

LOTES

Stock code:3533

LOTES CO., LTD

Handbook for the 2023 Annual Meeting of Shareholders

Meeting type: In-person Meeting

Time: 9:00 a.m. June 16, 2023

Venue: No. 59, Wuxun St., Anle Dist., Keelung City

(Dawulun (with Reifang) Industrial Parks Service Center)

This English version is only a translation of the Chinese version. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail for all intents and purposes.

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LOTES CO., LTD.

Procedure for the 2023 Annual Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation (Company Reports)

IV. Proposals

V. Questions and Motions

VI. Adjournment

LOTES CO., LTD.

Agenda of the 2023 Annual Meeting of Shareholders

Meeting type: In-person Meeting

Time: 9:00 a.m. on Friday, June 16, 2023

Venue: No. 59, Wuxun St., Anle Dist., Keelung City

(Dawulun (with Reifang) Industrial Parks Service Center)

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation (Company Reports)

1. 2022 Business Report
2. 2022 Audit Committee Report
3. Report on allocation of employees' and directors' and supervisors' compensation for 2022
4. Report on the Implementation of the Company's Second Time Domestic Unsecured Convertible Bond Issuance

IV. Proposals

1. Adoption of the 2022 Business Report and Financial Statements
2. Adoption of the Proposal for Distribution of 2022 Profits

V. Extraordinary Motions

VI. Adjournment

Management Presentation (Company Reports)

Report No.1:

2022 Business Report

Explanation:

For the 2022 Business Report, please refer to Attachment 1 (page 5-6 hereof).

Report No.2:

2022 Report of Audit Committee

Explanation:

For the Report of Audit Committee, please refer to Attachment 2 (page 7 hereof).

Report No.3:

Report on allocation of employees' and directors' and supervisors' compensation for 2022

Explanation:

1. Pursuant to Article 19 of the Company's Articles of Incorporation, by taking into account the shareholders' equity, and with reference to the standards of the industry and the overall economic environment, the Company proposed to provide employees' compensation of NT\$221,300,000 and directors' and supervisors' compensation of NT\$4,480,000 for 2022. The amount appropriated as noted above is no different from the expense recognized in 2022.
2. All of the compensation allocated to employees and directors and supervisors was paid in cash.

Report No.4:

Report on the Implementation of the Company's Second Time Domestic Unsecured Convertible Bond Issuance in 2021

Explanation:

1. The Company issued its Second Time domestic unsecured convertible bonds (hereinafter referred to as "the Bonds") with a total amount of NT\$1 billion for the purpose of replenishing its operations capital, as approved by the Financial Supervisory Commission (FSC) in letter No. 11103680231 dated Jan. 16, 2023. The convertible bonds were raised and listed on March 9, 2023.
2. Please refer to Attachment 3 for the conditions of this conversion bond issue, the circumstances of conversion and the implementation of the capital utilization plan. (page 8 hereof)

Proposals

1. Proposed by the Board

Proposal:

Adoption of the 2022 Business Report and Financial Statements.

Explanation:

1. The Company's 2022 financial statements and consolidated financial statements that have been audited and certified by CPAs Tsai, Pei-Ru and Li, Feng-Hui with the accounting firm KPMG in Taiwan, together with the annual business report that has been approved by the Board of the Company on March 21, 2023, were submitted to the supervisors for review and completion, with the report issued on record.
2. The Business Report and Financial Statements has been approved by Audit Committee.
3. For the Annual Business Report 2022, please refer to Attachment 1 (page 5-6 hereof); for the audit report made by a certified public accountant (CPA) and financial statement, please refer to Attachment 5 (pages 9-22 hereof).
4. Please review and ratify

Resolution:

2. Proposed by the Board

Proposal:

Adoption of the Proposal for Distribution of 2022 Profits.

Explanation:

1. The Company's net profit after tax for 2022 was NT\$6,254,264,175, and the statement of appropriation of earnings was approved by the Board of the Company on March 21, 2023, and tendered to the audit committee for approval.
2. For the earnings distribution table, please refer to Attachment 5 (page 23 hereof).
3. The Board would set a separate distribution base date for the distribution of cash dividends upon approval at the regular meeting of shareholders. Cash dividends are calculated and rounded to NT dollar, and any amount less than \$1 is transferred to the Company's other income.
4. If the number of shares outstanding is affected by the Company's repurchase of its shares, transfer or cancellation of treasury stocks, exercise of employee stock warrants, or other reasons, and the distribution rate changes as a result, the Chairperson of the Board is authorized to make adjustments.

Resolution:

Extraordinary Motions

Adjournment

【Attachment 1】

Business Report

I. 2022 Business Report

(1) Operational Overview

Our company's consolidated operating income for 2022 was NT\$270.99 billion, a 23.71% increase from the operating income of NT\$213.91 billion in 2021. The consolidated net profit after tax was NT\$62.54 billion, an 80.13% increase from the net profit after tax of NT\$34.72 billion in 2021, translating to a post-tax earnings per share of NT\$58.7.

Looking back at 2022, the global economy, which was supposed to be gradually recovering as the COVID-19 pandemic eased, faced even greater impacts and recession due to the Russo-Ukrainian war and the rapidly escalating high inflation rate. This directly impacted the operation of our consumer electronics industry. However, due to the gradual increase in the conversion rate of next-generation server and desktop computer CPU platforms this year, and the gradual emergence of our active investment in new products and new customer development, we were able to achieve a new record high in revenue since the establishment of the company in 2022, even in the face of adversity. In terms of profitability, despite the continuous rise in international raw material prices, due to the continuous improvement in operational scale, increased penetration of new products, and increased production efficiency, the profitability in 2022 increased by 80.13% compared to 2021, with post-tax earnings per share reaching an impressive performance of NT\$58.7.

(2) Implementation Results of Business Plan and Profitability Analysis

1. Results of the implementation of the business plan

Unit: NT\$ thousands

Item	2022	2021	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating Income	27,099,134	21,391,916	5,707,218	26.68%
Operating Costs	15,161,454	12,834,611	2,326,843	18.13%
Gross Profit	11,937,680	8,557,305	3,380,375	35.90%
Net income after tax	6,254,264	3,472,201	2,782,063	80.13%

2. Analysis of financial income and expenditures and profitability

Item		2022	2021	
Profitability (%)	Return on assets	19.34	15.29	
	Return on equity	28.49	22.87	
	Percentage in paid-in capital	Operating profit	674.10	411.33
		Gross profit before tax	759.39	428.40
	Profir margin	23.07	16.23	
	Earnings per share after tax	58.70	33.32	

3. Research and Development Status

Our company continues to provide high-quality products to our customers, continuously enhancing the craft level and energy in design, manufacturing process, quality control, and testing, achieving high growth targets. We spare no effort in developing new products, continuously moving towards small pitch and high-density connectors. Recently, we have further made efforts to cooperate with the market development trend of future high-speed connectors, actively dedicating to high-current and high-frequency connector analysis and development capabilities, in order to meet market demand. In addition, our company seeks to expand the product line and market scale, and has successfully developed the relevant connectors needed for high-frequency servers, cars, high-speed transmission devices, and Type-C, etc.

II. 2022 Operating Plan

i. Operating Plan

1. Business Policy

- (1) Strengthening market contact and coordinating capacity allocation across the straits to fully grasp market changes and demand.
- (2) Strengthening the R&D team, continuously developing new products, and improving technical levels, in order to enhance the company's core technical capabilities and establish a competitive advantage.
- (3) Integrating group resources, improving production and management capabilities, reducing production costs, and enhancing operating benefits.

2. Important Production and Sales Policies

- (1) Strengthening customer relationship management, enhancing competitive efficiency, and actively maintaining close cooperation with international manufacturers.
- (2) Customer-oriented, close to market-leading manufacturers, providing customers with diverse product services.
- (3) Enhancing factory management efficiency and division of labor between domestic and foreign factories, and strengthening inventory management capabilities to effectively control production costs and improve the production and sales mechanism.

ii. Future Outlook

Looking to the future, the company will still face a highly competitive market and an economic environment full of variables. However, in addition to strengthening close cooperation with customers, the company will continue to improve existing product research and development and adopt diversified strategies. By maintaining good cooperation with international professional manufacturers, we can increase market sensitivity and fully grasp the trend of new product development, and research and develop niche products. This aims to enhance the competitive advantage of the company's industry and achieve the company's operating goals, continuously creating the maximum value for shareholders.

Best Regards

Chairperson: CHU, TE-HSIANG/ Manager: HO, TE-YU /Accounting Manager: LIU, HSIN-HSI

【Attachment 2】

LOTES CO., LTD.

2020 Report of Audit Committee

The Board had prepared and delivered the 2022 Business Report, Statement of Earnings Distribution and Financial Statements. The Financial Statements was confirmed by accountants Tsai, Pei-Ru and Li, Feng-Hui at KPMG Taiwan, and a review report was issued thereby. Inspections of the aforementioned reports and statements were conducted by the Committee and was found no inconsistency. The report was issued in accordance with Article 219 of the Company Act.

