

# Report to the shareholders

All shareholding ladies and gentlemen :

Thank you for sparing time to attend the shareholders' meeting this year.

The 2022 consolidated revenue is NT\$1,588,312 thousand, increased by NT\$41,822 thousand from 2021; the 2022 consolidated gross operating loss is NT\$108,200 thousand, increased by NT\$180,822 thousand from 2021; the 2022 net loss after tax attributed to the Company is NT\$262,231 thousand, increased by NT\$186,176 thousand from 2021.

In 2022, with growing vaccination penetration worldwide and lifted lockdowns in all countries, business activities began to recover on the whole. Under the optimistic global economy, various economic needs were gradually expanded. However, with international floating capital flooding raw materials, Cotlook A Index soared by 54% in less than a year, but plummeted in Q1. This resulted in sharply rising costs of materials purchased and rapidly falling prices in the end market overall for 2022, thereby leading to an impact on overall operations.

Looking forward to 2023, after a turbulent and critical year, Tah Tong Textile will continue to optimize its product mix, with a focus on developing special yarn products, to reduce the proportion of cotton yarn and increase gross profit margin. Meanwhile, the Company will vertically integrate the supply chain, deepen the services provided by Fabrics Division, enhance marketing and sales, mainly serve brand customers, and expand the customer base of Fabrics Division, in the hope of effectively increasing the Group's overall revenue. Overall, the Company's operating strategy will gradually yield results.

The Company will adhere to its core values of "Integrity and Ethics, Self-transcendence, Unity of Excellence, and Outstanding Contributions", continue the established business strategies, and commit to provide customers with high-quality, diversified and innovative products for stable growth and profitability.

The business results for 2022 and the 2023 business plan are summarized as follows :

## I. Business results for 2022

### (一) Implementation results of the business plan :

Unit : NT\$ thousand	2021	2022	Difference	%
Consolidated revenue	1,546,490	1,588,312	41,822	2.70
Consolidated gross profit (loss)	72,622	(108,200)	(180,822)	-248.99
Consolidated operating income (loss)	(114,449)	(315,437)	(200,988)	175.61
Consolidated net income (loss) after tax	(162,356)	(319,852)	(157,496)	97.01
Net income (loss) after tax attributed to the Company	(76,055)	(262,231)	(186,176)	244.79
Earnings (loss) per share (NT\$)	(0.75)	(2.52)	(1.77)	236.00

(二) Achievement of budget :

	Actual volume :	Budgeted volume	Achievement rate
Yarn (ton)	8,309	9,977	83.28%
Fabrics (thousand yards)	7,628	9,285	82.15%

(三) Financial revenue and expense and profitability analysis

Unit : NT\$ thousand; %

Item		2022	2021
Financial revenue	Operating revenue	1,546,490	1,588,312
	Gross profit (loss)	72,622	(108,200)
	Net operating profit (loss)	(114,449)	(315,437)
	Net income (loss) after tax	(162,356)	(319,852)
	Attributed to the parent company	(76,055)	(262,231)
	Non-controlling interests	(86,301)	(57,621)
Profitability analysis	Gross margin %	4.70	(6.81)
	Net profit margin (%)	(10.50)	(20.14)
	Return on equity (%)	(18.19)	(34.69)
	Earnings per share (NT\$)	(0.75)	(2.52)

Note : The aforesaid financial data for each year have been audited by CPAs

(四) Research and development

R&D expenses for 2022

Unit : NT\$ thousand

Item	Amount
Research and development expenses	10,233
Net operating revenue	1,588,312
In net operating revenue (%)	0.64%

## II. Summary of the 2023 business plan

In the post-COVID-19 era, when the market is seeing uncertainties and risks, Tah Tong Textile will continue to optimize its product mix, with a focus on developing special yarn products to increase gross profit margin. Meanwhile, the Company will vertically integrate the supply chain, deepen the services provided by Fabrics Division, enhance marketing and sales, mainly serve brand customers, and expand the customer base of Fabrics Division, in the hope of effectively increasing the Group's overall revenue and operational performance.

