

TAIWAN PAIHO LIMITED

2024 Annual General Shareholders' Meeting Minutes

(Translation)

Time : 9 a.m., June 19, 2024 (Wednesday)

Venue : Location of the Company (No.575, Ho Kang Rd., Hemei Township, Changhua County 508, Taiwan.)

Meeting Type : Physical Shareholders' Meeting

The Number of Shares of Attendance :

Attending shareholders and proxy represented 189,379,764 shares (including 116,035,246 shares which attended through electronic voting) accounting for 63.55% of 297,963,902 shares, the Company's total outstanding shares.

Directors Present : Sen-Mei Cheng, Representative of Everise Investment Co., Ltd.:
Cheng-Wei Cheng, Shui-Jin Chen, Kuei-Chu Yeh and Yi-Lun Cheng.

Independent Directors Present : Jui-Lin Lo (Chairman of the Audit Committee and
Chairman of the Remuneration Committee), Chia-Yu
Chen and Chun-Chieh Tseng.

Other Present : Auditor Ting-Chien Su, Lawyer Hsiao-Liang Liang

Chairman of the Board of Director : Sen-Mei Cheng

Recorder : Yi-Chu Lin

I. Call the Meeting to Order

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

II. Chairperson's Opening Remarks: (Omitted.)

III. Report Items

1. 2023 Business Report

Please refer to Attachment 1 for 2023 Business Report. (page 6-10)

2. Audit Committee's review report of 2023

Please refer to Attachment 2 for Audit Committee's review report of 2023. (page 11)

3. To report on 2023 employees' compensation and remuneration to directors.

The Company's net profit before tax for the distribution of compensation to the employees and remuneration to the directors in 2023 was in the amount of NT\$687,708,900 dollars (the same currency used hereinafter). The Board of Directors resolved the distribution of compensation in cash to employees: \$10,219,773 (1.49%) and remuneration in cash to directors: \$6,587,559 (0.96%) , as follows:

Unit : NT\$

Item	Persons Awarded	Amount of Payment per Board Resolution	Payment Method
Compensation to Employees	Employees	\$10,219,773	In Cash
Remuneration to Directors	Directors	6,587,559	In Cash
Total		\$16,807,332	

4. To report the cash dividends of 2023 earnings distribution.

- (1) The Company's unappropriated retained earnings of previous years was in the amount of NT\$5,340,091,933, plus 2023 net profit after tax of NT\$581,179,614, plus NT\$22,067,549 from various adjustments to retained earnings, and after legal reserves of NT\$60,324,716, and a special reserve of NT\$85,598,961, the distributable retained earnings of current period was in the amount of NT\$5,797,415,419.
- (2) Please refer to Ratification Items 2 for Table of 2023 Earnings Distribution. (page 4-5)
- (3) In accordance with the Article 29-1 of the "Articles of Incorporation," the Board of Directors is authorized and resolved the dividend to shareholders of 2023 earnings will distribute NT\$297,963,902 in cash, with NT\$1 per share.
- (4) If changes in the capital (buyback of shares or transfer, conversion and cancellation of treasury stock) that influence the numbers of shares outstanding and effect changes in the shareholders' allotment ratio, it is proposed to authorized the Chairman to adjust related matters.
- (5) On the 7th session of the 14th Board of Directors on March 13, 2024, the cash dividend distribution was approved and proposed, and authorized the Chairman to set the record date and payable date for distribution dividends. The cash dividend is calculated according to the common stock shareholders listed in the registry and their shareholding ratio on the record date. The dividend will be paid in cash with calculation rounded down to the nearest on

NTD (any amount under one NTD will be discarded). The remaining fraction will be incorporated into other revenue of the Company.

5. To report the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth.

The endorsements/guarantees of the Company and its subsidiaries are all affiliated company with more than 50% shareholdings held by the Company and its subsidiaries, and it is mainly for the business needs of the affiliated companies in applying for a loan from the bank and issuing a letter of credit. The total amount of endorsements/guarantees made by the Company and its subsidiaries as of the end of 2023 was in amount of NT\$10,378,290 thousand, accounting for 89.76% of the Company's net worth on December 31, 2023. Please refer to Attachment 3. (page 12)

IV. Ratification Items

1. Adoption of the 2023 Business Report and Financial Statements (Proposed by the Board of Directors).

Explanation :

- (1) The Company's 2023 Consolidated Financial Statements and Parent Only Financial Statements have been audited by Ting-Chien Su and Shao-Chun Wu of Deloitte & Touch, who have issued unmodified opinion.
- (2) Pursuant to Article 228 of the "Company Act," the Company compiled with the following reports:
 - ① Business Report, please refer to Attachment 1. (page 6-10)
 - ② Consolidated Financial Statement, please refers to Attachment 4. (page 13-23)
 - ③ Parent Only Financial Statement, please refer to Attachment 5. (page 24-34)
- (3) The attached report and Financial Statements have been reviewed and issued a review report by the audit committee and hereby submitted for adoption.

Voting Results: Shares represented at the time of voting: 189,379,764

Voting Results (Including Votes Casted Electronically)		% of the Total Represented Share Present
Approval votes:	172,695,991 votes	91.19%
Disapproval votes:	69,274 votes	0.03%
Invalid votes:	none	0.00%
Abstention votes:	16,614,499 votes	8.77%

RESOLVED, that the above proposal was hereby approved as proposed.

2. Adoption of the Proposal for Distribution of 2023 Profits (Proposed by the Board of Directors).

Explanation :

(1) 2023 Profits distribution proposal is as follows:

TAIWAN PAIHO LIMITED
Table of 2023 Earnings Distribution

Unit : NT\$

Unappropriated retained earnings of previous years.		\$ 5,340,091,933
2023 net profit after tax.	\$ 581,179,614	
Adjustment arising from investments accounted for using equity method.	12,304,329	
Remeasurement of 2023 defined benefit plans recognized in retained earnings.	9,763,220	
Net profit after tax plus the adjustments of various types of retained earnings in current period.		603,247,163
Legal reserves (10%).		(60,324,716)
Special reserves.		(85,598,961)
Distributable retained earnings of current period.		5,797,415,419
Distribution items:		
Dividend to common shareholders. (Cash dividend of NT\$1 per share; total NT\$ 297,963,902)		(297,963,902)
Unappropriated retained earnings at the end of period.		\$ 5,499,451,517

Chairman: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

- (2) A 5% tax rate is applied to undistributed earnings under Article 66-9 of the “Income Tax Law.” In accordance to the Ministry of Finance announcement letter No.871941343 issued on April 30, 1998, the distributed earnings should be individually recognized, and priority given to the latest years’ earnings.