To the 2023 Regular Shareholders Meeting, LOTES CO., LTD.

Convenor of Audit Committee: Wu, Chang-Hsiu

Date: Mar. 21, 2013

【Attachment 3】**LOTES CO., LTD.****Details of Issuance and Enforcement of Corporate Bonds**

Type of Corporate Bonds	The Company's Second Time Domestic Unsecured Convertible Bonds (LOTES 1/Code 35331)
Issue Date	March 9, 2023
Denomination	NT\$100,000 each bond
Total Amount	Total 10,000 bonds are issued, in a total of NT\$1 billion
Interest Rate	Annual interest rate 0%
Maturity	Three-year maturity/ Maturity date: March 9, 2026
Reason for raising	To replenish working capital
Conversion Price	Converted at NT\$ 862.1 at issuance, currently converted at NT\$ 857.5
Repayment Method	The Company shall repay the Bonds held by the bondholders in cash within seven business days from the day after the maturity of the bonds, at their face value, unless the bonds are converted into common shares of the Company by the bondholders in accordance with Article 10 of the Issue and Conversion Act, or redeemed by the Company in advance in accordance with Article 17 of the Act, or purchased and cancelled by the Company from the securities dealer's office.
Terms of Redemption or Early Settlement	For details, please refer to the Rules Governing the Issuance and Conversion of the Company's Second Time Domestic Unsecured Convertible Bonds.
Subject matter of conversion	The Company's common stock
Circumstances of conversion	According to Article 9 of the Issuance and Conversion Rules, the conversion period starts from June 10, 2023 (the day following three months after the bond issuance date). As of April 18, 2023, the commencement date for the suspension of transfer, no bonds have been converted.
Implementation of the capital utilisation plan	For the company's cash capital increase and the issuance of new shares and the second domestic unsecured convertible bonds in 2022, the total funds required amount to NT\$3,391,377 thousand. It is expected that these funds will be gradually utilized starting from the second quarter of 2023. The company completed the fundraising for the second domestic unsecured convertible bonds on March 8, 2022, raising a total amount of NT\$1,081,377 thousand. As of March 31, 2023 (Q1 of 2023), since the convertible bonds have been fully funded, the company decided to allocate NT\$302,201 thousand for the enhancement of operating capital, considering the efficiency of fund utilization. According to the assessment of underwriter Yuanta Securities Co., Ltd., there are no significant abnormalities.

【Attachment 4】

Independent Auditor's Report

To the Board of Lotes Co., Ltd.

Audit opinion

We have audited the Balance Sheet of Lotes Co., Ltd. (hereinafter referred to as Lotes) as of December 31, 2022 and 2021, the Statement of Comprehensive Income as of January 1 to December 31, 2022 and 2021 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Individual Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above individual financial statements present fairly, in all material respects, of the financial status of December 31, 2022 and 2021 in Lotes and the financial performance and consolidated cash flow of January 1 to December 31, 2022 and 2021 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of the audit opinions

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the parent company only financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes's parent company only financial statements of fiscal year 2022 based on the professional judgment of our accountants. The matters have been responded on the whole audited parent company only financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note IV (15) to the parent company only financial statements for the accounting policy in terms of income recognition. Please refer to Note VI (14) to the parent company only financial statements for the refund liability. Please refer to Note VI (22) to the parent company only financial statements for details about income.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational performance of Lotes Co., Ltd. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on the agreements with the customers, the management would estimate the refund liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedures:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external

certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers. The adequacy of the refund liability estimate was analyzed with the actual situation afterward.

II. Evaluation of inventory

Please refer to Note IV (7) for the accounting policy of inventory evaluation. Please refer to Note V in the parent company only financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note VI (4) in the parent company only financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Co., Ltd.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the adequacy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Responsibility from management level and governing unit towards the parent company only financial statements

Management level's responsibility is to prepare the parent company only financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control related to the preparation of the parent company only financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the parent company only financial statements, the responsibility of management level also includes evaluating Lotes's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including the audit committee) at Lotes is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the parent company only financial statements

The purpose of the parent company only financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole parent company only financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the parent company only financial statements.

When we conduct the audit according to auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the parent company only financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue

declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.

2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting Lotes's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of parent company only financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the parent company only financial statements (including relevant notes) as well as whether the parent company only financial statements present fairly, in all material respects, relevant transaction and events.
6. Obtaining sufficient and appropriated audit evidence of the financial information from the investee companies accounted for using equity method as well as express opinions towards the parent company only financial statements. We are in charge of the directing, supervision and execution on the audit cases as well as concluding audit opinions towards the parent company only financial statements of Lotes.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes's parent company only financial statements for fiscal year 2022 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of Securities
Approval Certificate No.

CHIN-KUAN-CHENG-SHEN-T
:ZU No. 1000011652
CHIN-KUAN-CHENG-SHEN-T
ZU No.1110333933

March 21, 2023

Lotes Co., Ltd.

Balance Sheet

December 31, 2022 and 2021

Unit: NT\$ 1,000

Assets		2022.12.31		2021.12.31		Liabilities and equity		2022.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note VI (1) and (25))	\$ 3,127,767	11	779,913	4	2100	Short-term loans (Note VI (10), (25), (28), VIII and IX)	\$ 1,830,000	6	552,240	3
1110	Financial assets measured at FVTPL - current (Note VI (2) and (25))	16,531	-	-	-	2130	Contract liabilities - current (Note VI (22))	29,321	-	41,541	-
1150	Net notes receivable (Note VI (3) and (25))	1,394	-	1,911	-	2150	Notes payable (Note VI (25))	8,390	-	13,402	-
1170	Net accounts receivable (Note VI (3) and (25))	6,852,416	24	5,812,399	28	2170	Accounts payable (Note VI (25))	18,359	-	8,391	-
1181	Accounts receivable - related parties ((Note VI (3), (25) and VII)	22,514	-	32,627	-	2180	Accounts payable - related parties ((Note VI (25) and VII)	2,218,939	8	1,512,055	7
1200	Other receivables (Note VI (3) and (25))	38,176	-	22,484	-	2200	Other payables (Note VI (25))	428,315	2	293,440	1
1210	Other accounts receivable - related parties ((Note VI (3), (25) and VII)	420	-	160	-	2220	Other payables - related parties (Note VI (25) and VII)	6,377	-	2,166	-
1220	Income tax assets for the period (Note VI (18))	135	-	-	-	2230	Income tax liabilities for the period (Note VI (18))	795,052	3	350,031	2
130X	Net inventory (Note VI (4))	995,827	4	995,854	5	2280	Lease liabilities – current (Note VI (13), (25) and (28))	-	-	59	-
1410	Advance payment	5,192	-	2,720	-	2365	Refund liabilities - current (Note VI (14))	384,044	1	195,105	1
		<u>11,060,372</u>	<u>39</u>	<u>7,648,068</u>	<u>37</u>	2300	Other current liabilities	11,008	-	7,441	-
						2322	Long-term loans due within one year or one business cycle (Note VI (11), (25), (28) and VIII)	<u>8,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
								<u>5,738,166</u>	<u>20</u>	<u>2,975,871</u>	<u>14</u>
Non-current assets:						Non-current liabilities:					
1510	Financial assets measured at FVTPL - non-current (Note VI (2), (12) and (25))	-	-	3,370	-	2530	Bonds payable (Note VI (12), (25) and (28))	-	-	911,927	5
1517	Financial assets measured at FVTOCI - non-current ((Note VI (2) and (25))	4,595	-	9,500	-	2540	Long-term loans (Note VI (11), (25), (28) and VIII)	117,814	-	-	-
1550	Investments accounted for using the equity method ((Note VI (5) and XIII)	16,939,519	59	12,624,489	61	2550	Provisions - non-current ((Note VI (15) and (17))	41,410	-	45,220	-
1600	Property, plant and equipment (Note VI (6) and VIII)	296,550	1	58,354	-	2570	Deferred income tax liabilities ((Note VI (18))	1,955	-	6,038	-
1755	Right-of-use assets (Note VI (7))	-	-	59	-	2600	Other non-current liabilities	43	-	744	-
1760	Net investment property (Note VI (8), (25) and VIII)	226,041	1	300,256	2			<u>161,222</u>	<u>-</u>	<u>963,929</u>	<u>5</u>
1780	Intangible assets (Note VI (9))	59,895	-	82,534	-			<u>5,899,388</u>	<u>20</u>	<u>3,939,800</u>	<u>19</u>
1840	Deferred tax assets (Note VI (18))	106,064	-	66,302	-	Total of liabilities					
1900	Other non-current assets	13,661	-	9,349	-	Equity attributable to owners of parent:					
		<u>17,646,325</u>	<u>61</u>	<u>13,154,213</u>	<u>63</u>	Share capital:					
						3110	Capital – common stock (Note VI (19))	1,068,762	4	1,059,779	5
						3130	Certificates of bond-to-stock conversion (Note VI (19))	9,536	-	1,167	-
						3200	Capital reserves (Note VI (19))	6,307,022	22	5,283,698	25
						3300	Retained earnings (Note VI (19))	15,761,019	55	11,200,170	54
						3400	Other equity (Note VI (19))	(339,030)	(1)	(682,333)	(3)
								<u>22,807,309</u>	<u>80</u>	<u>16,862,481</u>	<u>81</u>
						Total of equity					
						Total of liabilities and equity		<u>\$ 28,706,697</u>	<u>100</u>	<u>20,802,281</u>	<u>100</u>

