to the scheduled shareholders' meeting date. If the notice of rescission is submitted after that time, the voting rights already exercised in writing or by way of electronic transmission shall prevail. When a shareholder has exercised voting rights both in writing or by way of electronic transmission and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the adoption of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the Chair or a person designated by the Chair shall announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS. When there is an amendment or an alternative to a proposal, the Chair 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. In addition to the proposals on the meeting agenda, when a shareholder wishes to propose an extraordinary motion, the shareholder's voting rights shall represent at least 1% or more of the Company's total issued shares. Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 14: The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected. The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 15: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the Chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form. The meeting minutes

shall accurately record the year, month, day, and place of the meeting, the Chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results (including the weight of the votes), and the number of weighted votes each candidate received in case of a Directors' elections, and shall be retained for the duration of the existence of the Company.

Article 16: On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders' meeting. If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under TWSE regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 17: Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands. The Chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor." At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the Chair may prevent the shareholder from so doing. When a shareholder violates the rules of procedure and defies the Chair's correction, obstructing the proceedings and refusing to heed calls to stop, the Chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 18: When a meeting is in progress, the Chair may announce a break based on time considerations. If a force majeure event occurs, the Chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue. A resolution may be adopted at a shareholders' meeting to postpone or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

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

LAN FA TEXTILE CO., LTD.

Rules of Election of Directors

Made on June 27, 2018

Article 1: The election of directors of the company shall be conducted in accordance with this Rules.

Article 2: In the election of directors of the company, each share shall have the same right to vote as the number of persons to be elected, and one person shall be elected, or several persons shall be allocated. Shareholders have one vote per share. However, the company does not have the right to vote under the circumstances stipulated in paragraph 2 of Article 179 of the Company ACT. Those who are dissatisfied with the right will not be counted.

Article 3: The number of directors of the company, in accordance with the number of seats stipulated in the articles of association, shall be elected sequentially by those who have more voting rights than the representatives elected. If two or more persons have the same number of votes and exceed the prescribed number, they shall be decided by the lots, and those who are not present shall be drawn by the chairman on their behalf.

Article 4: At the beginning of the election, the chairman shall appoint the personnel to supervise, count and record the votes.

Article 5: The election votes shall be made and issued by the board of directors and shall be numbered according to the attendance card number and the number of voting rights shall be filled.

Article 6: The elector shall write down the account name and shareholder account number of the person elected in the “Person Elected” box.

Article 7: The election shall be invalid under any of the following circumstances.

1. The voting specified in this Rules are not used.
2. Put the blank ballot paper into the ballot box.
3. The handwriting is blurred and illegible.
4. The selected name does not match the register of shareholders.
5. In addition to filling in the name of the selected person and the account number of the shareholder, write other words.
6. If the number of selected persons exceeds the prescribed quota on the same ballot.
7. The name of the selected person is the same as that of other shareholders, but the shareholder account number is not filled in for identification.

Article 8: The ballot box is prepared by the board of directors and opened in public by the examiner before the vote.

Article 9: The ballot will be issued after the vote has been cast, and the result of the vote shall be announced by the chairman on the meeting.

Article 10: The elected director shall be issued with a notice of election by the board of directors.

Article 11: Matters not specified in this method shall be handled in accordance with the provisions of the Company ACT, relevant decrees and the articles of Incorporation of the company.

Article 12: The Rules, and any amendments hereto, shall be implemented after approval by the shareholders meeting.

LAN FA TEXTILE CO., LTD.

Shareholdings of the Company's Directors

1. According to the 「Rules and review procedures for Director and Supervisor Share Ownership Ratio in Public companies」, the legal number of shares to be held by the current directors of the company is as follows:

(1) As of April 27, 2021 (date of cessation of ownership transfer), the number of common shares issued by the company is 358,628,907 shares, and all directors shall hold 5% of the legal percentage of shares, and all directors shall hold 17,931,445 shares.

(2) The company elects three independent directors at the same time, and the number of shares to be held by all the directors other than the independent directors according to the preceding paragraph is 80%, so the legal number of shares to be held by all the directors of the company is 14,345,156 shares.

2. As of April 27, 2021 (date of cessation of ownership transfer), the shareholdings of the directors in the register of shareholder are as follows:

Title	Name	Representative	The number of shares recorded in the register of shareholder on the date of cessation of transfer of ownership	
			Number of Share	Ratio
Chairman	Zexin Investment Co., Ltd.	YEH, CHING-TSE	34,998,156	9.76%
Director	YEH, CHUAN-CHENG		4,331,323	1.21%
Director	YEH, YU-LUN		2,946,034	0.82%
Director	YEH, PO-LIANG		2,391,689	0.67%
Director	YEH, KUO-HUI		4,002,087	1.12%
Director	WANG,FONG-YUEH		3,451,851	0.96%
Independent Director	CHANG CHING-TSUNG		0	-
Independent Director	LIU, CHIU-HU		0	-
Independent Director	WANG, TSANG-EN		1,512,167	0.42%
Number of shares held by all directors (Note)			52,121,140	14.54%

Note: Independent directors are not counted as directors' shareholdings.