Voting Results: Shares represented at the time of voting: 189,379,764

Voting Results (Including Votes Casted Electronically)		% of the Total Represented Share Present
Approval votes:	172,891,013 votes	91.29%
Disapproval votes:	99,280 votes	0.05%
Invalid votes:	none	0.00%
Abstention votes:	16,389,471 votes	8.65%

RESOLVED, that the above proposal was hereby approved as proposed.

V. Extemporary Motions : None.

VI. Meeting Adjourned : Meeting ended at 9:19 a.m., June 19, 2024.

Shareholders did not raise any questions at this Annual Shareholders’ Meeting.

Chairman of the Board of Directors : Sen-Mei Cheng

Recorder : Yi-Chu Lin

2023 Annual Business Report

1. Business Implementation Outcome

Unit: NT\$ thousands

Item	2023	2022	Difference Amount	Difference (%)
Net Sales	\$12,445,203	\$16,270,386	(\$3,825,183)	(23.5)
Gross Profit	3,827,975	5,590,581	(1,762,606)	(31.5)
Profit from Operations	1,049,798	2,714,748	(1,664,950)	(61.3)
Profit Before Income Tax	470,784	2,570,634	(2,099,850)	(81.7)
Net Profit	277,196	1,788,781	(1,511,585)	(84.5)
Net Profit Attributable to Owners of the Corporation	581,179	1,520,410	(939,231)	(61.8)
Change and Difference Analysis: In 2023, due to the impacts of inflation, rising interest rates, and customers continuing to reduce inventory, the overall market demand has declined, and as a result, the overall net sales, gross profit, profit from operations, and profit before income tax and net profit after tax in 2023 all decreased compared to 2022.				

2. Budget Execution

For the year of 2023, the Company has not established a financial forecast.

3. Financial Revenue/Expenditure and Profitability Analysis

Item \ Year		2023	2022
Capital Structure	Debt Ratio (%)	56.1	54.5
	Long-term Funds to Property, Plant and Equipment Ratio (%)	118.8	103.7
Liquidity	Current Ratio (%)	106.4	86.2
	Quick Ratio (%)	63.3	49.3
Profitability	Return on Total Assets (%)	2.4	6.7
	Return on Equity Attributable to Owners of the Corporation (%)	2.0	12.7
	Net Profit Margin (%)	2.2	11.0
	Earnings per Share (NT\$)	1.95	5.10

4. Research and Development

(1) Diverse applications of hook and loop fastener solutions

In recent years, we have been active in the research and development of functional and environmentally friendly hook and loop fastener materials: fabrics and accessories woven with Paiho's patented looping yarn can be integrally formed to produce hook-and-loop fastener fabrics. As a complete solution for hook and loop fasteners with our Paiho's easy tape, its peel strength and shear strength has both passed the related testing standards. It has wide applications in various shoe uppers, bag materials, clothing accessories and sports-related supplies.

(2) Planned Development of New Products

The new products that the Company plans to develop in 2024 include delicate woven fabric labels, double-belt ear straps, one-piece hook and loop jacquard webbing, flash woven shoe uppers, and CB board.

5. 2024 Business Plan Overview

(1) Operational Strategy

- ① Continue to promote ESG, implement various green and energy-saving projects, save energy, reduce waste, and improve performance. Implement ISO 14064 Greenhouse Gas Accounting and Verification and ISO 50001 Energy Management Systems, continue to promote and enforce energy conservation and carbon reduction measures, to strengthen corporate governance, and social participation and care for employees, in order to deepen the sustainable development business philosophy.
- ② Continue to expand various post-processing equipment and technology development, extend the industry chain integration, provide customers with comprehensive needs, reduce customer production procedures, and increase product added value.
- ③ Continue to promote online digital marketing. Use the material database on the Company's website to improve the convenience of searching for material requirements in various industries, and increase the opportunities for collaborative development and industry interaction to improve customer adhesion.
- ④ Continue to strengthen the global layout and integration of resources in various regions, set up business service bases to provide local fast and comprehensive services in response to the brand relocation and industrial clustering effect.
- ⑤ To enable one-stop production in a diverse market, other than a growing talent pool for patterned woven fabric and knitted jacquard mesh, related technology advancements have never stopped. We strive to develop yarn that is environmental, lightweight, breathable and with special functionalities, as well as the process techniques.
- ⑥ Continue innovative R&D to respond to material applications in diversified industries, provide solutions, and build a technical foundation based on invention or new patents to open up new markets and new application areas to meet the diversified industrial needs of customers.

(2) Expected Sales Quantity and its Basis

With diversifying production and sales items and broad processing applications, we have a customer base coming from various industries with full recognition from the major brands. While operating steadily in the footwear and apparel industries, the Company has gradually increased product categories, production capacity, and post-processing capabilities in various regions in recent years. Therefore, not only has the operation been stable in the footwear and apparel industries, but the Company has also expanded into diversified industries such as 3C accessories, wearable devices, medical protection gear, automobile, aerospace, and military and police industries. There are expectations in achieving performance and growing steadily in a diversified industry.

The year 2023 was a year of hard work. The so-called crisis is a turning point. The diversification strategy has shown results, the customer industry has gradually expanded, and the collaborative processing technology has become more mature, which has laid a good foundation for future growth. It is expected that with the recovery of sales, there will be more optimistic prospects.