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Comprehensive Income
From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (Note VI (14), (22) and XIV)	\$ 17,440,172	100	14,151,210	100
5000 Operating cost (Note VI (4), (9), VII and XII)	13,145,656	75	11,411,428	81
Gross profit	<u>4,294,516</u>	25	<u>2,739,782</u>	19
Operating expense (Note VI (13), (16), (17), (24), (25), VII and XII)				
6100 Promotion expense	420,304	2	389,708	3
6200 Administration expense	378,064	2	308,977	2
6300 R&D expense	62,879	-	55,862	-
6450 Expected credit impairment profit/loss	1,732	-	(1,706)	-
Total operating expense	<u>862,979</u>	4	<u>752,841</u>	5
Net operating profit	<u>3,431,537</u>	21	<u>1,986,941</u>	14
Non-operating revenue/expense (Note VI (12) and (23)):				
7100 Interest income	25,756	-	1,746	-
7010 Other income	194,240	1	99,908	1
7020 Other gains and losses	507,645	3	(45,618)	-
7050 Financial costs	(20,421)	-	(6,747)	-
7055 Expected credit impairment (loss)	-	-	(1,037)	-
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	2,996,616	17	1,905,258	13
Total non-operating revenue/expense	<u>3,703,836</u>	21	<u>1,953,510</u>	14
Net profit before tax from continuing operations	<u>7,135,373</u>	42	<u>3,940,451</u>	28
7950 Less: Income tax expense (Note VI (18))	<u>881,110</u>	5	<u>468,250</u>	3
Net profit for the period	<u>6,254,263</u>	37	<u>3,472,201</u>	25
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Remeasurement of defined benefit plans	2,790	-	3,851	-
8316 Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(3,483)	-	(4,900)	-
8330 Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method - items which were not reclassified into profit or loss	(2,997)	-	(359)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	558	-	770	-
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(4,248)</u>	-	<u>(2,178)</u>	-
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation	349,783	2	(82,102)	(1)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income that will be reclassified to profit or loss	<u>349,783</u>	2	<u>(82,102)</u>	(1)
8300 Other comprehensive income for the period (net)	<u>345,535</u>	2	<u>(84,280)</u>	(1)
Total other comprehensive income for the period	<u>\$ 6,599,798</u>	<u>39</u>	<u>\$ 3,387,921</u>	<u>24</u>
Basic earnings per share (Unit: NT\$)				
(Note VI (21))	<u>\$ 58.70</u>		<u>33.32</u>	
Diluted earnings per share (Unit: NT\$)				
(Note VI (21))	<u>\$ 57.87</u>		<u>32.69</u>	

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG Manager: HO, TE-YU Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Change in Equity
From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	Share capital			Retained earnings			Other equity items		Total equity	
	Share capital for ordinary shares	Certificates of bond-to-stock conversion	Total	Capital reserves	Legal reserve	Special reserve	Undistributed earnings	Exchange difference between foreign operating office's statement		Unrealized gain or loss on financial assets measured at FVTOCI
Balance on January 1, 2021	\$ 1,034,779	-	1,034,779	3,958,247	1,299,543	650,533	7,151,068	(586,953)	(8,019)	13,499,198
Net profit for the period	-	-	-	-	-	-	3,472,201	-	-	3,472,201
Other comprehensive income for the period	-	-	-	-	-	-	3,081	(82,102)	(5,259)	(84,280)
Total other comprehensive income for the period	-	-	-	-	-	-	3,475,282	(82,102)	(5,259)	3,387,921
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	271,615	-	(271,615)	-	-	-
Reversal on special reserve	-	-	-	-	-	(55,561)	55,561	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,376,256)	-	-	(1,376,256)
Other changes in capital reserves:										
Issuance of stock options for convertible bonds	-	-	-	183,236	-	-	-	-	-	183,236
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	5,460	-	-	-	-	-	5,460
Compensation expense for employee stock options	-	-	-	24,931	-	-	-	-	-	24,931
Cash capital increase	25,000	-	25,000	1,050,971	-	-	-	-	-	1,075,971
Conversion of convertible bonds	-	1,167	1,167	60,853	-	-	-	-	-	62,020
Balance on December 31, 2021	1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,034,040	(669,055)	(13,278)	16,862,481
Net profit for the period	-	-	-	-	-	-	6,254,263	-	-	6,254,263
Other comprehensive income for the period	-	-	-	-	-	-	2,232	349,783	(6,480)	345,535
Total other comprehensive income for the period	-	-	-	-	-	-	6,256,495	349,783	(6,480)	6,599,798
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	-	347,528	-	(347,528)	-	-	-
Special reserve appropriated	-	-	-	-	-	87,361	(87,361)	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,695,646)	-	-	(1,695,646)
Other changes in capital reserves:										
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	127,583	-	-	-	-	-	127,583
Redemption of convertible bonds	-	-	-	(90)	-	-	-	-	-	(90)
Conversion of convertible bonds	8,983	8,369	17,352	895,831	-	-	-	-	-	913,183
Balance on December 31, 2022	\$ 1,068,762	9,536	1,078,298	6,307,022	1,918,686	682,333	13,160,000	(319,272)	(19,758)	22,807,309

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd.
Statement of Cash Flows

From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	2022	2021
Cash flows from (used in) operating activities:		
Net profit before tax	\$ 7,135,373	3,940,451
Items of adjustment:		
Adjustments to reconcile profit (loss)		
Depreciation expense	10,192	7,020
Amortization expense	22,639	25,901
Expected credit loss (gain)	1,732	(669)
Interest expense	20,421	6,747
Interest income	(25,756)	(1,746)
Dividend income	(300)	-
Share of the profit from subsidiaries, associates and joint ventures accounted for using equity method	(2,996,616)	(1,905,258)
Net loss on financial assets measured at FVTPL	(12,990)	(28,565)
Corporate Debt Buyback Interest	(35)	-
Inventory valuation and disposal loss	36,076	21,612
Loss/Profit from the disposal and scaping of property, plant and equipment	34	(467)
Compensation expense for employee stock options	-	24,931
Total adjustments to reconcile profit (loss)	<u>(2,944,603)</u>	<u>(1,850,494)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	517	574
Increase in accounts receivable	(1,031,636)	(1,526,232)
Increase in other receivables	(6,651)	(527)
Increase in inventory	(36,049)	(306,989)
Decrease (increase) in advance payment	(2,472)	1,830
Total net change in the assets related to operating activities	<u>(1,076,291)</u>	<u>(1,831,344)</u>
Net change in the liabilities related to operating activities:		
Increase (decrease) in contract liabilities	(12,220)	20,149
Increase (decrease) in notes payable	(5,012)	10,690
Decrease (increase) in accounts payable	716,852	(525,386)
Increase (decrease) in other payables	138,661	(5,760)
Decrease in provision for liabilities	(1,020)	(187)
Increase (decrease) in other current liabilities	3,567	(425)
Increase in refund liabilities	188,939	33,338
Decrease in other non-current liabilities	(701)	-
Total net change in the liabilities related to operating activities	<u>1,029,066</u>	<u>(467,581)</u>
Total net change in the assets and liabilities related to operating activities	<u>(47,225)</u>	<u>(2,298,925)</u>
Total of the adjustment items	<u>(2,991,828)</u>	<u>(4,149,419)</u>
Cash inflow/outflow generated from operating activities	4,143,545	(208,968)
Interest received	16,455	1,987
Dividends received	300	-
Interest paid	(13,201)	(3,065)
Income taxes paid	(480,627)	(420,739)
Cash flows from (used in) operating activities	<u>3,666,472</u>	<u>(630,785)</u>
Cash flows in investing activities:		
Acquisition of financial assets measured at FVTOCI	-	(14,400)
Disposal of financial assets measured at FVTOCI	1,422	-
Acquisition of financial assets measured at FVTPL	(8,000)	-
Disposal of financial assets measured at FVTOPL	5,035	27,945
Acquisition of investment accounted for using equity method	(844,045)	(570,421)
Acquisition of property, plant and equipment	(4,654)	(5,852)
Disposal of property, plant and equipment	40	467
Decrease in other receivables	-	86,468
Increase in intangible assets	-	(10,852)
Acquisition of investment property	(169,534)	(1,516)
Decrease in other non-current assets	(4,312)	(3,322)
Net cash outflow from investment activities	<u>(1,024,048)</u>	<u>(491,483)</u>
Cash flows in financing activities:		
Increase in short-term loans	1,277,760	552,240
Issuance of corporate bonds	-	1,152,983
Borrowing long-term loans	130,000	-
Repayment of long-term loans	(3,825)	-
Repayment of lease principal	(59)	(59)
Issuance of cash dividends	(1,695,646)	(1,376,256)
Cash capital increase	-	1,075,971
Buyback of corporate bonds	(2,800)	-
Cash flows from (used in) financing activities	<u>(294,570)</u>	<u>1,404,879</u>
Increase in cash and cash equivalents	2,347,854	282,611
Beginning balance of cash and cash equivalents	779,913	497,302
Ending balance of cash and cash equivalents	<u>\$ 3,127,767</u>	<u>779,913</u>

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG Manager: HO, TE-YU Accounting Manager: LIU, HSIN-HSIA

Independent Auditor's Report

To the Board of Lotes Co., Ltd.

