

# LOTES

Stock code:3533

## LOTES CO., LTD

### Annual Meeting of Shareholders, 2024 Agenda Handbook

**Meeting type:** Physical Meeting

**Time:** 9:00 a.m. June 13, 2024

**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 2024 Annual Meeting of Shareholders**

**1. Call the Meeting to Order**

**2. Chairperson Remarks**

**3. Company Reports**

**4. Proposals**

**5. Discussion**

**6. Elections**

**7. Other Matters**

**8. Extemporaneous Motions**

**9. Adjournment**

# **Lotes Co., Ltd.**

**Year 2024**

## **Agenda of Annual Meeting of Shareholders**

**Meeting Method:** Physical meeting

**Time:** 9:00 AM, June 13 (Thursday), 2024

**Place:** No. 59, Wuxun St., Anle Dist., Keelung City (Dawulun (with Reifang) Industrial Park Service Center)

### **1. Call the Meeting to Order**

### **2. Chairperson Remarks**

### **3. Company Reports**

- (1) 2023 Business Reports
- (2) Audit Committee's Review Report on the 2023 Financial Statements
- (3) 2023 Distribution of Compensation to Employees and Directors
- (4) The Company's Second Issuance of Domestic Unsecured Corporate Bonds

### **4. Proposals**

- (1) Adoption of the 2023 Business Report and Financial Statements
- (2) Adoption of the Proposal for Distribution of 2023 Profits

### **5. Discussion**

- (1) Amendment to the "Articles of Incorporation"

### **6. Elections**

- (1) Re-election of the Company's Board of Directors

### **7. Other Matters**

- (1) Proposal of Lifting the Prohibition on Directors from Participation in Competitive Business

### **8. Extemporaneous Motions**

### **9. Adjournment**

## Company Reports

### **Report No. 1**

2023 Business Reports

#### **Explanation:**

The 2023 Business Reports is attached as pp.6-7, Attachment 1.

### **Report No. 2**

Audit Committee's Review Report on the 2023 Financial Statements

#### **Explanation:**

The Audit Committee's Review Report on the 2023 Financial Statements is attached as p.8, Attachment 2.

### **Report No. 3**

2023 Distribution of Compensation to Employees and Directors

#### **Explanation:**

1. In accordance with Article 19 of the Articles of Incorporation, considering shareholder equity and referencing industry standards and the overall economic environment, the Company proposes to allocate NT\$202,700,000 for employee compensation and NT\$4,480,000 for director compensation for the year 2023. The amounts allocated match the expenses recognized for the year 2023.
2. The compensation for employees and directors will be distributed entirely in cash.

### **Report No. 4**

The Company's Second Issuance of Domestic Unsecured Corporate Bonds

#### **Explanation:**

1. To enhance operational funds, approved by the Financial Supervisory Commission on January 16, 2023, under Letter Jin-Guan-Zheng-Fa-Zi No.11103680231, the Company issued its second domestic unsecured convertible bonds totaling NT\$1 billion; these bonds were fully subscribed and listed on March 9, 2023.
2. The information on the Issuance of Corporate Bonds is attached as p.9, Attachment 3.

## Proposals

1

Proposed by the Board

**Proposal:**

Adoption of the 2023 Business Report and Financial Statements

**Explanation:**

1. The Company's 2023 financial statements and consolidated financial statements have been audited and signed by LI, FENG-HUI and CAI, PEI-RU from KPMG Taiwan. The business report was approved by the Company's board on March 12, 2024.
2. The above financial and business reports have been reviewed and approved by the Audit Committee.
3. The 2023 Business Reports is attached as pp.6-7, Attachment 1; the Auditor's Review Report and Financial Statements is attached as pp.10-27, Attachment 4.
4. Please proceed to ratify.

**Resolution:**

2

Proposed by the Board

**Proposal:**

Adoption of the Proposal for Distribution of 2023 Profits

**Explanation:**

1. The Company's net profit after taxes for 2023 is NT\$5,593,031,591. The Profit Distribution Table was approved by the Audit Committee and the board of directors on March 12, 2024.
2. The Profit Distribution Table is attached as p.28, Attachment 5.
3. The distribution of cash dividends will be determined by the board of directors after approval at the general shareholders' meeting, including setting the dividend record date and related matters. Cash dividends are rounded to the nearest dollar; amounts below one dollar are discarded, and any fractional amounts not amounting to one dollar are transferred to other income.
4. Should there be any future changes in the number of shares eligible for distribution that affect the dividend rate per share, the chairman is authorized to handle all related matters fully.

**Resolution:**

## Discussion

1

Proposed by the Board

**Proposal:**

Amendment to the "Articles of Incorporation"

**Explanation:**

1. For long-term operational development, the Company proposes to amend certain provisions of the "Articles of Incorporation."
2. The Comparison Table of "Articles of Incorporation" is attached as p.29, Attachment 6.

**Resolution:**

## **Elections**

**1**

**Proposed by the Board**

**Proposal:**

Re-election of the Company's Board of Directors

**Explanation:**

1. The term of the Company's 10th Board of Directors will expire on July 25, 2024. According to the Company Act, a full re-election is required at the 2024 Annual General Meeting. Newly elected directors will assume office immediately following their election at the shareholders' meeting, with their term commencing on June 13, 2024, and ending on June 12, 2027, a three-year term.
2. As per Article 13 of the Articles of Incorporation, seven directors, including three independent directors, are proposed for election. The election will follow a candidates nomination system, and the list of nominees was approved by the board on March 12, 2023. The list of director and independent director nominees is attached as p.30, Attachment 7. Shareholders will elect from the list of nominees.
3. This election will be conducted in accordance with the Company's Procedures for Election of Directors, which is attached as pp.44-45, Appendix 3.
4. Please proceed to elect.

**Result:**

## **Other Matters**

**1**

**Proposed by the Board**

**Proposal:**

Discussion to approve the lifting of non-competition restrictions for directors.

**Explanation:**

1. In accordance with Article 209, Paragraph 1 of the Company Act, which states that "A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval."
2. If a director of the Company is involved in investing in or managing other companies with similar business scopes and serves as a director, under the premise of not harming the Company's interests, pursuant to Article 209 of the Company Act, shareholder approval is sought to legally lift the competition restrictions for newly appointed directors. The proposed content for lifting the competition restrictions is attached as p.31, Attachment 8.