(3) Important Production and Marketing Policies

- ① Actively use various innovative technologies, promote various waste reduction or fuel policies, and implement various sustainable product promotion and energy saving and waste reduction measures.
- ② Continue to enhance electronic catalogues and 3D samples/sampling systems to promote interaction with brands in the development of video materials, and provide customers with an online platform for sample selection and simulation design. Establishing different marketing modes and continuing to strengthen the interaction with brand customers to optimize the opportunity for development with brand customers and other customers through concerted effort.
- ③ We will diversify our market presence, explore the back-end process field to add values to our products, and build a project-base sales force to expand the business.
- ④ To cope with labor shortage under rising wages from all regions, we will use our processing technology with automated production procedures to allow not only labor and material saving on the customer end but also offer more product selections to achieve win-win situation.
- ⑤ We are under the process to integrate group-wide resource and material cost information, which will enable a flexible and faster delivery schedule under the ever-changing market condition, and better market position.

(4) The Company's Future Development Strategy

- ① Using our experience and foundation on hand, we will continue to engage with major brand customers for co-development and co-innovation to safeguard the ongoing business.
- ② Emphasize green environmental protection, energy conservation and waste reduction, implement carbon inventory, commit to resource recycling, fulfill corporate social responsibility, continue to strengthen corporate governance, and implement ESG goals.
- ③ Strengthen improving overseas production facilities and increase manufacturing capability in each site with the addition of service locations to shorten delivery time with nearby customer services for satisfactory and needs.
- ④ Our project-oriented sales teams, covering 3C, automobiles, aerospace accessories, military supplies, boutique suitcase and bags, etc., will conduct marketing campaigns based on the nature of the project.

- ⑤ To tackle the ever-changing competition and a diverse customer base and remain as a best strategic partner for our customers, our efforts on R&D, production technology and back-end process facilities will never stop.

(5) Affected by the External Competitive Environment, Regulatory Environment, and Overall Business Environment

Different from our competitors who mostly concentrate on single products, we are more than a supplier in the main and auxiliary material sectors. The Company's business model is not limited to product sales. With years of experience and technology, the Company can propose collaborative solutions from customers' perspectives. The Company has sufficient technical capabilities and equipment capacity in the back-end processing of various products to provide branded customers with all-round product design and overall solutions. Therefore, it has won the trust of customers in various brands or industries, and enjoys competitive advantages in the industry. These are the cornerstones of the Company's sustainable operation.

The Company values environmental protection and human rights. Each product is manufactured in accordance with RSL and EU REACH and ROHS regulations; also, meets the requirements of being non-toxic, harmless, chemical-free and heavy metal pollution-free of various international brands. The Company has setup production and sales offices in Taiwan, Wuxi and Dongguan in China, Vietnam, and Indonesia. Also, a service office is setup in Portland, USA to make a direct contact with the headquarters of international brands. Are with service bases setup nearby to provide customers with the fastest and best service. The Company's business model is beyond the reach of the peers in this industry, which is an excellent advantage for the Company's sustainable development.

After the outbreak of the pandemic in 2020, the pandemic gradually recovered from the trough in 2021, and brands increased their inventory levels. Then, a series of events happened including the U.S. Fed continued to increase interest rates in 2022, the Russo-Ukrainian war, the effects of China's Zero-COVID policy, the recent Israel-Palestine conflict, the rising cost of raw materials and labor, and the energy crisis and global inflation have caused the overall global economic demand went tightening. In the face of a rapidly changing environment, the Company will quickly adjust the group's resources and continue to develop new applications for industrial use and innovative products, making good use of the resources of all bases at home and abroad, implement energy saving and carbon reduction, strengthen corporate governance, fulfill corporate social responsibility, and realize the sustainable development of the Company.

Chairman:

Sen-Mei Cheng

General Manager:

Cheng-Wei Cheng

Accounting Supervisor:

Yao-Da Huang

Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2023 Business Report, Financial Statements and proposals of earnings distribution. The independent auditors Ting-Chien Su and Shao-Chun Wu of Deloitte & Touche have audited the Financial Statements and issued audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposals of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of Taiwan Paiho Limited. Therefore, we hereby submit this report in accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review accordingly.

Sincerely,

2024 Annual General Shareholders' Meeting

TAIWAN PAIHO LIMITED

Chairman of Audit Committee: Jui-Lin Lo

Member of Audit Committee: Chia-Yu Chen

Member of Audit Committee: Yin-Chieh Hsu

Member of Audit Committee: Chun-Chieh Tseng

March 13, 2024

Attachment 3

As of the end of 2023, the detail of endorsements/guarantees undertaken by the Company and its subsidiaries is specified below:

Unit: In Thousands of New Taiwan Dollars or Foreign Currency

Endorser/Guarantor	Endorsee/Guaranteed Party Name	Endorsement/Guarantee Amount	Ratio of Accumulated Endorsement and Guarantee / The Company's Net Worth on December 31, 2023
The Company	Paiho Int'l Limited.	30,705 (USD 1,000)	0.27%
	Zhong Yuan Xing Ye Company Ltd.	30,705 (USD 1,000)	0.27%
	PT. Paiho Indonesia.	1,842,300 (USD 60,000)	15.93%
The amount of endorsements/guarantees of the Company (A)		1,903,710 (USD 62,000)	16.47%
Paiho Shih Holdings Corporation	Vietnam Paihong Limited Company.	5,711,130 (USD 186,000)	49.39%
	Hong Kong Best Expectation International Trading Limited.	2,763,450 (USD 90,000)	23.90%
The amount of endorsements/guarantees of the Paiho Shih Holdings Corporation (B)		8,474,580 (USD 276,000)	73.29%
The total amount of endorsements/guarantees of the Company and its subsidiaries (C)=(A)+(B)		10,378,290 (USD 338,000)	89.76%

Note 1: The individual amount shall not exceed 250% of the net worth of the Company and Paiho Shih Holdings Corporation and the total amount shall not exceed total endorsements/guarantees limit.

Note 2: The total amount of the endorsements/guarantees shall not exceed 400% of the net worth of the Company and Paiho Shih Holdings Corporation.