Audit opinion

We have audited the Consolidated Balance Sheet of Lotes Co., Ltd. and subsidiaries (Lotes Group) as of December 31, 2022 and 2021, the Consolidated Statement of Comprehensive Income as of January 1 to December 31, 2022 and 2021 as well as the Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the Notes to Consolidated Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above consolidated financial statements present fairly, in all material respects, of the financial status of December 31, 2022 and 2021 in Lotes Group and the consolidated financial performance and consolidated cash flow of January 1 to December 31, 2022 and 2021 prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations approved by the Financial Supervisory Commission and issued into effect.

Basis of the audit opinions

The audit was conducted by us in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Auditing Standards (GAAS). Our responsibilities under these standards will be further explained in the responsibility paragraph of the accountant's audit on the consolidated financial statements. The personnel regulated by independence at the accounting firm that our accountants work with have been managed according to the code of professional ethics to maintain independence from Lotes Group as well as perform other responsibilities addressed on the regulation. Based on the audit results of us, we believe we have obtained sufficient and appropriate auditing evidence as the basis to express our audit opinions.

Key audit matters

Key audit matters refer to the most important matters on the audits to Lotes Group's consolidated financial statements of fiscal year 2022 based on the professional judgment of our accountants. The matters have been responded on the whole audited consolidated financial statements and during the process of the expression of the audit opinions. There, our accountants will not express opinions separately towards the matters. Based on the judgment of the accountants, the following key audit matters that should be communicated on the audit report are as follows:

I. Recognition of income

Please refer to Note IV (15) to the consolidated financial statements for the accounting policy in terms of income recognition. Please refer to Note VI (15) to the consolidated financial statements for the refund liability. Please refer to Note VI (23) to the consolidated financial statements for details about income.

Description of the key audit matters:

The operating income is the most critical factor when determining the operational performance of Lotes Group. Users of the statements are cautiously concerned about the performance of the operating income. In response to the market conditions and business needs, discounts were provided for parts of the sales of goods agreed with the customers. Based on the agreements with the customers, the management would estimate the refund liability and include it as a deduction of operating income. Thus, the income recognition evaluation is one of the fundamental evaluation items for accountants in the execution of financial report audit for Lotes Group.

Corresponding audit procedures:

The primary audit procedure conducted by the accountants for the aforementioned key audit matters included the understanding and evaluation of the relevant control procedures and methods in terms of the sales procedure and the effectiveness of the design and execution of the control procedure. Regarding the sampling testing for sales close to the balance sheet date, external certification documents were reviewed to assess the adequacy of the income recognition timings. The management's method to estimate and list refund liabilities were also obtained to assess whether the evaluation is based on the agreed conditions with customers. The adequacy of the refund liability estimate was analyzed with the actual situation afterward.

II. Evaluation of inventory

Please refer to Note IV (8) for the accounting policy of inventory evaluation. Please refer to Note V in the consolidated financial statements for the accounting estimates and assumed uncertainties of the inventory evaluation. Please refer to Note VI (4) in the consolidated financial statements for the information on the losses from the falling price of inventory.

Description of the key audit matters:

Due to the impacts of rapid changes in the market demand and the development of production technology, the existing products are at risk to become outdated inventory or non-compliant with market demand. Parts of the inventory may become obsolete or have the market prices dropped. Thus, the inventory evaluation is one of the fundamental evaluation items for the accountants in the execution of financial report audit for Lotes Group.

Corresponding audit procedure:

The primary audit procedure conducted by the accountants for the aforementioned key audit

matters included the understanding and evaluation of the basis and methods used by the management to assess the net realizable value of inventory. Review and audit were conducted in terms of the data used by the management as the basis and to estimate the net realizable value, and an evaluation was conducted on the estimated sales price to the latest sales record by sampling. To evaluate the adequacy of the drop in prices, the adequacy of the inventory aging report was checked, and the changes in the inventory aging of each period were analyzed.

Other Matters

Lotes Co., Ltd. has prepared its parent company only financial statements for fiscal years 2022 and 2021, and we have issued an unqualified audit report thereon for your information.

Responsibility from management level and governing unit towards the consolidated financial statements

Management level's responsibility is to prepare the consolidated financial statements present fairly according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations approved by the Financial Supervisory Commission and issued into effect and to maintain necessary internal control related to the preparation of the consolidated financial statements in order to ensure there is no major untrue expression on the financial statements due to fraud or error.

When preparing the consolidated financial statements, the responsibility of management level also includes evaluating Lotes Group's capability of continuous operation, disclosure of relevant matters and the application of continuous operation accounting model unless the management level intends to liquidate Lotes Group or suspend its business operation or there is no alternative practical and feasible solution other than liquidation or business suspension.

The governing unit (including the audit committee) at Lotes Group is responsible for supervising the process of financial reports.

Responsibility of accountants' audit on the consolidated financial statements

The purpose of the consolidated financial statements audited by our accountants is to obtain reasonable assurance on whether the significant untrue expression exists on the whole consolidated financial statements due to fraud or error as well as issue the audit report. The reasonable assurance is the high certainty; however, it will not be able to guarantee that the significant untrue expression will definitely be able to be detected by auditing standards, and the untrue expression might be caused from fraud or error. It is regarded as with significance if the individual amount or the aggregation number of the untrue expression can reasonably predict that it will affect the economic decisions made by the users of the consolidated financial statements.

When we conduct the audit according to auditing standards, we use professional judgment and maintain our professional suspicion. We also executed the following tasks:

1. Identifying and evaluating the risk of major untrue expression on the consolidated financial statements due to fraud or error; designing and implementing proper responding strategies towards the risk evaluated; and obtaining sufficient and appropriate audit evidence as the basis of audit opinions. Due to fraud might be involving with collusion, counterfeiting, malicious omission untrue declaration, or going out of the internal control, the risk of not detecting the major untrue expression due to fraud will be higher than that due to error.
2. Obtaining necessary understanding of internal control related to audit in order to design proper audit procedure under the situation of the case. However, its purpose is not to express opinion toward the effectiveness of the internal control in Lotes Group.
3. Evaluating the adequacy of the accounting policies used by the management level and the rationality of the accounting evaluation and relevant disclosure concluded.
4. Based on the audit evidence obtained, conclusion towards the appropriateness of continuous operation accounting basis that the management level adopts and the existence of major uncertainty on events or situations with major concerns affecting Lotes Group's capability in continuous operation are made. If we believe major uncertainty existed on the event or situation, we must remind the users of consolidated financial statements on the audit report to pay attention on the relevant disclosure or modify audit opinion when the disclosure is not appropriate. The conclusion that we made is based on the audit evidence obtained up to the audit report day, but future events or situations might cause Lotes Group not capable in continuous operation.
5. Evaluating the overall expression, structure and content of the consolidated financial statements (including relevant notes) as well as whether the consolidated financial statements present fairly, in all material respects, relevant transaction and events.
6. We obtained sufficient and appropriate audit evidence about the financial information of the constituent entities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and execution of the Group's audits and for forming an opinion on the Group's audits.

The communication between us and the governing unit includes the audit scope and time planned and major audit findings (including the significant defects on the internal control identified during the auditing process).

We have also provided information to the governing unit that the personnel of the firm—who are subject to independence requirements have complied with the statement of independence in the CPA code of professional ethics and communicated to the governing unit all relationships and other matters (including relevant safeguards) that may be considered to affect the independence of CPAs.

We determined the key audit matters that we would like to execute on Lotes Group's consolidated

financial statements for fiscal year 2022 from the communication with the governing unit. We clearly stated the related matters on the audit report unless it is the specific matter that is not allowed to be disclosed to the public according to laws, or under a very rare situation that we decided not to communicate specific matters on the audit report because we can reasonably anticipate the negative influence generated by the communication will be greater than the public interests increased.

KPMG Taiwan

CPAs:

Competent Authority of Securities
Approval Certificate No.