**Resolution:**

## **Extemporary Motions**

## **Adjournment**

## 【Attachment 1】

# Business Report

## A. 2023 Business Condition Report

### 1. Overview of Operations

In 2023, the Company's consolidated revenue was NT\$24.483 billion, a decline of 9.66% from the NT\$27.099 billion in 2022. The consolidated net profit after taxes was NT\$5.593 billion, a decrease of 10.57% from NT\$6.254 billion in 2022, resulting in an earnings per share (EPS) of NT\$50.65.

Reflecting on 2023, the global economy faced significant shocks and recessions due to rapidly rising inflation rates, directly affecting the operations of the consumer and server electronics industries, where the Company operates. The general issue of excessive inventory adjustments among downstream customers led to a noticeable decline in demand. However, due to the gradual increase in the conversion rate of the new generation of server and desktop CPU platforms, along with the Company's active efforts in developing new products and new customers, the decline in revenue and profits was minimal. The EPS remained strong at NT\$50.65, reflecting a high-quality profit performance.

### 2. Implementation Results of Business Plans and Profitability Analysis

#### a. Results of Business Plan Implementation

Unit: NT\$ thousands

Item	2023	2022	Difference	%
Net Revenue	24,483,463	27,099,134	(2,615,671)	(9.66%)
Cost of Revenue	13,002,401	15,161,454	(2,159,053)	(14.25%)
Gross Profit	11,481,062	11,937,680	(456,618)	(3.83%)
Net Income After Tax	5,593,032	6,254,264	(661,232)	(10.57%)

#### b. Financial Income and Profitability Analysis

Item		2023	2022	
Profitability (%)	Return on Total Assets	15.85	19.34	
	Return on Equity attributable to Shareholders	22.11	31.53	
	% to Paid-in Capital	Operating Income	623.11	674.10
		Pre-tax Income	674.65	759.39
	Net Margin	22.84	23.07	
	Earnings Per Share	50.66	58.70	

#### c. Research and Development Status

The Company continuously strives to provide customers with high-quality products by enhancing our capabilities in design, manufacturing processes, quality control, and testing. We remain committed to achieving high growth targets and spare no effort in developing new products, moving towards finer pitch and higher density connectors. Recently, to align with future market trends for high-speed connectors, we have been vigorously enhancing our capabilities in analyzing and developing high-current, high-frequency connectors to meet market demands. Additionally, the Company has successfully developed connectors required for high-frequency servers, automotive, high-speed transmission devices,

and Type-C, among others, aiming to expand our product line and market size.

## B. 2023 Business Plans and Outlook

### 1. Business Plans

#### a. Business Policies

- (1) Strengthen connections and coordinate production capacity across markets in mainland China, Taiwan, and Hong Kong to fully grasp market changes and demands.
- (2) Enhance the research and development team, continuously develop new products, and elevate the technical level to enhance the Company's core technical capabilities and establish a competitive advantage.
- (3) Integrate group resources, improve production and management capabilities to reduce production costs, and enhance operational efficiency.

#### b. Key Product and Sales Policies

- (1) Strengthen customer relationship management to enhance competitive efficiency and maintain close cooperation with major international manufacturers.
- (2) Adopt a customer-oriented approach, stay close to market-leading manufacturers, and provide customers with a diverse range of products and services.
- (3) Improve factory management effectiveness and the division of labor among domestic and international factories, and strengthen inventory management skills to effectively control production costs and enhance the production and sales mechanism.

### 2. Future Outlook

Looking ahead, the Company will continue to face a highly competitive market and a variable economic environment. However, besides striving to strengthen close cooperative relationships with customers, the Company will also continue to improve and develop existing products and adopt a diversified strategy. By maintaining good cooperation with top international manufacturers, we aim to enhance market sensitivity, fully grasp new product development trends, and research and develop niche products. This approach is intended to enhance the Company's competitive advantage in the industry and successfully achieve our operational goals, thereby continuing to create maximum value for shareholders.

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

**【Attachment 2】**

**Lotes Co., Ltd.**  
**Audit Committee Review Report**

The board of directors has submitted the Company's 2023 business report, annual financial statements, and profit distribution proposal. The financial statements have been audited and completed by certified public accountants, LI, FENG-HUI and CAI, PEI-RU, from KPMG Taiwan, who have issued an audit report. The aforementioned business report, financial statements, and profit distribution table have been reviewed by the Audit Committee, and no discrepancies were found. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have prepared this report and kindly request your review.

Yours sincerely,

The 2024 Shareholders' Annual Meeting of Lotes Co., Ltd.

Lotes Co., Ltd.

Convener of the Audit Committee: WU, ZHANG-XIU

**【Attachment 3】****Lotes Co., Ltd.****Details of Issuance and Enforcement of Corporate Bonds**

Issuance	Second Domestic Unsecured Convertible Corporate Bond (Lotes2 / Code 35332)
Issue Date	March 9, 2023
Denomination	NT\$100,000 per bond
Total Amount	10,000 bonds issued, totaling NT\$1 billion
Coupon (Per Annum)	0%
Tenure and Maturity Date	3 years / Maturity: March 9, 2026
Reason for Issuance	To supplement operational funds
Conversion Price	Initial conversion price at issuance: NT\$862.1; current conversion price: NT\$829.9
Repayment	Apart from bondholders converting their holdings into ordinary shares of the Company according to Article 10 of the terms of issuance and conversion, or the Company redeeming the bonds early according to Article 17, or repurchasing and cancelling through brokerage operations, the Company shall repay the bondholders in cash the principal amount within seven business days following the maturity date of these convertible bonds.
Redemption or Early Repayment Clause	Refer to the Company's terms of issuance and conversion for the Second Domestic Unsecured Convertible Corporate Bonds.
Conversion Target	Ordinary shares of the Company
Conversion Status	According to Article 9 of the terms of issuance and conversion, the conversion period starts from June 10, 2023 (the day following three months after the bond issuance date), until the maturity date on March 9, 2026. As of the book closure date on April 15, 2024, 4,377 bonds have been converted.
Implementation of the Fund Utilization Plan	<p>In the fiscal year 2022, the Company's capital increase through cash and issuance of the Second Domestic Unsecured Convertible Corporate Bonds required total funding of NT\$3,391,377,000.</p> <p>The funds were expected to be utilized starting the second quarter of 2023. The issuance of the Second Domestic Unsecured Convertible Corporate Bonds was completed on March 8, 2023, raising NT\$1,081,377,000. Additionally, the funds raised from the capital increase through new share issuance in the fiscal year 2022 were completed on April 7, 2023, amounting to NT\$2,310,000,000. As of September 30, 2023, the total amount of NT\$3,391,377,000 has been used to supplement operational funds, in accordance with the plan, as assessed by Yuanta Securities Co., Ltd., without any significant irregularities.</p>

## **【 Attachment 4 】**

### **Independent Auditor's Report**

To the Board of Directors 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, 2023 and 2022, the Statement of Comprehensive Income as of January 1 to December 31, 2023 and 2022 as well as the Statement of Changes in Equity, Statement of Cash Flows and the Notes to Parent Company Only Financial Statement (including important accounting policies summary).