Independent Auditor's Report

To: TAIWAN PAIHO LIMITED

Audit Opinion

We have audited the accompanying consolidated financial statements of Taiwan Paiho Limited and its subsidiaries (collectively the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated income statement, consolidated statement of cash flows for the years then ended, and notes to consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our reports. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters are addressed in the context of our audit of the consolidated financial statements as a whole and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter for the consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Recognition of sales revenue

The main business items of the Group include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and jacquard mesh fabrics as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of jacquard mesh fabric significantly influences the operating revenue and profit of the Group. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to Consolidated Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders.
2. We picked samples from the statement of jacquard mesh fabric sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

Miscellaneous

We have also audited the parent only financial statements of Taiwan Paiho Limited as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and the IFRS, IAS, IFRIC, and SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements.

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the consolidated financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taiwan
Ting-Chien Su, CPA
Shao-Chun Wu, CPA
March 13, 2024

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 3, 4 and 6)	\$ 3,761,089	12	\$ 3,958,852	12
1110	Financial assets at fair value through profit and loss – current (Notes 3, 4 and 7)	-	-	141,102	-
1136	Financial assets at amortized cost – current (Notes 4 and 9)	330,063	1	-	-
1150	Notes receivable (Notes 4 and 10)	73,219	-	56,857	-
1170	Trade receivables (Notes 4 and 10)	1,992,075	6	2,066,491	7
1200	Other receivables (Note 4)	187,117	1	171,027	1
1310	Inventories – manufacturing (Notes 4 and 11)	2,655,910	9	3,051,293	10
1320	Inventories– constructing (Notes 4 and 11)	2,140,005	7	2,273,955	7
1470	Other current assets (Notes 17 and 25)	1,071,028	3	940,094	3
11XX	Total current assets	<u>12,210,506</u>	<u>39</u>	<u>12,659,671</u>	<u>40</u>
	Non-current assets				
1535	Financial assets at amortized cost – non-current (Notes 4, 9 and 31)	12,752	-	117,634	-
1600	Property, plant and equipment (Notes 4, 13 and 31)	17,008,859	54	16,531,780	52
1755	Right-of-use assets (Notes 4 and 14)	1,444,605	4	1,522,719	5
1760	Investment properties (Notes 4 and 15)	222,873	1	138,977	-
1805	Goodwill (Notes 4 and 16)	173,427	-	181,031	1
1821	Other intangible assets (Note 4)	21,016	-	26,819	-
1840	Deferred tax assets (Notes 4 and 25)	274,528	1	179,381	1
1915	Prepayment for machinery and equipment	204,084	1	391,423	1
1995	Other non-current assets (Note 17)	100,749	-	84,111	-
15XX	Total non-current assets	<u>19,462,893</u>	<u>61</u>	<u>19,173,875</u>	<u>60</u>
1XXX	Total assets	<u>\$ 31,673,399</u>	<u>100</u>	<u>\$ 31,833,546</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2102	Short-term borrowings (Note 18)	\$ 8,409,873	27	\$ 6,659,884	21
2130	Contractual liabilities – current (Notes 4, 23, 30 and 32)	20,426	-	32,558	-
2150	Notes payable	82,499	-	76,838	-
2170	Trade payables	445,898	1	570,458	2
2200	Other payables (Notes 19 and 24)	1,460,126	5	1,620,065	5
2230	Current tax liabilities (Notes 4 and 25)	942,426	3	1,033,977	3
2280	Lease liabilities – current (Notes 4, 14 and 30)	14,806	-	17,917	-
2320	Current portion of long-term borrowings (Notes 18 and 31)	54,231	-	4,629,791	15
2399	Other current liabilities (Note 4)	43,430	-	43,798	-
21XX	Total current liabilities	<u>11,473,715</u>	<u>36</u>	<u>14,685,286</u>	<u>46</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 18 and 31)	4,458,630	14	727,909	2
2570	Deferred tax liabilities (Notes 4 and 25)	1,469,149	5	1,553,592	5
2580	Lease liabilities – non-current (Notes 4, 14 and 30)	24,177	-	38,014	-
2630	Deferred revenue – non-current (Notes 4 and 14)	117,007	-	126,665	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	213,943	1	199,566	1
2645	Guarantee deposits received	15,646	-	14,314	-
25XX	Total non-current liabilities	<u>6,298,552</u>	<u>20</u>	<u>2,660,060</u>	<u>8</u>
2XXX	Total liabilities	<u>17,772,267</u>	<u>56</u>	<u>17,345,346</u>	<u>54</u>
	Equity attributable to owners of the Corporation				
3110	Common stock	2,979,639	10	2,979,639	9
3200	Capital surplus	733,180	2	728,084	2
	Retained earnings				
3310	Legal reserve	1,991,645	6	1,841,652	6
3320	Special reserve	170,388	1	737,099	2
3350	Unappropriated earnings	5,943,338	19	5,668,283	18
3400	Other equity	(255,987)	(1)	(170,388)	-
31XX	Total equity attributable to owners of the Corporation	<u>11,562,203</u>	<u>37</u>	<u>11,784,369</u>	<u>37</u>
36XX	Non-controlling interests	<u>2,338,929</u>	<u>7</u>	<u>2,703,831</u>	<u>9</u>
3XXX	Total equity	<u>13,901,132</u>	<u>44</u>	<u>14,488,200</u>	<u>46</u>
	Total liabilities and equity	<u>\$ 31,673,399</u>	<u>100</u>	<u>\$ 31,833,546</u>	<u>100</u>