CHIN-KUAN-CHENG-SHEN-
: TZU No. 1000011652
CHIN-KUAN-CHENG-SHEN-
TZU No.1110333933

March 21, 2023

Lotes Co., Ltd. And Subsidiaries

Consolidated Balance Sheet

December 31, 2022 and 2021

Unit: NT\$ 1,000

Assets		2022.12.31		2021.12.31		Liabilities and equity		111.12.31		2021.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note VI (1) and (26))	\$ 7,090,304	21	3,303,062	12	2100	Short-term loans (Note VI (11), (26), (29) VIII and IX)	\$ 1,906,775	6	1,142,178	4
1110	Financial assets measured at FVTPL - current (Note VI (2), (13) and (26))	79,007	-	154,124	1	2130	Contract liabilities - current (Note VI (23))	54,427	-	97,494	-
1120	Financial assets measured at FVTOCI - current (Note VI (2) and (26))	-	-	1,456	-	2150	Notes payable (Note VI (26))	8,504	-	16,402	-
1150	Net notes receivable (Note VI (3) and (26))	203,501	1	61,292	-	2170	Accounts payable (Note VI (26))	2,351,503	7	2,613,359	10
1170	Net accounts receivable (Note VI (3) and (26))	10,507,021	32	8,736,734	33	2200	Other payables (Note VI (26))	1,937,095	6	1,998,938	8
1200	Other receivables (Note VI (3) and (26))	384,111	1	459,211	2	2230	Income tax liabilities for the period - current (Note VI (19))	1,296,939	4	670,568	3
1220	Income tax assets for the period (Note VI (19))	739	-	362	-	2280	Lease liabilities – current (Note VI (14), (26), (29) and VII)	110,281	-	220,742	1
130X	Net inventory (Note VI (4))	3,561,132	10	4,091,387	15	2365	Refund liabilities - current (Note VI (15))	384,044	1	195,105	1
1410	Advance payment	260,014	1	143,291	1	2300	Other current liabilities	32,168	-	34,715	-
1479	Other current assets - other	4,650	-	9,018	-	2322	Long-term loans due within one year or one business cycle (Note VI (12), (26), (29), and VIII)	15,861	-	14,805	-
		<u>22,090,479</u>	<u>66</u>	<u>16,959,937</u>	<u>64</u>			<u>8,097,597</u>	<u>24</u>	<u>7,004,306</u>	<u>27</u>
Non-current assets:						Non-current liabilities:					
1510	Financial assets measured at FVTPL - non-current (Note VI (2), (13) and (26))	-	-	3,370	-	2530	Bonds payable (Note VI (13), (26) and (29))	132,449	-	911,927	4
1517	Financial assets measured at FVTOCI - non-current (Note VI (2) and (26))	83,520	-	30,003	-	2540	Long-term loans (Note VI (12), (26), (29) and VIII)	149,769	1	29,600	-
1600	Property, plant and equipment (Note VI (7) and VIII)	8,871,880	27	6,882,186	26	2550	Provisions – non-current (Note VI (16) and (18))	41,410	-	45,220	-
1755	Right-of-use assets (Note VI (8))	982,871	3	1,028,489	4	2560	Income tax liabilities for the period - non-current (Note VI (19))	6,928	-	31,342	-
1760	Net investment property (Note VI (9) and (26))	97,817	-	335,869	1	2570	Deferred income tax liabilities (Note VI (19))	73,393	1	33,906	-
1780	Intangible assets (Note VI (10))	182,069	1	205,584	1	2580	Lease liabilities - non-current (Note VI (14), (26), (29) and VII)	260,380	1	285,847	1
1840	Deferred tax asset s(Note VI (19))	211,812	1	151,467	1	2600	Other non-current liabilities	25,101	-	22,539	-
1900	Other non-current assets	775,192	2	822,486	3			<u>689,430</u>	<u>3</u>	<u>1,360,381</u>	<u>5</u>
		<u>11,205,161</u>	<u>34</u>	<u>9,459,454</u>	<u>36</u>			<u>8,787,027</u>	<u>27</u>	<u>8,364,687</u>	<u>32</u>
Total Assets		\$ 33,295,640	100	26,419,391	100	Total of liabilities		8,787,027	27	8,364,687	32
						Equity attributable to owners of parent:					
						Share capital:					
						3110	Capital – common stock (Note VI (20))	1,068,762	3	1,059,779	4
						3130	Certificates of bond-to-stock conversion (Note VI (20))	9,536	-	1,167	-
						3200	Capital reserves (Note VI (20))	6,307,022	19	5,283,698	20
						3300	Retained earnings (Note VI (20))	15,761,019	47	11,200,170	42
						3400	Other equity (Note VI (20))	(339,030)	(1)	(682,333)	(3)
							Total equity attributable to owners of parent	<u>22,807,309</u>	<u>68</u>	<u>16,862,481</u>	<u>63</u>
						36XX	Non-controlling interest (Note VI (6))	1,701,304	5	1,192,223	5
							Total of equity	<u>24,508,613</u>	<u>73</u>	<u>18,054,704</u>	<u>68</u>
							Total of liabilities and equity	\$ 33,295,640	100	26,419,391	100

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (Note VI (15), (23) and XIV)	\$ 27,099,134	100	21,391,917	100
5000 Operating cost (Note VI (4) and XII)	15,161,454	56	12,834,611	60
Gross profit	<u>11,937,680</u>	44	<u>8,557,306</u>	40
Operating expense (Note VI (14), (17), (18), (25), (26), VII and XII):				
6100 Promotion expense	828,044	3	748,932	4
6200 Administration expense	1,532,956	6	1,409,600	7
6300 R&D expense	2,300,779	8	2,030,576	9
6450 Expected credit loss	7,015	-	8,931	-
Total operating expense	<u>4,668,794</u>	17	<u>4,198,039</u>	20
Net operating profit	<u>7,268,886</u>	27	<u>4,359,267</u>	20
Non-operating revenue/expense (Note VI (13) and (24)):				
7100 Interest income	46,801	-	13,994	-
7010 Other income	367,702	1	324,926	2
7020 Other gains and losses	560,287	2	(128,648)	(1)
7050 Financial costs	(55,109)	-	(28,304)	-
7055 Expected credit loss	-	-	(1,037)	-
Total non-operating revenue/expense	<u>919,681</u>	3	<u>180,931</u>	1
Net profit before tax from continuing operations	8,188,567	30	4,540,198	21
7950 Less: Income tax expense (Note VI (19))	1,782,155	7	1,021,167	5
Net profit for the period	<u>6,406,412</u>	23	<u>3,519,031</u>	16
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Remeasurements of defined benefit plan	2,790	-	3,851	-
8316 Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	(7,981)	-	(5,077)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	558	-	770	-
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(5,749)</u>	-	<u>(1,996)</u>	-
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation	352,351	1	(82,222)	-
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	830	-	(39)	-
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>351,521</u>	1	<u>(82,183)</u>	-
8300 Other comprehensive income for the period (net)	<u>345,772</u>	1	<u>(84,179)</u>	-
Total other comprehensive income for the period	<u>\$ 6,752,184</u>	<u>24</u>	<u>\$ 3,434,852</u>	<u>16</u>
Net profit for the period attributable to:				
8610 Owners of parent	\$ 6,254,263	22	3,472,201	16
8620 Non-controlling interest	152,149	1	46,830	-
	<u>\$ 6,406,412</u>	<u>23</u>	<u>\$ 3,519,031</u>	<u>16</u>
Total comprehensive income attributable to:				
8710 Owners of parent	\$ 6,599,798	23	3,387,921	16
8720 Non-controlling interest	152,386	1	46,931	-
	<u>\$ 6,752,184</u>	<u>24</u>	<u>\$ 3,434,852</u>	<u>16</u>
Basic earnings per share (Unit: NT\$)				
(Note VI (22))	<u>\$ 58.70</u>		<u>33.32</u>	
Diluted earnings per share (Unit: NT\$)				
(Note VI (22))	<u>\$ 57.87</u>		<u>32.69</u>	