In our opinions, the compilation of the above parent company only financial statements present fairly, in all material respects, of the financial status of December 31, 2023 and 2022 in Lotes and the financial performance and consolidated cash flow of January 1 to December 31, 2023 and 2022 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 Generally Accepted 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 2023 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 (16) 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 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.

## **Emphasis of Matter**

As disclosed in Note III (1) to the parent company only financial statements, effective January 1, 2023, Lotes adopted the amendments to IAS 12, which was recognized and issued by the Financial Supervisory Commission, for the preparation of its financial statements, and restated its parent company only financial statements for the year ended December 31, 2022 retrospectively. We have not modified our audit opinion accordingly.

## **Other Matters**

Lotes has prepared its parent company only financial statements for fiscal years 2023 and 2022, and we have issued an unqualified audit report thereon for your information.

## **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 generally accepted 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 generally accepted 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—under which our CPAs are working—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 2023 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	CHIN-KUAN-CHENG-SHEN-
Authority of	: TZU No. 1000011652
Securities	CHIN-KUAN-CHENG-SHEN-
Approval	TZU No. 1110333933
Certificate No.	
March 12, 2024	



**Lotes Co., Ltd.**  
**Statement of Comprehensive Income**  
**From January 1 to December 31, 2023 and 2022**

**Unit: NT\$ 1,000**

	2023		(Restated) 2022	
	Amount	%	Amount	%
4000 <b>Operating revenue (Note VI (14), (22) and XIV)</b>	\$ 15,473,450	100	17,440,172	100
5000 <b>Operating cost (Note VI (4) and XII)</b>	11,253,709	73	13,145,656	75
<b>Gross profit</b>	<u>4,219,741</u>	<u>27</u>	<u>4,294,516</u>	<u>25</u>
<b>Operating expense (Note VI (13), (16), (17), (24), (25), VII and XII):</b>				
6100 Promotion expense	306,238	2	420,304	2
6200 Administration expense	450,781	3	378,064	2
6300 R&D expense	59,862	-	62,879	-
6450 Expected credit impairment profit/loss	(1,625)	-	1,732	-
<b>Total operating expense</b>	<u>815,256</u>	<u>5</u>	<u>862,979</u>	<u>4</u>
<b>Net operating profit</b>	<u>3,404,485</u>	<u>22</u>	<u>3,431,537</u>	<u>21</u>
<b>Non-operating revenue/expense (Note VI (12) and (23)):</b>				
7100 Interest income	264,179	2	25,756	-
7010 Other income	175,636	1	194,240	1
7020 Other gains and losses	(71,334)	-	507,645	3
7050 Financial costs	(33,786)	-	(20,421)	-
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	2,795,627	18	2,998,284	17
<b>Total non-operating revenue/expense</b>	<u>3,130,322</u>	<u>21</u>	<u>3,705,504</u>	<u>21</u>
<b>Net profit before tax from continuing operations</b>	<u>6,534,807</u>	<u>43</u>	<u>7,137,041</u>	<u>42</u>
7950 <b>Less: Income tax expense (Note VI (18))</b>	941,775	6	881,110	5
<b>Net profit for the period</b>	<u>5,593,032</u>	<u>37</u>	<u>6,255,931</u>	<u>37</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311 Remeasurement of defined benefit plans	(2,292)	-	2,790	-
8316 Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	3,982	-	(3,483)	-
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	(38)	-	(2,997)	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(458)	-	558	-
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>2,110</u>	<u>-</u>	<u>(4,248)</u>	<u>-</u>
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation	(449,712)	(3)	349,811	2
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(449,712)</u>	<u>(3)</u>	<u>349,811</u>	<u>2</u>
8300 <b>Other comprehensive income for the period (net)</b>	<u>(447,602)</u>	<u>(3)</u>	<u>345,563</u>	<u>2</u>
<b>Total other comprehensive income for the period</b>	<u>\$ 5,145,430</u>	<u>34</u>	<u>6,601,494</u>	<u>39</u>
<b>Basic earnings per share (Unit: NT\$) (Note VI (21))</b>	<u>\$ 50.65</u>		<u>58.72</u>	
<b>Diluted earnings per share (Unit: NT\$) (Note VI (21))</b>	<u>\$ 50.19</u>		<u>57.88</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, 2023 and 2022**

**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	Total	Exchange difference between foreign operating office's statement	Unrealized gain or loss on financial assets measured at FVTOCI	Unearned compensation to employees	Total	
<b>Balance on January 1, 2022</b>	\$ 1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,034,040	11,200,170	(669,055)	(13,278)	-	(682,333)	16,862,481
Effects of retrospective application of new standards	-	-	-	-	-	-	2,618	2,618	(51)	-	-	(51)	2,567
<b>Balance after restatement on January 1, 2022</b>	1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,036,658	11,202,788	(669,106)	(13,278)	-	(682,384)	16,865,048
Net profit for the period	-	-	-	-	-	-	6,255,931	6,255,931	-	-	-	-	6,255,931
Other comprehensive income for the period	-	-	-	-	-	-	2,232	2,232	349,811	(6,480)	-	343,331	345,563
Total other comprehensive income for the period	-	-	-	-	-	-	6,258,163	6,258,163	349,811	(6,480)	-	343,331	6,601,494
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
Redemption of convertible bonds	-	-	-	(90)	-	-	-	-	-	-	-	-	(90)
Conversion of convertible bonds	8,983	8,369	17,352	895,831	-	-	-	-	-	-	-	-	913,183
<b>Balance after restatement on December 31, 2022</b>	1,068,762	9,536	1,078,298	6,307,022	1,918,686	682,333	13,164,286	15,765,305	(319,295)	(19,758)	-	(339,053)	22,811,572
Net profit for the period	-	-	-	-	-	-	5,593,032	5,593,032	-	-	-	-	5,593,032
Other comprehensive income for the period	-	-	-	-	-	-	(1,834)	(1,834)	(449,712)	3,944	-	(445,768)	(447,602)
Total other comprehensive income for the period	-	-	-	-	-	-	5,591,198	5,591,198	(449,712)	3,944	-	(445,768)	5,145,430
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	-	-	625,649	-	(625,649)	-	-	-	-	-	-
Reversal on special reserve	-	-	-	-	-	(343,303)	343,303	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(2,803,575)	(2,803,575)	-	-	-	-	(2,803,575)
Other changes in capital reserves:													
Issuance of stock options for convertible bonds	-	-	-	114,556	-	-	-	-	-	-	-	-	114,556
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	24,049	-	-	-	-	-	-	-	-	24,049
Compensation expense for employee stock options	-	-	-	52,309	-	-	-	-	-	-	-	-	52,309
Cash capital increase	35,000	-	35,000	2,270,973	-	-	-	-	-	-	-	-	2,305,973
Conversion of convertible bonds	9,536	(8,113)	1,423	127,484	-	-	-	-	-	-	-	-	128,907
Changes in ownership of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,162)	(6,162)	(6,162)
<b>Balance on December 31, 2023</b>	\$ 1,113,298	1,423	1,114,721	8,896,393	2,544,335	339,030	15,669,563	18,552,928	(769,007)	(15,814)	(6,162)	(790,983)	27,773,059