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

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2023		2022	
		Amount	%	Amount	%
4000	Net sales (Notes 4 and 23)	\$ 12,445,203	100	\$ 16,270,386	100
5000	Cost of goods sold (Notes 4, 11, 23, 24 and 30)	<u>8,617,228</u>	<u>69</u>	<u>10,679,805</u>	<u>65</u>
5950	Gross profit	<u>3,827,975</u>	<u>31</u>	<u>5,590,581</u>	<u>35</u>
	Operating expenses (Notes 24 and 30)				
6100	Sales and marketing expenses	1,293,282	10	1,449,409	9
6200	General and administrative expenses	960,042	8	980,204	6
6300	Research and development expenses	514,007	4	543,759	3
6450	Expected credit loss recognized (reversed) on trade receivables (Note 10)	<u>10,846</u>	<u>-</u>	<u>(97,539)</u>	<u>-</u>
6000	Total operating expenses	<u>2,778,177</u>	<u>22</u>	<u>2,875,833</u>	<u>18</u>
6900	Profit from operations	<u>1,049,798</u>	<u>9</u>	<u>2,714,748</u>	<u>17</u>
	Non-operating income and expenses				
7010	Subsidy revenue (Note 4)	20,625	-	27,230	-
7100	Interest income (Note 4)	59,984	-	47,289	-
7190	Other income (Note 4)	82,293	1	95,080	1
7510	Finance costs (Notes 4, 24, and 30)	(617,646)	(5)	(289,752)	(2)
7590	Other expenses (Notes 4 and 24)	(98,371)	(1)	(135,474)	(1)
7630	Net gain (loss) on foreign exchange (Notes 4 and 24)	<u>(25,899)</u>	<u>-</u>	<u>111,513</u>	<u>1</u>
7000	Total non-operating income and expenses	<u>(579,014)</u>	<u>(5)</u>	<u>(144,114)</u>	<u>(1)</u>

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Code		2023		2022	
		Amount	%	Amount	%
7900	Profit before income tax	\$ 470,784	4	\$ 2,570,634	16
7950	Income tax expense (Notes 4 and 25)	<u>193,588</u>	<u>2</u>	<u>781,853</u>	<u>5</u>
8200	Net profit for the year	<u>277,196</u>	<u>2</u>	<u>1,788,781</u>	<u>11</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation (Note 20)	34,538	-	59,159	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	-	-	4,178	-
8349	and income tax related to items that will not be reclassified (Note 25)	(<u>2,441</u>)	<u>-</u>	(<u>8,405</u>)	<u>-</u>
		<u>32,097</u>	<u>-</u>	<u>54,932</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	(152,139)	(1)	645,071	4
8399	and income tax related to items likely to be reclassified to profit or loss (Note 25)	<u>21,399</u>	<u>-</u>	(<u>134,259</u>)	(<u>1</u>)
		(<u>130,740</u>)	(<u>1</u>)	<u>510,812</u>	<u>3</u>
8300	Other comprehensive income (loss) for the year	(<u>98,643</u>)	(<u>1</u>)	<u>565,744</u>	<u>3</u>
8500	Total comprehensive income for the year	<u>\$ 178,553</u>	<u>1</u>	<u>\$ 2,354,525</u>	<u>14</u>
	Net profit (loss) attributable to:				
8610	Owners of the Corporation	\$ 581,179	5	\$ 1,520,410	9
8620	Non-controlling interests	(<u>303,983</u>)	(<u>3</u>)	<u>268,371</u>	<u>2</u>
8600		<u>\$ 277,196</u>	<u>2</u>	<u>\$ 1,788,781</u>	<u>11</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Total comprehensive income (loss) attributed to:				
8710	Owners of the Corporation	\$ 517,648	4	\$ 2,104,083	13
8720	Non-controlling interests	(339,095)	(3)	250,442	1
8700		<u>\$ 178,553</u>	<u>1</u>	<u>\$ 2,354,525</u>	<u>14</u>
	Earnings per share (Note 26)				
9750	Basic	<u>\$ 1.95</u>		<u>\$ 5.10</u>	
9850	Diluted	<u>\$ 1.95</u>		<u>\$ 5.09</u>	

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Corporation (Note 4)														
		Premium from Stock				Retained Earnings (Notes 8 and 22)				Other Equity Interest (Notes 8 and 22)				
Code		Common Stock (Note 22)	Premium from Stock	Changes in Equity of Subsidiaries Accounted for Using Equity Method	Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Profit or Loss of Financial Assets Measured at Fair Value through Other Income	Total	Non-Controlling Interests	Total Equity
A1	Balance at January 1, 2022	\$ 2,979,639	\$ 615,831	\$ -	\$ 111,914	\$ 232	\$ 1,640,637	\$ 572,198	\$ 5,577,139	(\$ 707,424)	(\$ 29,675)	\$ 10,760,491	\$ 2,869,868	\$ 13,630,359
C3	Donation from shareholders	-	-	-	-	107	-	-	-	-	-	107	-	107
B1	Appropriation of 2021 earnings	-	-	-	-	-	201,015	-	(201,015)	-	-	-	-	-
B3	Legal reserve	-	-	-	-	-	-	164,901	(164,901)	-	-	-	-	-
B5	Special reserve	-	-	-	-	-	-	-	(1,042,874)	-	-	(1,042,874)	-	(1,042,874)
B5	Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(37,438)	-	-	(37,438)	(35,115)	(72,553)
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(381,364)	(381,364)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	1,520,410	-	-	1,520,410	268,371	1,788,781
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	-	42,459	537,036	4,178	583,673	(17,929)	565,744
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083	250,442	2,354,525
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(25,497)	-	25,497	-	-	-
Z1	Balance at December 31, 2022	2,979,639	615,831	-	111,914	339	1,841,652	737,099	5,668,283	(170,388)	-	11,784,369	2,703,831	14,488,200
C3	Donation from shareholders	-	-	-	-	82	-	-	-	-	-	82	-	82
B1	Appropriation of 2022 earnings	-	-	-	-	-	149,993	-	(149,993)	-	-	-	-	-
B17	Legal reserve	-	-	-	-	-	-	-	(566,711)	-	-	-	-	-
B5	Reversal of special reserve	-	-	-	-	-	-	(566,711)	566,711	-	-	-	-	-
B5	Cash dividends	-	-	-	-	-	-	-	(744,910)	-	-	(744,910)	-	(744,910)
M7	Changes in ownership interests in subsidiaries	-	-	5,014	-	-	-	-	-	-	-	5,014	4,702	9,716
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(30,509)	(30,509)
D1	Net profit (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	581,179	-	-	581,179	(303,983)	277,196
D3	Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	22,068	(85,599)	-	(63,531)	(35,112)	(98,643)
D5	Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	603,247	(85,599)	-	517,648	(339,095)	178,553
Z1	Balance at December 31, 2023	\$ 2,979,639	\$ 615,831	\$ 5,014	\$ 111,914	\$ 421	\$ 1,991,645	\$ 170,388	\$ 5,943,338	(\$ 255,987)	\$ -	\$ 11,562,203	\$ 2,338,929	\$ 13,901,132