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	Equity attributable to owners of parent							Other equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at FVTOCI			
	Share capital for ordinary shares	Certificates of bond-to-stock conversion	Total	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings					
Balance on January 1, 2021	\$ 1,034,779	-	1,034,779	3,958,247	1,299,543	650,533	7,151,068	(586,953)	(8,019)	13,499,198	980,361	14,479,559
Net profit for the period	-	-	-	-	-	-	3,472,201	-	-	3,472,201	46,830	3,519,031
Other comprehensive income for the period	-	-	-	-	-	-	3,081	(82,102)	(5,259)	(84,280)	101	(84,179)
Total other comprehensive income for the period	-	-	-	-	-	-	3,475,282	(82,102)	(5,259)	3,387,921	46,931	3,434,852
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	271,615	-	(271,615)	-	-	-	-	-
Reversal on special reserve	-	-	-	-	-	(55,561)	55,561	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,376,256)	-	-	(1,376,256)	-	(1,376,256)
Other changes in capital reserves:												
Issuance of stock options for convertible bonds	-	-	-	183,236	-	-	-	-	-	183,236	-	183,236
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	5,460	-	-	-	-	-	5,460	-	5,460
Compensation expense for employee stock options	-	-	-	24,931	-	-	-	-	-	24,931	-	24,931
Cash capital increase	25,000	-	25,000	1,050,971	-	-	-	-	-	1,075,971	-	1,075,971
Conversion of convertible bonds	-	1,167	1,167	60,853	-	-	-	-	-	62,020	-	62,020
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	237,061	237,061
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(72,130)	(72,130)
Balance on December 31, 2021	1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,034,040	(669,055)	(13,278)	16,862,481	1,192,223	18,054,704
Net profit for the period	-	-	-	-	-	-	6,254,263	-	-	6,254,263	152,149	6,406,412
Other comprehensive income for the period	-	-	-	-	-	-	2,232	349,783	(6,480)	345,535	237	345,772
Total other comprehensive income for the period	-	-	-	-	-	-	6,256,495	349,783	(6,480)	6,599,798	152,386	6,752,184
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	-	-	347,528	-	(347,528)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	87,361	(87,361)	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,695,646)	-	-	(1,695,646)	-	(1,695,646)
Other changes in capital reserves:												
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	127,583	-	-	-	-	-	127,583	-	127,583
Convertible Bond Redemption	-	-	-	(90)	-	-	-	-	-	(90)	-	(90)
Convertible Bond Conversion	8,983	8,369	17,352	895,831	-	-	-	-	-	913,183	-	913,183
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	413,561	413,561
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(56,866)	(56,866)
Balance on December 31, 2022	\$ 1,068,762	9,536	1,078,298	6,307,022	1,918,686	682,333	13,160,000	(319,272)	(19,758)	22,807,309	1,701,304	24,508,613

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

Lotes Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
From January 1 to December 31, 2022 and 2021

Unit: NT\$ 1,000

	2022	2021
Cash flows from (used in) operating activities:		
Net profit before tax	\$ 8,188,567	4,540,198
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	2,212,956	1,503,974
Amortization expense	55,711	51,307
Expected credit loss	7,015	9,968
Net loss (gain) on financial assets or liabilities at FVTPL	14,301	(25,795)
Interest expense	55,109	28,304
Interest income	(46,801)	(13,994)
Dividend income	(5,535)	(6,119)
Compensation expense for share-based payment	10,825	25,077
Loss on disposal of property, plant and equipment	28,364	3,728
Inventory valuation and disposal loss	97,602	92,408
Gain recognized in bargain purchase transaction	(35)	-
Other adjustments	23,779	(2,472)
Total adjustments to reconcile profit (loss)	<u>2,453,291</u>	<u>1,666,386</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(142,209)	(7,187)
Increase in accounts receivable	(1,777,302)	(1,904,786)
Increase (decrease) in other receivables	85,564	(107,813)
Increase (decrease) in inventory	432,653	(1,624,767)
Increase in advance payment	(116,723)	(81,083)
Decrease (increase) in other current assets	4,368	(2,353)
Decrease in other financial assets	-	87,320
Total changes in operating assets	<u>(1,513,649)</u>	<u>(3,640,669)</u>
Changes in operating liabilities:		
Increase (decrease) in contract liabilities	(43,067)	5,835
Decrease (increase) in notes payable	(7,898)	12,828
Increase (decrease) in accounts payable	(261,856)	112,204
Increase (decrease) in other payables	(62,876)	809,880
Decrease in provisions	(1,020)	(187)
Decrease (increase) in other current liabilities	(2,547)	1,518
Increase in Refund liabilities	188,939	33,338
Total changes in operating liabilities	<u>(190,325)</u>	<u>975,416</u>
Total changes in operating assets and liabilities	<u>(1,703,974)</u>	<u>(2,665,253)</u>
Total adjustments	<u>749,317</u>	<u>(998,867)</u>
Cash inflow generated from operations	8,937,884	3,541,331
Interest received	36,337	18,588
Dividends received	5,535	6,119
Interest paid	(45,171)	(24,622)
Income taxes paid	(1,201,299)	(851,646)
Net cash flows from operating activities	<u>7,733,286</u>	<u>2,689,770</u>
Cash flows from (used in) investing activities:		
Disposal of financial assets measured at FVTOCI	1,422	-
Acquisition of financial assets measured at FVTOCI	(61,465)	(14,400)
Acquisition of financial assets measured at FVTPL	(8,000)	(174,504)
Disposal of financial assets measured at FVTPL	69,302	166,435
Acquisition of property, plant and equipment	(3,677,619)	(3,631,931)
Disposal of property, plant and equipment	2,392	18,589
Acquisition of intangible assets	(30,457)	(101,381)
Net cash inflows from business combination	-	(96,793)
Disposal of investment property	-	30,446
Increase (decrease) in other non-current assets	18,314	(284,138)
Net cash flows from (used in) investing activities	<u>(3,686,111)</u>	<u>(4,087,677)</u>
Cash flows from (used in) financing activities		
Increase in short-term loans	714,342	1,142,178
Issuance of corporate bonds	-	1,152,983
Borrowings of long-term loans	130,000	29,600
Repayments of long-term loans	(8,775)	(9,191)
Payments of lease liabilities	(237,460)	(356,459)
Increase in other non-current liabilities	2,562	4,669
Cash dividends paid	(1,695,646)	(1,376,256)
Cash dividends paid to non-controlling interests	(56,866)	(72,130)
Cash capital increase	-	1,075,971
Issuance of corporate bonds by subsidiaries	346,268	-
Buyback of corporate bonds	(2,800)	-
Changes in non-controlling interests	246,344	236,940
Changes in subsidiaries, associates and joint ventures accounted for using equity method	67,445	5,435
Net cash flows from (used in) financing activities	<u>(494,586)</u>	<u>1,833,740</u>
Effect of exchange rate changes on cash and cash equivalents	234,653	(82,183)
Net increase (decrease) in cash and cash equivalents	3,787,242	353,650
Cash and cash equivalents at beginning of period	3,303,062	2,949,412
Cash and cash equivalents at end of period	<u>\$ 7,090,304</u>	<u>3,303,062</u>

(Please read the Notes to the Parent Company Only Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

【Attachment 5】

Lotes Co., Ltd.
Earning Distribution Table
2022

Unit: NT\$

Item	Amount
Unallocated earnings at the beginning of 2022	6,903,504,551
Add: Remeasurement of net defined benefit liabilities	2,231,882
Adjusted opening undistributed earnings for 2022	6,905,736,433
Add: Net income after tax for 2022	6,254,264,175
Add: Reversal of overprovision of special reserve due to equity reduction in prior years (Note 1)	343,302,925
Less: 10% legal reserve	625,649,606
Total available-for-distribution earnings	12,877,653,927
Less: Dividends to shareholders - cash (NT\$26 per share)	2,803,575,138
Undistributed earnings at the end of 2022	10,074,078,789
Note 1: In 2022, a net decrease of NT\$339,030,123 was recorded in other shareholders' equity, and the same amount of special reserve should be provided from the current profit or loss and prior period's undistributed earnings. However, a special reserve of NT\$682,333,048 was set aside from prior period's profit and loss in 2022, therefore, a special reserve of NT\$343,302,925 should be provided.	
Note 2: The dividend distribution rate was calculated based on the number of 107,829,813 shares entitled to participate in the distribution as of December 31, 2022.	

Chairperson: CHU, TE-HSIANG**Manager: HO, TE-YU****Accounting Manager: LIU, HSIN-HSIA**

【Annex 1】

Lotes Co., Ltd. Articles of Incorporation

Chapter 1: General Principle

Article 1

In accordance with the Company Act, the Company is registered as LOTES CO., LTD.

Article 2

The business scope of the Company is stated as follows:

1. Manufacturing, processing and trading of various hardware parts and tool parts.
2. Manufacturing, processing and trading of terminals and their finished products.
3. Manufacture, processing and trading of circuit boards for electrical appliances.
4. Import and export business in respect of the preceding item.
5. Conducting tender quotations and distribution for domestic and foreign manufacturers' products in connection with said business
6. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
7. CC01080 Electronic Parts and Components Manufacturing
8. CC01110 Computers and Computing Peripheral Equipment Manufacturing
9. CC01990 Electrical Machinery, Supplies Manufacturing
10. CF01011 Medical Materials and Equipment Manufacturing
11. CQ01010 Die Manufacturing
12. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified
13. F106030 Wholesale of Die
14. F108031 Wholesale of Drugs, Medical Goods
15. F113020 Wholesale of Household Appliance
16. F113030 Wholesale of Precision Instruments
17. F113050 Wholesale of Computing and Business Machinery Equipment
18. F113070 Wholesale of Telecom Instruments
19. F401010 International Trade
20. CI01010 Rope, Cable and Net Manufacturing
21. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval

Article 3

Headquarter of the Company is located at Keelung City and when necessary, could set up a subsidiary company inside or outside of the country, with the approval by the Board.

Article 4

The Company may make investments in other companies as it deems necessary for its business and may, by resolution of the Board, become a limited liability shareholder of such company. The total amount of which is not limited to the amount of such investments as provided in Article 13 of the Company Law.

Article 5

The company may provide external endorsement and guarantee for business purposes.