(Please read the Notes to the Consolidated Financial Statements)  
Manager: HO, TE-YU

Chairperson: CHU, TE-HSIANG

Accounting Manager: LIU, HSIN-HSIA

**Lotes Co., Ltd.**

**Statement of Cash Flows**

**From January 1 to December 31, 2023 and 2022**

**Unit: NT\$ 1,000**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Net profit before tax</b>	\$ 6,534,807	7,137,041
<b>Items of adjustment:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	11,966	10,192
Amortization expense	22,062	22,639
Expected credit loss (gain)	(1,625)	1,732
Interest expense	33,786	20,421
Interest income	(264,179)	(25,756)
Dividend income	(441)	(300)
Share of the profit from subsidiaries, associates and joint ventures accounted for using equity method	(2,795,627)	(2,998,284)
Net loss on financial assets measured at FVTPL	(2,736)	(12,990)
Investment impairment loss accounted for using equity method	24,860	-
Profit from repurchase of corporate bonds	-	(35)
Inventory valuation and disposal loss	40,413	36,076
Loss (profit) from the disposal and scaping of property, plant and equipment	(29)	34
Compensation expense for employee stock options	52,309	-
Total adjustments to reconcile profit (loss)	<u>(2,879,241)</u>	<u>(2,946,271)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	11	517
Decrease (increase) in accounts receivable	1,000,963	(1,031,636)
Increase in other receivables	(25,644)	(6,651)
Decrease (increase) in inventory	355,049	(36,049)
Increase in advance payment	(2,023)	(2,472)
Increase in other current assets	(15)	-
Total net change in the assets related to operating activities	<u>1,328,341</u>	<u>(1,076,291)</u>
Net change in the liabilities related to operating activities:		
Decrease in contract liabilities	(25,716)	(12,220)
Decrease in notes payable	(3,199)	(5,012)
Increase in accounts payable	1,507,363	716,852
Increase (decrease) in other payables	(42,780)	138,661
Decrease in provision for liabilities	(168)	(1,020)
Increase in other current liabilities	7,052	3,567
Increase in refund liabilities	36,138	188,939
Decrease in other non-current liabilities	-	(701)
Total net change in the liabilities related to operating activities	<u>1,478,690</u>	<u>1,029,066</u>
Total net change in the assets and liabilities related to operating activities	<u>2,807,031</u>	<u>(47,225)</u>
Total of the adjustment items	<u>(72,210)</u>	<u>(2,993,496)</u>
Cash inflow generated from operating activities	6,462,597	4,143,545
Interest received	273,525	16,455
Dividends received	441	300
Interest paid	(21,435)	(13,201)
Income taxes paid	(1,202,000)	(480,627)
<b>Cash flows used in operating activities</b>	<u>5,513,128</u>	<u>3,666,472</u>
<b>Cash flows in investing activities:</b>		
Disposal of financial assets measured at FVTOCI	7,433	1,422
Acquisition of financial assets measured at FVTPL	(25,000)	(8,000)
Disposal of financial assets measured at FVTPL	10,949	5,035
Acquisition of investment accounted for using equity method	(898,915)	(844,045)
Acquisition of property, plant and equipment	(4,471)	(4,654)
Disposal of property, plant and equipment	29	40
Acquisition of intangible assets	(514)	-
Acquisition of investment property	-	(169,534)
Decrease (increase) in other non-current assets	386	(4,312)
<b>Net cash outflow from investment activities</b>	<u>(910,103)</u>	<u>(1,024,048)</u>
<b>Cash flows in financing activities:</b>		
Increase in short-term loans	(250,000)	1,277,760
Issuance of corporate bonds	1,079,878	-
Raising long-term loans	-	130,000
Repayment of long-term loans	(126,175)	(3,825)
Repayment of lease principal	(59)	(59)
Issuance of cash dividends	(2,803,575)	(1,695,646)
Cash capital increase	2,305,973	-
Repurchase of corporate bonds	-	(2,800)
<b>Cash flows from (used in) financing activities</b>	<u>206,042</u>	<u>(294,570)</u>
Increase in cash and cash equivalents	4,809,067	2,347,854
Beginning balance of cash and cash equivalents	3,127,767	779,913
Ending balance of cash and cash equivalents	<u>\$ 7,936,834</u>	<u>3,127,767</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 Directors 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, 2023 and 2022, the Consolidated Statement of Comprehensive Income as of January 1 to December 31, 2023 and 2022 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, 2023 and 2022 in Lotes Group and the consolidated financial performance and consolidated cash flow of January 1 to December 31, 2023 and 2022 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 Generally Accepted 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 2023 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 (16) to the consolidated financial statements for the accounting policy in terms of income recognition. Please refer to Note VI (16) to the consolidated financial statements for the refund liability. Please refer to Note VI (24) 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 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.

## **Emphasis of Matter**

As disclosed in Note III (1) to the consolidated financial statements, effective January 1, 2023, Lotes Group adopted the amendments to IAS 12, which was recognized and issued by the Financial Supervisory Commission, for the preparation of its financial statements, and restated its consolidated financial statements for the year ended December 31, 2022 retrospectively. We have not modified our audit opinion accordingly.