The accompanying notes are an integral part of the consolidated financial statements

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flows from operating activities		
A10000	Income before income tax	\$ 470,784	\$ 2,570,634
A20010	Incomes and expense items:		
A20100	Depreciation expense	1,317,887	1,253,549
A20200	Amortization expense	10,689	1,452
A20300	Expected credit loss recognized (reversed) on trade receivables	10,846	(97,539)
A20900	Finance costs	617,646	289,752
A21200	Interest income	(59,984)	(47,289)
A22500	Loss of disposal of property, plant and equipment	2,444	8,207
A23700	Impairment loss recognized on non-financial assets	234,091	316,410
A24100	Unrealized foreign currency exchange loss (profit), net	2,044	(35,525)
A29900	Loss from disposal of subsidiaries	-	7,984
A29900	Others	(7,661)	(700)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at fair value through profit or loss (FVTPL)	-	(144,616)
A31130	Notes receivable	(16,403)	85,845
A31150	Trade receivables	58,498	1,020,435
A31180	Other receivables	(19,056)	229,838
A31200	Inventories – manufacturing	192,521	(4,649)
A31200	Inventories – constructing	(3,661)	270,734
A31240	Other current assets	(113,049)	(198,014)
A32125	Contractual liabilities	(12,132)	(965,771)
A32130	Notes payable	5,661	(28,027)
A32150	Trade payables	(126,813)	(347,314)
A32180	Other payables	(243,991)	(370,726)
A32210	Deferred income	-	48,728
A32230	Other current liabilities	(487)	(37,236)
A32240	Net defined benefit liabilities	58,523	(8,605)
A33000	Cash generated from operations	2,378,397	3,817,557
A33100	Interest received	59,984	47,289
A33300	Interest paid	(614,897)	(258,767)
A33500	Income tax paid	(460,396)	(538,231)
AAAA	Net cash generated from operating activities	<u>1,363,088</u>	<u>3,067,848</u>

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Code		2023	2022
	Cash flow from investment activities		
B00020	Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 4,178
B00040	Purchase of financial assets at amortized cost	(397,982)	(889,962)
B00050	Proceeds from disposal of financial assets at amortized cost	167,444	916,187
B00100	Purchase of financial assets at fair value through profit or loss	(141,979)	-
B00200	Proceeds from financial assets at fair value through profit or loss	281,860	-
B02300	Proceeds from disposal of subsidiaries (Note 27)	-	31,134
B02700	Payments for property, plant and equipment	(1,346,016)	(3,286,677)
B02800	Proceeds from disposal of property, plant and equipment	95,955	11,709
B03800	Decrease (increase) in refundable deposits	4,168	(3,032)
B04500	Payments for intangible assets	(6,626)	(11,672)
B05350	Payments for right-of-use assets	(1,242)	(3,720)
B06700	Increase in other non-current assets	(20,805)	(13,462)
B07100	Increase in prepayment for machinery and equipment	(<u>380,030</u>)	(<u>413,202</u>)
BBBB	Net cash used in investing activities	(<u>1,745,253</u>)	(<u>3,658,519</u>)
	Cash flow from financing activities		
C00100	Proceeds from short-term borrowings	1,788,512	3,327,327
C01600	Proceeds from long-term borrowings	6,041,484	2,975,600
C01700	Repayments of long-term borrowings	(6,911,246)	(3,859,573)
C03000	Collection (refund) of guarantee deposits received	1,364	(1,213)
C04020	Repayment of the principal portion of lease liabilities	(18,496)	(27,322)
C04500	Distribution of cash dividend	(744,910)	(1,042,874)
C05700	Income tax paid for disposal of subsidiaries	-	(72,553)
C05800	Payment of cash dividend for non-controlling interests	(30,509)	(381,364)
C05800	Changes in non-controlling interests	79,525	-
C09900	Overdue dividend	<u>82</u>	<u>107</u>
CCCC	Net cash generated from financing activities	<u>205,806</u>	<u>918,135</u>
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(<u>21,404</u>)	(<u>334,537</u>)
EEEE	Net decrease of cash and cash equivalents	(197,763)	(7,073)
E00100	Cash and cash equivalents at the beginning of the year	<u>3,958,852</u>	<u>3,965,925</u>
E00200	Cash and cash equivalents at the end of the year	<u>\$ 3,761,089</u>	<u>\$ 3,958,852</u>

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

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

Independent Auditors' Report

To: TAIWAN PAIHO LIMITED

Audit Opinion

We have audited the accompanying parent only financial statements of Taiwan Paiho Limited (the “Company”), which comprise the parent only balance sheets as of December 31, 2023 and 2022, and the parent only income statement, the parent statement of cash flows for the years then ended, and notes to the parent financial statements, (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Only Financial Statements section of our reports. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent only financial statements for the year ended December 31, 2023. These matters are addressed in the context of our audit of the parent only financial statements as a whole and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter for the parent only financial statements for the year ended December 31, 2023 is stated as follows:

Recognition of sales revenue

The main business items of the Company include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and jacquard mesh fabrics as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of jacquard mesh fabrics significantly influences the operating revenue and profit of the Company. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to the Parent Only Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders.
2. We picked samples from the statement of jacquard mesh fabrics sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

Responsibilities of Management and Those Charged with Governance for the Parent Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Only Financial Statements.