Chapter 2 Shares

Article 6

The Company's total capital is set at NT\$15.5 billion, divided into 155 million shares. The amount of each share is NT\$10 per share, of which the Board is authorized to issue the unissued shares in tranches; the issue price per share shall be determined by the Board in accordance with relevant laws and regulations.

The total amount of the former capital is reserved for the issuance of Employee stock options warrants in the amount of NT\$5 million, which are subject to the Board's resolution.

Article 6-1

If the Company intends to repurchase the Company's shares and transfer the shares at a price lower than the average repurchased price, it shall follow the relevant regulations and proceed to such transfer after the resolution of the most recent shareholders' meeting.

Article 6-2

If the Company intends to issue stock warrants for employees at a subscription price lower than the market price, it shall follow the relevant regulations and proceed to such transfer after the resolution of the most recent shareholders' meeting.

Article 6-3

If the Company purchases the treasury stock in accordance with the Company Act, the object of the transfer should include the employees who control or subordinate the Company and meet certain conditions.

The object of distribution of the stock warrants for employees should include the employees who control or subordinate the Company and meet certain conditions.

When the company issues new shares, employees who control or subordinate the Company and meet certain conditions should be included for the subscription.

The object of the new restricted employee shares issued by the Company should include the employees who control or subordinate the Company and meet certain conditions.

Article 7

The Company's shares are inscribed shares. The serial number should be signed or stamped by the directors who represent the Company. The shares shall be signed by the bank that acts as the share issuer according to the laws. When the Company issues new shares, the free-print share is adopted to issue shares, the same for other marketable securities. However, it shall contact the centralized securities depository enterprises for registration.

Article 8

The change of shareholders' list shall be made no later than 60 days prior to the ordinary meeting of shareholders, no later than 30 days prior to the provisional meeting of shareholders, or no later than 5 days prior to the basis date of the Company's resolution to distribute dividends and bonuses or other benefits.

Article 8-1

The Company's share transactions are conducted in accordance with the "Guidelines Governing the Disposal of Shares of Public Companies" issued by the competent authorities.

Chapter 3: Shareholder's Meeting

Article 9

There shall be two kinds of general meetings, ordinary and interim, which shall be convened once a year, within six months after the end of each fiscal year, as required by law, and shall be notified to each shareholder by thirty days in advance; interim meetings shall be convened as required by law, and shall be notified to each shareholder by fifteen days in advance. The preceding notice shall state the date, place and cause of the meeting. The shareholders' meeting shall be convened by the Board, unless otherwise provided by the Act.

Notice of the convening of a general meeting may be given in writing or by electronic means with the consent of the shareholders.

The shareholders' meeting may be held by video conference or other means announced by the central competent authority. If the meeting is held by video conference, the shareholder is deemed to be present in person if he/she participates by video.

Article 10

In the event that a shareholder is unable to attend the general meeting for any reason, he/she may appoint a proxy to attend the meeting by issuing a letter of proxy issued by the Company specifying the scope of the authority. In addition to the provisions of Article 177 of the Company Law, the rules for the use of proxies to attend shareholders' meetings of public companies shall be in accordance with the "Rules for the Use of Proxy Forms by Public Companies" issued by the competent authorities.

Article 11

Each share is entitled one voting right. However, those restricted or those deemed by Article 179 of the Company Act to have voting rights are not within this restriction.

Article 12

Unless otherwise regulated by the relevant laws and regulations, shareholders representing more than half of the total number of issued shares should attend in person or by proxy in the shareholder meetings. Resolutions should be approved by more than half of the attended shareholders.

Article 12-1

The board shall convene the shareholder meeting and the Chairperson of the board shall be the chairperson of the meeting. In the event of the Chairperson's absence, the Chairperson shall assign a director as its proxy. If the assignment is not made, the directors shall choose one. If the meeting is convened by other conveners not belonging to the Board, the convener shall be the chairperson of the meeting. If there is more than one convener, the conveners should decide and one of them should be the chairperson.

Article 12-2

The resolutions of the shareholders' meeting shall be published in minutes and shall be dealt with in accordance with Article 183 of the Company Law.

Article 12-3

If the Company wishes to cancel the public offering of its shares in the future, it must be submitted to the shareholders' meeting for discussion and resolution.

Chapter 4: Directors and Audit Committee

Article 13

The Company has five to nine directors, all of whom are appointed for a term of three years and all the seats are entitled to be re-elected.

For the aforementioned number of directors of this Company, the number of independent directors should not be less than two persons and should not be less than one-fifth of the total numbers of directors. In terms of the professional qualifications, shareholding, and part-time restrictions, independence determination, nomination and selection methods, and other compliance matters, the regulations of the competent security authorities must be followed.

The nomination system is adopted for the election of the directors in this Company. The shareholders must elect from the candidate list of directors.

The regulations of the competent security authorities must be followed in terms of the total shareholding ratio of all its directors and supervisors.

The Company's Audit Committee is composed of all independent directors in accordance with the law. The Audit Committee and its members exercise their powers and responsibilities and deal with related matters in accordance with the Securities and Exchange Act and relevant laws and regulations.

Article 13-1

The meeting of the Board shall be convened in accordance with Article 204 of the Company Act.

Article 13-2

In the event that the seats of one-third of the Directors are vacant, the Board shall convene an interim election within 60 days and the term of office shall be limited to the period for which the original seats were filled.

Article 13-3

The Directors of the Company shall be notified of the convening of the Board seven days in advance and the Company may convene the Board at any time in case of emergency. The Board of the Company may be convened in writing, by e-mail or by fax.

Article 14

The board shall be composed of the directors. The chairman of the board shall be elected from the directors with the agreement of over half of the directors attending the meeting, and the attendance rate should be no less than 2/3. Chairperson represents the Company externally.

Article 15

If the chairman cannot performance his/her duty due to certain reason, the assignment of his/her deputy shall be conducted in accordance with the regulations of Company Law, Art. 208.

Article 15-1

When a meeting of the Board is held by video conference, a director who participates in the meeting by video shall be deemed to be present in person; if a director is unable to attend in person for any reason, he may appoint another director to attend by proxy, and his proxy shall be in accordance with Article 205 of the Company Law.

Article 15-2

A resolution of the Board shall, unless otherwise provided in the Companies Act, be passed by a majority of the Directors present and agreed to by a majority of the Directors present.

Article 15-3

All directors of the company must be insured with the corresponding liability insurance during the term of office based on their business scope with the purpose to reduce and diversify the loss risks of the directors of the Company, the Company, and the shareholders. In terms of the liability insurance of the directors, the Board is authorized to take in charge of it.

Article 16

When the directors of the Company are executing operations of the Company, the Company must pay their compensation regardless of the Company's financial status, with surplus or loss. The compensation is based on the level of participation and contribution to the company's operations, and the Board is authorized to consult the industry 's usual standards, not exceeding the standard of the highest salary scale set by the Company's salary assessment method. If the company has surpluses, the compensation shall be distributed in accordance with the provisions of Article 19.

Chapter 5: Manager

Article 17

The Company shall employ managers to conduct business operations. The appointment and dismissal as well as the salary policies shall be made in accordance with the Company Law Art.29.

Chapter 6: Accounting

Article 18

At the end of every fiscal year, the board shall submit the papers and lists as below before the start of shareholder's meeting to the shareholders for approval.

(1). Business Report (2). Financial Statement (3). Proposal on distribution of surplus and recovery of losses

Article 19

If the Company has surpluses in a year, it shall allocate not less than three percent as employee compensation and not higher than three percent as compensation for the directors. If the Company has accumulated loss, it shall preserve in advance to make-up and then allocate the aforementioned proportion as employees' and directors' compensation. The objects of distribution of the aforementioned stock or cash compensation for the employees should include the employees who control or subordinate the Company and meet certain conditions.

Article 19-1

If the Company has a surplus after the annual accounts, it should first complete the tax payment, make up for the previous year's losses, and deposit 10% of the statutory surplus reserve unless it has reached to the total capital. It should allocate or reserve into special surplus reserve according to the laws and regulations. If there are still surpluses, it shall be merged with the accumulated undistributed surplus. The Board shall draft a surplus allocation plan and propose to the shareholder meeting for a final resolution of distribution. The shareholder dividends distributed shall not be less than 20% of the net

after-tax net profit of this year after deducting the surplus reserve provided according to law. The dividends distributed to the shareholders shall not be less than 20% of the annual net profit after tax of this year after deducting the surplus reserve allocation according to the laws and regulations.

The Company shall take the surrounding environment and growth stage of the Company, as well as the future business expansion, into consideration so that the future expenditure budget and capital needs shall be considered in the distribution of surplus. Among the dividends distributed in the current year, not less than 10% of cash dividends shall be offered.

Chapter 7: Supplementary

Article 20

The Articles of Association and the Bye-Laws of the Company shall be prescribed by the Board separately.

Article 21

Matters not listed in this article of incorporation is to be processed according to the Company Act and other relevant regulations.

Article 22

This Articles of Incorporation was composed on Aug.9, 1986.

1st amendment was made on Jan.19,1987.

2nd amendment was made on Nov.20,1987.