The Company will adhere to its core values of "Integrity and Ethics, Self-transcendence, Unity of Excellence, and Outstanding Contributions", continue the established business strategies, and commit to provide customers with high-quality, diversified and innovative products for stable growth and profitability. The company's 2023 business strategy and important production and sales policies are presented as follows :

### (一) Operating strategy

Focus on product development in the textile industry and deepen cooperation with the industrial supply chain.

#### (1) Yarn Business Division

1. Continue to improve product quality, win strategic customers to place orders, and raise profitability.
2. Concentrate production capacity for environmental yarn, blended yarn and special yarn, and emphasizes differentiation in order to improve profitability.

#### (2) Fabrics Business Division

1. Continue to strengthen supply chain management strengths and increase orders from brand customers.
2. Strengthen research and development, provide better product mix, and expand market share.
3. Target new customers for business development, and cut to niche products.

### (二) Expected sales volume

Unit : tons	Budgeted volume
Yarn (ton)	8,497
Fabrics (thousand yards)	10,976

### (三) Important production and sales policy

As textile products are developing towards functionality and comfort, the Yarn Business Division will continue to expand new markets and develop functional and special yarn types; the Fabric Business Division will develop customized products and services based on the needs of brand customers and develop the functional knitted fabrics.

III. How the Company's development strategy is affected by the competitive environment, the regulatory environment and the overall business environment is analyzed in the following aspects :

(一) Price of raw materials :

The international raw cotton price still accounts for a large proportion of the Company's product costs. Fluctuation in international raw cotton prices will have a significant impact on the Company's production costs. Therefore, the Company will continue to increase the proportion of blended yarn products to reduce the consumption of raw cotton and cope with the uncertain price fluctuations.

(二) Price of energy :

Fluctuations in international crude oil prices will affect the industrial electricity price and directly affect manufacturing costs.

(三) The downstream consumer market :

The Company's yarn and fabric products are mainly supplied in the form of semi-finished products to customers in Taiwan, Japan, Europe, America, mainland China, and the ASEAN, who will produce garments for sale in the global market.

We must pay more attention and observe the international political and economic situation, especially whether the US, mainland China, ASEAN, and the EU can maintain economic growth. Each country's political and economic situation, monetary policy and global inflation situation may affect the Company's sales and operating profit.

(四) Competition with mainland China and ASEAN countries :

Functional fabrics produced in Mainland China and neighboring countries in Asia have significantly improved quality in recent years, posing competition with the Company's products. In order to differentiate in the market, the Company is currently developing higher value-added and special products to minimize the impact on the yarn supply chain system.

(五) ASEAN and CPTPP :

Under the framework of a FTA, member states of regional economies are entitled to trade liberalization and tariff reduction and exemption. Led by Japan, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed on March 8, 2018 by 11 countries including Vietnam and came into effect in 2019. Due to the advantages in infrastructure and an open policy to attract foreign investment, Vietnam will enjoy higher competitiveness among regional economies in

the future. The Company has invested and expanded in Vietnam, and can expect reduced operating costs, more opportunities for export expansion, and industrial upgrades with preferential tariffs competitiveness.

Looking at 2023, the overall business environment remains complex. The Company will respond to changes in the external environment and make even harder efforts to expand operating results and gain sustainable operation competitiveness.

With regard to the 2022 Business Report and a summary of the 2023 Business Plan, I would like to thank all shareholders for their support. All of the Company's employees will also do their utmost to forge better operating strength than before and repay the shareholders' support with performance. In the future, I still hope that all shareholders will show your continued support and encouragement to the Company and let's create a brighter future together. We wish all shareholders good health and best of luck!

Tah Tong Textile Co., Ltd.

Chairman Chen, Shiou-Chung