Stock Code: 1470

Evertex Fabrinology Limited

Handbook for the 2022 Annual Meeting of Shareholders

MEETING TIME: June 30, 2022

PLACE: 9 Rong'an Rd., Lu-zhu Dist. Taoyuan City

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Translation

This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.

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ANNUAL SHAREHOLDERS' MEETING PROCEDURE

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentations

IV. Acknowledgement Items

V. Proposals and Discussion

VI. Questions and Motions

VII. Adjournment

Evertex Fabrinology Limited
Year 2022

Agenda of Annual Meeting of Shareholders

Convening Methods: Physical shareholders' meeting

Time: 9:30 a.m. on Thursday, June 30, 2022

Place: 9 Rong'an Rd., Luzhu Dist. Taoyuan City

Management Presentations

1. 2021 Business Report
2. Audit Committees' Report on 2021 Financial Statements
3. Lending of capital to others and endorsements and guarantees of the Company in 2021
4. Appropriation of 2021 employees' and directors' compensation
5. Distribution of 2021 profits
6. Amendment to the Rule and Procedure for Board of Directors' Meetings

Acknowledgement Item

1. Adoption of the 2021 Business Report and Financial Statements

Proposals and Discussion

1. Amendment to the Company's Corporate Charter (Articles of Incorporation)
2. Amendment to the Rules of Procedure for Shareholders Meetings
3. Amendment to the Operational Procedures for Acquisition and Disposal of Assets

Questions and Motions

Adjournment

Management Presentations
(Reports on Company Affairs)

Report No. 1
2021 Business Reports
Explanation:
The 2021 Business Report is attached as p.11, Appendix 2.

Report No. 2
Audit Committees' Report on the 2021 Financial Statements.
Explanation:
The 2021 Audit Committees' Report is attached as p.13, Appendix 3.

Report No. 3
Lending of capital to others and endorsements and guarantees of the Company in 2021.
Explanation:

The board decided to endorse for subsidiary「統發綠能股份有限公司」for

NT$50,000,000 in 2018. The balance is still the same by end of 2021.There is not any lending of capital issue, endorsements or guarantee in 2021.

Report No. 4
Appropriation of 2021 employees' and directors' compensation.
Explanation:
(1) The appropriation of 2021 employee' and directors' compensation had been approved by the Board of Directors.
(2) The net income before tax and appropriation of employees' and directors' compensation of 2021 of the company is NT$82,445,313. According to the resolution of the Boards of Directors, both the appropriated amounts of the employee' and directors' compensation for 2021 amounted to NT$2,473,359 and is in accordance with the Articles of the Company.

Report No. 5
Distribution of 2021 profits
Explanation:
The Board has adopted a Proposal for Distribution of 2021 Profits in accordance with the Company Act and Articles of Incorporation. Please refer to the 2021 PROFIT DISTRIBUTION TABLE below.

2021 net profit after tax is NT$65,200,877 . After setting aside the pension loss of NT$4,925, gain on sale of marketable securities measured in other comprehensive income NT$145,618, legal reserve of NT$ 6,534,157, then adding beginning retained earnings of NT$ 16,350,544 and special reserve NT$10,490,150, the unappropriated retained earnings are NT$85,648,107 and the proposed dividend to shareholders is NT$68,613,600.
Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.

Evertex Fabrinology Limited

PROFIT DISTRIBUTION TABLE
Year 2021

Unit: NT$

Items	Total
Beginning retained earnings	16,350,544
Add: net profit after tax	65,200,877
Less: Pension loss Add: Gain on sale of marketable securities measured in other comprehensive income	4,925 145,618
Less: 10% legal reserve	(6,534,157)
Add: Special reserve	10,490,150
Distributable net profit	85,648,107
Distributable item:	
Dividend to shareholders－1ed half year	0
－2st half year	(68,613,600)

Items	Total
Unappropriated retained earnings	17,034,507
Notes: Employee bonus sharing 2,473,359 Compensation of directors and supervisors 2,473,359	

Report No. 6

Amendment to the Rule and Procedure for Board of Directors' Meetings

Explanation:

In order to conform to the needs of commercial practice and amendments to related commercial laws, the company hereby proposes to amend the Rule and Procedure for Board of Directors' Meetings.

Acknowledgement Item

Proposal: **Proposed by the Board**

Adoption of the 2021 Business Report and Financial Statements

Explanation:

(1) 2021 Company's Financial Statements, including the balance sheet, income statement, statement of changes in shareholders' equity, and statement of cash flows, were audited by independent auditors, Keng - Shi Chang and Chung - Chen Chen of Deloitte & Touch. Also Business Report and Financial Statements have been approved by the Board and examined by the Audit Committees of Evertex Fabrinology Limited.

(2) The 2021 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached in p.14-19, Appendix4.

Resolution:

Proposals and Discussion

1. Proposed by the Board

Proposal:

Amendment to the Company Corporate Charter (Articles of Incorporation). Please proceed to discuss.

Explanation:

In order to conform to the needs of commercial practice and amendments to related commercial laws, the company hereby proposes to amend the Corporate Charter.

Resolution:

2. Proposed by the Board

Proposal:

Amendment to the Rules of Procedure for Shareholders Meetings. Please proceed to discuss.

Explanation:

In order to conform to the needs of commercial practice and amendments to related commercial laws, the company hereby proposes to amend the Rules of Procedure for Shareholders Meetings.

Resolution:

3. Proposed by the Board

Proposal:

Amendment to the Operational Procedures for Acquisition and Disposal of Assets. Please proceed to discuss.

Explanation:

In order to conform to the needs of commercial practice and amendments to related commercial laws, the company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets.

Resolution:

Questions and Motions

Adjournment

Appendix 1

Shareholders' proposals for the 2021 Meeting of the Shareholders

Details of accepting shareholder proposals for the 2021 Annual General Meeting of the Shareholders:

1. According to Article 172-1 of the Company Act, a shareholder who holds more than 1% of the total issued and outstanding shares may submit one proposal in writing to the Company to be discussed at the shareholders' meeting; the proposal may only address one matter, and may not contain more than 300 Chinese characters.
2. Shareholder proposals must be submitted during the period from April 25, 2022 to May 4, 2022. As required by law, the Company has posted information regarding shareholder proposals on MOPS.
3. The Company has not received any written submission of shareholder proposals during the period of the submitted Shareholder proposals.

Appendix 2

2020 Business Reports

A. Revenue:

The revenue of the company's commission dye was NT$322,894,779, accounted for 36% of the company's revenue. The revenue of the fabric sales was NT$559,820,618, accounted for 63% of the company's revenue. Electricity sales revenue was NT$12,073,473, accounted for 1% of the company's revenue. The total revenue for the year of 20201 was NT$894,788,870. The increase of NT$264,032,061 and 41% compares to the year of 2020.

Unit: $NTD thousand

	2021	%	2020	%
Commission Dye	322,894	36%	279,162	44%
Fabric Sales	559,821	63%	339,905	54%
Electricity Sales	12,074	1%	11,690	2%
Total	894,789	100%	630,757	100%

B. Budget: Not Applicable in 2021

C. Financial revenue and expenditure and profitability analysis:

Unit: NT$ thousand

Items		2021	2020
Financial Results	Operating Revenue	894,789	630,757
	Operating profit	191,121	113,671

Items		2021	2020
Profitability Analysis	Operating Income	79,605	19,006
	Net Income (After Tax)	65,201	35,414
	Return on Assets (%)	5.40	3.05
	Return on shareholders' equity (%)	6.61	3.63
	Operating income to common stock ratio (%)	9.28	2.22
	Net income before Tax to common stock ratio (%)	9.18	4.76
	Net income to operating revenues ratio (%)	7.29	5.61
	Basic Earnings per share (in dollars)	0.76	0.41

D. Research and development :

The company's research and development include knitting, dyeing, technical finishing and coating, etc. In addition to enhance quality stability but also expand the scope of application. Evertex's functional fabrics are well designed for outdoor sports and can meet the diverse needs of customers in wearing comfort and function.

E. Future business plan:

(1) Management and sales policy:

1. Continuously update production equipment and streamline the production process to maintain high production quality.
2. Continue to empower the R&D team and develop new material product scope.
3. Deepen collaboration with international brands to expand market share.
4. Continue to update the production facility in Taoyuan Mill and strengthen E.S.G. to the community.
5. Keep hiring talented personnel and training as next generation supervisors.

(2) Production Plan:

1. Continue establishing production parameters database to ensure the consistency of product quality.
2. Analyze and track root causes of abnormal products via project management.
3. Enhance the production turnover rate to shorten delivery lead time.
4. Holding regular workshop with dye auxiliaries and equipment suppliers to overcome production bottlenecks and reduce defective rates.
5. Expansion on site knitting capacity.

Appendix 3

Audit Committees' Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for distribution of profits. The 2021 Financial Statements (including Consolidated Financial Statements) of the Company have been audited and certified by independent auditors, Keng - Shi Chang and Chung - Chen Chen, of the Deloitte & Touche firm. The Business Report, Financial Statements, and profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committees of Evertex Fabrinology Limited. According to Article 219 of the Company Law, we hereby submit this report.

Evertex Fabrinology Limited

Audit Committees

Fu-Nan Chou

Bin-Huang Lin

Wu-Zhong Liao

March 23, 2022

Appendix 4

2021 Financial Statements

Unit: NT$ thousand

Accounting Title	2021/12/31	2020/12/31
Balance Sheet		
Assets		
Current assets		
Cash and cash equivalents	138,983	101,137
Current financial assets at fair value through profit or loss	118,235	55,360
Current financial assets at fair value through other comprehensive income	9,985	23,659
Current available-for-sale financial assets	0	0
Current financial assets at amortized cost	91,381	207,898
Notes receivable, net	41,284	40,495
Accounts receivable, net	87,373	85,130
Current inventories	259,064	161,774
Other current assets	53,464	19,958
Other current financial assets	0	0
Other current assets, others	53,464	19,958
Total current assets	799,769	695,411
Non-current assets		
Non-current financial assets at fair value through other comprehensive income	3,058	2,887
Non-current financial assets at cost	0	0
Property, plant and equipment	421,894	453,314
Right-of-use assets	4,236	8,124
Intangible assets	308	442
Deferred tax assets	2,111	2,082
Other non-current assets	23,505	11,153
Prepayments for business facilities	21,694	9,342
Guarantee deposits paid	1,811	1,811
Total non-current assets	455,112	478,002
Total assets	1,254,881	1,173,413
Liabilities and equity		
Liabilities		
Current liabilities		
Current borrowings	35,000	35,000
Contract Liabilities	6,811	2,505
Notes payable	67,110	16,770
Accounts payable	42,963	42,979
Other payables	74,154	91,353
Current tax liabilities	14,129	4,608
Lease Liabilities	3,340	3,898
Current provisions	0	0
Other current liabilities	802	1,014
Other current liabilities, others	802	1,014
Total current liabilities	244,309	198,127
Non-current liabilities		

Accounting Title	2021/12/31	2020/12/31
Deferred tax liabilities	3,069	2,319
Lease liabilities	957	4,298
Other non-current liabilities	596	2,529
Net defined benefit liability, non-current	596	2,529
Total non-current liabilities	4,622	9,146
Total liabilities	248,931	207,273
Equity		
Equity attributable to owners of parent		
Share capital		
Ordinary share	857,670	857,670
Total capital stock	857,670	857,670
Capital surplus		
Total capital surplus	6,918	6,918
Retained earnings		
Legal reserve	49,178	44,900
Special reserve	13,975	18,702
Unappropriated retained earnings (accumulated deficit)	81,694	51,925
Total retained earnings	144,847	115,527
Other equity interest		
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(3,485)	(13,975)
Unrealized gains (losses) on available-for-sale financial assets	0	0
Total other equity interest	(3,485)	(13,975)
Total equity attributable to owners of parent	1,005,950	966,140
Total equity	1,005,950	966,140
Total liabilities and equity	1,254,881	1,173,413
Equivalent issue shares of advance receipts for ordinary share	0	0
Number of shares in entity held by entity and by its subsidiaries	0	0

Accounting Title	2021/4th	2020/4th
Statement of comprehensive income		
Operating revenue		
Net sales revenue		
Sales revenue	572,575	352,007
Sales returns		
Sales discounts and allowances	(680)	(412)
Net sales revenue	571,895	351,595
Service revenue		
Service revenue	322,894	279,162
Service revenue	329,706	280,146
Discount and allowance on service revenue	(6,812)	(984)
Total service revenue	322,894	279,162
Total operating revenue	894,789	630,757
Operating costs		
Cost of sales		
Total cost of sales	421,905	243,833
Cost of services		
Total cost of services	281,763	273,253

Accounting Title	2021/4th	2020/4th
Total operating costs	703,668	517,086
Gross profit (loss) from operations	191,121	113,671
Gross profit (loss) from operations	191,121	113,671
Operating expenses		
Selling expenses	78,820	61,944
Administrative expenses	33,859	33,264
Impairment gain or loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(28)	360
Total operating expenses	112,651	95,568
Net other income (expenses)		
Net other income (expenses)	1,135	903
Net operating income (loss)	79,605	19,006
Non-operating income and expenses		
Other income		
Interest income	883	2,198
Other income, others	3,991	11,877
Total other income	4,874	14,075
Other gains and losses		
Other gains and losses, net	(5,251)	8,302
Finance costs		
Finance costs, net	(479)	(552)
Total non-operating income and expenses	(856)	21,825
Profit (loss) from continuing operations before tax	78,749	40,831
Tax expense (income)		
Total tax expense (income)	(13,548)	(5,417)
Profit (loss) from continuing operations	65,201	35,414
Profit (loss)	65,201	35,414
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss		
Gains (losses) on remeasurements of defined benefit plans	(6)	252
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	10,636	11,894
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	1	(50)
Components of other comprehensive income that will not be reclassified to profit or loss	10,631	12,096
Components of other comprehensive income that will be reclassified to profit or loss		
Unrealized gains (losses) on valuation of available-for-sale financial assets	0	0
Components of other comprehensive income that will be reclassified to profit or loss	0	0
Other comprehensive income, net	10,631	12,096
Total comprehensive income	75,832	47,510
Profit (loss), attributable to:		
Profit (loss), attributable to owners of parent	65,201	35,414
Profit (loss), attributable to non-controlling interests	0	0
Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	75,832	47,510

Accounting Title	2021/4th	2020/4th
Comprehensive income, attributable to non-controlling interests		0
Basic earnings per share		
Basic earnings (loss) per share from continuing operations	0.76	0.41
Total basic earnings per share	0.76	0.41
Diluted earnings per share		
Diluted earnings (loss) per share from continuing operations	0.76	0.41
Total diluted earnings per share	0.76	0.41

Accounting Title	2021/4th	2020/4th
Statement of cash flows		
Cash flows from (used in) operating activities, indirect method		
Profit (loss) from continuing operations before tax	78,749	40,831
Profit (loss) before tax	78,749	40,831
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	55,821	49,526
Amortization expense	134	168
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(28)	360
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	1,219	(10,147)
Interest expense	479	552
Interest income	(883)	(2,198)
Dividend income	(3,555)	(1,275)
Loss (gain) on disposal of property, plan and equipment	(1,135)	(903)
Loss (gain) on Impairment loss on non-financial assets	(1,586)	1,722
Unrealized foreign exchange loss (gain)	606	(904)
Total adjustments to reconcile profit (loss)	51,072	36,901
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets held for trading	0	0
Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	0	0
Decrease (increase) in notes receivable	(789)	(5,287)
Decrease (increase) in accounts receivable	(2,279)	23,529
Decrease (increase) in other receivable	2,475	644
Decrease (increase) in inventories	(95,704)	(6,658)
Decrease (increase) in other current assets	(33,507)	4,221
Decrease (increase) in other financial assets	0	0
Total changes in operating assets	(129,804)	16,449
Changes in operating liabilities		
Increase (decrease) in contract liabilities	4,306	257
Increase (decrease) in notes payable	50,340	(13,645)
Increase (decrease) in accounts payable	(14)	18,046
Increase (decrease) in other payable	(4,908)	(9,244)
Increase (decrease) in provisions	0	0
Increase (decrease) in receipts in advance	0	0
Increase (decrease) in other current liabilities	(212)	(443)

Accounting Title	2021/4th	2020/4th
Increase (decrease) in net defined benefit liability	(1,939)	(1,711)
Total changes in operating liabilities	47,573	(6,740)
Total changes in operating assets and liabilities	(82,231)	9,709
Total adjustments	(31,159)	46,610
Cash inflow (outflow) generated from operations	47,590	87,441
Interest received	31	33
Interest paid	(481)	(552)
Income taxes refund (paid)	(3,306)	(10,536)
Net cash flows from (used in) operating activities	43,834	76,386
Cash flows from (used in) investing activities		
Disposal of financial assets at fair value through other comprehensive income	24,139	22,330
Refund of capital reduction of financial assets at fair value through other comprehensive income	0	735
Acquisition of Financial assets at amortized cost	0	(3,000)
Proceeds from disposal of financial assets at amortized cost	114,000	29,328
Acquisition of financial assets at fair value through profit or loss	(180,254)	(89,211)
Disposal of financial assets at fair value through profit or loss	116,160	71,875
Acquisition of available-for-sale financial assets	0	0
Proceeds from disposal of available-for-sale financial assets	0	0
Acquisition of property, plant and equipment	(45,152)	(58,713)
Proceeds from disposal of property, plant and equipment	1,135	1,038
Increase in refundable deposits	0	(1,400)
Acquisition of intangible assets	0	(300)
Increase in other financial assets	0	0
Interest received	895	2,190
Dividends received	3,555	1,275
Net cash flows from (used in) investing activities	34,478	(23,853)
Cash flows from (used in) financing activities		
Increase in short-term loans	0	0
Decrease in short-term loans	0	(5,000)
Repayment of the principal portion of lease liabilities	(3,899)	(3,426)
Cash dividends paid	(36,022)	(68,614)
Net cash flows from (used in) financing activities	(39,921)	(77,040)
Effect of exchange rate changes on cash and cash equivalents	(545)	(909)
Net increase (decrease) in cash and cash equivalents	37,846	(23,598)
Cash and cash equivalents at beginning of period	101,137	124,735
Cash and cash equivalents at end of period	138,983	101,137
Cash and cash equivalents reported in the statement of financial position	138,983	101,137

2021/12/31 Statement of Stockholders' Equity

Unit: NT$ thousand

	Ordinary share	Total share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity attributable to owners of parent	Total equity
Equity	857,670	857,670	6,918	44,900	18,702	51,925	115,527	(13,975)	0	(13,975)	96,6140	96,6140
Effects of retrospective application and retrospective restatement	0	0	0	0	0	0	0	0	0	00	0	0
Equity at beginning of period after adjustments	857,670	857,670	6,918	44,900	18,702	51,925	115,527	(13,975)	0	(13,975)	966,140	966,140
Legal reserve appropriated	0	0	0	4,278	0	(4,278)	0	0	0	0	0	0
Cash dividends of ordinary share	0	0	0	0	0	(36,022)	(36,022)	0	0	0	(36,022)	(36,022)
Reversal of special reserve	0	0	0	0	(4,727)	4727	0	0	0	0	0	0
Profit (loss)	0	0	0	0	0	65,201	65,201	0	0	0	65,201	65,201
Other comprehensive income	0	0	0	0	0	(5)	(5)	10,636	0	10,636	10,631	10,631
Total comprehensive income	0	0	0	0	0	65,196	65,196	10,636	0	10,636	75,832	75,832
Disposal of investments in equity instruments at fair value through other comprehensive income	0	0	0	0	0	146	146	146	0	(146)	0	0
Increase (decrease) in equity	0	0	0	4,278	(4,727)	29,769	29,320	10,490	0	10,490	39,810	39,810
Equity	857,670	857,670	6,918	49,178	13,975	81,694	144,847	(3,485)	0	(3,485)	1,005,950	1,005,950

Appendix 5

Shareholding of Directors and Supervisors

Book closure date: Apr 29, 2022

Position	Name	Date elected	Shareholding while elected		Current shareholding		Remarks
			Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	
Chairman	CHUAN-FA YEH	Jun.30 2020	1,550,424	1.97	1,550,424	1.81	
Independent Director	FU-NAN CHOU	Jun.30 2020	0	0	0	0	
Independent Director	BIN-HUANG LIN	Jun.30 2020	0	0	0	0	
Independent Director	Wu-Zhong Liao	Jun.30 2020	0	0	0	0	
Director	CHING-TSE YEH	Jun.30 2020	1,892,618	2.21	1,892,618	2.21	
Director	KOI HUI YEH	Jun.30 2020	258,723	0.30	258,723	0.3	
Director	YAO-CHOU YANG	Jun.30 2020	2,775,013	3.24	2,775,013	3.24	
Director	ANTHONY POLIANG YEH	Jun.30 2020	4,120,832	4.80	4,419,832	5.15	
Director	CHIH-MING YEH	Jun.30 2020	4,115,478	4.80	4,396,478	5.13	
Director	SOU-TSUN YEH	Jun.30 2020	1,244,258	1.45	1,244,258	1.45	
Director	RUNG-SHIN SHU	Jun.30 2020	1,925,108	2.24	1,925,108	2.24	

Note 1: Total issued shares: 85,767,000 shares on June/30/2020 (date elected).

Note 2: Total Issued shares: 85,767,000 shares on Apr/29/2022 (book closure date).

Note 3: The minimum required combined shareholding of all directors by law: 8,576,700 shares.
The combined shareholding of all directors on the book closure date: 18,462,454 shares.

Note 4: The shares held by independent directors and independent supervisors shall not be counted in the calculation of director and supervisor shareholdings.

In accordance with the article 26 of the SEA and “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”, the minimum accumulated shares of all directors shall be of 6,861,360 shares. The Corporation has established an Audit Committee, so the minimum shares required to be held by the supervisors are not applicable.