3rd amendment was made on Dec.29,1987.

4th amendment was made on Jan.30,1993.

5th amendment was made on May 21,1983.

6th amendment was made on Aug.2.1998.

7th amendment was made on Aug.9,2004.

8th amendment was made on Aug.25, 2004.

9th amendment was made on Oct.8, 2004.

10th amendment was made on Nov.8, 2004.

11th amendment was made on Jun.24,2005.

12th amendment was made on May 3,2006.

13th amendment was made on Jun.29,2006.

14th amendment was made on Dec.15,2006.

15th amendment was made on May 31,2007.

16th amendment was made on Jun.13,2008.

17th amendment was made on Jun.10,2009.

18th amendment was made on Jun.14,2010

19th amendment was made on Jun.10,2011.

20th amendment was made on Jun. 20,2012.

21st amendment was made on Jun.10, 2014.

22nd amendment was made on Jun.6,2016.

23rd amendment was made on Jun.14,2017.

24th amendment was made on Jun.14,2019.

25th amendment was made on Jun.26,2021.

26th amendment was made on Jun. 17, 2022

Chairman: CHU, TE-HSIANG

【Annex 2】

LOTES CO., LTD. Rules of Procedure for Shareholders Meetings

Article 1

To establish a strong governance system and sound supervisory capabilities for the Company's shareholders meetings, and to strengthen management capabilities, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM 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, this Corporation's shareholders meetings shall be convened by the Board.

The change in the method of convening the company's shareholder meeting shall be resolved by the board of directors and shall be carried out no later than before the dispatch of the notice of the shareholder meeting.

The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors and etc., and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby. The abovementioned material shall be distributed on-site at the meeting.

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 or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion. The main content may be placed on the website designated by the Securities Authority or the Company and the said website shall be included in the notice.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the Board may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

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

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

Article 4

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

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

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

After the proxy has been delivered to the company, if shareholders wish to attend the shareholder meeting via video conference, they should notify the company in writing to revoke the proxy two days before the shareholder meeting; those who revoke late shall follow the voting rights exercised by the proxy.

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.

When the company convenes a video conference shareholder meeting, it is not subject to the restrictions of the previous venue.

Article 6

The Company shall specify in its shareholders meeting notices the time during which attendance registrations for shareholders, Solicitor, entrusted agent (hereinafter referred to as shareholders), 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 video conference of the shareholders' meeting should start accepting check-in on the video conference platform 30 minutes before the start of the meeting. Shareholders who have completed the check-in are regarded as personally attending the shareholders' meeting.

Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Corporation may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders and their proxies (collectively, as "shareholders") with an attendance book to sign, or attending shareholders may hand in a sign-in card lieu of signing in.

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

Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. 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.

For shareholders' meetings held by video conference, shareholders who wish to attend via video conference should register with the company two days before the shareholders' meeting.

For shareholders' meetings held by video conference, the company should upload the meeting manual, annual report, and other related information to the video conference platform of the shareholders' meeting at least 30 minutes before the start of the meeting, and continue to disclose until the end of the meeting.

Article 7

If a shareholders meeting is convened by the Board, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

It is advisable that shareholders meetings convened by the Board be chaired by the chairperson of the board in person and attended by a majority of the directors.

If a shareholders meeting is convened by a party with power to convene but other than the Board, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

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

Article 8

This Corporation, 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 one 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.

For shareholders' meetings held by video conference, the company should record and preserve information such as the registration, registration, check-in, questioning, voting, and company ballot results of shareholders, and should continuously record and film the entire video conference.

The data and audio and video recordings in the previous paragraph should be properly preserved by the company during its existence, and the audio and video recordings should be provided to the trustee for the management of the video conference affairs.

Article 9

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of attending shares is calculated based on the signature book or submitted check-in card and the number of shares checked in on the video conference platform, plus the number of shares voting in writing or electronically.

The chair shall call the meeting to order at the appointed meeting time; also, the number of non-voting rights and the number of attending shares are announced simultaneously. 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 one 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. For shareholders' meetings held by video conference, the company should also announce the flow of the meeting on the video conference platform of the shareholders' meeting.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. For shareholders' meetings held by video conference, shareholders who wish to attend via video conference should re-register with the company according to Article 6.

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, the meeting agenda shall be set by the Board. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.

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

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 shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of 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, call for a vote, and schedule sufficient time for voting.

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.

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

For shareholders' meetings held by video conference, shareholders participating via video conference can ask questions in text format on the video conference platform of the shareholders' meeting after the chairman announces the start of the meeting and before the announcement of the adjournment. Each motion should not be questioned more than twice, each time limited to 200 words, and the provisions of paragraphs 1 to 5 do not apply.

Article 12

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

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

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

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

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

Article 13

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

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

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

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

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

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Corporation.

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.

When the company holds a video conference shareholder meeting, shareholders participating via video conference should vote on each motion and election motion through the video conference platform after the chairman announces the start of the meeting, and should complete before the chairman announces the end of voting. Those who exceed the time limit are deemed to have abstained.

For shareholders' meetings held by video conference, votes should be counted once after the chairman announces the end of voting, and the results of the vote and election should be announced.

When the company convenes a video-assisted shareholders' meeting, shareholders, solicitors or entrusted agents who have registered to attend the shareholders' meeting via video conference in accordance with Article 6 and wish to personally attend the physical shareholders' meeting should cancel the registration in the same manner as the registration two days before the shareholders' meeting; those who revoke late can only attend the shareholders' meeting via video conference.

When the company holds a video conference shareholder meeting, shareholders participating via video conference should vote on each motion and election motion through the video conference platform after the chairman announces the start of the meeting, and should complete before the chairman announces the end of voting. Those who exceed the time limit are deemed to have abstained.

For shareholders' meetings held by video conference, votes should be counted once after the chairman announces the end of voting, and the results of the vote and election should be announced.

When the company convenes a video-assisted shareholders' meeting, shareholders, solicitors or entrusted agents who have registered to attend the shareholders' meeting via video conference in accordance with Article 6 and wish to personally attend the physical shareholders' meeting should cancel the registration in the same manner as the registration two days before the shareholders' meeting; those who revoke late can only attend the shareholders' meeting via video conference.

Those who exercise their voting rights in written or electronic form and have not withdrawn their expression of intent, and who participate in the shareholders' meeting via video, may not exercise their voting rights on the original proposal or propose amendments to the original proposal or vote on amendments to the original proposal, except for impromptu motions.

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 supervisors 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 one 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

Resolutions of a shareholders' meeting shall be recorded in the minutes of the meeting pursuant to Article 183 of the Company Act.

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 voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. The minutes shall be retained for the duration of the existence of the Company.

When a shareholders' meeting is held via video conference, in addition to the items that should be recorded in the minutes according to the previous provisions, it should also record the start and end time of the shareholders' meeting, the method of convening the meeting, the name of the chairperson and the recorder, and the handling methods and circumstances when the video conferencing platform or participation via video encounters obstacles due to natural disasters, incidents, or other force majeure events.

Article 16

The number of shares solicited by the solicitor, the number of shares represented by the entrusted proxy, and the number of shares of shareholders attending in written or electronic form should be clearly displayed in a statistical table in the designated format at the shareholders' meeting venue on the day of the meeting. If the shareholders' meeting is convened via video conference, the company will upload the aforementioned information to the shareholders' meeting video conference platform and continuously disclose it until the end of the meeting. When the company convenes the shareholders' meeting video conference and announces the start of the meeting, the number of attendance rights of shareholders should be disclosed on the video conference platform. If there are other counts of attendance rights during the meeting, the same applies.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (TPEX) 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 defer or resume the meeting within five days in accordance with Article 182 of the Company Act.

Article 19

If the shareholders' meeting is held via video conference, the company should immediately disclose the voting results of each proposal and the election results on the shareholders' meeting video conference platform after the voting ends.

Article 20

These Rules shall only take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.

【Annex 3】

Effect of the allotment on the Company's operating performance, earnings per share and return on shareholders' investment:

Not applicable

【Annex 4】

**LOTES CO., LTD.
Shareholding Status of the Directors**

Title	Name	Shareholding	
		Shares	Percentage (Note)
Chairperson	CHIA-MING Investment Co., Ltd. Representative: Zhu, De-Xiang	9,797,037	8.80%
Director	CHIA-MING Investment Co., Ltd. Representative: He, De-You	9,797,037	8.80%
Director	Xie, Jia-Ying	0	0%
Director	Qu. Jlen-Zhong	0	0%
Independent Director	Wang, Ren-Chun	0	0%
Independent Director	Jiang, Yi-Chen	0	0%
Independent Director	Wu, Chang-Hsiu	0	0%
Subtotal of the Shares Held by the Directors (Number of Shares)		9,797,037	8.80%
The Minimum Number of Shares Shall Be Held by the Directors		8,000,000	6%

Note 1: The share capital as of April 18, 2023, the date of cessation of transfer, was 111,329,813 shares.

Note 2: The Company has established an audit committee and therefore there is no statutory shareholding requirement for supervisors.