## **Other Matters**

Lotes Co., Ltd. has prepared its parent company only financial statements for fiscal years 2023 and 2022, 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 generally accepted 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 generally accepted 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—under which our CPAs are working—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 2023 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	CHIN-KUAN-CHENG-SHEN-
Authority of	: TZU No. 1000011652
Securities	CHIN-KUAN-CHENG-SHEN-
Approval	TZU No. 1110333933
Certificate No.	
March 12, 2024	



**Lotes Co., Ltd. and Subsidiaries**  
**Consolidated Statement of Comprehensive Income**  
**From January 1 to December 31, 2023 and 2022**

Unit: NT\$ 1,000

		2023		(Restated) 2022	
		Amount	%	Amount	%
4000	<b>Operating revenue (Note VI (16), (24) and XIV)</b>	\$ 24,483,463	100	27,099,134	100
5000	<b>Operating cost (Note VI (4) and XII)</b>	13,002,401	53	15,161,454	56
	<b>Gross profit</b>	11,481,062	47	11,937,680	44
	<b>Operating expense (Note VI (15), (18), (19), (26), (27), VII and XII):</b>				
6100	Promotion expense	779,454	3	828,044	3
6200	Administration expense	1,593,509	7	1,532,956	6
6300	R&D expense	2,173,521	9	2,300,779	8
6450	Expected credit loss (gain)	(11,371)	-	7,015	-
	<b>Total operating expense</b>	4,535,113	19	4,668,794	17
	<b>Net operating profit</b>	6,945,949	28	7,268,886	27
	<b>Non-operating revenue/expense(Note VI (5), (18) and (25)):</b>				
7100	Interest income	325,532	1	46,801	-
7010	Other income	412,287	2	367,702	1
7020	Other gains and losses	(74,898)	-	560,287	2
7050	Financial costs	(71,118)	-	(55,109)	-
7070	Share in the gain or loss of subsidiaries, associate and joint ventures accounted for using the equity method	(17,259)	-	-	-
	<b>Total non-operating revenue/expense</b>	574,544	3	919,681	3
	<b>Net profit before tax from continuing operations</b>	7,520,493	31	8,188,567	30
7950	<b>Less: Income tax expense(Note VI (20))</b>	1,793,447	8	1,780,487	7
	<b>Net profit for the period</b>	5,727,046	23	6,408,080	23
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Remeasurements of defined benefit plan	(2,292)	-	2,790	-
8316	Unrealized gains (losses) from investments in equity instruments measured at FVTOCI	3,892	-	(7,981)	-
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(458)	-	558	-
	<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	2,058	-	(5,749)	-
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(320,804)	(1)	352,379	1
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(1,794)	-	830	-
	<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	(319,010)	(1)	351,549	1
8300	<b>Other comprehensive income for the period (net)</b>	(316,952)	(1)	345,800	1
	<b>Total other comprehensive income for the period</b>	<u>\$ 5,410,094</u>	<u>22</u>	<u>6,753,880</u>	<u>24</u>
	<b>Net profit for the period attributable to:</b>				
8610	Owners of parent	\$ 5,593,032	22	6,255,931	22
8620	Non-controlling interest	134,014	1	152,149	1
		<u>\$ 5,727,046</u>	<u>23</u>	<u>6,408,080</u>	<u>23</u>
	<b>Total comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 5,145,430	21	6,601,494	23
8720	Non-controlling interest	264,664	1	152,386	1
		<u>\$ 5,410,094</u>	<u>22</u>	<u>6,753,880</u>	<u>24</u>
	<b>Basic earnings per share (Unit: NT\$)</b>				
	(Note VI (23))	<u>\$ 50.65</u>		<u>58.72</u>	
	<b>Diluted earnings per share (Unit: NT\$)</b>				
	(Note VI (23))	<u>\$ 50.19</u>		<u>57.88</u>	

(Please read the Notes to the Consolidated 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, 2023 and 2022**

**Unit: NT\$ 1,000**

	Equity attributable to owners of parent								Other equity						
	Share capital			Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at FVTOCI	Unearned compensation to employees	Total	Unrealized gains (losses) on financial assets measured at FVTOCI	Non-controlling interests	Total equity
	Share capital for ordinary shares	Certificates of bond-to-stock conversion	Total	Capital reserves	Legal reserve	Special reserve	Unappropriated retained earnings	Total							
<b>Balance on January 1, 2022</b>	\$ 1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,034,040	11,200,170	(669,055)	(13,278)	-	(682,333)	16,862,481	1,192,223	18,054,704
Effects of retrospective application of new standards	-	-	-	-	-	-	2,618	2,618	(51)	-	-	(51)	2,567	-	2,567
<b>Balance after restatement on January 1, 2022</b>	1,059,779	1,167	1,060,946	5,283,698	1,571,158	594,972	9,036,658	11,202,788	(669,106)	(13,278)	-	(682,384)	16,865,048	1,192,223	18,057,271
Net profit for the period	-	-	-	-	-	-	6,255,931	6,255,931	-	-	-	-	6,255,931	152,149	6,408,080
Other comprehensive income for the period	-	-	-	-	-	-	2,232	2,232	349,811	(6,480)	-	343,331	345,563	237	345,800
Total other comprehensive income for the period	-	-	-	-	-	-	6,258,163	6,258,163	349,811	(6,480)	-	343,331	6,601,494	152,386	6,753,880
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	347,528	-	(347,528)	-	-	-	-	-	-	-	-
Reversal on special reserve	-	-	-	-	-	87,361	(87,361)	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(1,695,646)	(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
Redemption of convertible bonds	-	-	-	(90)	-	-	-	-	-	-	-	-	(90)	-	(90)
Conversion of convertible bonds	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)
<b>Balance after restatement on December 31, 2022</b>	1,068,762	9,536	1,078,298	6,307,022	1,918,686	682,333	13,164,286	15,765,305	(319,295)	(19,758)	-	(339,053)	22,811,572	1,701,304	24,512,876
Net profit for the period	-	-	-	-	-	-	5,593,032	5,593,032	-	-	-	-	5,593,032	134,014	5,727,046
Other comprehensive income for the period	-	-	-	-	-	-	(1,834)	(1,834)	(449,712)	3,944	-	(445,768)	(447,602)	130,650	(316,952)
Total other comprehensive income for the period	-	-	-	-	-	-	5,591,198	5,591,198	(449,712)	3,944	-	(445,768)	5,145,430	264,664	5,410,094
Appropriation and distribution of retained earnings:															
Legal reserve appropriated	-	-	-	-	625,649	-	(625,649)	-	-	-	-	-	-	-	-
Reversal on special reserve	-	-	-	-	-	(343,303)	343,303	-	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	-	-	(2,803,575)	(2,803,575)	-	-	-	-	(2,803,575)	-	(2,803,575)
Other changes in capital reserves:															
Issuance of stock options for convertible bonds	-	-	-	114,556	-	-	-	-	-	-	-	-	114,556	-	114,556
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	24,049	-	-	-	-	-	-	-	-	24,049	-	24,049
Compensation expense for employee stock options	-	-	-	52,309	-	-	-	-	-	-	-	-	52,309	-	52,309
Cash capital increase	35,000	-	35,000	2,270,973	-	-	-	-	-	-	-	-	2,305,973	-	2,305,973
Conversion of convertible bonds	9,536	(8,113)	1,423	127,484	-	-	-	-	-	-	-	-	128,907	-	128,907
Changes in ownership of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,162)	(6,162)	(6,162)	(6,258)	(12,420)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(207,388)	(207,388)
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(144,379)	(144,379)
<b>Balance on December 31, 2023</b>	\$ 1,113,298	1,423	1,114,721	8,896,393	2,544,335	339,030	15,669,563	18,552,928	(769,007)	(15,814)	(6,162)	(790,983)	27,773,059	1,607,943	29,381,002

(Please read the Notes to the Consolidated Financial Statements)  
Manager: HO, TE-YU

Chairperson: CHU, TE-HSIANG

Accounting Manager: LIU, HSIN-HSIA

**Lotes Co., Ltd. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**From January 1 to December 31, 2023 and 2022**

	<b>Unit: NT\$ 1,000</b>	
	<b>2023</b>	<b>(Restated) 2022</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Net profit before tax</b>	\$ 7,520,493	8,188,567
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	2,333,633	2,212,956
Amortization expense	57,955	55,711
Expected credit loss (gain)	(11,371)	7,015
Net loss (gain) on financial assets or liabilities at FVTPL	(10,726)	14,301
Interest expense	71,118	55,109
Interest income	(325,532)	(46,801)
Dividend income	(4,003)	(5,535)
Compensation expense for share-based payment	58,061	10,825
Share in the gain or loss of subsidiaries, associate and joint ventures accounted for using the equity method	17,259	-
Loss (gain) on disposal of property, plant and equipment	35,805	28,364
Impairment loss on non-financial instruments	37,320	-
Inventory valuation and disposal loss	101,013	97,602
Profit from the repurchase of corporate bonds	-	(35)
Other adjustments	(607)	23,779
Total adjustments to reconcile profit (loss):	2,359,925	2,453,291
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes receivable	(88,404)	(142,209)
Decrease (increase) in accounts receivable	1,348,895	(1,777,302)
Decrease (increase) in other receivables	(58,914)	85,564
Decrease (increase) in inventory	876,958	432,653
Decrease (increase) in advance payment	155,894	(116,723)
Decrease in other current assets	1,467	4,368
Total changes in operating assets	2,235,896	(1,513,649)
Changes in operating liabilities:		
Decrease in contract liabilities	(27,506)	(43,067)
Decrease in notes payable	(3,229)	(7,898)
Decrease in accounts payable	(942,001)	(261,856)
Decrease in other payables	(87,353)	(62,876)
Decrease in provisions	(168)	(1,020)
Increase (decrease) in other current liabilities	5,301	(2,547)
Increase in refund liabilities	36,138	188,939
Total changes in operating liabilities	(1,018,818)	(190,325)
Total changes in operating assets and liabilities	1,217,078	(1,703,974)
Total adjustments	3,577,003	749,317
Cash inflow generated from operations	11,097,496	8,937,884
Interest received	275,214	36,337
Dividends received	4,003	5,535
Interest paid	(58,939)	(45,171)
Income taxes paid	(2,184,951)	(1,201,299)
<b>Net cash flows from operating activities</b>	9,132,823	7,733,286

**Lotes Co., Ltd. and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**From January 1 to December 31, 2023 and 2022**

**Unit: NT\$ 1,000**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) investing activities:</b>		
Disposal of financial assets measured at FVTOCI	\$ 7,433	1,422
Acquisition of financial assets measured at FVTOCI	-	(61,465)
Acquisition of financial assets measured at FVTPL	(25,000)	(8,000)
Disposal of financial assets measured at FVTPL	27,794	69,302
Acquisition of Investments accounted for using the equity method	(94,000)	-
Cash outflow from the losing the control of subsidiaries	(50,631)	-
Acquisition of property, plant and equipment	(2,658,787)	(3,677,619)
Disposal of property, plant and equipment	72,444	2,392
Acquisition of intangible assets	(37,453)	(30,457)
Net cash inflows from business combination	(54,076)	-
Acquisition of investment property	(256,488)	-
Decrease in other non-current assets	299,198	18,314
<b>Net cash flows from (used in) investing activities:</b>	<u>(2,769,566)</u>	<u>(3,686,111)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	(317,432)	714,342
Borrowings of long-term loans	-	130,000
Repayments of long-term loans	(165,630)	(8,775)
Payments of lease liabilities	(249,887)	(237,460)
Increase in other non-current liabilities	171	2,562
Cash dividends paid	(2,803,575)	(1,695,646)
Cash dividends paid to non-controlling interests	(144,379)	(56,866)
Cash capital increase	2,305,973	-
Issuance of restricted stock awards	16,620	-
Repurchase of restricted stock awards	255	-
Subsidiary issuing corporate bonds	-	346,268
Issuance of corporate bonds	1,079,877	-
Repurchase of corporate bonds	-	(2,800)
Changes in non-controlling interests	(16,092)	246,344
Changes in subsidiaries, associates and joint ventures accounted for using equity method	(1,508)	67,445
<b>Net cash flows from (used in) financing activities</b>	<u>(295,607)</u>	<u>(494,586)</u>
Effect of exchange rate changes on cash and cash equivalents	(25,463)	234,653
Net increase (decrease) in cash and cash equivalents	6,042,187	3,787,242
Cash and cash equivalents at beginning of period	7,090,304	3,303,062
Cash and cash equivalents at end of period	<u>\$ 13,132,491</u>	<u>7,090,304</u>

(Please read the Notes to the Consolidated Financial Statements)

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

**【Attachment 5】****Lotes Co., Ltd.  
2023 Profit Distribution Table**

Unit: NT\$ thousands

Item	Amount
Earnings in 2023 Available for Distribution	10,074,078,789
Less: Remeasurement of Defined Benefit Obligation	1,833,635
Retained Earnings Available for Distribution as of December 31, 2023	10,072,245,154
Add: Net Profit After Tax for 2023	5,593,031,591
Less: Special Reserve Replenishment Due to a Decrease in Equity (Note 1)	451,954,114
Less: Allocation of 10% Legal Reserve	559,119,796
Total Available for Distribution	14,654,202,835
Less: Shareholder dividends - cash (distribution of NT\$26 per share)	2,898,275,068
Undistributed Earnings at the End of 2023	11,755,927,767
Note 1: In 2023, the net amount classified as a reduction in other equity was NT\$790,984,237, which required replenishing the same amount into the special reserve from the current and prior period's undistributed earnings. However, NT\$339,030,123 was already allocated from prior period earnings to the special reserve in 2023, thus a further NT\$451,954,114 needs to be replenished into the special reserve.	
Note 2: The dividend payout ratio is based on the number of shares entitled to distribution as of December 31, 2023, which is 111,472,118 shares.	