Our objective is to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent only financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the parent only financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent only financial statements, (including the disclosures), and whether the parent only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent only

financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent only financial statements for the year ended December 31, 2023 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Taiwan

Ting-Chien Su, CPA

Shao-Chun Wu, CPA

March 13, 2024

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN PAIHO LIMITED

Balance Sheets

December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 3, 4 and 6)	\$ 592,250	4	\$ 951,722	6
1150	Notes receivable (Note 4)	71,050	-	56,631	1
1170	Trade receivables (Notes 4, 8 and 23)	371,775	3	395,367	3
1200	Other receivables (Note 23)	7,086	-	8,133	-
1310	Inventories (Notes 4 and 9)	415,031	3	496,602	3
1470	Other current assets (Note 13)	47,342	-	41,790	-
11XX	Total current assets	<u>1,504,534</u>	<u>10</u>	<u>1,950,245</u>	<u>13</u>
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4, 7 and 24)	2,910	-	2,910	-
1550	Investments accounted for using the equity method (Notes 4 and 10)	10,305,865	69	10,260,945	68
1600	Property, plant and equipment (Notes 4, 11, 23 and 24)	2,867,394	19	2,777,455	18
1755	Right-of-use assets (Notes 4 and 12)	28,370	-	30,613	-
1780	Other intangible assets	2,253	-	1,017	-
1840	Deferred tax assets (Notes 4 and 19)	154,771	1	60,273	-
1915	Prepayment for machinery and equipment	74,931	1	81,593	1
1990	Other non-current assets (Note 13)	36,497	-	36,501	-
15XX	Total non-current assets	<u>13,472,991</u>	<u>90</u>	<u>13,251,307</u>	<u>87</u>
1XXX	Total assets	<u>\$ 14,977,525</u>	<u>100</u>	<u>\$ 15,201,552</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2150	Notes payable	\$ 82,499	-	\$ 76,838	-
2170	Trade payables (Note 23)	85,020	1	91,000	1
2200	Other payables (Notes 15 and 23)	319,111	2	377,470	2
2230	Current tax liabilities (Notes 4 and 19)	553,882	4	315,141	2
2280	Lease liabilities – current (Notes 4, 12 and 23)	4,916	-	3,867	-
2320	Current portion of long-term borrowings (Note 14)	-	-	898,388	6
2399	Other current liabilities (Note 23)	12,388	-	11,473	-
21XX	Total current liabilities	<u>1,057,816</u>	<u>7</u>	<u>1,774,177</u>	<u>11</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 14 and 24)	998,838	7	200,000	1
2570	Deferred tax liabilities (Notes 4 and 19)	1,297,533	9	1,353,050	9
2580	Lease liabilities – non-current (Notes 4, 12 and 23)	24,175	-	27,319	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 16)	36,930	-	62,607	1
2645	Guarantee deposits received (Note 23)	30	-	30	-
25XX	Total non-current liabilities	<u>2,357,506</u>	<u>16</u>	<u>1,643,006</u>	<u>11</u>
2XXX	Total liabilities	<u>3,415,322</u>	<u>23</u>	<u>3,417,183</u>	<u>22</u>
	Equity				
3110	Common stock	2,979,639	20	2,979,639	20
3200	Capital surplus	733,180	5	728,084	5
	Retained earnings				
3310	Legal reserve	1,991,645	13	1,841,652	12
3320	Special reserve	170,388	1	737,099	5
3350	Unappropriated earnings	5,943,338	40	5,668,283	37
3400	Other equity	(255,987)	(2)	(170,388)	(1)
3XXX	Total equity	<u>11,562,203</u>	<u>77</u>	<u>11,784,369</u>	<u>78</u>
	Total liabilities and equity	<u>\$ 14,977,525</u>	<u>100</u>	<u>\$ 15,201,552</u>	<u>100</u>

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Comprehensive Income

January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2023		2022	
		Amount	%	Amount	%
4000	Net sales (Notes 4 and 23)	\$ 2,666,916	100	\$ 3,612,336	100
5000	Cost of goods sold (Notes 4, 9, 18 and 23)	<u>2,147,530</u>	<u>81</u>	<u>2,718,145</u>	<u>75</u>
5900	Gross profit	519,386	19	894,191	25
5910	Realized gain on transactions with subsidiaries and associate (Note 4)	<u>6,163</u>	<u>-</u>	<u>17,544</u>	<u>-</u>
5950	Realized gross profit	<u>525,549</u>	<u>19</u>	<u>911,735</u>	<u>25</u>
	Operation expenses (Notes 8, 18 and 23)				
6100	Sales and marketing expenses	286,650	11	332,534	9
6200	General and administrative expenses	121,998	5	130,087	4
6300	Research and development expenses	118,434	4	126,702	3
6450	Expected credit loss recognized (reversed) on trade receivables	<u>10,571</u>	<u>-</u>	<u>(6,685)</u>	<u>-</u>
6000	Total operating expenses	<u>537,653</u>	<u>20</u>	<u>582,638</u>	<u>16</u>
6900	Profit (loss) from operations	<u>(12,104)</u>	<u>(1)</u>	<u>329,097</u>	<u>9</u>
	Non-operating income and expenses				
7070	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 4)	645,209	24	1,457,110	40
7100	Interest income (Note 4)	10,260	1	4,886	-
7190	Other income (Note 23)	53,256	2	49,551	1

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Code		2023		2022	
		Amount	%	Amount	%
7230	Net gain on foreign exchange (Notes 4 and 18)	\$ 2,470	-	\$ 107,151	3
7510	Finance costs (Notes 4, 18 and 23)	(21,036)	(1)	(10,137)	-
7590	Other expenses (Note 18)	(8,242)	-	(8,855)	-
7000	Total non-operating income and expenses	<u>681,917</u>	<u>26</u>	<u>1,599,706</u>	<u>44</u>
7900	Profit before income tax	669,813	25	1,928,803	53
7950	Income tax expense (Notes 4 and 19)	<u>88,634</u>	<u>3</u>	<u>408,393</u>	<u>11</u>
8200	Net profit for the year	<u>581,179</u>	<u>22</u>	<u>1,520,410</u>	<u>42</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit obligation (Note 16)	12,205	-	42,020	1
8330	Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	12,304	1	13,022	-
8349	and income tax related to items that will not be reclassified (Note 19)	(2,441)	-	(8,405)	-
		<u>22,068</u>	<u>1</u>	<u>46,637</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	(106,998)	(4)	671,295	19
8399	and income tax related to items likely to be reclassified to profit or loss (Note 19)	<u>21,399</u>	<u>-</u>	(134,259)	(4)
		(85,599)	(4)	<u>537,036</u>	<u>15</u>
8300	Other comprehensive income (loss) for the year	(63,531)	(3)	<u>583,673</u>	<u>16</u>
8500	Total comprehensive income for the year	<u>\$ 517,648</u>	<u>19</u>	<u>\$ 2,104,083</u>	<u>58</u>