Chairperson: CHU, TE-HSIANG

Manager: HO, TE-YU

Accounting Manager: LIU, HSIN-HSIA

**【Attachment 6】**

**Lotes Co., Ltd.**  
**Comparison Table of “Articles of Incorporation”**

After the Amendment	Before the Amendment
<p>Article 19                      If the Company has surpluses in a year, it shall allocate not less than <u>two</u> 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.</p>	<p>Article 19                      If the Company has surpluses in a year, it shall allocate not less than <del>three</del> 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.</p>
<p>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 Dc.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 onJun.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.  <u>27th amendment was made on Jun.13, 2024</u></p>	<p>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 Dc.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 onJun.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.</p>

**【Attachment 7】**

**List of Director and Independent Director Candidates**

Candidate Categories	Name	Education	Experience	Shares Held at Book Closure Date	Serving Three Consecutive Terms as Independent Director / Reason
Director	Jia Ming Investment Co., Ltd. Rep.: Chu, Te-Hsiang	Taishan Senior High School, Mechanical Engineering	Chairman, LOTES Co., Ltd. Chairman, LOTES Suzhou Co., Ltd. Vice Chairman, LOTES Guangzhou Co., Ltd. Chairman, Lintes Technology Co., Ltd. Chairman, De Chuang Investment Co., Ltd. Chairman, Compertum Microsystems Inc. Chairman, LeRain Technology Co., Ltd. Director, Genmold Precision Machining Co., Ltd. Director, I-See Vision Technology Inc. Independent Director, APAQ Technology Co., Ltd. Supervisor, Neoton Optronics Corporation	9,797,037	N/A
Director	Jin Ling Investment Co., Ltd. Rep.: Ho, Te-Yu	Chung-Pu Junior High School Vocational Training Bureau in Northern Areas, Mold Engineering	President, Lotes Co., Ltd. Chairman, LOTES Guangzhou Co., Ltd. Vice Chairman, LOTES Suzhou Co., Ltd. Chairman, Lotes Hengnan Co., Ltd. Director, Lintes Technology Co., Ltd. Director, Lotes Zhongshan Co., Ltd. Director, Compertum Microsystems Inc.	10,956,237	N/A
Director	Hsieh, Chia-Ying	Graduate Institute of Business Administration, National Taiwan University	Independent Director, Lotes Co., Ltd. Executive Assistant to the President, Realtek Semiconductor Corporation Deputy General Manager, Communication Home Management Consulting Co., Ltd. Deputy General Manager, Lian Chia International Management Consulting Co., Ltd. Director, Leltek Inc. Independent Director, Sunplus Innovation Technology Inc. Independent Director, Tyntek Corporation	0	N/A
Director	Sun Cherng-Jong	Master of Electrical and Computer Engineering, Oklahoma State University	Asia Managing Director, Intel Capital Product Line Marketing Manager, Intel Asia-Pacific Market Marketing Technology Project Manager, Intel Research and Development Engineer, Intel	0	N/A
Independent Director	Wang, Jen-Chun	Doctor of Law, University of Pennsylvania	Partner Lawyer, Tsar and Tsai Law Firm Law Clerk for the Justice of the Constitutional Court, Department of Clerks for the Justices of the Constitutional Court	0	None
Independent Director	Chiang, Yih-Cherng	Doctor of Mechanical Engineering, University of Delaware	Professor and Department Head, Chinese Culture University Committee Member for University Affairs Development, Chinese Culture University Associate Professor, Chinese Culture University Assistant Professor, Chinese Culture University Project Manager, Taiwan High Speed Rail Senior Engineer, Taiwan Aerospace Corp.	0	None
Independent Director	Wu, Chang -Hsiu	Master of Business Administration, Drexel University	CPA of Dean Shine CPA Firm Partner, DS Certified Public Accountants Officer, Public Service Pension Fund Supervisory Board Revenue Officer, National Taxation Bureau of the Southern Area, Ministry of Finance Semi Senior, TNS Accounting Firm Independent Director, High-Tek Harness Enterprise Co. Ltd.	0	None

**【Attachment 8】**

**Lotes Co., Ltd.**  
**Application for Lifting the Prohibition on Directors**  
**from Participation in Competitive Business**

Position	Name	Concurrent Positions/Current Roles
Director	Chu, Te-Hsiang	Chairman, Lintes Technology Co., Ltd. Director, Genmold Precision Machining Co., Ltd. Director, I-See Vision Technology Inc. Independent Director, APAQ Technology Co., Ltd. Supervisor, Neoton Optronics Corporation
Director	Ho, Te-Yu	Director, Lintes Technology Co., Ltd.
Director	Hsieh, Chia-Ying	Director, Leltek Inc. Independent Director, Sunplus Innovation Technology Inc. Independent Director, Tyntek Corporation
Independent Director	Wu, Chang -Hsiu	Independent Director, High-Tek Harness Enterprise Co. Ltd.

## **【Appendix 1】**

### **Lotes Co., Ltd. Articles of Incorporation (before Amendment)**

#### **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 diversity 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 Dc.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 onJun.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

## **【Appendix 2】**

### **Lotes Co., Ltd. Rules of Procedure of Shareholders' Meeting**

#### Article 1

To establish a strong governance system and sound supervisory capabilities for this Corporation'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 this Corporation'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 of directors.

Changes to how this Corporation convenes its shareholders meeting shall be resolved by the board of directors, and shall be made no later than mailing of the shareholders meeting notice.

This Corporation 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 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. This Corporation 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, this Corporation 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 this Corporation and the professional shareholder services agent designated thereby, and shall be distributed at the shareholders' 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, 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 ; their main contents should be placed on the website designated by the securities regulatory authority or the Company, and the URL should 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 this Corporation 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 of directors 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, this Corporation 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, this Corporation shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Corporation 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 this Corporation 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 this Corporation, 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 this Corporation 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.

If, after a proxy form is delivered to this Corporation, a shareholder wishes to attend the shareholders meeting online, a written notice of proxy cancellation shall be submitted to this Corporation 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.

#### Article 5

The venue for a shareholders meeting shall be the premises of this Corporation, 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.

The restrictions on the place of the meeting shall not apply when this Corporation convenes a virtual-only shareholders meeting.

#### Article 6

This Corporation shall specify in its shareholders meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attend the shareholders meeting in person.

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.

This Corporation shall furnish attending shareholders or their proxy agents (hereinafter referred to as shareholders) with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Corporation 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 must attend the shareholders' meeting with their attendance certificate, sign-in card, or other attendance documents; solicitors of proxies should also carry 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. When a juristic person shareholder designates more than one representative to attend the shareholders' meeting, only one representative may speak on the same agenda item.

In the event of a virtual shareholders meeting, shareholders wishing to attend the meeting online shall register with this Corporation two days before the meeting date.

In the event of a virtual shareholders meeting, this Corporation shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

#### Article 7

If a shareholders meeting is convened by the board of directors, 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.

For a shareholders' meeting convened by the board of directors, the meeting shall be attended by a majority of the directors; where as for a shareholders' meeting convened by any other person having the convening right, he/she shall act as the chairman of that meeting provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

This Corporation 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.

Where a shareholders meeting is held online, this Corporation shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by this Corporation, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by this Corporation during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.

#### Article 9

Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.

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. In the event of a virtual shareholders meeting, this Corporation shall also declare the meeting adjourned at the virtual meeting platform.

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. In the event of a virtual shareholders meeting, shareholders intending to attend the meeting online shall re-register to this Corporation in accordance with 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 of directors, the meeting agenda shall be set by the board of directors. 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 of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by 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.

Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. The regulations in 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 this Corporation, 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 this Corporation 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 this Corporation 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 or online, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Corporation, 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 this Corporation convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting.

In the event of a virtual shareholders meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.

When this Corporation convenes a hybrid shareholders meeting, if shareholders, solicitors, or proxy agents who have registered to attend the meeting online in accordance with Article 6 decide to attend the physical

shareholders meeting in person, they shall revoke their registration two days before the shareholders meeting in the same manner as they registered. If their registration is not revoked within the time limit, they may only attend the shareholders meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

#### Article 14

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Corporation, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors not elected and number of votes they received.

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

The resolutions of the shareholders' meeting shall be recorded in the minutes, and shall be processed in accordance with 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 this Corporation.

Where a virtual shareholders meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders meeting, how the meeting is convened, the chair's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

#### Article 16

On the day of a shareholders meeting, this Corporation shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation, the number of shares represented by proxies and the number of shares represented by shareholders attending the meeting by correspondence or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event a virtual shareholders meeting, this Corporation shall upload the above meeting materials to the virtual meeting platform, and keep this information disclosed until the end of the meeting.

During this Corporation's virtual shareholders meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

If matters put to a resolution at a shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or Taipei Exchange Market) regulations, this Corporation 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 this Corporation, 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

In the event of a virtual shareholders meeting, this Corporation shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations.

#### Article 20

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

## **【Appendix 3】**

### **Lotes Co., Ltd. Procedures for Election of Directors**

#### Article 1

To ensure the fair, just, and transparent election of directors, these procedures are established in accordance with the "Securities and Exchange Act" and the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies".

#### Article 2

Except as otherwise provided by law and regulation or by this Corporation's articles of incorporation, elections of directors shall be conducted in accordance with these Procedures.

#### Article 3

The overall composition of the board of directors shall be taken into consideration in the selection of this Corporation's directors. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

More than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

#### Article 4

The qualifications for the independent directors of this Corporation shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of this Corporation shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

#### Article 5

Elections of directors at this Corporation shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation's articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders

meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

#### Article 6

The cumulative voting method shall be used for election of the directors at this Corporation. Each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates.

#### Article 7

The convener shall prepare election ballots equal in number to the directors to be elected. The electors may substitute their shareholder account number or attendance certificate number printed on the ballot for their names, and additionally indicate the number of their voting rights.

#### Article 8

The number of directors will be as specified in this Corporation's articles of incorporation, with voting rights separately calculated for independent and non-independent director positions. Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

#### Article 9

Before the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel. The ballot boxes shall be prepared by the authorized convener and publicly checked by the vote monitoring personnel before voting commences.

#### Article 10

A ballot is invalid under any of the following circumstances:

1. The ballot was not prepared by a person with the right to convene.
2. A blank ballot is placed in the ballot box.
3. The writing is unclear and indecipherable or has been altered.
4. The candidate whose name is entered in the ballot does not conform to the director candidate list.
5. Other words or marks are entered in addition to the number of voting rights allotted.

#### Article 11

The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, including the list of persons elected as directors and the numbers of votes with which they were elected, shall be announced by the chair on the site.

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 12

The board of directors of this Corporation shall issue notifications to the persons elected as directors.

#### Article 13

These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.

## 【Appendix 4】

### Impact to Business Performance and EPS of Stock Dividend Distribution:

Not applicable.

## 【Appendix 5】

### Lotes Co., Ltd. Shareholding Status of Directors

Position	Name	Current shareholding	
		Number of Shares	% (Note)
Chairman	Jia Ming Investment Co., Ltd. Rep.: CHU, TE-HSIANG	9,797,037	8.76%
Director	Jia Ming Investment Co., Ltd. Rep.: HO, TE-YU	9,797,037	8.76%
Director	XIE, JIA-YING	0	0%
Director	QU, JIAN-ZHONG	0	0%
Independent Director	WANG, REN-JUN	0	0%
Independent Director	JIANG, YI-CHENG	0	0%
Independent Director	WU, ZHANG-XIU	0	0%
<b>Total Number of Shares Held by All Directors</b>		<b>9,797,037</b>	<b>8.76%</b>
<b>Minimum Number of Shares Required to be Held by All Directors</b>		<b>8,000,000</b>	<b>6%</b>

Note 1: As of the book closure date on April 15, 2024, the total number of shares is 111,857,198.

Note 2: The Company has established an Audit Committee, therefore, the statutory requirement for shares to be held by supervisors does not apply.