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Code		2023		2022	
		Amount	%	Amount	%
	Earnings per share (Note 20)				
9750	Basic	\$ 1.95		\$ 5.10	
9850	Diluted	\$ 1.95		\$ 5.09	

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED
Statements of Changes in Equity
January 1 to December 31, 2023 and 2022
(In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 17)										
		Common Stock (Note 17)	Premium from Stock	Changes in Equity of Subsidiaries Accounted for Using Equity Method	Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition	Donation Assets	Retained Earnings (Note 17)			Other Equity Items (Notes 4 and 17)		Total Equity
Code							Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Profit or Loss of Financial Assets Measured at Fair Value through Other Income	
A1	Balance at January 1, 2022	\$ 2,979,639	\$ 615,831	\$ -	\$ 111,914	\$ 232	\$ 1,640,637	\$ 572,198	\$ 5,577,139	(\$ 707,424)	(\$ 29,675)	\$ 10,760,491
C3	Donation from shareholders	-	-	-	-	107	-	-	-	-	-	107
	Appropriation of 2021 earnings											
B1	Legal reserve	-	-	-	-	-	201,015	-	(201,015)	-	-	-
B3	Special reserve	-	-	-	-	-	-	164,901	(164,901)	-	-	-
B5	Cash dividends	-	-	-	-	-	-	-	(1,042,874)	-	-	(1,042,874)
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	(37,438)	-	-	(37,438)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	1,520,410	-	-	1,520,410
D3	Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	42,459	537,036	4,178	583,673
D5	Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(25,497)	-	25,497	-
Z1	Balance at December 31, 2022	2,979,639	615,831	-	111,914	339	1,841,652	737,099	5,668,283	(170,388)	-	11,784,369
C3	Donation from shareholders	-	-	-	-	82	-	-	-	-	-	82
	Appropriation of 2022 earnings											
B1	Legal reserve	-	-	-	-	-	149,993	-	(149,993)	-	-	-
B17	Reversal of special reserve	-	-	-	-	-	-	(566,711)	566,711	-	-	-
B5	Cash dividends	-	-	-	-	-	-	-	(744,910)	-	-	(744,910)
M7	Changes in ownership interests in subsidiaries	-	-	5,014	-	-	-	-	-	-	-	5,014
D1	Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-	581,179	-	-	581,179
D3	Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	22,068	(85,599)	-	(63,531)
D5	Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	-	603,247	(85,599)	-	517,648
Z1	Balance at December 31, 2023	\$ 2,979,639	\$ 615,831	\$ 5,014	\$ 111,914	\$ 421	\$ 1,991,645	\$ 170,388	\$ 5,943,338	(\$ 255,987)	\$ -	\$ 11,562,203

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Cash Flows

January 1 to December 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

Code		2023	2022
	Cash flows from operating activities		
A10000	Income before income tax	\$ 669,813	\$1,928,803
A20010	Incomes and expense items:		
A20100	Depreciation expense	192,313	211,650
A20200	Amortization expense	1,416	514
A20300	Expected credit loss recognized (reversed) on trade receivables	10,571	(6,685)
A20900	Finance costs	21,036	10,137
A21200	Interest income	(10,260)	(4,886)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	(645,209)	(1,457,110)
A22500	Gain of disposal of property, plant and equipment	(1,048)	-
A23700	Impairment loss recognized on non-financial assets	33,117	27,649
A24000	Realized gain on the transactions with subsidiaries and associates	(6,163)	(17,544)
A24100	Unrealized foreign currency exchange loss, net	6,970	1,494
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	(14,419)	54,833
A31150	Trade receivables	5,940	264,884
A31180	Other receivables	1,047	5,938
A31200	Inventories	48,454	28,426
A31240	Other current assets	(5,553)	24,653
A32130	Notes payable	5,661	(28,027)
A32150	Trade payables	(5,980)	(70,408)
A32180	Other payables	(87,507)	(29,175)
A32230	Other current liabilities	1,026	(17,154)
A32240	Net defined benefit liabilities	(13,472)	(21,992)
A33000	Cash generated from operations	207,753	906,000
A33100	Interest received	10,260	4,886
A33200	Dividend received	464,339	1,185,206
A33300	Interest paid	(20,959)	(10,241)
A33500	Income tax refunded (paid)	19,050	(222,171)
AAAA	Net cash generated from operating activities	680,443	1,863,680

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Code		2023	2022
	Cash flow from investment activities		
B02400	Proceeds from decapitalization of investees accounted for using the equity method	\$ 52,433	\$ 486,047
B02700	Payments for property, plant and equipment	(176,021)	(409,909)
B02800	Proceeds from disposal of property, plant and equipment	9,257	-
B03700	Decrease (increase) in refundable deposits	4	(15,935)
B04500	Payments for intangible assets	(2,652)	(440)
B07100	Increase in prepayment for machinery and equipment	(73,586)	(59,981)
BBBB	Net cash used in investing activities	(190,565)	(218)
	Cash flow from financing activities		
C00100	Proceeds from short-term borrowings	-	(100,000)
C01600	Proceeds from long-term borrowings	300,000	2,000,000
C01700	Repayments of long-term borrowings	(399,550)	(2,429,549)
C04020	Repayment of the principal portion of lease liabilities	(4,972)	(5,246)
C04500	Distribution of cash dividend	(744,910)	(1,042,874)
C09900	Overdue dividend	82	107
CCCC	Net cash used in financing activities	(849,350)	(1,577,562)
EEEE	Net increase (decrease) of cash and cash equivalents	(359,472)	285,900
E00100	Cash and cash equivalents at the beginning of the year	951,722	665,822
E00200	Cash and cash equivalents at the end of the year	\$ 592,250	\$ 951,722

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang