



股票代號 Stock code  
6768

# 志強國際企業股份有限公司

## SPORTS GEAR CO.,LTD.

# 2022 年度年報

## 2022 Annual Report

**NOTE:**

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公司網址：<http://www.sportsgear.com.tw>

公開資訊觀測站網址：[https://mops.twse.com.tw/mops/web/t57sb01\\_q5](https://mops.twse.com.tw/mops/web/t57sb01_q5)

刊印日期：2023.04.10  
Printed on

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**I. Names, titles, phone numbers, and email addresses of the Company's spokesperson and acting spokesperson**

Name of the spokesperson: Benjamin David Metcalf Title: Special Assistant to the Chairman

Telephone: (886)4-2258-5388 Email address: [spg.ir@spg-sportsgear.com](mailto:spg.ir@spg-sportsgear.com)

Name of the acting spokesperson: Fu-Sheng Ku Title: Corporate Governance Manager

Telephone: (886)4-2258-5388 Email address: [spg.ir@spg-sportsgear.com](mailto:spg.ir@spg-sportsgear.com)

**II. Names, titles, phone numbers, and email addresses of the litigation and non-litigation agents in the Republic of China**

Name: Wei-Chia Chen

Title: Chairman and President

Telephone: (886)4-2258-5388

Email address: [spg.ir@spg-sportsgear.com](mailto:spg.ir@spg-sportsgear.com)

**III. Addresses and phone numbers of the head office, branches, and factories**

**I. The Company**

Name: Sports Gear Co., Ltd.

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208

Telephone: (886)4-2258-5388

**II. Subsidiaries and branches**

Samoan Subsidiary

Name: Sports Gear Co., Ltd.

Address: Portcullis Chambers, P.O. Box 1225, Apia, Samoa

Telephone: (886)4-2258-5388

British Virgin Islands Subsidiary

Name: All Wells International Co., Ltd.

Address: 3rd Floor, J&C Building Road Town, Tortola British Virgin Islands, VG1110

Telephone: (886)4-2258-5388

Seychelles Subsidiaries

Name: Elephant Step Co., Ltd.

Address: F20, 1st Floor, Eden Plaza, Eden Island, Seychelles.

Telephone: (886)4-2258-5388

Name: Fongyuan International Co., Ltd.

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Address: F20,1st Floor,Eden Plaza,Eden Island,Seychelles.

Telephone: (886)4-2258-5388

Taiwan Branch

Name: Sports Gear Co., Ltd. Taiwan Branch

Address: 3F, No. 266, Shizheng N. 5th Road, Xitun District, Taichung City

Telephone: (886)4-2258-5388

Taiwan Subsidiary

Name: Silk Invest International Co., Ltd.

Address: 1F, No. 266, Shizheng N. 5th Road, Xitun District, Taichung City

Telephone: (886)4-2258-5388

Vietnamese Subsidiaries

Name: Chi Hung Co.,Ltd.

Address: My Phuoc Industrial Park, Thoi Hoa Ward, Tân Uyên, Bình Dương Province, Vietnam

Telephone: (84)2743-625022

Name: All Wells International Co.,Ltd.

Address: Road 81, Thuan Hoa Hamlet, Truong Mit Commue, Duong Minh Chau District, Tay Ninh Province, Vietnam

Telephone: (84)2543-948427

Name: Can Sports Vietnam Co.,Ltd.

Address: Shun Ho Eup, Zhong Mi She, Dương Minh Châu District, Tây Ninh Province, Vietnam

Telephone: (84)2763-721111

Name: Dai Hoa Co.,Ltd.

Address: Quarter 7, Uyen Hung Ward, Tan Uyen Town, Binh Duong Province, Vietnam

Telephone: (84)2743-642773

Name: August Sports Co.,Ltd.

Address: No. 8 Road, Industrial Park, San Phuoc Industrial Zone, San Phuoc Fang, Bien Hoa City, Dong Nai Province, Vietnam

Telephone: (84)2513-686850

Cambodian Subsidiaries

Name: Can Sports Shoes Co.,Ltd.

Address: National Road No.5,Chamkar Svay Village,Sedthei Commune,Sameakki Mean Chey District,Kampong Chhnang Province,Cambodia

Telephone: (855)26777666

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Name: Fireman Factory Co.,Ltd.

Address: National Road No.5,Chamkar Svay Village,Sedthei Commune,Sameakki Mean Chey District,Kampong Chhnang Province,Cambodia

Myanmar Subsidiary

Name: Sports Gear(Myanmar)Co.,Ltd

Address: Lot No.(BA-1 +2),Thilawa SEZ Zone B,Yangon Region,Myanmar.

Indonesian Subsidiary

Name: PT Can Sports Industrial Indonesia

Address: Jalan Raya Kasokandel Km,Kel.,Kec.,Kab.Majalengka,Prop.Jawa Barat

Portuguese Subsidiary

Name: SGP-Sports Gear Portugal,S.A.

Address: Rua de Bedu i do n<sup>o</sup> 8,Lote 9,Eco Parque Empresarial de Estarreja,3860-529 Estarreja,Portugal

Telephone: (351)234 570 000

German Subsidiary

Name: Footwear Innovation Lab GmbH

Address: Turnstraße 12A,66953 Pirmasens,Germany

Telephone: (49)63315534-0

Singapore subsidiary

Name: Sports Gear SG Private Ltd.

Address: 200 Kim Seng Road, #16-01,The Cosmopolitan,Singapore 239471

Telephone: (886)4-2258-5388

**IV. Name, address, website, and telephone number of the stock transfer agency**

Name: Stock Agency Department, Yuanta Securities Co., Ltd.

Website: <http://www.yuanta.com.tw>

Address: B1, No. 210, Section 3, Chengde Road, Datong District, Taipei City

Telephone: (886)2-2586-5859

**V. Names of the CPAs who issued the most recent annual financial report, and the name, address, website and telephone number of their firm**

Names of the CPAs: Accountant Amy Chiang, Accountant James Wu

CPA firm name: Deloitte Taiwan

Website: <http://www.deloitte.com.tw>

Address: 22nd Floor, No. 88, Section 1, Huizhong Road, Xitun District,

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Taichung City

Telephone: (886)4-3705-9988

**VI. The name of the exchange on which overseas securities are listed for trading and the method of inquiring for overseas securities information:**

Not applicable

**VII. Company website: <http://www.sportsgear.com.tw>**

**VIII. Members of the Board of Directors:**

Title	Name	Nationality or place of registration	Primary experience (educational background)
Chairman and President	Wei-Chia Chen	Republic of China	Department of Business Administration, Fu Jen Catholic University Director of Sports Gear Samoa, Elephant, Fongyuan, and All Wells Chairman and CEO of Silk Invest, Chi Hung, All Wells, Can Sports Cambodia, Can Sports Vietnam, Dai Hoa Vietnam, August Sports Vietnam, Fireman, Sports Gear (Myanmar) Commisioner of PT Can Sports Industrial Indonesia Director of SGP Director of FiL Director of Sports Gear SG Private Ltd. Chairman of Spread Idea Co., Ltd. Director of Chin Chin Human Resource Consulting Ltd. Director of X Man Footwear International Co., Ltd. Legal Person Director's Representative of Match Sports International Co., Ltd. Director of Mu Mu Sports International Limited Director of Lu Lu Sports International Limited Director of Lesson 1 Company Limited Director of Power Rich International Ltd. Legal Person Director's Representative of Pauian Archiland Co., Ltd. Director of Nanshan Senior High School Chairman of Sports Gear Social Welfare Foundation
Director	Jialai Development Co., Ltd.	Republic of China	Legal Person Director of Interactive Digital Technologies Inc.
	Thomas Wang	Republic of China	Department of Economics, National Taiwan University Legal Person Director's Representative of Interactive Digital Technologies Inc.
Director	Pure-Xu Real Estate Advertising Co., Ltd.	Republic of China	
	Thomas Lee	Republic of China	Executive Master of Business Administration (EMBA), Peking University Director of Pure-Burg General Contractors Co., Ltd. Chairman of Puquan Advertising Co., Ltd. Chairman of Puqun Advertising Co., Ltd. Chairman of Pure-Xu Real Estate Advertising Co., Ltd. Chairman of Pauian Archiland Advertising Co., Ltd. Chairman of Puhou Advertising Co., Ltd. Chairman of Puxin Advertising Co., Ltd. Chairman of Pauian Archiland Development Co., Ltd. Chairman of Huang Geun Construction Corp. Director of Puyuan Construction Co., Ltd. Chairman of Puchang Construction Co., Ltd. Chairman of Puqun Investment Co., Ltd. Chairman of Pumeng Investment Co., Ltd. Chairman of Puying Investment Co., Ltd. Chairman of Puyi Development Co., Ltd. Chairman of Puyi Construction Co., Ltd. Chairman of Pauian Real Estate Co., Ltd. Director of Zhuguang Construction Co., Ltd. Chairman of Sant Law International Corporation

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<b>Title</b>	<b>Name</b>	<b>Nationality or place of registration</b>	<b>Primary experience (educational background)</b>
			Chairman of Pukuan Investment Co., Ltd. Chairman of Puqun Advertising Co., Ltd. Supervisor of Ruxin Construction Co., Ltd. Supervisor of Dongdacheng Construction Co., Ltd. Director of Nanshan Senior High School Director of China University of Technology
Director	Davis Cheng	Republic of China	Department of Electrical Engineering, National Taipei Institute of Technology (renamed to National Taipei University of Technology) Chairman of Interactive Digital Technologies Inc. Chairman of Huaqi Communications Equipment (Shanghai) Co., Ltd. Chairman of Artmo Inc. Independent director of Taiwan IC Packaging Corporation Independent director of TPK Holding Co., Ltd.
Independent Director	Long-I Liao	Republic of China	Bachelor's Degree in Economics, National Taiwan University Director of China Development Asset Management Co., Ltd. President of First Bank Chairman of the Trust Association of the Republic of China Director of China Development Financial Holding Corporation Independent Director of TCI Co., Ltd.
Independent Director	Tzung-Chen Chen	Republic of China	Bachelor's Degree in Law, National Taiwan University Director General of the Judicial Yuan Judge and President of Taiwan Shilin District Court Judge and President of the Taichung Branch of the High Court of Taiwan Judge and President of the High Court of Taiwan Judge and President of the Supreme Court
Independent Director	Peter Shu	Republic of China	Bachelor's Degree in Electro-mechanical Engineering, National Cheng Kung University Chairman and CEO of Transcend Information, Inc. Chairman of Taiwan IC Packaging Corporation Director of C-Tech Corporation President of Transcend Information Trading GmbH

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## Chapter I. Letter to Shareholders

Greetings, fellow shareholders!

In 2022, the slow down of the pandemic, recovery of the European and US economies, effectiveness of the adjustment in product mix, increase in shipment of high-price shoes, the Qatar World Cup driving the demand for brand customer football shoes, and strengthening of sports shoes market, pushed up the performance of the businesses. In 2022, the Company generated a revenue of NT\$18.52 billion, an increase of NT\$6.19 billion from 2021's NT\$12.33 billion, producing an annual growth of 50.17%; the overall net profit after tax increases by NT\$1.16 billion compared to 2021, which is 178.87% growth. 2022's revenue, profit and EPS hit historic highs since listing.

Under the impact of inflation and continuous interest hike due to factors such as the Russo-Ukrainian war and unstable geopolitical situation, the global economy will gradually cool down and brand customers will adjust their inventories in 2023. Hence, our operations will adopt a cautious and conservative approach instead. Looking forward to 2023, there are still many challenges. Our team will work together with our employees, take active actions in controlling the cost, and improve the Company's operation, profitability and resilience, so as to continue to create long-term benefits for all our shareholders and employees.

In terms of the topic of ESG sustainability development, Sports Gear Co., Ltd. released its first Sustainability Report in 2022, written in compliance with the core options of the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) released by the Global Sustainability Standard Board, and started to disclose the performance of Sports Gear Co., Ltd. in terms of environmental, social and governance aspects. In the future, we will continue to prepare the Sustainability Report, and gradually expand the scope of reporting, and report the results and implementation of ESG sustainable development to the stakeholders.

On behalf of Sports Gear Co., Ltd., I would like to thank all of our shareholders for your continued support.

We wish you and your family all the best.

Chairman: Sincerely, Wei-Chia Chen [seal]

## 2022 Business Report

### I. Preface

With the slow down of the pandemic in 2022, European and US economies recover, and thanks to the increase in shipment of high-price shoes and effectiveness of the adjustment in product mix, especially the Qatar World Cup, the demand for brand customer football shoes and sports shoes strengthened, pushing up the performance of the businesses in 2022. In 2022, the Company generated a revenue of NT\$18.52 billion, an increase of NT\$6.19 billion from 2021's NT\$12.33 billion, producing an annual growth of 50.17%; the overall net profit after tax increases by NT\$1.16 billion compared to 2021, which is 178.87% growth. 2022's revenue, profit and EPS hit historic highs. The Company's 2022 operating performance and 2023 business plan are as follows:

### II. 2022 Business Report

#### (I) Business Plan Implementation Results

Unit: Thousand NTD

Accounting items	2022	2021	Amount of increase (decrease)	Change ratio (%)
Net operating revenue	18,524,986	12,335,924	6,189,062	50.17%
Gross profit	4,284,342	2,434,574	1,849,768	75.98%
Net profit	2,253,074	795,545	1,457,529	183.21%
Net profit before tax	2,363,897	863,906	1,499,991	173.63%
Net profit after tax	1,802,024	646,190	1,155,834	178.87%

#### (II) Analysis of financial gains and losses and profitability

Analysis items		2022	2021
Financial structure	Ratio of liabilities to assets (%)	29.45	26.83
	Ratio of long-term capital to real estate properties, plants and equipment (%)	337.33	351.89
Liquidity	Current ratio (%)	325.89	361.75
	Quick ratio (%)	283.06	311.71

Profitability	ROA (%)	10.20	4.33
	ROE (%)	13.76	5.66
	Net profit margin (%)	9.73	5.24
	earnings per share (EPS) (NTD)	9.22	3.42

(III) 2022 budget execution: The Company has not disclosed its 2022 financial forecast.

(IV) Production overview:

The Group produced 43,791 thousand pairs of shoes in 2022, an increase of 34.80% from 2021, with Vietnam accounting for 60.44%, and Cambodia accounting for 39.56%. The main production strategies for each region in 2022 are as follows.

- 26,468 thousand pairs produced in Vietnam It will continue to be the main production base of the Group. We will continue to improve our production management and increase the proportion of automated equipment used in the future.
- 17,323 thousand pairs produced in Cambodia The newly expanded S3 plant is now in the production stage, and we will continue to enhance our production technology capabilities through process improvement.
- The future capacity expansion will be in line with the globalization plan. In addition to Germany's automated factory which has gone into operation and the construction of the new production base in Portugal, the new Indonesian plant currently in the construction phase has the potential in becoming the next important shoe manufacturing base, and will continue to cater to the market and gradually expand its production capacity.

(V) Research and development

The Company continues to invest in the innovation of various processes. In 2022, it invested NT\$381,738,000 in research and development, which amounts to 2.06% of the consolidated revenue, mainly in the upgrade of direct injection technology and the improvement of various processes, to increase production efficiency and for the innovation of production technologies. In addition to setting up exclusive R&D centers in cooperation with major brands, the Company closely interacts with brands from the product development phase, improves sample quality completion and sample delivery speed, and provides its brand customers with superior services and solutions.

Portugal's research and development center is an important base for the Company's European research and development. It is a shoe manufacturing plant that integrates design, development and small batch production. The

advanced manufacturing technologies such as direct injection are the core areas of the Company's European development activities. Through the cooperation with Germany FIL in the research and development of automated production and DI technology, trial production of high-priced direct injection shoes is conducted, in the aim to expand other investment opportunities in Europe.

(VI) Corporate Social Responsibility

In the 2022 post-pandemic era, the Company continues to fulfill its corporate responsibility in pandemic prevention by collaborating with Sports Gear Social Welfare Foundation in assisting Cardiothoracic and Vascular Anesthesia to provide rapid test kits.

We also continue to cooperate with Tai-An Hospital and Taiwan Adventist Foundation in visiting remote tribal villages to provide oral medical services, upgrade the teaching equipment and teaching quality for students in remote regions, care for the elderly during the winter and festive seasons, etc.

By cooperating with The Society of Wilderness, we conducted creek cleanup at Taichung City's Fazi Creek, raising the public's attention to rubbish reduction and river ecological conservation, playing a part in environmental protection through actual actions.

In addition, all of our overseas factories aimed at sustainable management, implementing green policies to achieve energy saving, waste reduction, and resource regeneration for the protection of our only planet.

III. 2023 Business Plan

(I) Business Plan

The impact of inflation and continuous interest rate hikes have caused the global economy to slow down. Due to customer inventory adjustment, we will adopt a cautious and conservative operational approach in 2023. Looking forward to 2023, there are still many challenges. We will work with our employees, take active actions in controlling the cost, and improve the Company's operation and profitability, so as to continue to create long-term benefits for all our shareholders and employees.

(II) Outlook and Development Strategy

With the Company's professional management team, as well as our products' quality stability and compliance with the standards of international brands, besides continuing to cultivate existing customers, we will also actively expand new customers. In order to satisfy the needs of brand customers, the Company will continue to expand the capacity, and when the new production base is put into operation, it will inject new growth momentum into the operation. In terms of production, we are committed to building automated equipment, improving

production efficiency and implementing lean management, to reduce defect rate.

(III) The Impact of the External Competitive Environment, Regulatory Environment, and Overall Business Environment

The Company adheres to sustainable operation, actively handles different external challenges, gathers information at all times and provides prompt feedback, so as to attain stable growth and sustainable development.

Chairman:

Manager:

Head of  
Accounting:

## Chapter II. Company Profile

### I. Date of Establishment

The Company was established on March 28, 2017.

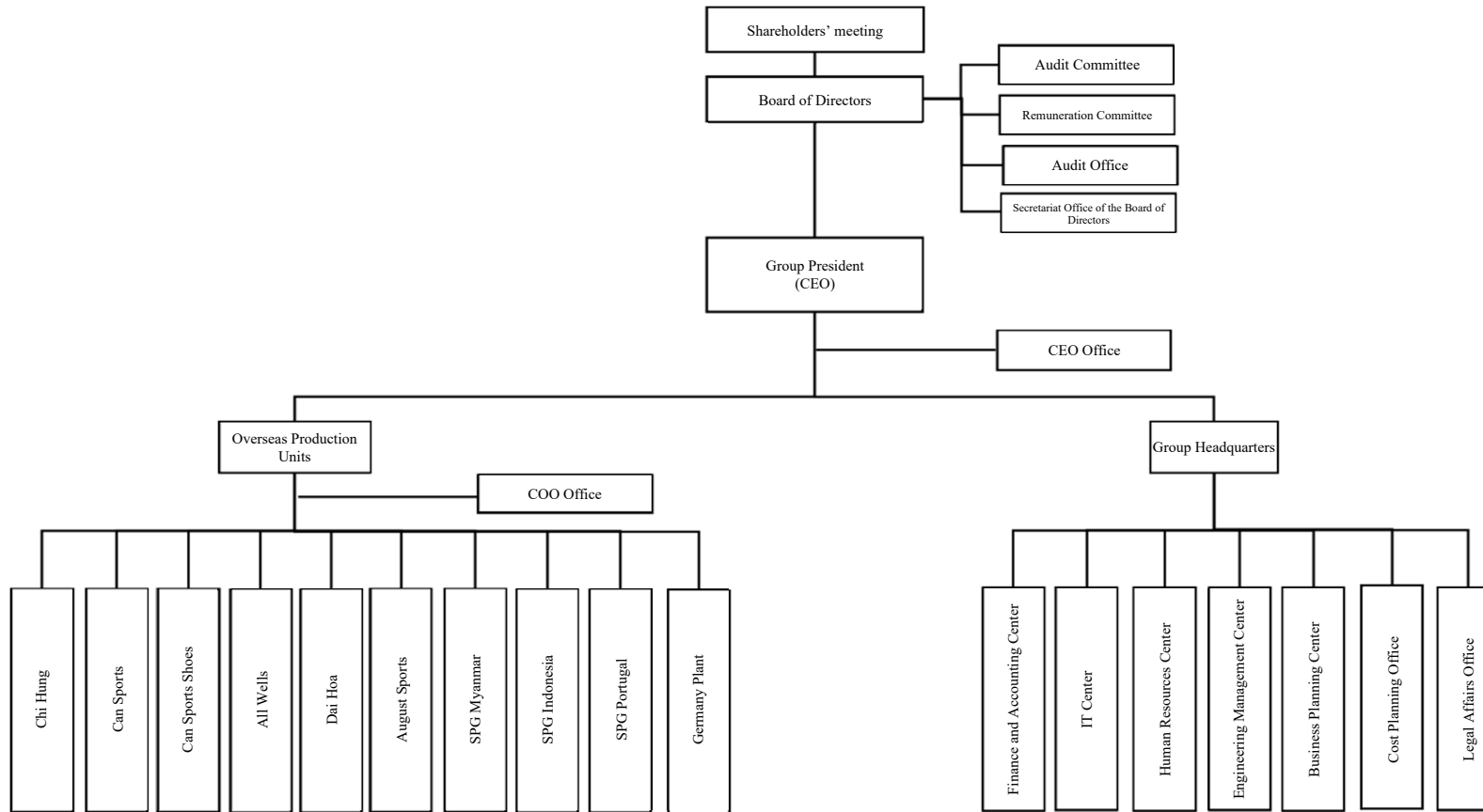
### II. Company History

Year	Major Events
2000	Chi Hung Co., Ltd., the first manufacturing base, was established in Binh Duong Province, Vietnam, to develop and manufacture a wide range of sports and casual shoes for Group A.
2003	Recognized by the brand of Group A, Chi Hung became the first factory development center of Group A in Vietnam.
2005	The Group established All Wells International Co., Ltd. in Vung Tau Province, Vietnam, entering into the field of football and American football OEMs while introducing Group A and Group B ball manufacturing.
2009	Established Can Sports Shoes Co., Ltd. in Kampong Chhnang Province, Cambodia, preparing for multinational production and introducing Group A to Cambodia for production
2011	Established Can Sports Vietnam Co., Ltd. in Tây Ninh Province, Vietnam, becoming the OEM partner of Group B and setting up a development center
2015	Signed a production development agreement with Group D, established a development center in Vietnam, and commenced mass production at the Can Sports Shoes plant in Cambodia
2015	Established Dai Hoa Co., Ltd. in Binh Duong Province, Vietnam in 2011 and began development and production of Group E shoe products
2015	Signed a manufacturing agreement with Group C, established a Group C development center, and became the OEM partner of Group C
2017	The annual output of the Group officially exceeded 40 million pairs.
2017	The Group was reorganized to return to Taiwan for listing. Sports Gear Co., Ltd. (hereinafter referred to as Sports Gear) was established.
2018	Sports Gear purchased a site in Taiwan for the Group's headquarters and expected to establish the Group's operating headquarters in Taiwan.
2019	Established Group A's core development center in Vietnam
2019	Won the CORE Innovation Cup award from our customer Group A
2019	Won the Shoe Dog Award of Process Innovation from our customer Group B
2020	Established Group B R&D center in Portugal
2020	Consecutively won the CORE Innovation Cup award from Group A
2020	Passed TWSE review as an overseas Taiwan business in December and gained approval to be a primary exchange (or OTC) listed company
2021	Listed as a primary exchange (or OTC) listed company on the TWSE on April 22 under stock code 6768
2021	Acquired a majority stake in Footwear Innovation Lab GmbH, Germany
2022	Signed a production development agreement with Group H, established a development center in Vietnam, and commenced mass production at the plant of August Sports Co., Ltd. in Vietnam

# Chapter III. Corporate Governance Report

## I. Organizational system

### (I) Organizational structure of the Company





(II) Business of major departments

Department	Responsibilities
Board of Directors	<ul style="list-style-type: none"><li>■ Execute the resolutions of the shareholders' meeting, decide the Company's business plans and investment programs within the scope of authorization of the shareholders' meeting.</li><li>■ The Secretary's Office of the Board of Directors is responsible for the planning and promotion of the corporate governance system and the ESG policy for sustainable development, the Group's stock operations, announcement and reporting required by various competent authorities, compliance with the laws governing public offering in Taiwan, and enforcement of applicable regulations on corporate governance.</li></ul>
Remuneration Committee	<ul style="list-style-type: none"><li>■ Formulate and regularly review the policies, systems, standards and structures for performance evaluation and remunerations of directors and managers. Regularly assess and determine the remunerations for directors and managers and make recommendations to the Board of Directors.</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>■ Supervise operations and finances of the Group and ensure proper presentation of financial statements and effective implementation of internal controls.</li></ul>
Audit Office	<ul style="list-style-type: none"><li>■ Plan, implement and revise the internal control system.</li><li>■ Formulate and implement the Group's annual audit plan and handle other matters in accordance with laws and regulations.</li><li>■ Oversee the management and auditing of the subsidiaries of the Group.</li><li>■ Prepare proposals to remedy the Company's internal control deficiencies and track improvement.</li></ul>
President's Office (CEO's Office)	<ul style="list-style-type: none"><li>■ Define the functions and powers of each department of the business unit and appoint department and project managers.</li><li>■ Externally handle relevant business on behalf of the Company.</li><li>■ Integrate the Group's resources and plan operations.</li><li>■ Provide legal advice and handle legal cases and related legal matters for the Group.</li><li>■ Coordinate and compute the actual costs of each brand of the</li></ul>

Department	Responsibilities
	<p>Group, set the Group's standards, and approve the Group's final quoted prices.</p> <ul style="list-style-type: none"> <li>■ Evaluate and plan new business for the Group.</li> <li>■ Formulate the Company's business strategy, set operational goals, and supervise and evaluate the implementation and performance of those operational goals.</li> <li>■ Maintain relationships with investors.</li> <li>■ Coordinate development for the Group's new technologies, new materials, and automation.</li> <li>■ Assist the Group's new business in technical consultation and implementation.</li> <li>■ Consolidate budgets, control monthly budget execution, and conduct deviation analysis.</li> </ul>
Business Planning Center	<ul style="list-style-type: none"> <li>■ Coordinate development, inquiry, and price comparison/negotiation of various types of suppliers of the Group.</li> <li>■ Review the purchase prices of mass-produced materials and development materials of each plant of the Group.</li> <li>■ Development of new customers for the Group and maintenance of relationships with existing customer.</li> <li>■ Track and manage the Group's accounts receivable and accounts payable.</li> </ul>
Engineering Management Center	<ul style="list-style-type: none"> <li>■ Establish and promote various engineering projects within the Group.</li> <li>■ Handle factory expansion matters and engineering operations of the Group.</li> <li>■ Coordinate the contracting and procurement of domestic and overseas projects, machinery and equipment, and general affairs of the Group.</li> </ul>

Department	Responsibilities
Human Resources Center	<ul style="list-style-type: none"> <li>■ Plan and formulate the Group's human resources strategy and ensure compliance with labor laws.</li> <li>■ Create and promote the Group's recruitment and appointment system.</li> <li>■ Formulate, implement, evaluate, and assess the training methods used by the Group.</li> <li>■ Confirm the effectiveness of human resources management and incubation of each department of the Group.</li> </ul>
IT Center	<ul style="list-style-type: none"> <li>■ Oversee the planning, design, and management of the computerized information system of the Group, and evaluate and purchase information software and hardware.</li> <li>■ Plan and establish the Group's overall information environment and management information system.</li> <li>■ Develop and manage the Group's information system.</li> <li>■ Control and supervise Information security.</li> <li>■ Address education, training, and troubleshooting for information use.</li> <li>■ Coordinate the allocation of the Company's computer resources.</li> <li>■ Maintain information equipment/Internet software and hardware equipment.</li> <li>■ Import and maintain ERP and other application systems.</li> <li>■ Plan and maintain webpages.</li> </ul>

Department	Responsibilities
Finance and Accounting Center	<ul style="list-style-type: none"> <li>■ Coordinate the Group's financial scheduling, capital utilization and management, financial planning, and risk management for assets and liabilities.</li> <li>■ Assist in the promotion and handling of the administrative orders of the competent authority.</li> <li>■ Take charge of general affairs at the Taiwan headquarters.</li> <li>■ Prepare and analyze financial statements and budgets of the business units of the Group for management and policy formulation by the decision-making units.</li> <li>■ Establish, evaluate and implement the overall accounting system of the Group, and conduct research on improvement.</li> <li>■ Provide guidance and supervise the accounting policies and financial accounting principles of the reinvestment company.</li> <li>■ Plan and report tax for the Group.</li> <li>■ Explore financial policies and tax regulations in different countries for the Group.</li> <li>■ Analyze, design, evaluate, and plan the investment structure of the Group's domestic and overseas investment businesses.</li> <li>■ Handle the Company's accounting and perform the collection and analysis of cost data.</li> <li>■ Prepare financial statements, and establish, analyze and interpret management-related financial data.</li> <li>■ Review monthly operating results and provide management accounting information.</li> <li>■ Comprehensively manage the Company's tax plans and implementation and ensure compliance with tax laws and regulations.</li> </ul>
Overseas Production Units	<ul style="list-style-type: none"> <li>■ Manage and execute production, procurement, sales, R&amp;D, finance, administration, and other operations of overseas subsidiaries.</li> </ul>

(III) Structure of the Group: See page 151: (VIII) Special Notes

(IV) Risk Matters: See pages 143-150: (VII) Financial Status and Financial Performance Review and Risk Analysis

II. Information on directors, supervisors, presidents, vice presidents, senior vice presidents, managers of various departments and branches

(I) Information on directors and supervisors

1. Directors

April 1, 2023 Units: shares; %

Title	Nationality or place of registration	Name	Gender Age	Date of appointment	Term of office	Date of first appointment	Shareholding when Elected		Number of shares currently held		Shares currently held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at the Company and other companies	Managers, directors or supervisors who are spouses or within two degrees of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and President	Republic of China	Wei-Chia Chen	Male 60-69 years of age	2022.05.27	3 years	2017.3.28	2,000,000	1.02	1,991,000	1.02	-	-	126,093,924 (Note 1)	64.32	Department of Business Administration, Fuzhen Catholic University	Chairman of the Company Director of Sports Gear Samoa, Elephant, Fongyuan, and All Wells Chairman and CEO of Silk Invest, Chi Hung, All Wells, Can Sports Cambodia, Can Sports Vietnam, Dai Hoa Vietnam, August Sports Vietnam, Fireman, Sports Gear (Myanmar) Supervisor of PT Can Sports Industrial Indonesia Director of SGP Director of FIL Director of Sports Gear SG Private Ltd. Chairman of Spread Idea Co., Ltd. Director of Chin Chin Human Resource Consulting Ltd. Director of X Man Footwear International Co., Ltd. Legal Person Director's Representative of Match Sports International Co., Ltd. Director of Mu Mu Sports International Limited Director of Lu Lu Sports International Limited Director of Lesson 1 Company Limited Director of Power Rich International Ltd. Legal Person Director's Representative of Pauian Archiland Co., Ltd. Director of Nanshan Senior High School Chairman of Sports Gear Social Welfare Foundation	-	-	-	The chairman concurrently serving as president of the Company is mainly to simplify the management organizational structure and shorten the decision-making process, and thereby to quickly respond and grasp market and customer demand, and, subsequently, respond to the development of the Company into a group as well as its operational management needs. The establishment of a chief operating officer, and establishment of a vice president for each subsidiary, as well as the major operating decisions of the Company, all require discussion by the Board. The Board has the power to elect the chairman, appoint and dismiss the president, effect checks and balances where appropriate, and implement a supervisory function. The Company will actively select and train the succeeding president. Professionals deemed appropriate will be selected to fill the position.

Director	Republic of China	Jialai Development Co., Ltd.	-	2022.05.27	3 years	2018.12.24	100,000	0.05	100,000	0.05	-	-	-	-	-	Legal Person Director of Interactive Digital Technologies Inc.	-	-	-	-
	Republic of China	Thomas Wang	Male 60-69 years of age				-	-	-	-	-	-	-	-	-	Department of Economics, National Taiwan University	Legal Person Director's Representative of Interactive Digital Technologies Inc.	-	-	-
Director	Republic of China	Pure-Xu Real Estate Advertising Co., Ltd.	-	2022.05.27	3 years	2018.12.24	1,793,371	0.91	1,793,371	0.91	-	-	-	-	-	-	-	-	-	-

	Republic of China	Thomas Lee	Male 60-69 years of age				718,964	0.37	718,964	0.37	-	-	1,274,697 (Note 2)	0.65	EMBA, Peking University Master's degree in upper-level management	Director of Pure-Burg General Contractors Co., Ltd. Chairman of Puqun Advertising Co., Ltd. Chairman of Puqun Advertising Co., Ltd. Chairman of Pure-Xu Real Estate Advertising Co., Ltd. Chairman of Pauian Archiland Advertising Co., Ltd. Chairman of Puhou Advertising Co., Ltd. Chairman of Puxin Advertising Co., Ltd. Chairman of Pauian Archiland Development Co., Ltd. Chairman of Huang Geun Construction Corp. Director of Puyuan Construction Co., Ltd. Chairman of Puchang Construction Co., Ltd. Chairman of Puqun Investment Co., Ltd. Chairman of Pumeng Investment Co., Ltd. Chairman of Puying Investment Co., Ltd. Chairman of Puyi Development Co., Ltd. Chairman of Puyi Construction Co., Ltd. Chairman of Pauian Real Estate Co., Ltd. Director of Zhuguan Construction Co., Ltd. Chairman of Sant Law International Corporation Chairman of Pukuan Investment Co., Ltd. Chairman of Puqun Advertising Co., Ltd. Supervisor of Ruxin Construction Co., Ltd. Supervisor of Dongdacheng Construction Co., Ltd. Director of Nanshan Senior High School Director of China University of Technology				
Director	Republic of China	Davis Cheng	Male 60-69 years of age	2022.05.27	3 years	2019.11.8	200,000	0.1	210,000	0.11	-	-	-	-	Department of Electrical Engineering, National Taipei Institute of Technology (renamed to National Taipei University of Technology) Manager of Haitian Company Chairman of Hitron Technologies Co., Ltd.	Chairman of Interactive Digital Technologies Inc. Chairman of Huaqi Communications Equipment (Shanghai) Co., Ltd. Chairman of Artmo Inc. Independent director of Taiwan IC Packaging Corporation Independent director of TPK Holding Co., Ltd.				

Independent Director	Republic of China	Long-I Liao	Male 80-89 years of age	2022.05.27	3 years	2019.11.8	-	-	-	-	-	-	-	-	Bachelor's Degree in Economics, National Taiwan University President of First Bank Chairman of the Trust Association of the Republic of China Director of China Development Financial Holding Corporation Independent Director of TCI Co., Ltd.	Director of China Development Asset Management Co., Ltd.	-	-	-	-	
Independent Director	Republic of China	Tzung-Chen Chen	Male 70-79 years of age	2022.05.27	3 years	2020.10.15	-	-	-	-	-	-	-	-	Bachelor's Degree in Law, National Taiwan University Director General of the Judicial Yuan Judge and President of Taiwan Shilin District Court Judge and President of the Taichung Branch of the High Court of Taiwan Judge and President of the High Court of Taiwan Judge and President of the Supreme Court	-	-	-	-	-	
Independent Director	Republic of China	Peter Shu	Male 60-69 years of age	2022.05.27	3 years	2022.05.27									Bachelor's Degree in Electro-mechanical Engineering, National Cheng Kung University Project manager, HP	Chairman and CEO of Transcend Information, Inc. Chairman of Taiwan IC Packaging Corporation Director of C-Tech Corporation President of Transcend Information Trading GmbH					Assumed office after full re-election of directors at the annual shareholders' meeting on May 27, 2022



Independent Director	Republic of China	Leo Hong	Male 70-79 years of age	2019.11.8	3 years	2019.11.8	-	-	-	-	-	-	-	-	-	-	-	-	Master of Business, Graduate School of Business and Finance, Waseda University, Japan Manager, Yuanlin Branch, Mega International Commercial Bank Manager, Fengyuan Branch, Mega International Commercial Bank Senior VP, Mega International Commercial Bank Headquarters; Director of the Central Region Credit Management Center Senior VP, Mega International Commercial Bank Headquarters; Manager of International Business Group Chief Auditor of Mega International Commercial Bank	Stepped down from office after full re-election of directors at the annual shareholders' meeting on May 27, 2022
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Note 1: Wei-Chia Chen holds 100% of shares in Match Sports International Co., Ltd., Mu Mu Sports International Limited, Lu Lu Sports International Limited, and shares of the trust assets management account of Spread Idea Co., Ltd. under Lesson 1 Company Limited

Note 2: Thomas Lee holds shares in Park Group Investment Co., Ltd., in which he has controlling interest.

2. Supervisor: The Company has established an audit committee, so there are no supervisors.

3. Major shareholders of corporate shareholders:

April 10, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders
Jialai Development Co., Ltd.	Mu-jia Wang (50%), Yan-hui Wang (20%), Mei-yin Guo (13.24%), Bing-hong Guo (8.53%), Mei-yu Guo (8.23%)
Pure-Xu Real Estate Advertising Co., Ltd.	Puquan Advertising Co., Ltd. 100%

4. Major shareholders of a corporate shareholder are representatives of the corporate shareholder

April 10, 2023

Corporate name	Major shareholder of a corporation
Puquan Advertising Co., Ltd.	Purui Investment Co., Ltd. (1.09%), Pusheng Investment Co., Ltd. (1.50%), Hezhong Investment Co., Ltd. (6.12%), Puqing Investment Co., Ltd. Company (2.88%), Pumeng Investment Co., Ltd. (19.96%), Jingxiang Investment Co., Ltd. (4.61%), Puguan Investment Co., Ltd. (3.71%), Puguang Investment Co., Ltd. (1.18%), Chunfu Investment Co., Ltd. (12.39%), Pukuan Investment Co., Ltd. (11.38%), Purui Investment Co., Ltd. (1.18%), Puying Investment Co., Ltd. (10.45%), Pucheng Investment Co., Ltd. (1.18%), Pucheng Investment Co., Ltd. (1.98%), Yangzhe Investment Co., Ltd. (8.42%), Puan Investment Co., Ltd. (1.98%).

5. Disclosure of professional qualifications of directors and supervisors and independence of independent directors

April 10, 2023

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Wei-Chia Chen	<p>He is the founder of Sports Gear, has industry experience, strategic management expertise, leadership and academic ability, and has been devoted to the footwear industry for over 30 years.</p> <p>He also serves as the President of the Company and acts as a manager in the Board of Directors, communicating and interacting with all directors on pertinent management strategies and providing crucial management advice. His practical skills in business, marketing and industry-related operational planning, operation and management lead the Company towards sustainable management.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	-	-	
<p>Jialai Development Co., Ltd. Representative: Thomas Wang</p>	<p>He has expertise in business, marketing and industry.</p> <p>He is currently the legal person director's representative of Interactive Digital Technologies Inc.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	-	-	

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Pure-Xu Real Estate Advertising Co., Ltd. Representative: Thomas Lee	He has expertise in business, marketing and industry. He is currently the Chairman of Pauian Archiland construction team. There are no circumstances as described in Article 30 of the Company Act.	-	-	
Davis Cheng	He has expertise in business, marketing and industry. Chairman of Interactive Digital Technologies Inc. There are no circumstances as described in Article 30 of the Company Act.	-	1	

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Long-I Liao		<p>Possesses skills and working experience in finance, accounting, financing and crisis management; is a member and convener of the Company's Remuneration Committee and Audit Committee, and former President of First Bank.</p> <p>While carrying out the duties of an independent director and a member of the Audit Committee, he draws on his expertise in financial accounting to enhance the quality of corporate governance of the Board of Directors and the monitoring function of the Audit Committee.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	-

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tzung-Chen Chen	<p>He has skills and working experience in legal affairs and crisis management. He has passed the national examination and is qualified as a lawyer and is a certified professional and technologist. He is a member of the Remuneration Committee and of the Audit Committee of the Company.</p> <p>He has served as a judge of the Supreme Court, Director of the Judicial Administration Department of the Judicial Yuan, and President of the Shihlin District Court.</p> <p>His expertise in law provides advice on risk management, legal strategy, compliance and management decisions.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	-	

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Peter Shu	<p>Possesses work experience and competencies in business management, financial accounting and risk management; is a member of the Company ' s remuneration committee and audit committee, and the current Chairman of Transcend Information Inc.</p> <p>While carrying out the duties of an independent director and a member of the Audit Committee, he draws on his expertise in financial accounting to enhance the quality of corporate governance of the Board of Directors and the monitoring function of the Audit Committee.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	-	

## 6. Diversity and Independence of the Board

### (1). Diversity of the Board

The Company advocates and respects the policy of board diversity to fortify corporate governance and promote the sound development of board composition and structure. It is our belief that the diversity approach has positive effects on the overall performance of the Company. Board members, selected on the basis of merit, have the ability to complement each other across industry sectors. This is reflected in the basic composition (e.g., age, gender, nationality, etc.). They all have exceptional accomplishments, experience, and reputations for their skills

and capabilities (e.g., law, accounting, industry, finance, marketing, or technology) for business judgment, management, leadership and decision-making, and crisis management. In order for the Board of Directors to accomplish the preferred governance goals of the Company, Article 3.1.4 of the Company's Corporate Governance Best Practices Code stipulates that the Board of Directors shall generally be equipped with the following capabilities:

1. Ability to make sound business judgments.
2. Accounting and financial analysis ability.
3. Management skills.
4. Crisis management skills.
5. Industry knowledge.
6. International market perspective.
7. Leadership.
8. Decision-making skills.

The current Board of Directors of the Company consists of seven directors, including four directors and three independent directors, 14.29% of whom are employees and 42.86% are independent directors. To take advantage of Independent Director Long-I Liao's financial, accounting, and financial expertise and to enhance his familiarity with the Company's financial business, he was allowed to serve as the convener of the Audit Committee and the Remuneration Committee. His term of office as of the publication date of this annual report is 3.5 years in total in the 2nd Board of Directors, and the terms of office of the other two independent directors are less than 3 years.

The members have diverse core competencies. The Board members have backgrounds in science and engineering, finance, and legal advice; the four directors specialize in operation and management, leadership and decision-making, industry knowledge, finance and accounting, international market perspective and risk management; and the three independent directors have expertise in finance and accounting, and legal advice. The directors and independent directors provide valuable guidance for the Company in various areas of knowledge. The membership of the Board thus satisfies the specific management goal of diversity. The diversity policy for the current members of the Board of Directors of the Company is implemented as follows.

Name	Title	Gender	Age				Seniority of independent directors less than 3 years	Concurrent employee	Diversified core competencies (top 5)						
			50 to 59	60 to 69	70 to 79	80 to 89			Operation and management	Leadership and decision-making	Industry knowledge	Financial accounting	Legal affairs	International market	Risk management
Wei-Chia Chen	Director	Male		V				V	V	V	V			V	V
Thomas	Director	Male		V					V	V	V	V			V



Name	Title	Gender	Age				Seniority of independent directors	Concurrent employee	Diversified core competencies (top 5)								
			50 to 59	60 to 69	70 to 79	80 to 89	less than 3 years		Operation and management	Leadership and decision-making	Industry knowledge	Financial accounting	Legal affairs	International market	Risk management		
Wang																	
Lee, Chung-Shu	Director	Male		V					V	V	V				V	V	
Davis Cheng	Director	Male		V					V	V	V				V	V	
Long-I Liao	Independent Director	Male				V			V		V	V			V	V	
Tzung-Chen Chen	Independent Director	Male			V		V		V		V		V	V	V	V	
Shu Chung-Won	Independent Director	Male		V			V		V		V	V			V	V	

(2). Independence of the Board

The 2nd Board of Directors has seven members, three of whom are independent directors. The target is to have at least three independent directors, who account for at least one-fifth of the total number of directors. Three independent directors were appointed in 2022, and they accounted for three-sevenths of the total number of directors. Another target is that employees do not account for more than half of the total number of directors, and currently only one director is an employee. In addition, spousal relationships and familial relationships within the second degree of kinship shall not exist among more than half of the Company's directors. The current Board is in compliance with the regulations. In summary, the independence targets have been met.

(II) President, Vice President, Senior VP, and Managers of Various Departments and Branches

April 1, 2023, Unit: shares; %

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Chairman and President	Republic of China	Wei-Chia Chen	Male	2000/8/31	1,991,000	1.02	-	-	126,093,924[Note]	64.32	Department of Business Administration, Fu Jen Catholic University	Chairman of the Company Director of Sports Gear Samoa, Elephant, Fongyuan, and All Wells Chairman and CEO of Silk Invest, Chi Hung, All Wells, Can Sports Cambodia, Can Sports Vietnam, Dai Hoa Vietnam, August Sports Vietnam, Fireman, Sports Gear (Myanmar) Supervisor of PT Can Sports Industrial Indonesia Director of SGP Director of FiL Director of Sports Gear SG Private Ltd. Chairman of Spread Idea Co., Ltd. Director of Chin Chin Human Resource Consulting Ltd. Director of X Man Footwear International Co., Ltd. Legal Person Director's Representative of	-	-	-	-	The chairman concurrently serving as president of the Company is mainly to simplify the management organizational structure and shorten the decision-making process, and thereby to quickly respond and grasp market and customer demand, and, subsequently,

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
												Match Sports International Co., Ltd. Director of Mu Mu Sports International Limited Director of Lu Lu Sports International Limited Director of Lesson 1 Company Limited Director of Power Rich International Ltd. Legal Person Director's Representative of Pauian Archiland Co., Ltd. Director of Nanshan Senior High School Chairman of Sports Gear Social Welfare Foundation					respond to the development of the Company into a group as well as its operational management needs. The establishment of a chief operating officer, and establishment of a vice president for each subsidiary, as well as the major operating decisions of the Company, all require discussion by the Board. The Board has the power to elect the

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
																	chairman, appoint and dismiss the president, effect checks and balances where appropriate, and implement a supervisory function. The Company will actively select and train the succeeding president. Professionals deemed appropriate will be selected to fill the position.
Chief	Republic	Nick Lin	Ma	2000/8/31	112,000	0.06	-	-	-	-	Shalu High-tech Machinery Division	Director of All Wells, Can Sports Cambodia, Dai Hoa Vietnam, Fireman	-	-	-	-	-

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Operating Officer and Vice President of Can Sports Cambodia	of China		le								Chief Operating Officer of Sports Gear						
Executive Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Republic of China	Jack Wang	Male	2011/7/20	20,000	0.01	-	-	-	-	Department of Chemistry, Tunghai University Director of Feng Tay LF Business Department Senior VP of Ching Luh Indonesian Factory	Chairman of PT Can Sports Industrial Indonesia	-	-	-	-	-
Vice President of	Republic of China	Jason Liu	Male	2016/12/1	41,000	0.02	-	-	-	-	University of Warwick MSC Engineering Business Management		-	-	-	-	-

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Chi Hung and Dai Hoa Vietnam											Senior VP of Apache Footwear International Deputy Senior VP of Pou Chen Corporation						
Vice President of Business Development and Footwear Innovation Technology	Germany	Juergen Hans Wormser	Male	2021/01/01	-	-	-	-	-	-	On-Job Training as Sport Shoe Technician:ADIDAS Apprenticeship as Sports Shoe Maker:PUMA Staatliche Realschule,Herzogenaurach,Germany" World Cat Vietnam Sourcing&Development Services Company Ltd. (PUMA) Director of Global Shoe Development and Supply President of Chi Hung Co., Ltd. Senior Project Manager of Adidas Group Football Shoes	-	-	-	-		
Special Assistant to the Chairman and	United States	Benjamin David Metcalf	Male	2020/9/29	-	-	30,000	0.02	-	-	Department of Communications/Sports Management, George Washington University Head Coach of Taoyuan Pauian	Director of Sports Gear Social Welfare Foundation	-	-	-	-	

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Spokesperson											Archiland Basketball Team						
Corporate Governance Manager and Acting Spokesperson	Republic of China	Fu-Sheng Ku	Male	2020/9/29	1,214	-	-	-	-	-	LL.M, School of Law, Indiana University Bachelor's Degree in Law, College of Law, Tunghai University Secretary of the Board of Directors of Global Union Co., Ltd. (Corporate Governance Officer) Manager of Legal Department, Global Union Co., Ltd.	Executive Manager, Office of Legal Affairs, Sports Gear Co., Ltd. Taiwan Branch	-	-	-	-	
Accounting Supervisor and Financial Officer	Republic of China	Vincent Kang	Male	2018/3/1	24,000	0.01	-	-	-	-	Department of Business Administration, Tunghai University Institute of Finance, Chung Cheng University Daan/Taishin Bank Corporate Finance Assistant Manager Deputy Planning Officer, Pou Chen Corporation Director of Overseas Business Center	Director of Sports Gear Social Welfare Foundation	-	-	-	-	

(I) Title	Nationality	Name	Gender	Date of inauguration	Shares held		Shares held by spouse and minor children		Shareholding by nominee arrangement		Primary experience (educational background)	Concurrent positions held at other companies	Managers who have a spousal relationship or a familial relationship within the second degree of kinship			Managers with stock option certificates	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
											of 361 China Co., Ltd.						
A u d i t M a n a g e r	Republic of China	Meg Hu	Female	2017/2/13	13,000	0.01	-	-	-	-	Department of Accounting, National Changhua University of Education Director of Audit Department, KPMG Taiwan Senior Manager of Internal Audit of Pou Chen Corporation	-	-	-	-	-	

Note: Wei-Chia Chen holds 100% of shares in Match Sports International Co., Ltd., Mu Mu Sports International Limited, Lu Lu Sports International Limited, and shares of the trust assets management account of Spread Idea Co., Ltd. under Lesson

1 Company Limited



III. Remuneration paid to directors, supervisors, presidents and vice presidents in the most recent year

(I) Remuneration of Directors and Independent Directors December 31, 2022 units; New Taiwan Dollars

Title	Name	Director remuneration								Total remuneration (A+B+C+D) and as a percentage of net profit after tax				Remuneration to concurrent employees								Total remuneration (A+B+C+D+E+F+G) and as a percentage of net profit after tax				Remuneration from non-consolidated affiliates or parent company, not including subsidiaries		
		Remuneration (A)		Severance pay and pension (B)		Remuneration of director (C)		Business implementation expenses (D)						Salary, bonuses, and special allowances (E)		Severance pay and pension (F)		Employee remuneration (G)										
		the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company		All companies in the Financial Report		the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company		All companies in the Financial Report		the Company	All companies in the Financial Report	Total	Ratio of total amount to net		Total	Ratio of total amount to net
										Total	Ratio of total amount to net	Total	Ratio of total amount to net					Cash amount	Stock amount	Cash amount	Stock amount							
Chairman and President	Wei-Chia Chen	-	-	-	-	10,829	10,829	70	70	10,899	0.01	10,899	0.01	11,614	15,348	-	-	1,712	-	1,712	-	24,225	0.01	27,960	0.02	-		
Director	Jialai Development Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	Representative: Thomas Wang	-	-	-	-	4,332	4,332	70	70	4,402	0.00	4,402	0.00	-	-	-	-	-	-	-	-	4,402	0.00	4,402	0.00	-		
Director	Pure-Xu Real Estate Advertising Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Title	Name	Director remuneration								Total remuneration (A+B+C+D) and as a percentage of net profit after tax				Remuneration to concurrent employees								Total remuneration (A+B+C+D+E+F+G) and as a percentage of net profit after tax				Remuneration from non-consolidated affiliates or parent company, not including subsidiaries
		Remuneration (A)		Severance pay and pension (B)		Remuneration of director (C)		Business implementation expenses (D)						Salary, bonuses, and special allowances (E)		Severance pay and pension (F)		Employee remuneration (G)								
		the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company		All companies in the Financial Report		the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company		All companies in the Financial Report		the Company		All companies in the Financial Report		
										Total	Ratio of total amount to net	Total	Ratio of total amount to net					Cash amount	Stock amount	Cash amount	Stock amount	Total	Ratio of total amount to net	Total	Ratio of total amount to net	
	Representative: Thomas Lee	-	-	-	-	4,332	4,332	70	70	4,402	0.00	4,402	0.00	-	-	-	-	-	-	-	-	4,402	0.00	4,402	0.00	-
Director	Davis Cheng	-	-	-	-	4,332	4,332	70	70	4,402	0.00	4,402	0.00	-	-	-	-	-	-	-	-	4,402	0.00	4,402	0.00	-
Independent Director	Long-I Liao	1,167	1,167	-	-	-	-	70	70	1,237	0.00	1,237	0.00	-	-	-	-	-	-	-	-	1,237	0.00	1,237	0.00	-
Independent Director	Tzung-Chen Chen	1,167	1,167	-	-	-	-	70	70	1,237	0.00	1,237	0.00	-	-	-	-	-	-	-	-	1,237	0.00	1,237	0.00	-
Independent Director	Peter Shu [Note]	700	700	-	-	-	-	40	40	740	0.00	740	0.00	-	-	-	-	-	-	-	-	740	0.00	740	0.00	-
Independent Director	Leo Hong [Note]	500	500	-	-	-	-	40	40	540	0.00	540	0.00	-	-	-	-	-	-	-	-	540	0.00	540	0.00	-

Note: After full re-election of directors at the annual shareholders' meeting on May 27, 2022, independent director Leo Hong stepped down from office, and independent director Peter Shu assumed office.

(II) Supervisor remuneration: The Company does not have supervisors, so it is not applicable.

(III) Remuneration of the president and vice presidents

December 31, 2022, Unit: thousand NTD

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and special allowances (C)		Employee bonus (D) (Note 2)				Total remuneration (A+B+C+D) and as a percentage of net profit after tax(%)				Remuneration from non-consolidated affiliates or parent company, not including subsidiaries
		the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company	All companies in the Financial Report	the Company		in the Financial Report All companies		the Company		All companies in the Financial Report		
								Cash amount	Stock amount	Cash amount	Stock amount	Total	Ratio of total amount to net profit after tax	Total	Ratio of total amount to net profit after tax	
President	Wei-Chia Chen															
Chief Operating Officer and Vice President of Can Sports Cambodia	Nick Lin															
Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Jack Wang															
Vice President of Chi Hung and Dai Hoa Vietnam	Jason Liu	25,716	50,436	-	709	24,014	27,220	9,117	-	9,117	-	58,847	3.27	87,482	4.85	-
Vice President of Business Development and Innovation Footwear Technology	Juergen Hans Wormser															
Special Assistant to the Chairman and Spokesperson	Benjamin David Metcalf															
Corporate Governance Manager and Acting Spokesperson	Fu-Sheng Ku															
Accounting Supervisor and Financial Officer	Vincent Kang															
Audit Manager	Meg Hu															

Note: On March 09, 2023, the Board of Directors approved the appropriation of 74,450 thousand NTD for employee compensation for 2022. The amount allocated to individual managers, tentatively estimated, is expected to be deliberated by the Board of Directors prior to its release.



#### (IV) Remuneration scale

Remuneration range paid to each president and vice president of the Company	Names of president and vice presidents	
	the Company	All companies in the Consolidated Report
Less than 1,000,000 NTD	Meg Hu	-
NT\$1,000,000 (inclusive) – NT\$2,000,000 (not inclusive)	Benjamin David Metcalf, Fu-Sheng Ku	-
NT\$2,000,000 (inclusive) – NT\$3,500,000 (not inclusive)	Vincent Kang	Meg Hu
NT\$3,500,000 (inclusive) – NT\$5,000,000 (not inclusive)	-	Benjamin David Metcalf, Fu-Sheng Ku
NT\$5,000,000 (inclusive) – NT\$10,000,000 (not inclusive)	Jack Wang, Jason Liu	Vincent Kang
NT\$10,000,000 (inclusive) – NT\$15,000,000 (not inclusive)	Wei-Chia Chen, Nick Lin, Juergen Hans Wormser	Jack Wang, Jason Liu, Juergen Hans Wormser
NT\$15,000,000 (inclusive) – NT\$30,000,000 (not inclusive)	-	Wei-Chia Chen, Nick Lin
NT\$30,000,000 (inclusive) – NT\$50,000,000 (not inclusive)	-	-
NT\$50,000,000 (inclusive) – NT\$100,000,000 (not inclusive)	-	-
Over NT\$100,000,000	-	-
Total	9 people	9 people

#### (V) Names of the managers to whom employee compensation is distributed and the distribution

December 31, 2022, Unit: thousand NTD

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net profit after tax(%)
Manager	President	Wei-Chia Chen	-	9,117	9,117	0.51
	Chief Operating Officer and Vice President of Can Sports Cambodia	Nick Lin				
	Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Jack Wang				
	Vice President of Chi Hung and Dai Hoa Vietnam	Jason Liu				
	Vice President of Business Development and Footwear Innovation Technology	Juergen Hans Wormser				
	Special Assistant to the Chairman and Spokesperson	Benjamin David Metcalf				
	Corporate Governance Manager and Acting Spokesperson	Fu-Sheng Ku				
	Accounting Supervisor and Financial Officer	Vincent Kang				
	Audit Manager	Meg Hu				

Note 1: On March 9, 2023, the Board of Directors approved the appropriation of 74,450 thousand NTD for employee compensation for 2022. The amount allocated to individual managers, tentatively estimated, is expected to be deliberated by the Board of Directors prior to its release.

#### (VI) Analysis of the ratio of the total remuneration paid to the directors, supervisors, president, and vice presidents of the Company to the net profit after tax of only financial reports or individual financial reports in the most recent two years by the Company and all companies in the consolidated report, and explanation of the policies, standards, and combinations, as well as procedures for determining remuneration and its correlation with business performance and future risks

1. Analysis of the total remuneration paid by the Company and all companies in the consolidated report to the Company's directors, supervisors, presidents, and vice presidents in the most recent two years as a percentage of the net profit after tax of only

financial reports or individual financial reports

Unit: thousand NTD; %

Item	Ratio of total remuneration to net profit after tax in 2021				Ratio of total remuneration to net profit after tax in 2022			
	the Company		All companies in the Consolidated Report		the Company		All companies in the Consolidated Report	
	Total	Raito of total amount to net profit after tax	Total Total	Raito of total amount to net profit after tax	Total	Raito of total amount to net profit after tax	Total	Raito of total amount to net profit after tax
Director	25,186	3.89	29,061	4.49	41,183	0.02	44,918	0.02
President and Vice President	40,922	6.32	72,267	11.16	58,848	3.27	87,482	4.85

2. Remuneration policies, standards, and combinations, as well as procedures for determining remuneration and its correlation with business performance and future risks

A. Directors, supervisors

The Company has a Remuneration Committee, which follows the Remuneration Committee Organizational Rules and the "Regulations Governing the Remuneration of Directors" as the basis for evaluation. The committee is responsible for formulating and reviewing the policies, systems, standards, and structures of performance evaluation and remuneration of directors and managers; it also regularly assesses and sets the remuneration of directors and managers with reference industry standards. The Remuneration Committee and the Board of Directors regularly review and approve and give reasonable remuneration; performance evaluation and salary rationality are reviewed by the Remuneration Committee and the Board of Directors, who also review the remuneration system, standards, and structure whenever warranted by the actual operating conditions and relevant laws and regulations, so as to achieve a balance between the Company's sustainable operations and risk control.

B. President and Vice President

Managers' remuneration includes salary, bonuses, employee bonuses, and severance pay and pension, which are based on the position held, the responsibilities assumed, and the contribution to the Company, and are negotiated with reference to industry standards.

The amount of remuneration provided to the Company's managers is based on the duties, contributions, company operating performance for the year, and consideration of the Company's future risks; the amount is reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

IV. Corporate governance operations

(I) Operations of the Board of Directors

In 2022 and up to the printing date of the annual report, the Board of Directors met 8 times (A), and the attendance of directors and independent directors is as follows:

Title	Name	Attendance in person (or attendance as non-voting participant) [B]	Number of delegates who attended	Attendance in person (or attendance as non-voting participant) [B/A]	Remarks
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Chairman and President	Wei-Chia Chen	8	-	100.00%	Note: After the re-election of directors at the shareholders meeting on May 27, 2022, independent director Leo Hong, who is required to attend 3 meetings, and independent director Shu Chung-Won, who is required to attend 5 meetings, step down from office.
Director	Jialai Development Co., Ltd. Representative: Thomas Wang	8	-	100.00%	
Director	Pure-Xu Real Estate Advertising Co., Ltd. Representative: Thomas Lee	8	-	100.00%	
Director	Davis Cheng	8	-	100.00%	
Independent Director	Long-I Liao	8	-	100.00%	
Independent Director	Tzung-Chen Chen	8	-	100.00%	
Independent Director	Peter Shu	5[Note]	-	100.00%	
Independent Director	Leo Hong	3[Note]	-	100.00%	
Other disclosures:					
I. If the operation of the Board of Directors has any of the following circumstances, the date, period, content of the proposal, all independent directors' opinions and the Company's handling of independent directors' opinions must be stated.					
(I) Relating to the provisions of Article 14-3 of the Securities and Exchange Act: The Company has set up an audit committee; see the operation status of the audit committee.					
(II) In addition to the previous issues, other board resolutions to which there is opposition or qualified opinions from independent directors and for which there exist records or written statements. The operation of the Company's Board of Directors does not have any of the above-mentioned circumstances.					
II. As for director's recusals in proposals where there exists a stakeholder interest, the name of the director, the content of the proposal, the reason for the recusal due to stakeholder interest, and the circumstances of participation in voting must be stated:					

Board meeting date	Recused Director's Name	Proposal content	Reasons for recusal	Participation in voting
January 18, 2022	Wei-Chia Chen	The proposal of granting year-end bonuses and performance bonuses to managers	Chairman Wei-Chia Chen, who serves as the manager, is an interested party in the bonus proposal	Except for Mr. Wei-Chia Chen, the chairman and president, who recused himself from discussion and voting in accordance with the law, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
March 10, 2022	Wei-Chia Chen Thomas Wang, representative of Jialai Development Co., Ltd. Thomas Lee, Representative of Pure-Xu Real Estate Advertising Co., Ltd. Davis Cheng	The proposal of employee remuneration and director remuneration for 2021	Director is an interested party in the compensation case	Except for the recusal of the directors mentioned in the preceding, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
	Wei-Chia Chen	Promotion and salary adjustment for managers in 2022	Chairman Wei-Chia Chen, who serves as the manager, is an interested party in the remuneration proposal	Except for Mr. Wei-Chia Chen, the chairman and president, who recused himself from discussion and voting in accordance with the law, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
August 25, 2022	Wei-Chia Chen	The distribution of employee compensation to managers in 2021	Chairman Wei-Chia Chen, who serves as the manager, is an interested party in the manager's	Except for Mr. Wei-Chia Chen, the chairman and president, who recused himself from discussion and voting in accordance with the law, the acting



			remuneration distribution proposal	chairman passed the proposal without objection after consultation with the remaining directors present.
	Wei-Chia Chen Thomas Wang, representative of Jialai Development Co., Ltd. Thomas Lee, Representative of Pure-Xu Real Estate Advertising Co., Ltd. Davis Cheng	Assessed the Company's 2021 director and manager salary and remuneration policies, systems, standards, and structures, and reviewed the director and manager salary and remuneration proposals.	Director is an interested party in the directors' remuneration proposal	Except for the recusal of the directors mentioned in the preceding, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
	Wei-Chia Chen Thomas Wang, representative of Jialai Development Co., Ltd. Thomas Lee, Representative of Pure-Xu Real Estate Advertising Co., Ltd. Davis Cheng	Amended the Company' s directors and managers' remuneration payment method.	Director is an interested party in the directors' remuneration proposal	Except for the recusal of the directors mentioned in the preceding, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
December 22, 2022	Wei-Chia Chen	The Taiwan branch of the subsidiary Sports Gear Co., Ltd. intends to donate to the Sports Gear Social Welfare Foundation, and proposes to resolve the 2023 donation plan.	Chairman Wei-Chia Chen, who also serves as the Chairman of the Foundation, is an interested party of the donation proposal	Except for Chairman Wei-Chia Chen, who recused himself from discussion and voting in accordance with the law, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
March 9, 2023	Wei-Chia Chen	The proposal of granting year-end bonuses and performance bonuses	Chairman Wei-Chia Chen, who serves as the manager, is an	Except for Mr. Wei-Chia Chen, the chairman and president, who recused himself from discussion

		to managers	interested party in the bonus proposal	and voting in accordance with the law, the acting chairman passed the proposal without objection after consultation with the remaining directors present.
	Wei-Chia Chen Thomas Wang, representative of Jialai Development Co., Ltd. Thomas Lee, Representative of Pure-Xu Real Estate Advertising Co., Ltd. Davis Cheng	The proposal of employee remuneration and director remuneration for 2022.	Director is an interested party in the compensation case	Except for the recusal of the directors mentioned in the preceding, the acting chairman passed the proposal without objection after consultation with the remaining directors present.

III. A TWSE/TPEX listed company shall disclose the evaluation cycle and period, evaluation scope, method and content of the self- (or peer) evaluation of the Board of Directors, and complete the board evaluation implementation status:

(I) Evaluation cycle and period, evaluation scope, method and content of the self- (or peer) evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Conducted once a year	2022/1/1~2021/12/31	Board of Directors, individual board members, and functional committees	Internal self-evaluation by the Board of Directors and self-evaluation by the board members	<p>一、 The Board of Directors evaluates the following aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the Company</li> <li>2. Improvement in the quality of board decisions</li> <li>3. Board composition and structure</li> <li>4. Selection and continuing education of directors</li> <li>5. Internal control</li> </ol> <p>二、 The board members evaluate the following aspects:</p> <ol style="list-style-type: none"> <li>1. Understanding of corporate objectives and missions</li> </ol>

					<p>2. Awareness of directors' duties and responsibilities</p> <p>3. Participation in the operation of the Company</p> <p>4. Internal relationship management and communication</p> <p>5. Expertise and continuing education of directors</p> <p>6. Internal control</p> <p>三、 The functional committees evaluate the following aspects:</p> <p>1. Participation in the operation of the Company</p> <p>2. Awareness of duties and responsibilities of the functional committees</p> <p>3. Improvement in the quality of functional committee decisions</p> <p>4. Functional committee composition and selection of members</p> <p>5. Internal control</p>
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(II) The results of the performance evaluation for 2022 are as follows (out of 5 points):

1. Performance evaluation of the Board of Directors

Item	Question no.	Average score
A. Participation in the operation of the Company	12	4.25
B. Improvement in the quality of board decisions	12	4.17
C. Board composition and structure	7	4.43
D. Selection and continuing education of directors	7	3.86
E. Internal control	7	4.86

2. Performance evaluation of the board members:

Item	Question no.	Average score
A. Understanding of corporate objectives and missions	3	4
B. Awareness of directors' duties and responsibilities	3	5

C. Participation in the operation of the Company	8	4.25
D. Internal relationship management and communication	3	4.33
E. Expertise and continuing education of directors	3	5
F. Internal control	3	4.33

3. Performance evaluation of the functional committees:

Item	Question no.	Average score
A. Participation in the operation of the Company	4	4.5
B. Awareness of duties and responsibilities of the functional committees	8	4.25
C. Improvement in the quality of functional committee decisions	7	4.14
D. Functional committee composition and selection of members	4	4
E. Internal control	3	4.33

(III) Conclusion:

According to the results of the performance evaluation of the Board of Directors for 2022, the average score on each evaluation indicator is medium to high, which indicates that the Board of Directors and the functional committees of the Company are operating well and meeting the requirements of corporate governance.

IV. The goals of improving the professional competencies of the Board of Directors (e.g., establishing the Audit Committee and improving the transparency of information) in the current year and recent years and assessment of implementation:

(I) The Company has formulated the "Rules of Procedure for the Board of Directors' Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" for compliance. In addition, the Company has set up a compensation committee that is responsible for implementing recommendation, evaluation, and supervision of the Company's overall compensation policy, manager compensation standards, employee remuneration, and other employee incentive plans.

(II) In order to strengthen corporate governance, improve the supervisory responsibilities of the Board of Directors, and strengthen the management of the Board of Directors, the Board of Directors has formulated the "Audit Committee Organizational Rules" and established an audit committee.

(III) The Company is required by law to disclose relevant information on the Company's website and the Market Observation Post System (MOPS) to enhance information transparency.

(IV) The Company has in 2022, disclosed and published the 2021 ESG Sustainability Report in the Company's website and the Market Observation Post System.

(II) The operation of the audit committee or the participation of the supervisor in the operations

of the Board of Directors

The Company has three independent directors serving as members of the audit committee. In 2022 and up to the printing date of the annual report, the audit committee has held a total of 7 meetings (A), and the attendance (or attendance as non-voting participant) of independent directors is as follows:

Title	Name	Attendance in person [B]	Number of delegates who attended	Attendance in person rate 【B/A】	Remarks
Independent Director	Long-I Liao	7	-	100.00%	Note: After the re-election of directors at the shareholders meeting on May 27, 2022, independent directors Leo Hong and Peter Shu, who are required to attend 3 meetings and 4 meetings respectively, step down from office.
Independent Director	Tzung-Chen Chen	7	-	100.00%	
Independent Director	Peter Shu	4[Note]	-	100.00%	
Independent Director	Leo Hong	3[Note]	-	100.00%	

Other disclosures:

- I. If the operation of the audit committee has any of the following circumstances, the audit committee meeting's date, period, content of the proposal, independent directors' objections, reservations or major proposal items, results of the audit committee's resolution, and the Company's handling of the audit committee's opinions shall be stated:
- (I) Matters listed in Article 14-5 of the Securities and Exchange Act:
- Matters listed in Article 14-5 of the Securities and Exchange Act shall be reported to the Board of Directors after the approval of the Audit Committee.

Board meeting date and period	Proposal content	Audit committee resolution results	The Company's handling of the audit committee's opinions
January 18, 2022 14th meeting of the 1st Board	<p>(1) The Company intended to increase cash capital in All Wells International Co., Ltd. (BVI) .</p> <p>(2) Cancellation of the endorsement guarantee in the amount of USD 8 million to Mega International Commercial Bank provided by Can Sports Shoes Co., Ltd. for its parent company, All Wells International Co., Ltd. (BVI) .</p> <p>(3) The Company intended to cancel the loan of funds from subsidiary Sports Gear Co., Ltd. to sub-subsidiary Fireman Factory Co., Ltd.</p> <p>(4) Inter-affiliate fund loan.</p> <p>(5) Application to financial institutions for a new loan line.</p>	Approved by all members in attendance.	Proposal passed.

	<p>(6) The Company proposed to provide an endorsement guarantee for sub-subsidiary Footwear Innovation Lab GmbH.</p> <p>(7) Amendment of some provisions of the Company' s Corporate Governance Best Practice Principles.</p> <p>(8) The Company intended to use the funds from the syndicated loan issued by Mega International Commercial Bank to continue its investment in the shoe factory in Indonesia.</p> <p>The Company intended to use the funds from the syndicated loan issued by Mega International Commercial Bank to invest in the shoe factory in Cambodia.</p>		
March 10, 2022 15th meeting of the 1st Board	<p>(1) Appraisal of the effectiveness of the internal control system and the statement on the internal control system for 2021.</p> <p>(2) Individual financial statement for 2021.</p> <p>(3) Business report and consolidated financial report for 2021.</p> <p>(4) Surplus distribution for 2021.</p> <p>(5) Capital surplus for distribution of cash dividends.</p> <p>(6) Ratification of the acquisition or disposal of assets among the related parties from October to December in 2021.</p> <p>(7) Review of CPA fees.</p> <p>(8) Adjustment of credit line of Fubon Bank.</p> <p>(9) Inter-affiliate fund loan.</p> <p>(10) Acquisition or disposal of assets of sub-subsidiary PT Can Sports Industrial Indonesia.</p> <p>(11) Acquisition or disposal of assets of sub-subsidiary Footwear Innovation Lab GmbH, Germany.</p> <p>(12) Some of the provisions of the Company' s Procedures for the Acquisition or Disposal of Assets were amended.</p> <p>(1) Some of the provisions of the Company' s Code of Sustainable Development Practices (formerly Code of Corporate Social Responsibility Practices) were amended.</p>	Approved by all members in attendance.	Proposal passed.
May 10, 2022 16th meeting of the 1st Board	<p>(1) Consolidated financial report for the first quarter of 2022.</p> <p>(2) Ratification of the acquisition or disposal of assets among the related parties from January to March 2022.</p> <p>(3) Subsidiaries ELEPHANT STEP CO., LTD. and FONGYUAN INTERNATIONAL CO., LTD. to make capital increase by cash in Indonesian</p>	Approved by all members in attendance.	Proposal passed.

	<p>sub-subsidiary PT CAN SPORTS INDUSTRIAL INDONESIA.</p> <p>(4) Proposed to make capital increase by cash from Taiwanese sub-subsidiary, Silk Invest International Co., Ltd., to Portuguese sub-subsidiary, SGP-Sports Gear Portugal, S.A.</p> <p>(5) Leasing of factory and obtaining right-of-use asset by German sub-subsidiary Footwear Innovation Lab GmbH.</p> <p>(6) Acquisition or disposal of assets by Portuguese sub-subsidiary, SGP - SPORTS GEAR PORTUGAL, S.A.</p> <p>(7) Acquisition or disposal of assets by German sub-subsidiary, Footwear Innovation Lab GmbH.</p> <p>(8) Proposed to cancel and provide endorsement guarantees for sub-subsidiary Footwear Innovation Lab GmbH by the Company.</p> <p>(9)</p> <p>(10) Inter-affiliate fund loan.</p> <p>(11) Application to financial institutions for loan limit renewal.</p>		
August 25, 2022 1st meeting of the 2nd Board	<p>(1) Consolidated financial report for the second quarter of 2022.</p> <p>(2) Ratification of the acquisition or disposal of assets among the related parties from April to June 2022.</p> <p>(3) Cancellation of endorsement guarantee for German sub-subsidiary, Footwear Innovation Lab GmbH, by the Company, and to provide endorsement guarantee for FiL by SPG (Samoa).</p> <p>(4) Inter-affiliate fund loan.</p> <p>(5) Application to financial institutions for loan limit renewal.</p> <p>(6) Cancellation of the proposal for sub-subsidiary Fireman Factory Co., Ltd. to acquire real estate through a third-party trust.</p> <p>(7) Proposed to use the funds from the syndicated loan issued by Mega International Commercial Bank to invest in the shoe factory in Cambodia.</p> <p>(8) Amendment to the "Rules and Procedures for Board of Directors Meetings"</p> <p>(9) Appointment of the chairman of the audit committee as the person responsible for the daily administration of the audit unit and the audit report review of the Company and its subsidiaries.</p>	Approved by all members in attendance.	Proposal passed.
November 09, 2022 2nd meeting of the 2nd Board	<p>(1) Consolidated financial report for the third quarter of 2022.</p> <p>(2) Ratification of the acquisition or disposal of assets among the related parties from July to September 2022.</p>	Approved by all members in attendance.	Proposal passed.
December 22, 2022	<p>(1) Appraisal of the independence and</p>	Approved by	Proposal passed.

3rd meeting of the 2nd Board	competence of CPAs. (2) 2023 Business Plan and Budget (3) 2023 Audit Plan. (4) Establishment of the “Procedures for Charitable Donations and Sponsorships” . (5) The Taiwan branch of the subsidiary Sports Gear Co., Ltd. intends to donate to the Sports Gear Social Welfare Foundation, and proposes to resolve the 2023 donation plan. (6) Amendment of the syndicated loan agreement. (7) Proposal to invest and set up a subsidiary in Singapore (8) Cash capital decrease to subsidiary All Wells International Co., Ltd. (BVI). (9) Inter-affiliate fund loan. (10) Application to financial institutions for loan limit renewal.	all members in attendance.	
March 09, 2023 4th meeting of the 2nd Board	(1) Appraisal of the independence and competence of CPAs. (2) Review of CPA fees. (3) Individual financial statement for 2022. (4) Business report and consolidated financial report for 2022. (5) Surplus distribution for 2022. (6) Appraisal of the effectiveness of the internal control system and the statement on the internal control system for 2022. (7) Amendments to some provisions of the Articles of Incorporation (8) Ratification of the acquisition or disposal of assets among the related parties from October to December in 2022. (9) Inter-affiliate fund loan.	Approved by all members in attendance.	Proposal passed.

(II) Except for the preceding matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: The operation of the Audit Committee of the Company does not entail the foregoing.

II. As for independent director’s recusals in proposals where there exists a stakeholder interest, the name of the independent director, the content of the proposal, the reason for the recusal due to stakeholder interest, and the circumstances of participation in voting must be stated: No such situation.

III. Communication status between independent directors and internal audit managers and accountants (should include major matters, methods, and results of communication on the Company’s financial and business conditions): The Company’s “Rules and Procedures for Board of Directors Meetings” and “Audit Committee Organizational Rules” have specified that when holding a meeting a meeting, the Company may, as necessary for the agenda items of the meeting, notify the managers of the relevant departments, internal auditors, accountant, legal advisor or other personnel to attend the meeting as nonvoting participants; independent directors or the audit committee may liaise with the certified public accountants through the Company or personally. The audit manager reported the actual implementation of the audit plan according to plan, and communicated well with the independent directors. The certified public accountants appointed



by the Company to audit the financial statements communicate with the audit committee on an annual basis on the audit plan and audit results of the financial statements. In 2022 and as of the printing date of the annual report, the certified public accounts attended 5 review meetings of the financial statements convened by the audit committee. Accountants participated as non-voting delegates in the Board of Directors to express their review opinions on matters such as financial reports and internal control review, and fully communicated with independent directors.

(III) Corporate Governance Execution Status and Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
I. Does the Company abide by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in the establishment and disclosure of its Corporate Governance Best Practice Principles?	✓		The Company has formulated the Corporate Governance Best Practice Principles, and all governance practices will be carried out in accordance with the Principles.	No major discrepancies.
II. Company shareholding structure and shareholders' equity			(I) In addition to the Company's Articles of Incorporation and internal rules, the Company has stipulated matters for the protection of shareholders' interests, and also has a dedicated unit responsible for handling matters related to the Company's investor relations, so as to properly handle shareholder suggestions, doubts, and disputes.	No major discrepancies.
(I) Has the Company established internal operating procedures to handle shareholder suggestions, doubts, disputes, and litigation matters, and does the Company implement them in accordance with the procedures?	✓		(II) The Company understands the changes in the list of major shareholders and ultimate owners of these major shareholders through investor relations maintenance and insider reporting systems.	No major discrepancies.
(II) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders?	✓		(III) The Company and its affiliates have established the "internal control system," "Management Guidelines for the Authorization of Duties and Agents," "Management Guidelines for Related-party Transactions," "Regulations Governing Financial Business Among Affiliates,"	No major discrepancies.
(III) Has the Company established a risk management mechanism and "firewall" against its affiliates and implemented	✓			No major discrepancies.

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
<p>it?</p> <p>(IV) Has the Company formulated internal regulations to prevent its insiders from trading securities based on information yet to be made public?</p>	✓		<p>"Guidelines for the Supervision of Subsidiaries," "Procedures for the Acquisition or Disposal of Assets," "Procedures for Extending Loans to Others," and "Procedures for Endorsements and Guarantees" to standardize the management of its personnel, assets, and finances, and shall be able to effectively assess risks and establish appropriate firewalls</p> <p>(IV) The Company has established the "Management Guidelines for the Prevention of Insider Trading" to regulate confidentiality of the Company's material insider information and the prohibition of trading procedures, and thereby to prevent insider trading and educate insiders about the relevant laws and regulations.</p>	
<p>III. The composition and responsibilities of the Board of Directors</p> <p>(I) Does the Board of Directors draw up and implement the diversity policy and specific management objectives?</p> <p>(II) In addition to the Remuneration Committee and the Audit Committee set up according to law, does the Company have other types of functional committees in place that it set up at its own discretion?</p> <p>(III) Has the Company formulated guidelines and methods for board of directors performance evaluation, does it conduct</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established the "Regulations Governing the Election of Directors," which requires the composition of the Board of Directors to emphasize diversity and requires Board members to generally possess the knowledge, skills, and literacy necessary for performing their duties, and has implement the Regulations.</p> <p>(II) The Company has established a Remuneration Committee and an Audit Committee in accordance with the law. In the future, other functional committees will be established at appropriate times and according to operational needs.</p> <p>(III) To implement corporate governance and improve the functions of the Company's board of directors, and establish performance goals to strengthen the board of directors' operational efficiency, the Company established the "Rules and Procedures for Board of Directors</p>	<p>No major discrepancies.</p> <p>Set according to future need.</p> <p>No major discrepancies.</p> <p>No major</p>

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
<p>annual and regular performance evaluations, and does it report the results of such evaluations to the Board of Directors and use them as a reference for remuneration and nomination for re-election of individual directors?</p> <p>(IV) Does the Company regularly assess the independence of its CPAs?</p>	✓		<p>Performance Assessments”, and completed 2022 directors performance assessment in March 2023. The assessment results have been submitted to the board of directors on March 9, 2023, and are used as reference in determining compensation for individual directors and committee members, their nomination and additional office term, making improvements on areas to be strengthened.</p> <p>(IV) The Company regularly evaluates the professional qualifications and independence of appointed accountants. In addition, the CPA firm itself also has strict requirements for the independence of accountants. For example, certification for a listed company cannot be performed by the same accountant for seven consecutive years. If the certification accounting firm changes accountants due to internal organizational considerations, the Company fully assesses the professionalism, integrity, and independence of the newly appointed accountants and submits them to the Board of Directors for resolution.</p>	discrepancies.
<p>IV. Has the TWSE/TPEX Listed company allocated an appropriate number of competent corporate governance personnel and appointed a corporate governance manager to be responsible for corporate governance related matters (including but not limited to providing directors and supervisors with information required to perform business, assisting directors and supervisors in complying with laws and</p>	✓		<p>The Company has set up the Secretariat Office of the Board of Directors to serve as corporate governance officers, and there are currently 3 members. On September 29, 2020, the board of directors passed a resolution to appoint a chief corporate officer to be responsible for handling the corporate governance related matters.</p>	No major discrepancies.

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
regulations, handling matters related to the Board of Directors and shareholders' meetings, handle company registration and changes to registration, and making minutes for the Board of Directors and shareholders' meetings in accordance with the law)?				
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and a special area for stakeholders on the Company website, and does it respond appropriately to important CSR issues of stakeholder concern?	✓		(I) The Company has spokespersons and acting spokespersons that act as channels through which the Company expresses opinions to the public, and it handles related response in accordance with its internal control system. (II) The Company has set up a convenient website on the Internet on which company financial business information and corporate governance information may be found for the reference of shareholders and stakeholders. At the stakeholder corner, the contacts for the various stakeholders are published, and there are topics such as corporate social responsibility and corporate sustainable development. To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.	No major discrepancies.
VI. Does the Company hire professional stock agencies to handle shareholders' meetings affairs?	✓		The Company has appointed Yuanta Securities as a stock affairs agency to handle the affairs of the shareholders' meeting.	No major discrepancies.
VII. Information disclosure (I) Has the Company established a website on which to disclose financial business and corporate governance information? (II) Does the Company adopt	✓ ✓		(I) The Company has established a corporate website to disclose the Company's financial business information and corporate governance information for the reference of shareholders and stakeholders. (II) Company-related questions are answered by	No major discrepancies. No major discrepancies.

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
<p>other methods of information disclosure (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of Company information, implementing a spokesperson system, placing the Company's investor seminars on the Company website)?</p> <p>(III) Does the Company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report the financial report for the first, second and third quarters and the operating conditions of each month before the prescribed deadlines?</p>	✓		<p>the spokesperson or acting spokesperson, while the relevant business department, the spokesperson or acting spokesperson is responsible for the collection and disclosure of company information; and a corporate website has been established on which to place Company information.</p> <p>(III) The Company currently announces and reports its annual financial statements, first, second and third quarter financial statements, and monthly operations in compliance with the prescribed deadlines, and does not make any early announcements.</p>	No major discrepancies.
<p>VIII. Does the Company have other important information to facilitate better understanding of its corporate governance practices (including without limitation employee rights, employee care, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of</p>	✓		<p>1. Employee rights: The Company's employer-employee relations are harmonious, and the legitimate rights and interests of employees are guaranteed in accordance with labor laws and local regulations. The Company has not had any major labor disputes, and has not been penalized by the competent authority due to major labor issues or major violations of labor laws.</p> <p>2. Employee care: The Company provides employees with reasonable remuneration and various bonuses. Factories have established labor unions in accordance with local state laws and organizes various employee benefits. The factories distribute gifts for important festivals (Lunar New Year, Dragon Boat Festival, and Mid-Autumn Festival).</p>	No major discrepancies.

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
customer relations policies, and purchasing insurance for directors and supervisors)?			<p>Colleagues are given birthday gifts on their birthdays, and there are various welfare measures, such as various activities, irregular group health activities or group dinners, travel subsidies, wedding and funeral subsidies, and emergency relief subsidies. Establish a good relationship of mutual trust and dependence between employees and employers.</p> <p>3. Investor Relations: The Company has set up a corporate website and spokesperson system, and has established a smooth communication channel to ensure the rights and interests of investors.</p> <p>4. Supplier relations: The Company upholds ethical corporate management, conducts fair transactions with suppliers, and maintains long-term good relationships of cooperation.</p> <p>5. Stakeholder Rights: In order to protect the rights and interests of stakeholders, the Company has established a variety of favorable communication channels that are clear and unobstructed, upholds the principle of integrity and a responsible attitude when handling such matters, and fulfills its corporate social responsibilities.</p> <p>6. Continuing education of the Company's directors and supervisors: The Company has set up an audit committee to replace the function of supervisors. All directors of the Company have professional backgrounds, and they all engage in courses covering securities laws and regulations and corporate governance, and meet the requirements for training hours, in accordance with the "Guidelines for the Implementation of Continuing Education Directors and Supervisors of Listed Companies."</p> <p>7. Implementation of risk management policies and risk measurement standards: The Company formulates various internal regulations in accordance with the law and conducts various types of risk management</p>	

Evaluation items	Operating status			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
			<p>and assessment.</p> <p>8. The implementation of customer-related policies: The Company has a dedicated department responsible for customer inquiry and appeal channels, and creates profit for the Company through its maintenance of stable and good relationships with customers.</p> <p>9. Purchase of liability insurance by the Company for its directors and supervisors: The Company has stipulated regulations on directors' liability insurance in the "Corporate Governance Best Practice Principles" and has purchased liability insurance for directors to reduce and diversify the risk of material damage to the Company's shareholders resulting from director error or negligence.</p>	
<p>IX. Explain the improvements made for corporate governance evaluation results announced by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priority items for betterment and measures for those items which have not yet improved (companies not included in the evaluated do not need to complete this): The Company has been listed in the companies to be evaluated in 2022. However, as of the printing date of the annual report, the evaluation result is yet to be released.</p>				

(IV) If the Company has a Remuneration Committee, it should disclose its composition and operations

1. Profile of Remuneration Committee Members

Name \ Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Long-I Liao	<p>Possesses skills and working experience in finance, accounting, financing and crisis management; is a member and convener of the Company's Remuneration Committee and Audit Committee, and former President of First Bank.</p> <p>While carrying out the duties of an independent director and a member of the Audit Committee, he draws on his expertise in financial accounting to enhance the quality of corporate governance of the Board of Directors and the monitoring function of the Audit Committee.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	0



Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Tzung-Chen Chen	<p>He has skills and working experience in legal affairs and crisis management. He has passed the national examination and is qualified as a lawyer and is a certified professional and technologist. He is a member of the Remuneration Committee and of the Audit Committee of the Company.</p> <p>He has served as a judge of the Supreme Court, Director of the Judicial Administration Department of the Judicial Yuan, and President of the Shihlin District Court.</p> <p>His expertise in law provides advice on risk management, legal strategy, compliance and management decisions.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	0	

Name	Conditions	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Peter Shu		<p>Possesses work experience and competencies in business management, financial accounting and risk management; is a member of the Company's remuneration committee and audit committee, and the current Chairman of Transcend Information Inc.</p> <p>While carrying out the duties of an independent director and a member of the Audit Committee, he draws on his expertise in financial accounting to enhance the quality of corporate governance of the Board of Directors and the monitoring function of the Audit Committee.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	<p>An independent director, in accordance with the circumstances of independence, including but not limited to not being a director, supervisor, or employee of the Company or its affiliates, including himself/herself, his/her spouse, and relatives within the second degree of kinship.</p> <p>Does not hold any shares of the Company.</p> <p>Not a director, supervisor, or employee of a company with which the Company has a specific relationship.</p> <p>No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.</p>	0

## 2. Operation of the Remuneration Committee

(1) There are 3 members of the Company's Remuneration Committee.

(2) Terms of the current members: From May 27, 2022 to May 26, 2025, the Remuneration Committee met 5 times in 2022 and up to the date of publication of the annual report [A].

The qualifications and attendance of the members are as follows:

Title	Name	Attendance in person [B]	Number of delegates who attended	Rate of attendance in person [B/A]	Remarks
Convener	Long-I Liao	5	-	100.00%	Note: After the re-election of directors at the shareholders meeting on May 27, 2022, independent director Leo Hong, who is required to attend 3 meetings, stepped down from office, and
Committee Member	Tzung-Chen Chen	5	-	100.00%	
Committee Member	Peter Shu	2[Note]	-	100.00%	
Committee Member	Leo Hong	3[Note]	-	100.00%	

Title	Name	Attendance in person [B]	Number of delegates who attended	Rate of attendance in person [B/A]	Remarks
					independent director Shu Chung-Won, who is required to attend 4 meetings, assumed office.
Other disclosures:					
I. If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, it shall state the date of the Board of Directors meeting, period, proposal content, results of resolutions of the Board of Directors, and the Company's handling of the opinions of the Remuneration Committee (if the compensation approved by the Board of Directors is better than the recommendations of the Remuneration Committee, such differences and reasons for which should be stated): No such situation.					
II. As to the resolutions of the Remuneration Committee, if there is opposition or qualified opinions from members for which there exist records or written statements, the Remuneration Committee meeting date, period, proposal content, all members' opinions, and the handling of opinions should be stated: No such situation.					

(V) Promotion of sustainable development and discrepancies between the performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

Evaluation items	Operating status			Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No	Summary description	
I. Has the Company set up a governance structure and a dedicated (part-time) unit for sustainable development, handled by senior management with the authorization of the Board of Directors and supervised by the Board of Directors?	✓		The Company has formulated the Sustainable Development Best Practice Principles, and the Secretary's Office of the Board of Directors has a dedicated personnel in promoting the governance structure for sustainable development and reports to the board of directors.	No major discrepancies.
II. Does the Company perform assessments of risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle	✓		The Company's board of directors passed a resolution on November 9, 2022 to establish the "Code of Practice on Risk Management", as basis for building a complete risk management system to avoid risk events such as strategic risk, operational risk, financial	No major discrepancies.

Evaluation items	Operating status		Summary description	Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No		
of materiality?			risk, information risk, compliance risk, integrity risk and other emerging risk (such as climate change or infectious disease related risk) that may cause the Company to fail to attain its goals and result in the Company's loss or negative impact, enabling the Company to operate stably towards the goal of sustainable development.	
<p>III. Environmental issues</p> <p>(I) Has the Company built proper environmental management systems based on the characteristics of their industries in place?</p> <p>(II) Does the Company strive to improve energy efficiency and use renewable materials that have a low impact on the environment?</p> <p>(III) Does the Company evaluate the potential risks and opportunities of climate change with regard to the present and future of its business, and take appropriate response measures?</p> <p>(IV) Has the Company taken inventory of its greenhouse gas emissions, water consumption, and the total weight of waste in</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) In response to the issue of environmentally sustainable development, each factory has a CR department responsible for handling such matters at the factory, and keeps abreast of the market's environmental-related regulatory requirements, so as to understand the future trends in shoemaking to ensure that it accurately and timely launches product technologies that comply with environmental regulations and customer needs.</p> <p>(II) The factory will continue to work towards the use of clean energy (such as solar power) in line with environmental protection and customer development strategies. At the same time, shoe-related equipment mostly relies on sources of power. In terms of reducing carbon emissions, we will strive to improve the energy efficiency of machinery and equipment and reduce the power consumption per unit of production capacity.</p> <p>(III) Regarding the issue of climate change, each factory has a CR department each factory has a CR department responsible for handling such matters at the factory,</p>	<p>No major discrepancies.</p> <p>No major discrepancies</p> <p>No major discrepancies</p> <p>No major discrepancies</p>

Evaluation items	Operating status		Summary description	Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No		
the last two years, and drawn up policies on greenhouse gas reduction, water use reduction, or waste management?			<p>keeping up-to-date on the potential risks and opportunities posed by climate change to the Company now and in the future, so as to ensure that the correct response measures are introduced at the right times.</p> <p>(IV) The Group's greenhouse gas inventory is conducted in accordance with ISO 14064-1. The Group's factories have established "Management Procedure for Water Pollution Prevention." With regard to the goals of water resource management, the Procedure is expected to achieve conservation and reduction, recycling and reuse, and legally compliant treatment. Waste management is carried out in accordance with local government laws and regulations and customer needs; reduction, legally compliant disposal and recycling and reuse are achieved, in order to reduce the impact on the environment.</p>	
<p>IV. Social issues</p> <p>(I) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and does it have relevant management policies and procedures in place?</p> <p>(II) Does the Company establish and implement reasonable employee benefits (including</p>	<p>✓</p> <p>✓</p>		<p>(I) The Company's factories have formulated various management systems and standards in accordance with local labor laws and regulations, including personnel management rules and work rules. The Company has also formulated internal control systems for the payroll cycle in accordance with regulations, abides by relevant labor laws and basic labor human rights principles, and protects the legitimate rights and interests of employees. The factories have established labor unions in accordance with local laws and regulations, and will organize various</p>	<p>No major discrepancies.</p> <p>No major discrepancies.</p> <p>No major</p>

Evaluation items	Operating status		Summary description	Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No		
<p>compensation, leave, and other benefits), and ensure business performance or results are reflected adequately in employee compensation?</p> <p>(III) Does the Company provide its employees with safe and healthy workplaces, and organize training on safety and health for its employees on a regular basis?</p> <p>(IV) Does the Company offer its employees effective occupational empowerment training programs?</p> <p>(V) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer protection policies and grievance procedures?</p> <p>(VI) Has the Company established supplier management policies which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>employee benefits to ensure employee-employer harmony.</p> <p>(II) The Company has stipulated reasonable salary and remuneration combined with the employee performance appraisal system and company policies, and makes a clear difference between rewards and punishments to achieve the principle of fairness and reasonableness.</p> <p>(III) The Company provides employees with a safe and healthy work environment, and provides various professional courses for employees when needed inside and outside of the factory to enhance awareness of environmental safety and health education in employees.</p> <p>(IV) The Company implements internal and external education and training each year in accordance with the annual education and training plan to establish effective professional training plans for employees to enhance their career development capabilities.</p> <p>(V) The Company's product sales and services are in compliance with relevant laws and regulations and international standards, and its products are clearly marked. There are also customer complaint handling operations to protect the rights and interests of consumers.</p> <p>(VI) The Company implements semiannual audits on labor conditions, environmental safety, and anti-terrorism safety, and randomly selects suppliers. If the audit finds deficiencies, those responsible are required to improve within the deadline.</p>	<p>discrepancies.</p> <p>No major discrepancies.</p> <p>No major discrepancies.</p> <p>No major discrepancies.</p>

Evaluation items	Operating status			Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor										
	Yes	No	Summary description											
			If improvement is continuously not achieved, they will be listed on the supply chain black list, and the partnership will be terminated.											
V. Does the Company refer to internationally accepted standards or guidelines for the preparation of reports that disclose the Company's non-financial information, such as sustainability reports? Does the Company obtain third-party assurance or qualified opinion for the reports above?	✓		The Company has issued its 2021 Annual Sustainability Report in accordance with the GRI Standards in 2022, and has obtained a third-party assurance report. The Company expects to prepare and issue its 2022 Annual Sustainability Report in accordance with the GRI Standards in the second quarter of 2022, and will also obtain a third-party assurance report.	No major discrepancies.										
VI. If the Company has formulated its own Code of Sustainable Development Practices in accordance with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancies between its performance and the Code. The Company has formulated the Code of Sustainable Development Practices, and currently the Company's internal operations continue to be handled in accordance with the provisions of the Principles; there are no major discrepancies between the Company's performance and the Principles.														
VII. Other crucial information to help understand the implementation of sustainable development: In addition to emphasizing the importance of compliance with laws and regulations to protect all stakeholders, the Company also demands the social responsibility of companies under social scrutiny. The Company actively promotes public welfare activities through specific monetary and in-kind donations, participates in elementary school adoption plans and medical subsidy plans in rural areas, as well as other activities. It cares for disadvantaged groups and promotes talent cultivation plans to help people realize their dreams														
VIII. Climate-related implementation:														
		<table border="1"> <thead> <tr> <th>Item</th> <th>Implementation</th> </tr> </thead> <tbody> <tr> <td>1. Describe the Board and management's supervision and governance of climate-related risks and opportunities.</td> <td rowspan="6">In accordance with the regulations under FSC directive Jin-Guan-Zheng-Fa-Zi No. 11103849344 dated November 28, 2022, the Company is the parent company of a listed OTC company with a paid-in capital under NT\$5 billion. Thus it should complete information disclosure starting in 2026. Confidential information disclosure should be completed starting in 2028. Consolidated financial reporting subsidiaries of the company should complete information disclosure starting in 2027. And confidential information disclosure should be completed starting in 2029.</td> </tr> <tr> <td>2. Describe how identified climate risks and opportunities affect the business, strategy, and finances of the business (in the short, medium and long term).</td> </tr> <tr> <td>3. Describe the financial impact from extreme climate events and transition actions.</td> </tr> <tr> <td>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</td> </tr> <tr> <td>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and major financial impacts that are used in the analysis should be explained.</td> </tr> <tr> <td>6. If there is a transition plan for managing climate risks,</td> <td>In 2022, the Board of Directors passed a resolution to approve the Company's schedule</td> </tr> </tbody> </table>			Item	Implementation	1. Describe the Board and management's supervision and governance of climate-related risks and opportunities.	In accordance with the regulations under FSC directive Jin-Guan-Zheng-Fa-Zi No. 11103849344 dated November 28, 2022, the Company is the parent company of a listed OTC company with a paid-in capital under NT\$5 billion. Thus it should complete information disclosure starting in 2026. Confidential information disclosure should be completed starting in 2028. Consolidated financial reporting subsidiaries of the company should complete information disclosure starting in 2027. And confidential information disclosure should be completed starting in 2029.	2. Describe how identified climate risks and opportunities affect the business, strategy, and finances of the business (in the short, medium and long term).	3. Describe the financial impact from extreme climate events and transition actions.	4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors, and major financial impacts that are used in the analysis should be explained.	6. If there is a transition plan for managing climate risks,	In 2022, the Board of Directors passed a resolution to approve the Company's schedule
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Evaluation items	Operating status		Summary description	Discrepancies between the Company's performance and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor
	Yes	No		
<p>describe its content, as well as the indicators and goals used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a tool for planning, the basis for price setting should be explained.</p> <p>8. If climate goals are set, information such as the activities covered, the scope of GHG emissions, the planning period, and the progress of each year should be explained. If carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, the source and quantity of carbon offset credits or the number of RECs used for offsetting should be explained.</p> <p>9. GHG inventory and confirmation.</p>			<p>for the parent company's GHG inventory and verification and report the implementation progress to the Board on a quarterly basis. In addition, in the 2021 ESG Sustainability Report issued by the Company in 2022, the chapter on environmental sustainability references the Task Force on Climate-Related Financial Disclosures (TCFD) issued by the Financial Stability Board (FSB) to identify climate change risks and opportunities according to disclosure frameworks such as "Governance", "Strategies," "Risk Management," and "Indicators and Targets". The Company expects to issue the 2022 ESG Sustainability Report in June 2023, in which it will disclose climate-related implementation information.</p>	



(VI) Implementation of ethical management and discrepancies with Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and reasons therefor

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
<p>I. Establishment of ethical corporate management policy and approaches</p> <p>(I) Has the Company formulated an ethical corporate management policy that has been passed by its board of directors in its internal rules and external documents, as well as the commitment of the board of directors and upper management to actively implement management polices?</p> <p>(II) Has the Company established mechanisms to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with a higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the Company clearly define operating procedures, behavioral guidelines, punishment and appeal systems for violations of the program to prevent unethical conduct? And does the Company implement the program and regularly review before amendment?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established its "Ethical Corporate Management Best Practice Principles," "Ethical Corporate Management Operating Procedures and Code of Conduct" and "Code of Ethics" to regulate the Company's ethical management policies. In order to ensure that employees, managers, and directors are aware of, comply with, and implement it.</p> <p>(II) The Company follows the principle of ethical management, prohibits the offering and accepting of bribes, and clearly stipulates that illegal donations are not allowed; it also promotes corporate ethics and corporate governance education and training for employees from time to time.</p> <p>(III) The Company has formulated plans to prevent unethical behavior, it has formulated operating procedures and behavior guidelines in each plan, and has promulgated professional ethics and legal compliance to the Company's employees, managers, and directors.</p>	<p>No major discrepancies.</p> <p>No major discrepancies.</p> <p>No major discrepancies.</p>
<p>II. Implementation of ethical corporate management</p>			<p>(I) The Company evaluates its</p>	<p>No major</p>

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
(I) Does the Company evaluate the credit records of its counterparties and specify good faith terms and conditions in the contracts it enters into?	✓		counterparties in accordance with the internal control system, and agreements signed with cooperating partners prohibit both parties from accepting bribes and engaging in other unethical business practices.	discrepancies.
(II) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		(II) The Company has designated the Secretary's Office of the Board of Directors as the dedicated unit to promote the integrity of corporate governance, and the corporate governance manager reports to the Board of Directors on a regular basis.	No major discrepancies.
(III) Has the Company formulated policies that help prevent against conflict of interests and has it established appropriate channels for filing related complaints in place and does it implement them?	✓		(III) Those who have a stakeholder interest in business dealings should inform their managers and recuse themselves in advance to avoid conflicts of interest; directors may state their opinions and answer inquiries with respect to those matters in which the directors themselves or their representatives have stakeholder interest which may harm the Company's interests, but are not allowed to participate in discussion and voting.	No major discrepancies.
(IV) Has the Company established effective accounting and internal control systems to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform such audits?	✓		(IV) The Company has established an effective accounting system and internal control system, and the internal auditors check the compliance of the aforesaid systems according to the audit plan and report to the Board of Directors on a regular basis.	No major discrepancies.
(V) Does the Company periodically organize internal and external education and training to help enforce ethical operations?	✓			

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
			(V) The Company organizes internal and external education and training that include ethical management content according to the situation.	
<p>III. The operation of the Company whistleblowing system</p> <p>(I) Has the Company established a substantial reporting and reward system as well as a convenient reporting channel with appropriate personnel to be assigned to assist the reported party?</p> <p>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures for after the investigation has been completed, and confidentiality mechanisms?</p> <p>(III) Does the Company take measures to protect whistleblowers from being improperly handled due to whistleblowing?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has an internal independent reporting mailbox. When employees discover violations of laws and regulations, the Company will have a dedicated person who will accept and handle the report. Reports involving directors or senior management must be reported to the audit committee.</p> <p>(II) The Company has established a specific whistleblowing system and complaint channels to keep the identity of the whistleblower and the content of the report secret, and allows anonymous whistleblowing.</p> <p>(III) The Company has established a specific whistleblowing system and complaint channels to protect whistleblowers. The personnel who handle reports shall declare in writing that the identity of the whistleblower and the content of the whistleblower will be kept confidential to ensure that the whistleblower is not improperly handled due to the report.</p>	<p>No major discrepancies.</p> <p>No major discrepancies.</p> <p>No major discrepancies.</p>
<p>IV. Improving Information Disclosure</p> <p>Does the Company disclose the content of its Ethical Corporate Management</p>	<p>✓</p>		<p>(I) The Company has formulated various systems for the Ethical Corporate Management Best</p>	<p>No major discrepancies.</p>

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
Best Practice Principles and implementation status on its website or Market Observation Post System (MOPS)?			Practice Principles and discloses relevant information on its website for public reference.	
V. If the Company has established Ethical Corporate Management Best Practice Principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” describe any discrepancies between the principles and their implementation. The Company has formulated Ethical Corporate Management Best Practice Principles, and currently the Company's internal operations continue to be handled in accordance with the provisions of those principles; there are no major discrepancies between the content of the code and its implementation.				
VI. Other important information helpful to understanding the Company’s ethical management operations: In addition to the Ethical Corporate Management Best Practice Principles, the Company also stipulates other internal regulations (such as: prevention of insider trading). In addition, the Company arranges for directors to participate in corporate governance courses, and from time to time promulgates the ethical management policy to employees.				

(VII) If the Company has established a corporate governance code of conduct and guidelines, the means of accessing its information should be disclosed:

The Company has formulated its Corporate Governance Best Practice Principles and discloses corporate governance in the investor section of the Company's website <http://www.sportsgear.com.tw>.

(VIII) Other important information that is sufficient to enhance the understanding of corporate governance and operational conditions must be disclosed together: No such situation.

(IX) Implementation status of internal control system

1. Statement on Internal Control

## Statement on Internal Control for Sports Gear Co., Ltd.

Date: March 9, 2023

Based on the results of self-assessment of the Company's internal control system for 2022, the Company hereby declares as follows:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers, and that the Company has already established such a system. The purpose of which is to achieve the objectives of operational effectiveness and efficiency (including profit, performance and asset security, etc.), reporting reliability, timeliness, transparency, and conformity with relevant regulations and compliance with relevant laws and regulations, and to provide reasonable assurance with regard to the preceding.
- II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism. Once identified, any deficiency will be rectified immediately.
- III. The Company judges whether the design and implementation of the internal control system are effective based on the judgment items of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The Regulations are instituted for judging the effectiveness of the design and implementation of the internal control system. There are five components of effective internal control as specified in the Regulations with which the procedure for effective internal control is measured, namely: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communication, and 5. Supervisory Operations. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
- IV. The Company has adopted the above-mentioned internal control system judgment items to assess the effectiveness of the design and implementation of the internal control system.
- V. Based on the aforementioned assessment findings, the Company holds that it has reasonably preserved the achievement of the aforementioned with the internal control system as of December 31, 2022 (including the monitoring and management of the subsidiaries), including the effectiveness and efficiency in operation, reliability, timeliness, and transparency in reporting, conformity with relevant regulations and compliance with relevant laws and regulations, and that the design and enforcement of internal control are effective.
- VI. This Statement constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission relating to the public

statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was approved by the board of directors on March 9, 2023, with unanimous consent of the 7 directors who attended the meeting.

Sports Gear Co., Ltd.

Chairman: Signature/Seal of Wei-Chia Chen

President: Signature/Seal of Wei-Chia Chen

2. A company which consigns accountants to audit its internal control system shall disclose the examination report of the accountants:

**Deloitte.**

**勤業眾信**

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內部控制制度審查  
會計師合理確信報告

志強國際企業股份有限公司 公鑒：

志強國際企業股份有限公司與外部財務報導和保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行情形及於民國 112 年 3 月 9 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度，於民國 111 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師執行必要程序竣事。

**確信標的、確信標的資訊與適用基準**

本確信案件之標的及標的資訊分別為志強國際企業股份有限公司與外部財務報導和保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行情形及志強國際企業股份有限公司於民國 112 年 3 月 9 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度，於民國 111 年 12 月 31 日係有效設計及執行之聲明書，詳附件。

用以衡量或評估上開確信標的及標的資訊之適用基準係「公開發行公司建立內部控制制度處理準則」之內部控制制度有效性判斷項目。

**先天限制**

由於任何內部控制制度均有其先天上之限制，故志強國際企業股份有限公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

**管理階層之責任**

管理階層之責任係依據「公開發行公司建立內部控制制度處理準則」及相關法令規章建立內部控制制度，且隨時檢討，以維持內部控制制度之設計及執行持續有效，並於評估其有效性後，據以出具內部控制制度聲明書。

## 會計師之責任

本會計師之責任係依照「公開發行公司建立內部控制制度處理準則」及確信準則 3000 號「非屬歷史性財務資訊查核或核閱之確信案件」對確信標的及標的資訊執行必要程序以取得合理確信，並對確信標的及標的資訊在所有重大方面是否遵循適用基準及是否允當表達作成結論。

## 獨立性及品質管理規範

本會計師及所隸屬會計師事務所已遵循會計師職業道德規範中有關獨立性及其他道德規範之規定，該規範之基本原則為正直、公正客觀、專業能力及盡專業上應有之注意、保密及專業行為。此外，本會計師所隸屬會計師事務所遵循品質管理準則，維持完備之品質管理制度，包含與遵循職業道德規範、專業準則及所適用法令相關之書面政策及程序。

## 所執行程序之彙總說明

本會計師係基於專業判斷規劃及執行必要程序，以獲取相關標的及標的資訊之證據。所執行之程序包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估其與外部財務報導及保障資產安全有關之內部控制制度設計及執行之有效性，以及本會計師認為必要之其他確信程序。

## 確信結論

依本會計師意見，志強國際企業股份有限公司與外部財務報導和保障資產安全有關之內部控制制度民國 111 年 12 月 31 日之設計及執行，在所有重大方面已遵循「公開發行公司建立內部控制制度處理準則」之內部控制制度有效性判斷項目可維持有效性；志強國際企業股份有限公司於民國 112 年 3 月 9 日所出具謂經評估其與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面係屬允當表達。

勤業眾信聯合會計師事務所  
會計師 吳 少 君



會計師 蔣 淑 菁



金融監督管理委員會核准文號  
金管證審字第 1100356048 號

金融監督管理委員會核准文號  
金管證審字第 1000028068 號

中 華 民 國 1 1 2 年 3 月 1 6 日



(X) Where in the most recent year and up to the printing date of the annual report, the Company and its internal personnel have been penalized in accordance with the law, or the Company has imposed penalties on its internal personnel for violations of its internal control system, and the results of the penalties may have a significant impact on shareholders' rights and securities prices, the penalization content, main deficiencies, and improvement situation shall be specified: No such situation.

(XI) Important resolutions of the shareholders' meeting and Board of Directors in the most recent year and up to the printing date of the annual report:

1. Resolutions of the 2022 shareholders' meeting

Item	Meeting date	Important resolution
Annual shareholders' meeting	2022.05.27	<p><u>Matters for Ratification</u></p> <ol style="list-style-type: none"> <li>1. Ratify the 2021 Business Report and Consolidated Financial Report. Implementation: The shareholders' meeting resolved to pass the matter as proposed.</li> <li>2. Ratification of the 2021 Earnings Distributions. Implementation: The shareholders' meeting resolved to pass the matter as proposed.</li> </ol> <p><u>Matters for Discussion (1)</u></p> <ol style="list-style-type: none"> <li>1. Amendment to some articles of the Company's "Articles of Incorporation." Implementation: The shareholders' meeting resolved to pass the matter as proposed.</li> <li>2. Capital surplus for distribution of cash dividends. Implementation: The shareholders' meeting resolved to pass the matter as proposed.</li> <li>3. Revision to the "Procedures for the Acquisition or Disposal of Assets". Implementation: The shareholders' meeting resolved to pass the matter as proposed.</li> </ol> <p><u>Elections</u></p> <p>Proposal for early re-election of the Company's 3rd Board of Directors. Implementation: The 3rd board of directors is elected during the shareholders' meeting according to the law</p> <p><u>Matters for Discussion (2)</u></p> <p>Proposal to lift the restrictions on non-competition of the new third term directors and their representatives. ◦ Implementation: The shareholders' meeting resolved to pass the matter as proposed.</p>

2. 2022 board resolutions

<b>Item</b>	<b>Meeting date</b>	<b>Important resolution</b>
Fifteenth meeting of the second term	2022.01.18	<ol style="list-style-type: none"> <li>1. Approved the year-end bonuses and performance bonuses for managers.</li> <li>2. Approved the Company's proposal to increase cash capital in All Wells International Co., Ltd. .</li> <li>3. Approved the cancellation of the endorsement guarantee in the amount of 8 million USD to Mega International Commercial Bank provided by Can Sports Shoes Co., Ltd. for its parent company, All Wells International Co., Ltd. (BVI) .</li> <li>4. Approved the cancellation of the loan of funds from subsidiary Sports Gear Co., Ltd. to sub-subsidiary Fireman Factory Co., Ltd.</li> <li>5. Approved the inter-affiliate fund loan.</li> <li>6. Approved the application to financial institutions for a new loan line.</li> <li>7. Approved the proposal to provide an endorsement guarantee for sub-subsidiary Footwear Innovation Lab GmbH.</li> <li>8. Approved the amendment of some provisions of the Company's Corporate Governance Best Practice Principles.</li> <li>9. Approved the proposal to use the funds from the syndicated loan issued by Mega International Commercial Bank to continue its investment in the shoe factory in Indonesia.</li> <li>10. Approved the proposal to use the funds from the syndicated loan issued by Mega International Commercial Bank to invest in the shoe factory in Cambodia.</li> </ol>
Sixteenth meeting of the second term	2022.03.10	<ol style="list-style-type: none"> <li>1. Approved the amendment to some articles of the Company's "Articles of Incorporation."</li> <li>2. Approved the appraisal of the effectiveness of the internal control system and the statement on the internal control system for 2021.</li> <li>3. Approved the individual financial statements for 2021.</li> <li>4. Approved the 2021 business report and consolidated financial report.</li> <li>5. Approved the 2021 surplus distributions.</li> <li>6. Approved the capital surplus for distribution of cash dividends.</li> <li>7. Approved the proposal of employee</li> </ol>

Item	Meeting date	Important resolution
		<p>remuneration and director remuneration for 2021</p> <ol style="list-style-type: none"> <li>8. Approved the ratification of the acquisition or disposal of assets among the related parties from October to December in 2021.</li> <li>9. Approved the promotion and salary adjustment proposals for managers in 2022</li> <li>10. Approved the review of CPA fees.</li> <li>11. Approved the adjustment of the credit line of Fubon Bank.</li> <li>12. Approved the inter-affiliate fund loan.</li> <li>13. Approved the acquisition or disposal of assets of sub-subsidiary PT Can Sports Industrial Indonesia.</li> <li>14. Approved the acquisition or disposal of assets of sub-subsidiary Footwear Innovation Lab GmbH, Germany.</li> <li>15. Approved the amendment to some of the provisions of the Company's Procedures for the Acquisition or Disposal of Assets.</li> <li>16. Approved the amendment of some of the provisions of the Company's Code of Sustainable Development Practices (formerly Code of Corporate Social Responsibility Practices).</li> <li>17. Approved the proposal for full re-election of the Company's 3rd board of directors.</li> <li>18. Approved the nomination and review of the election of the Company's 3rd board of directors (including independent directors).</li> <li>19. Approved the proposal to lift the restrictions on non-competition of the new third term directors and their representatives.</li> <li>20. Approved the proposal to convene the 2022 annual shareholders' meeting.</li> </ol>
Seventeenth meeting of the second term	2022.05.10	<ol style="list-style-type: none"> <li>1. Approved the consolidated financial report for the first quarter of 2022.</li> <li>2. Approved the ratification of the acquisition or disposal of assets among the related parties from January to March in 2022.</li> <li>3. Approved the promotion and salary adjustment proposals for managers in 2022</li> <li>4. Approved subsidiaries ELEPHANT STEP CO., LTD. and FONGYUAN INTERNATIONAL CO., LTD. to make capital increase by cash in Indonesian sub-subsidiary</li> </ol>

Item	Meeting date	Important resolution
		<p>PT CAN SPORTS INDUSTRIAL INDONESIA.</p> <ol style="list-style-type: none"> <li>5. Approved the proposal to make capital increase by cash from Taiwanese sub-subsidiary, Silk Invest International Co., Ltd., to Portuguese sub-subsidiary, SGP-Sports Gear Portugal, S.A.</li> <li>6. Approved the leasing of factory and obtaining right-of-use assets by German sub-subsidiary Footwear Innovation Lab GmbH.</li> <li>7. Approved the acquisition or disposal of assets by Portuguese sub-subsidiary, SGP - SPORTS GEAR PORTUGAL, S.A.</li> <li>8. Approved the acquisition or disposal of assets by German sub-subsidiary, Footwear Innovation Lab GmbH.</li> <li>9. Approved the proposal to cancel and provide endorsement guarantees for sub-subsidiary Footwear Innovation Lab GmbH by the Company.</li> <li>10. Approved the inter-affiliate fund loan.</li> <li>11. Approved the application to financial institutions for loan limit renewal.</li> <li>12. Approved the Company's Greenhouse gas inventory and verification schedule.</li> </ol>
First meeting of the third term	2022.05.27	<ol style="list-style-type: none"> <li>1. Approved the proposal to elect the Chairman.</li> <li>2. Approved the appointments of the 2nd Remuneration Committee members.</li> <li>3. Approved the appointments of the 2nd Audit Committee members.</li> </ol>
Second meeting of the third term	2022.08.25	<ol style="list-style-type: none"> <li>1. Approved the distribution of employee compensation to managers in 2021.</li> <li>2. Approved the assessment of the Company's 2021 director and manager salary and remuneration policies, systems, standards, and structures, and the review of the Company's 2021 director and manager salary and remuneration.</li> <li>3. Approved the amendment of the Company's directors and managers' remuneration payment method.</li> <li>4. Approved the consolidated financial report for the second quarter of 2022.</li> <li>5. Approved the ratification of the acquisition or disposal of assets among the related parties from April to June in 2022.</li> <li>6. Approved the cancellation of endorsement guarantee for German sub-subsidiary, Footwear</li> </ol>

Item	Meeting date	Important resolution
		<p>Innovation Lab GmbH, by the Company, and to provide endorsement guarantee for FiL by SPG (Samoa).</p> <ol style="list-style-type: none"> <li>7. Approved the inter-affiliate fund loan.</li> <li>8. Approved the application to financial institutions for loan limit renewal.</li> <li>9. Approved the cancellation of the proposal for sub-subsidiary Fireman Factory Co., Ltd. to acquire real estate through a third-party trust.</li> <li>10. Approved the proposal to use the funds from the syndicated loan issued by Mega International Commercial Bank to invest in the shoe factory in Cambodia.</li> <li>11. Approved the amendment to the "Rules and Procedures for Board of Directors Meetings"</li> <li>12. Approved the appointment of the chairman of the audit committee as the person responsible for the daily administration of the audit unit and the audit report review of the Company and its subsidiaries.</li> </ol>
Third meeting of the third term	2022.11.09	<ol style="list-style-type: none"> <li>1. Approved the consolidated financial report for the third quarter of 2022.</li> <li>2. Approved the ratification of the acquisition or disposal of assets among the related parties from July to September in 2022.</li> <li>3. Approved the amendment of “Procedures for Handling Material Inside Information” .</li> <li>4. Approved the formulation of “Coed of Practice of on Risk Management” .</li> </ol>
Fourth meeting of the third term	2022.12.22	<ol style="list-style-type: none"> <li>1. Approved the appraisal of the independence and competence of CPAs.</li> <li>2. Approved 2023 Business Plan and Budget</li> <li>3. Approved the 2023 audit plan.</li> <li>4. Approved the formulation of the “Procedures for Charitable Donations and Sponsorships” .</li> <li>5. Approved the proposed donation from the Taiwan branch of the subsidiary Sports Gear Co., Ltd. to the Sports Gear Social Welfare Foundation in 2023.</li> <li>6. Approved the amendment of the syndicated loan agreement.</li> <li>7. Approved the proposal to invest and set up a subsidiary in Singapore</li> <li>8. Approved the cash capital decrease to subsidiary All Wells International Co., Ltd. (BVI).</li> <li>9. Approved the inter-affiliate fund loan.</li> <li>10. Approved the application to financial institutions for loan limit renewal.</li> </ol>

- (XII) In the most recent year and up to the printing date of the annual report, if there is opposition or qualified opinions from directors or supervisors on major resolutions passed by the Board of Directors for which there exist records or written statements, the main contents are: No such situation.
- (XIII) A summary of the resignation and dismissal of the Company' s chairman, president, accounting supervisor, financial officer, internal audit manager, corporate governance manager, and R&D manager in the most recent year and up to the printing date of the annual report: No such situation.

V. Information on CPA fees

(I) Information on CPA fees

Unit of amounts: thousand NTD

Name of the accounting firm	Names of the accountants	Duration of audit by accountants	Auditing fee	Non-auditing fee	Total	Remarks
Deloitte Taiwan	Amy Chiang Shao-Chun Wu	2022.01.01-2022.12.31	8,200	Business registration: 599 Other: 3,430	12,229	The amount of other reports, including master file and transfer pricing, was 830 thousand NTD, and the amount of internal control audit was 2,600 thousand NTD.

(II) If the Company has one of the following circumstances, the accountant fee must be disclosed:

1. If the accounting firm is replaced and the auditing fees paid during the year of replacement are less than the auditing fees of the previous year, the amount and reasons for the difference in auditing fees must be disclosed: No such situation.
2. If the auditing fees are reduced by more than 10% from the previous year, the amount, proportion, and reasons for the reduction in auditing fees must be disclosed: No such situation.

(III) VI. If the Company has one of the following circumstances, the accountant fee must be disclosed:

3. If the accounting firm is replaced and the auditing fees paid during the year of replacement are less than the auditing fees of the previous year, the amount and reasons for the difference in auditing fees must be disclosed: No such situation.
4. If the auditing fees are reduced by more than 10% from the previous year, the amount, proportion, and reasons for the reduction in auditing fees must be disclosed: No such situation.

VI. Information on change of accountants: No such situation.

VII. The Company's chairman, president, manager in charge of financial or accounting affairs, and those individuals who have worked at the firm of the CPA or its affiliate within the most recent year: No such situation.

VIII. Changes to shareholding of directors, supervisors, managers, and major shareholders whose shareholding ratio exceeds 10% of the equity transfer and pledge loan in the most recent year and up to the printing date of the annual report

(I) Changes in equity of directors, supervisors, managers and major shareholders whose

shareholding ratio exceeds 10%

Unit: Shares

Title	Name	2021		2022 up to the printing date of the annual report	
		Increase (decrease) in shareholding	Increase (decrease) in the number of pledged shares	Increase (decrease) in shareholding	Increase (decrease) in the number of pledged shares
Chairman and President	Wei-Chia Chen	-	-	(9,000)	-
Director	Jialai Development Co., Ltd.	-	-	-	-
	Representative Thomas Wang	-	-	-	-
Director	Pure-Xu Real Estate Advertising Co., Ltd.	-	-	-	-
	Representative Thomas Lee	-	-	-	-
Director	Davis Cheng	200,000	-	10,000	-
Independent Director	Long-I Liao	-	-	-	-
Independent Director	Tzung-Chen Chen	-	-	-	-
Independent Director	Peter Shu (Note 1)	-	-	-	-
Independent Director	Leo Hong (Note 1)	-	-	-	-
Shareholder who holds more than 10% of the Company's shares	Match Sports International Co., Ltd. (Note 1)	(1,372,000)	-	-	-
Shareholder who holds more than 10% of the Company's shares	Mu Mu Sports International Limited	-	-	-	-
Shareholder who holds more than 10% of the Company's shares	Lu Lu Sports International Limited	-	-	-	-
Chief Operating Officer and Vice President of Can Sports Cambodia	Nick Lin	110,000	-	2,000	-
Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Jack Wang	20,000	-	-	-
Vice President of Chi Hung and Dai Hoa Vietnam	Jason Liu	50,000	-	(9,000)	-



Title	Name	2021		2022 up to the printing date of the annual report	
		Increase (decrease) in shareholding	Increase (decrease) in the number of pledged shares	Increase (decrease) in shareholding	Increase (decrease) in the number of pledged shares
Vice President of Business Development and Footwear Innovation Technology	Juergen Wormser Hans	-	-	-	-
Special Assistant to the Chairman and Spokesperson	Benjamin Metcalf David	-	-	-	-
Corporate Governance Manager and Acting Spokesperson	Fu-Sheng Ku	-	-	1,214	-
Accounting Supervisor and Financial Officer	Vincent Kang	24,000	-	-	-
Audit Manager	Meg Hu	15,000	-	(2,000)	-

Note 1: After full re-election of directors at the annual shareholders' meeting on May 27, 2022, independent director Leo Hong stepped down from office, and independent director Peter Shu assumed office.

- (II) Where counterparties of the equity transfer by directors, supervisors, managers, and major shareholders whose shareholding ratio exceeds 10% are related parties: No such situation.
- (III) Where counterparties of the pledge loan by directors, supervisors, managers, and major shareholders whose shareholding ratio exceeds 10% of the pledge loan are related parties: No such situation.

IX. Information disclosing where there are related parties, spouses, or relationships of kinship within second degree among any of the top ten shareholders, and the relationship between them:

March 31, 2021; Unit: shares: %

Name	The individual holds shares		Shares held by spouse and minor children		Total combination of shares by nominee arrangement		Titles, names, and relationships where there are related parties, spouses, or relationships of kinship within second degree among any of the top ten shareholders		Remarks
	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Name (or full name)	Relationship	
MATCH SPORTS INTERNATIONAL CO.,LTD.	60,853,185	31.04	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note 1)	1,991,000	1.02	-	-	126,093,924	64.32	-	-	-
Mu Mu Sports International Limited	30,055,555	15.33	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note 1)	2,000,000	1.02	-	-	126,093,924	64.32	-	-	-
Lu Lu Sports International Limited	18,518,518	9.45	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note 1)	2,000,000	1.02	-	-	126,093,924	64.32	-	-	-
Trust assets management account of Spread Idea Co., Ltd. under Lesson 1 Company Limited	16,666,666	8.50	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note 1)	2,000,000	1.02	-	-	126,093,924	64.32	-	-	-
Preferred Grand Fund SPC-Stone	16,377,518	8.35	-	-	-	-	-	-	-

Name	The individual holds shares		Shares held by spouse and minor children		Total combination of shares by nominee arrangement		Titles, names, and relationships where there are related parties, spouses, or relationships of kinship within second degree among any of the top ten shareholders		Remarks
	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Name (or full name)	Relationship	
Wall Fund Segregated Portfolio									
Responsible person/corporate representative: Lun-Chun Yeh	-	-	-	-	-	-	-	-	-
Li-Yang Lai	11,757,962	6.00	-	-	-	-	-	-	-
Wei-Chia Chen (Note 1)	2,000,000	1.02	-	-	126,093,924	64.32	-	-	-
Pure Huang Investment Co.,Ltd.	1,957,570	1.00	-	-	-	-	-	-	-
Responsible person/corporate representative: Yue-Hu Yang	63,425	0.03	-	-	-	-	-	-	-
CHEN BAU Limited	1,957,570	1.00	-	-	-	-	-	-	-
Responsible person/corporate representative: Li-Feng He	-	-	-	-	-	-	-	-	-
Pure-Xu Real Estate Advertising Co., Ltd.	1,793,371	0.91	-	-	-	-	-	-	-
Responsible person/corporate representative: Lee Chung-Shu (Note 2)	718,964	0.37	-	-	1,274,697	0.65	-	-	-

Note 1: Wei-Chia Chen holds 100% of stock options in Match Sports International Co., Ltd., Mu Mu Sports International Limited, Lu Lu Sports International Limited, and the trust assets management account of Spread Idea Co., Ltd. under Lesson 1 Company Limited  
Note 2: Thomas Lee holds shares in Park Group Investment Co., Ltd., in which he has controlling interest.

- X. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same investee company, and calculate the comprehensive shareholding ratio together

December 31, 2022; Unit: Thousand shares; %

Investee company	The Company's investment		Investment of directors, supervisors, managers and businesses that are directly or indirectly controlled		Total comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Sports Gear Co., Ltd.	5,036	100%	-	-	5,036	100%
All Wells	48,500	100%	-	-	48,500	100%
Elephant	49,000	100%	-	-	49,000	100%
Fongyuan	34,850	100%	-	-	34,850	100%
Silk Invest International Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Chi Hung Co., Ltd.	(Note)	100%	-	-	(Note)	100%
All Wells International Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Can Sports Shoes Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Can Sports Vietnam Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Dai Hoa Co., Ltd.	(Note)	100%	-	-	(Note)	100%
August Sports Co., Ltd.	(Note)	100%	-	-	(Note)	100%
Fireman	(Note)	100%	-	-	(Note)	100%
Sports Gear (Myanmar) Co., Ltd	(Note)	100%	-	-	(Note)	100%
PT Can Sports Industrial Indonesia	(Note)	100%	-	-	(Note)	100%
SGP	9,000	100%	-	-	9,000	100%
FIL	(Note)	87.45%	-	-	(Note)	87.45%

Note: It is a limited company and has no shares issued.

## Chapter IV. Fundraising situation

### I. Capital and shares

#### (I) Sources of capital

##### 1. Capital formation process

Unit: Thousand shares; thousand NTD

Year, month	Issue price (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (USD)	Number of shares	Amount (USD)	Sources of capital	Capital increased by assets other than cash	Other
2017.03	1	500,000	500,000	2,000	2,000	Establish share capital	-	-
2017.07	1	500,000	500,000	4,000	4,000	Debt converted to capital increase		(Note 1)
2017.12	1	500,000	500,000	174,261	174,261	New shares issued by organizational restructuring		(Note 2)
Face value converted to NT\$10								
Year, month	Issue price (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount (NTD)	Number of shares	Amount (NTD)	Sources of capital	Capital increased by assets other than cash	Other
2018.12	10	500,000	5,000,000	174,261	1,742,606	-	-	-
2021.04	10	500,000	5,000,000	196,046	1,960,456	Cash capital increase 217,850 thousand NTD	-	(Note 3)

Note 1: Chairman Wei-Chia Chen used his personal 100%-owned investment company to remit investment funds totaling US\$4,000,000 at the establishment of the Company. The Company was established in March 2017 and registered with a capital of US\$2,000,000. The difference is accounted for in the accounting treatment of temporary receipts. The item was re-registered as capital in July 2017, and the accounting treatment was regarded as a debt-to-capital increase.

Note 2: On December 27, 2017, the Board of Directors resolved to convert 100% of the shares of INsport International Co., Ltd. (Samoa) (share exchange ratio 0.0054:1 share). In addition, it signed a share subscription agreement with shareholders of Elephant and Fongyuan to purchase new company-issued shares with the equity of Elephant (share exchange ratio 1.0983:1 share) and Fongyuan (share exchange ratio 3.6402:1 share).

Note 3: The letter Tai-Zheng-Shang II No. 11017001621 dated January 19, 2021 from the TWSE stated that the capital increase report was effective.

##### 2. Shareholding type

March 31, 2032; Unit: Shares

Shareholding type	Authorized capital			Remarks
	Shares issued and outstanding	Un-issued shares	Total	
Common shares	196,045,617	303,954,383	500,000,000	Note

#### (II) Shareholder structure

March 31, 2032; Unit: shares; %

Shareholder structure	Government agency	Financial institution	Other legal persons	Individual	Foreign institutions and	Total

Quantity					foreigner individuals	
Number of people	-	4	40	3,577	46	3,667
Number of shares held	-	654,000	25,716,912	38,790,238	130,884,467	196,045,617
Shareholding ratio	-	0.34	13.12	19.78	66.76	100.00

The total shareholding ratio of people, legal persons, organizations, other institutions or companies investing in other regions from Mainland China as stipulated in Article 3 of the Regulations Governing the Permission of Investment by Nationals in Mainland Area is 0%.

### (III) Shareholding Distribution Status

March 31, 2032; Unit: shares; %

Class of shareholding	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	418	49,203	0.03
1,000 to 5,000	2,470	4,767,691	2.43
5,001 to 10,000	327	2,644,437	1.35
10,001 to 15,000	103	1,338,716	0.68
15,001 to 20,000	74	1,386,732	0.71
20,001 to 30,000	91	2,409,886	1.23
30,001 to 40,000	35	1,227,000	0.63
40,001 to 50,000	26	1,210,578	0.62
50,001 to 100,000	55	3,934,890	2.01
100,001 to 200,000	38	5,849,880	2.98
200,001 to 400,000	12	3,203,000	1.63
400,001 to 600,000	2	1,000,000	0.51
600,001 to 800,000	4	2,911,992	1.49
800,001 to 1,000,000	1	908,000	0.46
1,000,001 or more	11	163,203,612	83.24
Total	3,667	196,045,617	100.00

### (IV) List of major shareholders: Shareholders holding more than 5% of the shares or the names, shareholding ratios, amounts, and proportions of shares held of the top ten shareholders

March 31, 2032; Unit: Shares

Names of major shareholders	Shares Number of shares held	Shareholding ratio	Main nationality or place of registration
MATCH SPORTS INTERNATIONAL CO.,LTD.	60,853,185	31.04	Samoa
Mu Mu Sports International Limited	30,055,555	15.33	Samoa
Lu Lu Sports International Limited	18,518,518	9.44	Samoa
Trust assets management account of Spread Idea Co., Ltd. under	16,666,666	8.50	Republic

Lesson 1 Company Limited			of China
Preferred Grand Fund SPC-Stone Wall Fund Segregated Portfolio	16,377,518	8.35	The Cayman Islands
Li-Yang Lai	11,757,962	5.99	Republic of China
Wei-Chia Chen	1,991,000	1.02	Republic of China
Pure Huang Investment Co.,Ltd.	1,957,570	1.00	Republic of China
CHEN BAU Limited	1,957,570	1.00	Hong Kong
Pure-Xu Real Estate Advertising Co., Ltd.	1,793,371	0.91	Republic of China

(V) Share price, net worth per share, earnings per share, dividends per share, and related information for the past two fiscal years

Unit: New Taiwan Dollars (NT\$)/thousand shares

Item	Year			The current year and up to April 10, 2023	
	2021	2022			
Market price per share	Highest	95.0	99.3	74.6	
	Lowest	62.6	66.6	69.1	
	Average	70.49	74.15	71.77	
per share Net worth	Before distribution	63.63	72.16	(Note 4)	
	After distribution	60.01 (Note 2)	(Note 3)	(Note 4)	
Earnings per share	Weighted average shares (thousand shares)	189,480	196,046	(Note 4)	
	Earnings per share (Note 1)	3.42	9.22	(Note 4)	
Dividends per share	Cash dividend	3.5	(Note 3)	(Note 4)	
	Stock dividend	Surplus	-	-	(Note 4)
		Additional Capital	-	-	(Note 4)
	Accumulated undistributed dividends	-	-	(Note 4)	
Return on investment analysis	P/E ratio	20.61	8.04	(Note 4)	
	Price-dividend ratio	20.14	14.83	(Note 4)	
	Cash dividend yield rate	4.97%	6.74%	(Note 4)	

Source: Consolidated financial statements verified by an accountant.

Note 1: Basic EPS after tax.

Note 2: On March 10, 2022, the Board of Directors resolved to distribute cash dividends of NT\$1 per share and allot cash dividends of NT\$2.5 per share from the capital surplus.

Note 3: On March 9, 2023, the Company's Board Of Directors resolved to distribute a cash dividend of NT\$5 per share (the profit distribution is subject to the resolution of the annual shareholders' meeting to be held on May 30, 2023).

Note 4: No consolidated financial statement had been reviewed by an accountant by April 10, 2023.

(VI) Company's Dividend Policy and Implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

According to the Company's Articles of Incorporation, the Company's business is in a growth stage. The Board of Directors must consider the Company's earnings, overall development, financial planning, capital needs, industry prospects, and the Company's future prospects for each fiscal year to ensure shareholder equity and profit; and in addition to the provision of employee remuneration and director remuneration in accordance with Article 121 of the Articles of Incorporation, the following shall be included in the net profit for the current period: (i) Payment of tax reserves for the respective fiscal year; (ii) Covering losses; (iii) Statutory surplus reserve (unless the statutory surplus reserve has reached the Company's paid-up capital), and (iv) The special surplus reserve required by the competent authority for securities in the Republic of China issued by the Board of Directors, or the reserve determined by Article 128 of the Articles of Incorporation. The Board of Directors shall allocate no less than 10% of the fiscal year's distributable surplus (excluding the cumulative surplus of the previous year) as shareholder dividends. The paid cash dividend shall not be less than 10% of the total dividend.

2. Dividend distribution discussed in the current year

The Company's 2022 dividend distribution proposal was passed by the Board of Directors on March 9, 2023. In accordance with the Company's Articles of Incorporation, a shareholders' cash dividend of NT\$980,228, NT\$5 per share are provided from the surplus; proposals relating to dividend distribution are expected to be approved for distribution by the shareholders' meeting on May 30, 2023.

3. When major changes in the dividend policy are expected, such changes should be explained: No major change in the Company's dividend policy.

(VII) The impact of the proposed stock dividend this year on the Company's operating performance and earnings per share:

The Company has not allocated stock dividends, so there is no impact.

(VIII) Remuneration of employees, directors, and supervisors: (The Company does not have supervisors)

1. The amount or scope of the remuneration of employees, directors, and supervisors stated in the Articles of Incorporation

During the trading period of the Company's shares in the designated securities market, unless otherwise provided by the Cayman Company Law, the Public Offering Company Act or the articles of association, if the Company makes a profit during the year, it shall allocate no less than 2% of the profit. Employee remuneration (hereinafter referred to as "employee remuneration"), the payment object of employee remuneration includes employees of the Company and affiliated companies who meet certain conditions, and the conditions are determined by the Company's Board of Directors. The Company can allocate no more than 2% of the preceding profit as remuneration of directors (excluding independent directors) (hereinafter referred to as "director remuneration"). Employee remuneration and directors' remuneration distribution proposal shall be carried out by the resolution of two-thirds or more of the directors of the Board of Directors in attendance and more than half of the attending directors, and shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it shall reserve the amount for compensating such losses in advance, and then allocate employee remuneration and director remuneration in accordance with the aforementioned proportions. The term "profit" in this item refers to the profits before tax from which employee remuneration and director remuneration have not yet been deducted.



2. Basis for estimating the amount of remuneration of employees, directors, and supervisors for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period

The remuneration of the Company's employees, directors, and supervisors is based on the estimated distributable amount stated in the Company's Articles of Incorporation. If there is a difference between the estimated cost of the current period and the resolution of the shareholders' meeting, it will be adjusted and recorded in the year of the resolution.

3. Remuneration distribution approved by the Board of Directors

(1) Employee, director, and supervisor remuneration will be distributed in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and processing should be disclosed.

On March 9, 2023, the Board of Directors resolved to pay director remuneration and employee bonuses, respectively, of NT\$23,824 thousand and NT\$74,450 thousand in cash; there are no differences in the amounts of director remuneration and employee bonuses between the 2022 assessment and consolidated financial report.

(2) The ratio of the amount of employee remuneration distributed in stock to the total net profit after tax and total employee remuneration for the current period: No such situation.

4. Shareholders' meeting reports on the status and results of the remuneration distribution

The 2022 director remuneration and employee dividend distribution plan are expected to be approved for distribution by the shareholders' meeting on May 30, 2023.

5. The actual distribution of remuneration for employees, directors, and supervisors in the previous year (2021) (including the number of shares distributed, amount, and price per share), and discrepancies with the remuneration of employees, directors, and supervisors, and the reasons and processing

The Company's 2021 director remuneration distribution proposal was passed by the shareholders' meeting on May 27, 2022, and there are no discrepancies with the amount proposed by the Board of Directors, so this assessment is not applicable.

(IX) Buyback of treasury stock: No such situation.

## II. Profile of corporate bonds

The handling of corporate bonds (including overseas corporate bonds): No such situation.

## III. Handling situation of preferred shares: No such situation.

## IV. Status of participation in the issuance of overseas depository receipts: No such situation.

## V. Handling situation of employee subscription right certificates: No such situation.

## VI. Status of new restricted employee shares: No such situation.

## VII. M&A handling situation

(I) In ongoing mergers or acquisitions, the following matters should be disclosed: No such situation.

(II) In ongoing spin-offs, the following matters should be disclosed: No such situation.

VIII.Processing for the issuance of new shares by transfer of shares of other companies: None.

IX. Financing Plans and Implementation

By the quarter preceding the printing date of the annual report, the Company had no previous issuances or private placements of securities outstanding, or completed within the last three years, for which the benefits of the program had not yet been demonstrated.

## Chapter V. Operation Overview

### I. Business Activities

#### (I) Business Scope

##### 1. The main activities of the Company's business

The Company is currently engaged in the manufacturing of OEM footwear products, primarily sports shoes, casual shoes and custom-made shoes. Sports shoes used to be the mainstay, but in recent years, casual shoes have gradually become equally important owing to changes in consumer preferences. The Company mainly manufactures for international brands such as Group A, Group B, Group C and Group D.

##### 2. Business sources

Unit: Thousand NTD; %

Product name	2021		2022	
	Sales amount	Proportion of revenue	Sales amount	Sales amount
Sports shoes	6,088,595	49.36	11,321,305	61.11%
Casual footwear	6,127,806	49.67	6,929,686	37.41%
Other	119,523	0.97	273,995	1.48%
Total	12,335,924	100.00	18,524,986	100.00%

##### 3. The Company's current products (services)

- A. Soccer shoes, American football shoes
- B. Footwear for jogging, hiking, and general leisure
- C. Baseball shoes

##### 4. New products (services) planned to be developed

Affected by the COVID-19 pandemic and labor cost in recent years, the global OEM/ODM of footwear has gradually moved from China to Vietnam, Indonesia and Cambodia despite remaining strong in Asia. The Company has set up factories in Vietnam and Cambodia, and is striving to expand into Indonesia and other Southeast Asian countries. Although it is an OEM for brand customers, the Company diligently incubates R&D teams and creates development centers to work closely with customers from the advent of prototype design to the mass production of products. We always stay close to market trends, and with our professional technology and years of experience in the industry, we constantly improve our shoe manufacturing capabilities in line with the market trends, while introducing new technologies and formulas that take advantage of both automated and semi-automated machines. This approach provides brand customers not only with excellent footwear products but also with pertinent solutions based on automation data, and eventually we develop innovative services together with brand customers. We expect to increase our competitiveness in the industry and become a partner to grow with international brands.

## (II) Industry Overview

Although in the second half of 2021, Southeast Asia was affected by the wake of the Covid-19 pandemic, all countries in the world have, in general, recovered in 2022. According to Statista.com, the global footwear market was valued at US\$382 billion in 2022; it had an remarkable annual growth rate of 32.3%, of which sports types account for US\$60.9 billion. In Q3 of 2021, although Vietnamese OEMs were temporarily affected by the closure and shutdown of factories, they have recovered quickly in light of past experience. In addition, the World Cup held in 2022 gave the footwear industry a strong demand for replenishment. Due to the characteristics of the footwear industry, i.e., although a wide range of machines and automation equipment are used in the process, there is still a large number of manual processes that cannot be replaced. This labor-intensive feature is also shown by the fact that China and Vietnam ranked first and second in number of footwear exports in 2022, so it is estimated to continue to maintain its position as an Asian OEM center.

### 1. Industry status and development

According to the International Monetary Fund's (IMF) World Economic Outlook Report released at the end of January 2023, this year's global economic growth rate will be raised to 2.9%, an increase of 0.2%. At the same time, the IMF's forecast for China's economic growth in 2023 was raised from 4.4% to 5.2%. Only India (6.1%) is higher than this growth forecast, which means that China and India will dominate the world economic situation in 2023. China's reopening means opportunities for economic development, but when set against the global economic slowdown, it will be interesting to see the results of the "push and pull" .

After another surge in the Covid-19 pandemic in the third quarter of 2021, countries quickly adjusted based on previous experience and returned to normal in the fourth quarter. Even with China facing the pandemic again in the second half of 2022, the rapid opening-up policy still provided a booster for the economic market. However, compared with the forecasted value for 2022 (3.4%), the forecast for 2023 is slower, but is still moving in a good direction. It should be noted that in order to ease the inflation caused by the policies in response to the Covid-19 pandemic, countries around the world have successively adopted measures to raise interest rates; that and the economic disorder brought about by the Russo-Ukrainian War are both risk factors for instability.

# Latest World Economic Outlook Growth Projections

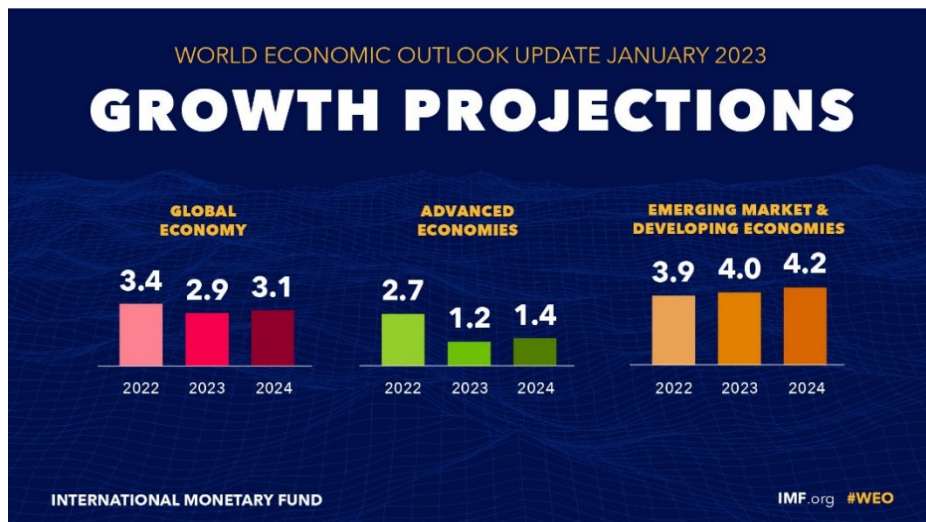
(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2022	2023	2024
<b>World Output</b>	<b>3.4</b>	<b>2.9</b>	<b>3.1</b>
<b>Advanced Economies</b>	<b>2.7</b>	<b>1.2</b>	<b>1.4</b>
United States	2.0	1.4	1.0
Euro Area	3.5	0.7	1.6
Germany	1.9	0.1	1.4
France	2.6	0.7	1.6
Italy	3.9	0.6	0.9
Spain	5.2	1.1	2.4
Japan	1.4	1.8	0.9
United Kingdom	4.1	-0.6	0.9
Canada	3.5	1.5	1.5
<b>Other Advanced Economies</b>	<b>2.8</b>	<b>2.0</b>	<b>2.4</b>
<b>Emerging Market and Developing Economies</b>	<b>3.9</b>	<b>4.0</b>	<b>4.2</b>
<b>Emerging and Developing Asia</b>	<b>4.3</b>	<b>5.3</b>	<b>5.2</b>
China	3.0	5.2	4.5
India	6.8	6.1	6.8
<b>Emerging and Developing Europe</b>	<b>0.7</b>	<b>1.5</b>	<b>2.6</b>
Russia	-2.2	0.3	2.1
<b>Latin America and the Caribbean</b>	<b>3.9</b>	<b>1.8</b>	<b>2.1</b>
Brazil	3.1	1.2	1.5
Mexico	3.1	1.7	1.6
<b>Middle East and Central Asia</b>	<b>5.3</b>	<b>3.2</b>	<b>3.7</b>
Saudi Arabia	8.7	2.6	3.4
<b>Sub-Saharan Africa</b>	<b>3.8</b>	<b>3.8</b>	<b>4.1</b>
Nigeria	3.0	3.2	2.9
South Africa	2.6	1.2	1.3
<b>Memorandum</b>			
Emerging Market and Middle-Income Economies	3.8	4.0	4.1
Low-Income Developing Countries	4.9	4.9	5.6

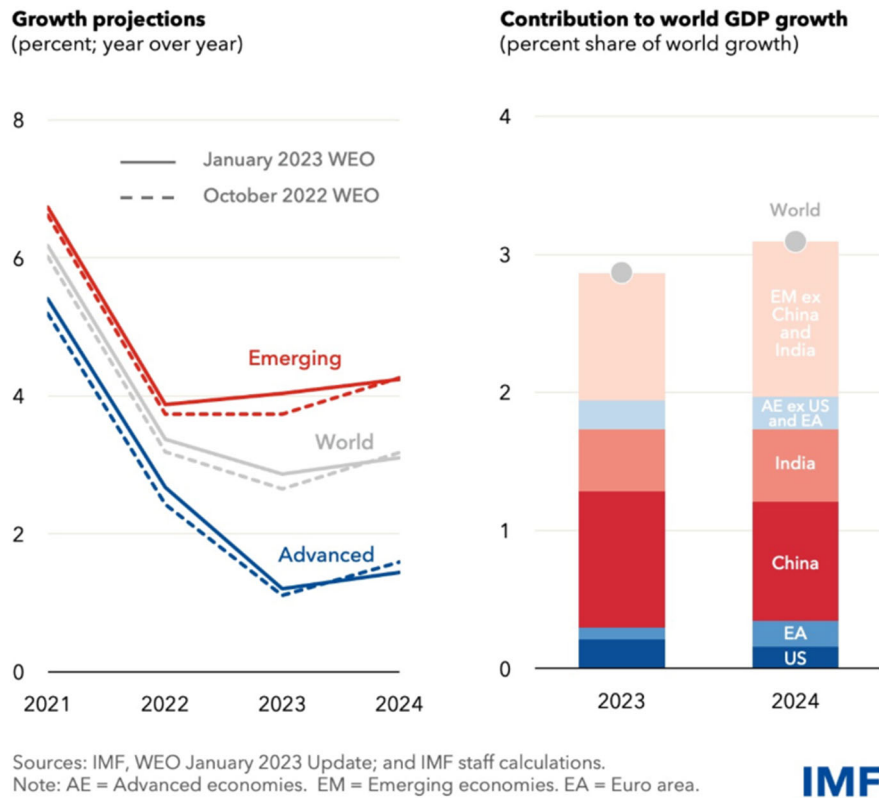
Source: IMF, *World Economic Outlook Update*, January 2023

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.4 percent in 2023 and 6.8 percent in 2024 based on calendar year.

INTERNATIONAL MONETARY FUND

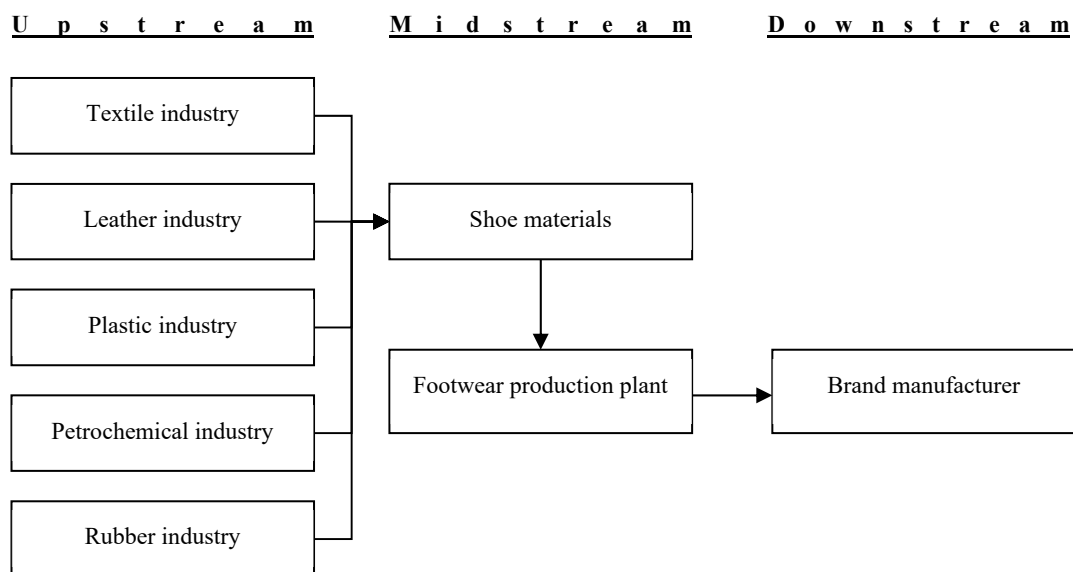
IMF.org





The Company began with OEM shoemaking as its main business and with soccer shoes as its technical core. Coupled with the rise of the recreation, sports shoes are no longer solely limited to wear in the sports field, but have become a part of daily wear. Coupled with the continuous introduction of new casual shoes products, consumers are accustomed to faster turnover; and changes in consumption patterns, such as the convenience and speed of online retail sales, are more conducive to this trend. Knowing this, the Company will also focus on the development of more varieties of casual footwear in order to maintain links with market consumption. In summary, the footwear market in 2022 benefited from the World Cup and the supply shortage caused by the pandemic, which opened the doors to a strong recovery. Although affected by the above-mentioned risk factors as well as the possibility of high inventory levels in 2023, according to the forecast of Expert Market Research, with the combination of multiple types of products, the footwear market will grow further in 2023-2028, with a compound annual growth rate of 4.9%. By 2028, the footwear market is expected to reach US\$530.3 billion. Therefore, future growth of the footwear industry remains stable and is cause for cautious optimism.

2. Connections to the industry's up-, mid-, and downstream industry



The upstream of the footwear industry mainly supplies raw materials such as textiles, leathers, and chemicals, and shoe materials for different parts of the shoe need to be divided into different raw materials for production. The midstream includes shoe materials and shoe factories. Due to the long history of the shoe-making industry, the types of shoe materials are very diverse. Shoes with different functions have their own special materials. In addition, shoe materials require different raw materials for production. The soles of sports shoes are made by thermo-compression molding or Ethylene-Vinyl Acetate (EVA), and the uppers are made of synthetic leather, mesh, or leather (artificial leather or genuine leather). In addition, the shoe industry has a huge market, so it is no exaggeration to say that shoe materials have developed into a special application field. Shoe manufacturers are responsible for the development of shoe shapes and the production of finished shoes. After multiple production processes, shoe materials are combined to make a pair of shoes. Downstream brand vendors are responsible for product development and design, either solely on their own or by commissioning shoe plants; they then commission the footwear plants to produce the designed shoes before selling them to consumers through the brand manufacturers' own channels or agents.

The Company is a mid-stream footwear manufacturer. The Company's main OEM clients are major international brand manufacturers. It is a pure OEM, and in recent years, it has continuously advanced its shoemaking technology and increased production efficiency. It also provides exclusive development centers for its major brand clients, thus securing its client relationships and establishing a good competitive advantage for the Company.

3. Various development trends of products
  - (1) Green production and sustainable development

As the economic level rises and information transmission becomes rapid and popular, awareness of environmental protection has gradually risen in recent years. On average, the global sports shoe industry emits nearly 700 million tons of carbon dioxide every year. According to a global survey of 10,000 consumers, more than 67% of consumers would support carbon footprint labels on products. That is why managing and optimizing sustainable development and carbon emissions have also become topics of research that cannot be ignored by industry players at home or abroad. Allbirds, a new sustainable casual fashion brand, announced in its sustainable development report released in October 2022 that it will reduce the average product carbon footprint by 12% during 2020-2021 and close to net zero by 2030. The brand's biggest advantage is that the products are made of natural eucalyptus fiber, merino wool and sugar cane fiber, which can decompose naturally. In addition, Allbirds has adopted a strategic cooperation with Adidas. The carbon footprint of each shoe launched is 2.94 kg, which is 25% of that of ordinary running shoes; and some shoe materials are made of more than 50% recycled materials, which shows an active turn in the industry towards low-carbon manufacturing. Footwear market leader Nike's Turbo Next Nature running shoes uses at least 50% recycled materials in its production. All of this shows that greening and environmental protection have gradually occupied a certain degree of importance in the product manufacturing process.

(2) Product technology upgrades are moving toward development of smart shoes

Generally speaking, the main function of sports shoes is on enhancing performance and reducing possible injuries. As shoemaking technology improves and sports technology continues to reach new innovations, sports shoes have gained better performance across functions of protection, shock absorption, anti-skid, comfort, light weight, elasticity, and others. Unibody upper technology not only reduces the material waste generally generated in the upper cutting, but also effectively cuts labor. The rapid development of 3D printing, when applied to the front end of sports shoe development, can accurately “print” shoe parts. Proprietary layering technology can be used to create completely unique shoes in place of using traditional molds. In addition to saving costs, it can also reduce the time of shoe development, which is in line with the fast-paced consumption patterns of today's “fast” fashion society. Smart shoes that combine various tech functions, such as automatic tying and running apps connected with software to get detailed data such as stride, rhythm, distance, and life of running shoes have created new added value for shoes. Although preferences and styles of the consumer market are changing



at a quick pace, innovation is always the core of competitiveness. The Company continues to cultivate and develop talent, and it actively invests in creating more possibilities and opportunities for the sports shoe market.

(3) Process automation

Based on the maturing of technological development, automation in many traditional industries is not only a trend but a reality. However, the shoe-manufacturing industry is limited by the difficulty of standardization in the process and thus relies heavily on manual work, which is the main reason it is still regarded as a traditional labor-intensive industry. This has been especially true in recent years, with the rise of fashion and retro styled shoes, which are more complicated in production, making the labor ratio further increase. However, the impact of COVID-19 is prevalent. Once one process is interrupted, all processes must be suspended. Labor costs keep rising, and the demand of brand customers for transparency in production history is growing, urging shoe manufacturers to reduce inventories and align with the spirit of local manufacturing. OEMs must start pondering every link of the production line and conceive feasible automation solutions and effective ways of precisely controlling costs through intelligence. The "smart factory" has given the footwear industry a direction. Starting from the digitization of data, big data is collected by smart devices in each process. Design is made through parameters, improving production efficiency, further reducing costs and improving quality. The shoe manufacturing industry has an important issue to address in the shoe manufacturing process in the future: how to load automated control systems for processes that are highly repetitive and require precise movements (e.g. automatic cutting machines can improve material utilization by computing cutting positions). Success in this will render product quality more stable and achieve higher production efficiency and more efficient factory management while reducing production and manufacturing costs.

4. Product competitiveness

The Company manufactures sports shoes and casual shoes for international brands. In order to meet their high standards for product delivery, quality, price, and service, we continue to invest resources in the development of core technologies and improvement of production processes. We also continue to accumulate our own R&D capabilities, actively shifting to OEM design and manufacturing. In addition, the Company has diffuse production bases, and it has been studying the feasibility of other markets in recent years. Coupled with rich experience in factory management, the Company attaches importance to and continues to respond to issues of corporate sustainable development, thus maintaining the Company's

competitiveness in the shoemaking industry.

(III) Technology and R&D Overview

1. Technical levels, research and development of the business

Since its establishment, the Company has continued its R&D in pursuit of its goal of producing high-quality products. R&D projects include the development and application of new shoe materials and the introduction and improvement of manufacturing technology. And the establishment of SGP in Portugal will specialize in automated production processes. In addition, it promotes the collection of production data through the Real Time System, and improves the stability, speed, and flexibility of production through big data analysis applications and cloud computing. The Company continues to invest in automation, innovative technology, process improvement, and shoe material development to meet brand client needs for high-quality products and services and quick market response. In this way, it will deepen cooperation with brand clients, increase mutual business dependence, and solidify the Company's status in the shoe industry.

2. R&D personnel and their academic experience

Unit: Number of people

Education	2020	2021	2022	February 28, 2023
PhD	0	0	0	0
Master's degree	0	1	0	0
College (Technical school)/University	332	339	359	357
Below high school (inclusive)	280	278	627	602
Total	612	618	986	959
Total	612	618	986	959

3. Annual R&D expenditure invested in the most recent five years

Unit: Thousand NTD; %

Item	2018	2019	2020	2021	2022
R&D expenses	462,847	536,244	404,900	300,856	381,738
Net operating revenue	17,318,360	17,208,037	13,514,535	12,335,924	18,524,986
Percentage of net operating revenue	2.67%	3.12%	3.00%	2.44%	2.06%

4. Successfully developed technologies or products in the most recent five years

Year	R&D results
2015	Introduction of silicone printing production technology Introduction of foam printing production technology Water-based three-dimensional printing production technology Rubber outsole 3D PUR
2016	Introduction of automated printing technology

Year	R&D results
	Introduction of RFID technology Sublimation printing process 1st-gen soccer shoes used direct injection into TPU molding Shoe upper stitch-less technology
2017	1.5-gen soccer shoes used direct injection into TPU molding Shoe upper vacuum adsorption technology Transparent rubber outsole High wear-resistant IP midsole
2018	Automatic injection directly into TPU molding for soccer shoes 7VG Online Real-Time Inspection Record System V1.0 High-speed cloud point visual identification and detection system
2019	Expansion of automatic direct injection technology Smart toe box High automatic board lasting machine 7VG Online Real-time Inspection Record System V1.2 High-speed cloud point visual identification and detection system High-speed tag identification information integration system
2020	System protection and product safety upgrade Automatic direct injection technology application upgrade Shoe upper line drawing device assembly
2021	Introduction of warehouse cloud system Introduction of automatic guided vehicles (AGVs) Launch of smart factory projects
2022	Launch of smart production line project Robotic arms go online

(IV) Long-term and short-term business development plans

1. Short-term development plan

(1) Marketing strategy

- A. With changes in product portfolio and in target customer groups, we can not only adapt to market trends, but also further increase profits and reduce the pressure of competition in lagging markets.
- B. The Company continues to cultivate new markets and develop new customers to avoid putting all of our eggs in the same basket.
- C. We are further refining professional sports shoes technology and actively developing the casual shoes market to be ready to expand our economic scale in the post-pandemic era.
- D. In addition to cultivating various special shoe research and development talent in various aspects, the Company also develops models through

exchanges and cooperation with customers to improve development technology.

(2) Production policy

- A. Policy of both improving quality and increasing production efficiency.
- B. Continue enhancing awareness of teamwork among employees.

(3) Financial strategy

Under the premise that profitability is not affected and in order to cooperate with the expansion of the business, capital increase or bank borrowing is performed to meet capital needs.

2. Long-term development plan

(1) Marketing strategy

- A. Set up a brand-specific R&D team and development center, which, in addition to making further improvements in the original field, allows exploring the feasibility of innovation based on long-term accumulated experience in development. This improves service with brand customers and makes footwear products that are closer fits with market trends.
- B. We integrate the development model from R&D to final product and work closely with brand customers, aiming to become the core manufacturer for long-term cooperation with international brands and increase market share.
- C. We tap into the development and application of smart factories, using sensors to collect and construct data and obtain pertinent parameters, delivering them to big data analytics, and finally building various analysis modules through relevant technology. Real-time information is shared between production and sales, and anomalies are tackled and eliminated quickly. We expect to lower overall production costs, increase profits, and keep good communication with our customers.
- D. Based on the data collected, we set parameters for standardized processes and develop towards semi-automation. This can not only improve production efficiency and quality, but with the future increase in regional labor costs, it can also be quickly transferred to different places to set up sites according to customer needs.

(2) Production policy

- A. Implementing data standardized production, reducing waste of raw materials through big data analysis, and effectively controlling process costs, thus reducing costs and increasing gross profit margins. The Company is actively expanding its plants in Southeast Asian countries, such as Indonesia and Myanmar, while studying the feasibility of other

areas, to globalize its production base for better response to capricious international situations and the expected increase in labor costs. The goal is to expand the scale of the Company's operations and maximize the Group's benefits by deploying the production capacity of each plant in a timely manner.

- B. In terms of R&D momentum and innovation, we have acquired FiL in Germany to specialize in automated production processes, and we actively promote the introduction of Mechanical Engineer (ME) and real-time data systems in each production base. In addition to collecting production data to improve production stability and reduce reliance on manual labor, we continue to invest in automation, innovative technology, process advancement and shoe material development to meet our brand customers' needs for quality products and rapid response to the latest market trend.

(3) Financial strategy

- A. The Company makes the best use of the financial market's funding options (such as syndicated loans) to obtain lower-cost capital for its operating resources used to finance the establishment of new plants in different countries.
- B. Based on the principle of sound monetary policy, use financial management tools to gain efficiency in capital utilization and creation of added value.

II. Market, production, and sales overview

(I) Market analysis

1. Sales (Provided) Regions of Main Products (Services)

The sales market of the Company in the last two years has been dominated by Europe and the Americas; the continents accounted for about 80% of the Company's revenue. The ratios by sales region for the last two years are shown in the following table:

Unit: Thousand NTD; %

Year		2021		2022	
		Amount	Ratio	Amount	Ratio
Domestic sales (note)		-	-	-	-
Exports	Europe	4,869,460	39.47	6,684,492	36.09
	The Americas	4,778,961	38.74	8,168,117	44.09
	Asia	2,466,287	19.99	3,135,093	16.92
	Other	221,216	1.80	537,284	2.90
Total		12,335,924	100.00	18,524,986	100.00

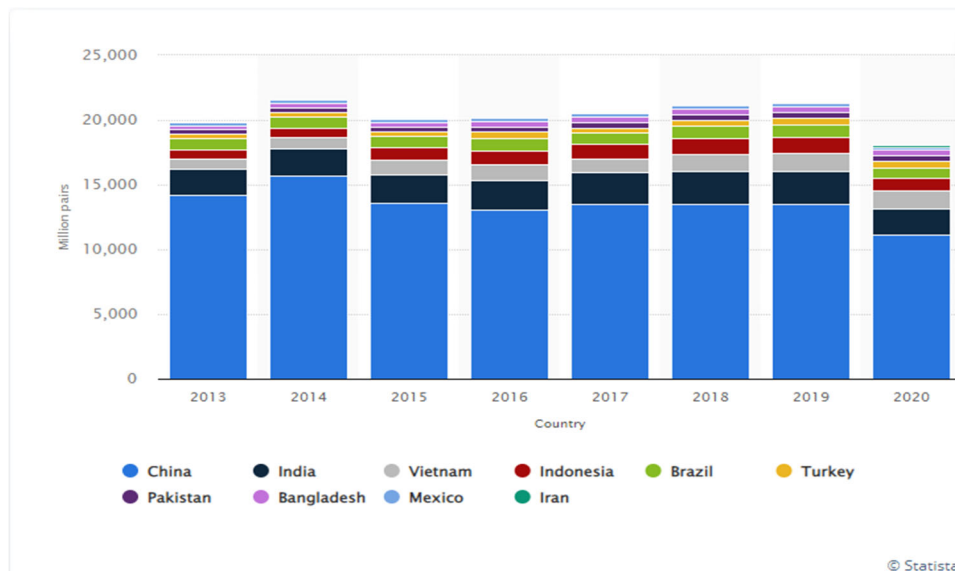
Note: "Domestic sales" refers to sales in Taiwan.

## 2. Market share

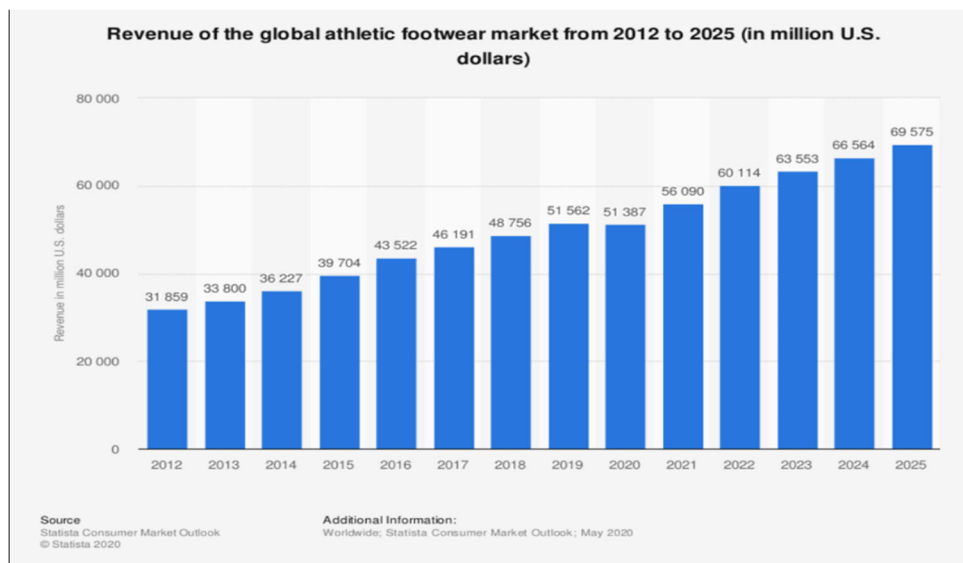
The Company has long been devoted to bolstering its technical strength and accumulating copious experiences in the industry. Aligning with the revolutionary elements and materials in recent years, the Company continues the partnership with international brands to provide high-quality footwear products, and innovative services and solutions. Before COVID-19 hit, the Company sold approximately 40 to 44 million pairs of shoes per year, with soccer shoes being the majority. Currently, the global soccer shoe market reports approximately 90 to 100 million pairs per year, and the Company and its subsidiaries account for approximately one-fifth.

## 3. The market's future supply, demand status, and growth

The heart of the global shoe manufacturing has shifted as follows. In the early years, the hub was Western Europe, such as the coastal regions in Italy and Spain. In 1991, it shifted to the Four Asian Dragons, such as Taiwan and South Korea, which were experiencing an economic boom and relatively low manufacturing costs. In 2001, it shifted to Guangdong and Wenzhou in Mainland China, where costs were lower. In modern times, the focus shifted to Southeast Asia, such as Vietnam and Malaysia. The history indicates that for the past three decades, global footwear production has been revolving around Asia, which accounted for 90% of the global footwear output in 2019. As labor costs increase, the footwear industry is now moving to Myanmar, Cambodia, India and other countries where cheaper labor is available.



Source: Statista



Source: Statista

In a broader sense, footwear products can be classified as consumer necessities. With the growing population, increasing disposable income, and the popularity of sports as a result of the rise in health consciousness, consumer demand for sports shoes continues to grow, and functions required are gradually changing. Therefore, in addition to increasing production capacity and enhancing the functionality of sports shoes, footwear brands persist in the effort to innovate and diversify their products in the hope of expanding the target market of sports shoes to non-athletes and growing steadily in sports shoes and casual footwear markets in the future. According to Statista, the global footwear production volume was approximately 24.3 billion pairs in 2019. In 2020, the COVID-19 pandemic brought the production volume down to 20.5 billion pairs, 85% of which were produced in Asia. Also according to Statista, the footwear market revenue is estimated to be 488,289 million USD in 2022, and the overall footwear market is expected to grow at a rate of 7.65% per annum (compound annual growth rate) by 2025.

#### 4. Competitive niche

##### (1) Professional management team

The Company has been in the shoe-manufacturing industry for more than 20 years, and its management team has been long immersed in the industry, possessing extensive knowledge in the professional field and rich practical experience. Through clear organizational structure and keen market observation, our management has efficiently integrated the resources of various departments, everything from product development, manufacturing, and production to sales can be carried out step by step according to plan. The exceptional tacit

understanding and business philosophy of the management team form the core value of the Company; its accumulated professional services and technical capabilities have made the Company an indispensable important partner for clients, thereby creating a competitive niche for the Company in the industry.

(2) Stable quality that accords with international brand standards

The Company is committed to becoming a world-class professional manufacturer of sporting goods. It insists on product quality inspection and testing to enhance its competitiveness. The Company supplies OEM services for clients, who are all outstanding international sports and outdoor recreation brands. Its market share and R&D technology are second to none, giving the footwear products manufactured by the Company a competitive edge and high growth momentum in the sports and outdoor footwear market, thereby enhancing the Company's advantages in the OEM footwear industry.

(3) Possess R&D capabilities moving towards automation

In the past, the Company invested a large amount of annual R&D resources in material research and development and process improvements. R&D projects include the development and application of new shoe materials and the introduction and improvement of manufacturing technology. To date, the Company has developed direct injection technology, and established SGP in Portugal and acquired FiL in Germany to specialize in automated production processes. In addition, it promotes the collection of production data through the Real Time System, and improves the stability, speed, and flexibility of production through big data analysis applications and cloud computing. Continue to invest in automation, innovative technology, process improvement, and development of shoe materials to meet brand client needs for high-quality products and services and quick market response. In this way, the Company will deepen cooperation with brand clients, increase mutual business dependence, and solidify the Company's status in the shoe industry.

(4) Multi-country production advantage

The Company actively expands its overseas production units. The main production force is located in Southeast Asia. Currently, the Company has five production plants in Vietnam and one in Cambodia. In Indonesia, the existing plant has been expanded and a new plant has been contracted. Moreover, the Company has set up a sole factory in Cambodia, which is competitive with the high labor cost in China. In addition, under EU tariff regulations, under-developed countries can enjoy tariff-free, duty-free benefits for goods other than military items (Everything But Arms, EBA) exported to the EU; Cambodia can enjoy this benefit. The European Commission (EC) officially announced on June



30, 2020, that the EU–Vietnam Free Trade Agreement (EVFTA) will take effect on August 1, 2020. After the agreement comes into effect, import tariffs on 65% of EU products exported to Vietnam will be abolished, and tariffs on other products will be gradually eliminated in the next 10 years; tariffs on 71% of Vietnam’s products exported to Europe will also be abolished immediately after EU–Vietnam Free Trade Agreement (EVFTA) takes effect. Other product tariffs will be gradually abolished over the next 7 years. The EVFTA, with its various broad-reaching commitments, is expected to help promote Vietnam-Europe bilateral investment and economic relations, and at the same time accelerate the integration of Vietnam into the international economy, which is conducive to Vietnam's innovation and modernization. In addition, in view of increasing global economic uncertainty, the Company is contemplating expanding the plant in Indonesia to effectively diversify political and economic risks in various regions.

5. Favorable and unfavorable factors of the Company's vision of development and their response measures

(1) Favorable factors

A. Rising health consciousness, growing sports trend around the globe, ubiquitous e-commerce

Global population ageing is contributing to greater health consciousness. Meanwhile, higher living standards and incomes are changing people's consumption patterns and philosophies over time. The more people value sports, travel and other activities that are beneficial to their physical and mental health, the higher the demand for sports footwear gets. The increased awareness of sports has boosted the market for the sports industry. The general population's demand for fitness and entertainment, competitive sports viewing and sports goods is growing. Also, e-commerce, which allows for quicker orders and deliveries, is becoming prevalent. People are more accustomed to this mode of consumption nowadays, and this in effect shortens the product cycle and makes demand even stronger. According to Allied Market Research, the global sports shoes market will reach 165 billion USD in 2030, a significant increase from 109.7 billion USD in 2020.

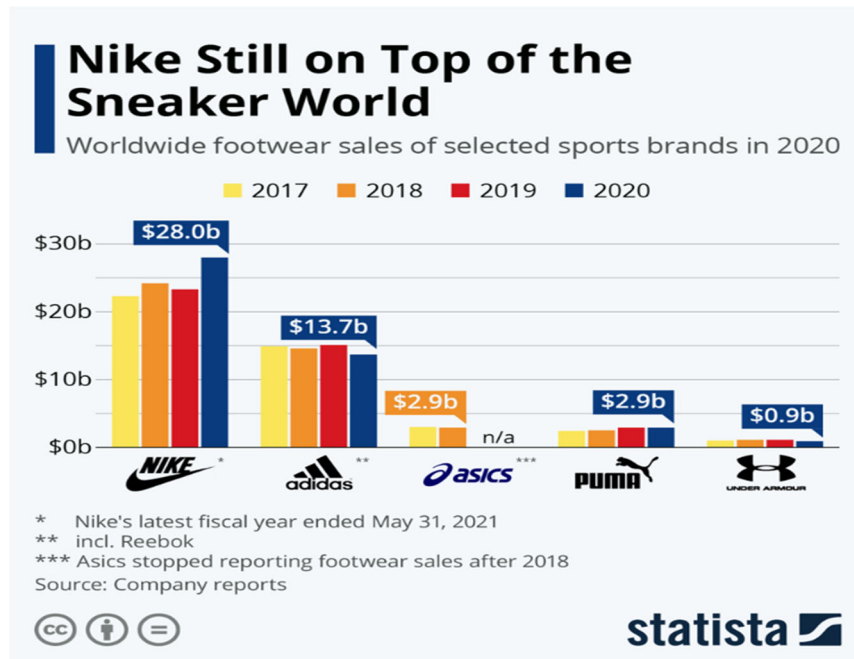
B. Impetus of sports events

Ever since the beginning of the 20th century, there has been a wave of global sports. COVID-19 has somewhat dampened the enthusiasm, but with large-scale international sports events held only once every few years such as the Olympics and FIFA World Cup, professional sports have developed to high levels of sophistication and sports health concepts have grown ever more

ubiquitous, leading to the rapid growth of the global sports consumer market. The Company's staple products can be broadly divided into sports shoes, casual footwear and others, with soccer shoes being the mainstay of the sports shoes. The annual output value of the soccer industry reaches 500 billion USD. As the world's number one sport, soccer generates more than 43% of the total annual output value of the entire sports industry. Soccer, known as the "17th largest economy in the world", is the world's most productive, popular and influential sport. Soccer is the largest single sport in the sports industry. Whether it is the FIFA World Cup held every four years, the annual UEFA Champions League, the English Premier League, the Spanish LaLiga, the Italian Serie A, the German Bundesliga or the French Ligue 1, there is a huge audience. Popular events and players' demand for soccer equipment drive the development of soccer, which in turn is beneficial to the soccer shoe industry.

C. The Company provides customer-specific services, and most of its clients are internationally known brands

According to Absolute Reports and Statista, Nike and Adidas accounted for 30% and 20%, respectively, of the global sports footwear revenue in 2020. The global sports footwear market is forecast to reach 95 billion USD by 2025, almost doubling the figure in 2016 (55 billion USD), which shows that the two giants Nike and Adidas are absolutely in the lead. The Company is an OEM mainly for international brands such as Group A, Group B, Group C and Group D. In addition to being recognized by many international brands, the Company provides a wide variety of high-quality products for its brand customers. From mass production to customized production, the Company can adjust its production methods to fulfill the different needs of its brand customers. The Company has dedicated R&D teams and development centers for major brands and works closely with its brand customers from product development to product prototyping. With its technical expertise and rich industry experience, the Company was awarded the CORE Innovation Cup by Group A in 2019 and 2020, and the Process Innovation Award by Group B in 2019.

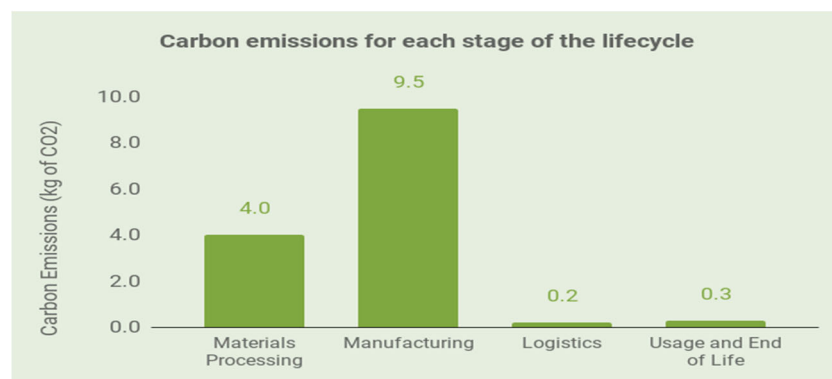


Source: Statista

## (2) Unfavorable factors

### A. Strict environmental standards

With the rising awareness of environmental protection, particularly pertaining to carbon footprint regulations, both governments and foreign institutions have gradually raised the threshold for environmental protection in laws and regulations. According to a 2013 MIT study, the average carbon footprint that the production of a pair of shoes imposed on the planet was about 13.6 kg. This is because most sports shoes are made primarily of plastic (or plastic-like) materials. All these petroleum-based plastics (polyester, thermoplastic polyurethane (TPU), polyethylene terephthalate (PET) and ethylene vinyl acetate (EVA)) produce alarming amounts of carbon dioxide, and the solvents and volatile gases used in the shoe manufacturing process are harmful to human health.



Source: MAKE FASHION BETTER

The long-term trend of development and the entrepreneurial spirit of sustainable development should not be neglected. We need to invest in the expansion of pollution prevention equipment, personnel education and training, and effective strategies that reduce environmental pollution to ensure that employees work in a safe and secure environment, and that the surrounding environment is pollution-free.

#### Countermeasures

In response to the issue of sustainable environmental development, each plant has a social responsibility department responsible for handling plant-side environmental safety and health, socio-environmental affairs, energy and greenhouse gas management, and other matters; the department stays up-to-date on the environmental protection regulatory requirements on the market, and endeavors to understand future shoe production trends; it procures and updates pollution prevention equipment, promotes waste reduction plans, and develops new manufacturing processes, so that its product technologies meet environmental protection regulations and client demand.

#### B. Labor and manpower costs continue to rise

The attributes of the footwear industry cause it to be classified as a labor-intensive industry. The production process requires a significant amount of human resources. In recent years, labor wages have increased, resulting in a substantial increase in production costs; and labor awareness in production bases in Vietnam and Cambodia has gradually increased. The U.S.-China trade war has also made companies in various traditional industries skeptical of setting up factories in China. Vietnam has become the first choice because of its young human capital and competitive wages. This has resulted in the tightening of labor supply in Vietnam and continuous increase in labor costs related to basic yearly salary, employee benefits, and pensions, causing companies to face the pressures of rising costs and shrinking revenue growth and profitability. Furthermore, Vietnam tended to close cities and factories to cope with the impact of the COVID-19 pandemic, which increased the pressure on business operations.

#### Countermeasures

The Company actively expands its overseas production units. In addition to the existing production plants in Vietnam and Cambodia, and new plants in Cambodia and Indonesia, it is considering adding production bases in Indonesia and Myanmar to diversify labor costs throughout various regions. In addition, the Company continues to promote supply chain integration and various production capacity optimization measures to continue to improve its

manufacturing processes and strengthen its plant automation process capabilities, while flexibly adjusting its capacity allocation and production mode to continuously improve overall production efficiency. Continuous improvements through the optimization of production line staff will improve production efficiency and reduce production costs.

C. Footwear products are consumed quickly

With the expansion of the sporting goods market, competition among various manufacturers has become increasingly heated. Internationally renowned manufacturers need to continue to introduce new products to cater to the changing preferences of consumers. Thus, each brand has shifted to a customer value-oriented mindset. For one single brand, there may be hundreds or even thousands of shoe models. If a manufacturer cannot respond to market changes immediately and launch new products, or does not have strong R&D capabilities to launch popular products, it will most likely be eliminated by the market.

Countermeasures

The Company actively sets up exclusive R&D teams and development centers for its major brand clients. From product development to product prototypes, we work closely with brand clients. With professional technical competence and years of industry experience, combined with innovative elements and materials, the Company continues to provide brand clients with high-quality footwear products, innovative services, and comprehensive solutions, with the aim of becoming a long-term partner of international brands. It also evaluates increasing the number of OEM brands and shoe types, focusing on high-end and high-value-added shoes. For internationally renowned brands, it strengthens and maintains customer brand relationships to conserve while also increasing market share in footwear OEMs and reducing risk from significant impact that a single upstream brand will have on the Company's operations.

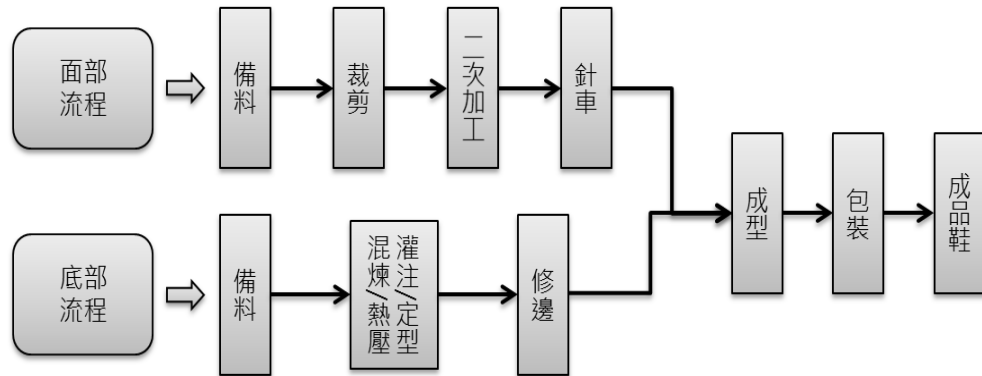
(II) Important applications and production process of main products

1. Important applications of main products

Main products	Applications
Sports shoes	Mainly suitable for sports activities such as soccer, baseball, and jogging
Casual footwear	Does not require the elasticity, support, shock absorption, and durability for sports activities

## 2. Production process of main products

運動鞋：



### (III) Supply status of main raw materials

Main raw materials	Main suppliers	Supply status
Artificial leather	Group A	Good
Outsole	Group B, Group C	Good
Packaging	Group K, Group L	Good
Glue	Group E, Group L, Group M	Good
Textiles	Group H, Group J	Good

### (IV) List of main procurement and sales clients

- The names of suppliers that accounted for more than 10% of the total purchases in any of the last two years, their procurement amounts and proportions, and the reasons for changes

Unit: Thousand NTD

Item	2021				2022			
	Name	Amount	Percentage of annual net purchases	Relationship with the issuer	Name	Amount	Percentage of annual net purchases	Relationship with the issuer
1	Group A	387,203	7.6	None	Group B	754,265	9.48	None
	Other	4,704,613	92.4	None	Other	7,199,362	90.52	None
	Net purchases	5,091,816	100.00		Net purchases	7,953,627	100.00	

Description of changes: The Company's main customer business is stable; we have more than two suppliers for all primary raw materials of the products and we maintain a good cooperative relationship. In 2022, due to product portfolio adjustments, the ranking of major suppliers changed accordingly.

- The names of customers who have accounted for more than 10% of total sales in any of the last two years, their sales amount and proportion, and the reasons for increase or decrease

Unit: Thousand NTD

Item	2021				2022			
	Name	Amount	Percentage of total annual net sales	Relationship with the issuer	Name	Amount	Percentage of total annual net sales	Relationship with the issuer
1	Group A	6,748,051	54.70	None	Group A	10,306,903	55.64	None
2	Group B	3,748,788	30.39	None	Group B	5,615,613	30.31	None
	Other	1,839,085	14.91	None	Other	2,602,470	14.05	None
	Net sales	12,335,924	100		Net sales	18,524,986	100	

Description of changes: The Company's main sales targets are primarily internationally renowned brand manufacturers. Its two major customers have not changed significantly in the last two years, and their amounts have not significantly changed, indicating that the Company has maintained a stable cooperative relationship with its major customers.

(V) Production value table for the most recent two years

Unit: Thousand pairs of shoes; Thousand balls; Thousand NTS

Year Production Quantity Value Major products	2021			2022		
	Production capacity	Yield	Output value	Production capacity	Yield	Output value
Sports shoes	18,605	13,574	5,700,845	24,634	23,997	11,716,423
Casual footwear	26,283	18,911	5,818,903	21,045	19,794	7,029,946
Balls	-	-	-	-	-	0
Other	-	-	102,278	-	-	233,723
Total	44,888	32,485	11,622,026	45,679	43,791	18,980,091

Description of changes: With the slow down of the pandemic in 2022, European and US economies recover, and thanks to the increase in shipment of high-price shoes and effectiveness of the adjustment in product mix, especially the Qatar World Cup, the demand for brand customer football shoes and sports shoes strengthened. As a result, the output value has increased significantly.

(VI) Sales volume value table for the most recent two years

Unit: Thousand pairs of shoes/Thousand balls; Thousand NTD

Year Marketing Quantity Value Major products (or by department)	2021				2022			
	Domestic sales		Exports		Domestic sales		Exports	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Sports shoes	-	-	14,278	6,088,595	-	-	23,352	11,321,305
Casual footwear	-	-	19,497	6,127,806	-	-	19,333	6,929,686
Balls	-	-	-	-	-	-	-	-
Other	-	-	-	119,523	-	-	-	273,995
<b>Total</b>	-	-	<b>33,775</b>	<b>12,335,924</b>	-	-	<b>42,685</b>	<b>18,524,986</b>

Description of changes: With the slow down of the pandemic in 2022, European and US economies recover, and thanks to the increase in shipment of high-price shoes and effectiveness of the adjustment in product mix, especially the Qatar World Cup, the demand for brand customer football shoes and sports shoes strengthened. As a result, the output value has increased significantly.

III. Number of employees

Number of employees in the most recent two years and up to the printing date of the annual report

Unit: People

Year		2020	2021	2022	March 31, 2023
Number of employees	Manager	17	17	19	19
	General staff	30,038	29,409	32,583	32,317
	Total	30,055	29,426	32,602	32,336
Average age		36.23	34.57	35.84	35.83
Average years of service		3.23	3.39	3.38	3.39
Education distribution ratio (%)	PhD	-	-	-	-
	Master's degree	0.16	0.16	0.14	0.14
	Undergraduate or technical degree	5.91	5.98	5.76	5.76
	High school diploma	15.01	14.49	15.02	14.89
	Below high school	78.92	79.37	79.13	79.22



#### IV. Environmental protection expenditure information

- (I) For those who are required to apply for a pollution facility installation permit or pollution discharge permit, or pay pollution prevention and control fees, or set up a dedicated unit of environmental protection personnel in accordance with laws and regulations, an explanation of their application, payment, or establishment:

The Company's Vietnamese subsidiaries Chi Hung, Can Sports Vietnam, All Wells, Dai Hoa Vietnam, and August Sports Vietnam have respectively obtained sewage installation permits, sewage discharge licenses, waste discharge permits, or have appointed qualified third-party professional organizations for cleaning and transportation of waste, and have set up a dedicated unit of environmental protection personnel, and have paid sewage discharge environmental protection fees on schedule. In addition, Cambodian subsidiary Can Sports Cambodia has obtained a waste water permit, a solid waste permit, a sludge permit, a hazardous liquid waste permit, and a hazardous solid waste permit, and has established a dedicated unit of environmental protection personnel, and has paid the sewage discharge environmental maintenance fee as scheduled.

- (II) List the Company's investments in major pollution prevention equipment, its applications, and possible benefits:

December 31, 2022; Unit: Thousand NTĐ

Equipment name	Quantity	Date acquired	Cost of investment	Un-discounted balance	Applications and expected benefits
Wastewater treatment equipment and systems	6	2007/12~2021/10	13,901	-	Industrial wastewater/sewage treatment
Automatic wastewater treatment monitoring system	1	2018/10	1,991	353	Industrial wastewater/sewage treatment
Exhaust equipment and systems	21	2006/1~2022/1	2,602	591	Reduced VOC concentration
Wastewater treatment equipment and systems	5	2011/11~2020/5	12,316	4,621	Industrial wastewater/sewage treatment

Equipment name	Quantity	Date acquired	Cost of investment	Un-discounted balance	Applications and expected benefits
Exhaust equipment and systems	5	2012/4~2020/2	13,331	1,751	Reduced VOC concentration
Wastewater treatment equipment and systems	12	2014/4~2022/6	54,557	35,603	Industrial wastewater/sewage treatment
Exhaust equipment and systems	14	2018/2~2022/12	14,425	11,254	Reduced VOC concentration
Exhaust equipment and systems	3	2022/2~2022/9	4,215	4,044	Pollution control
Wastewater treatment equipment and systems	11	2011/12~2016/4	10,991	-	Industrial wastewater/sewage treatment
Exhaust equipment and systems	2	2012/7~2017/11	138	-	Reduced VOC concentration
Wastewater treatment equipment and systems	4	2016/4~2018/2	5,351	1	Industrial wastewater/sewage treatment
Exhaust equipment and systems	4	2016/1~2019/12	1,772	260	Reduced VOC concentration
Wastewater treatment equipment and systems	1	2020/5	1,314	935	Industrial wastewater/sewage treatment

(III) In the last two years and up to the publication date of the annual report, the Company's process of improving environmental pollution; if it has had a pollution-related dispute, it should also explain the handling process: No such situation.

(IV) Explain the losses suffered by the Company due to environmental pollution in the last

two years and up to the publication date of the annual report (including compensation and environmental protection audit results that have found violations of environmental protection laws or regulations, the date of disciplinary action, the name of the disciplinary action, the violation of laws or regulations, the content of violations, and the disciplinary action should be listed), and disclose the estimated amount and corresponding measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated must be explained: No such situation.

- (V) The current pollution situation and the impact of improvement on the Company's earnings, competitive position, and capital expenditures, and expected major environmental capital expenditures in the next two years

The Company and its subsidiaries do not have any major environmental capital expenditure plans for the next two years. Each of its subsidiaries has responded to the competent authorities for the improvement of the current pollution situation. All relevant environmental pollution cases have been rectified in accordance with the requirements of the competent authorities. The Company's earnings, competitive position, and capital expenditures were not significantly impacted.

#### V. Employer-employee Relations

- (I) List the Company's various employee welfare measures, continuing studies, training, retirement systems, and implementation status, as well as the agreements between labor and management and various employee rights protection measures

##### 1. Employee welfare measures

In addition to fixed salaries and annual holiday gifts, the Company and its subsidiaries pay production bonuses based on monthly production status and personal performance. Gold badges and seniority bonuses are awarded to employees at the end of each year according to their varying years of experience to encourage employees to make long-term contributions and grow together with the Company, as well as to improve personal performance and talent retention.

The Company also provides childbirth subsidies and education subsidies for employees' children, in the hope of rewarding employees for their hard work in raising their children. The plants have set up labor unions in accordance with local laws and regulations, and organize various employee benefits. Gifts are given to employees for important holidays (Spring Festival, Dragon Boat Festival, and Mid-Autumn Festival), and birthday gifts are provided to colleagues on their birthdays. There are also various activities, group activities or dinners held from time to time, travel subsidies, wedding and funeral subsidies, as well as emergency relief and other welfare measures.

The Company cares about the health, safety and medical needs of employees,

so high-protection group insurance and business travel insurance are provided. When they encounter accidents or illnesses, employees do not have to worry about medical expenses that may affect their financial situation.

2. Continuing studies and training of employees

The goal of training and development of the Company and its subsidiaries is to continuously improve the quality of human resources and their work skills, so as to create higher corporate value and achieve operational goals and future development. In order to achieve this goal, and in response to the rapid growth of the scale of operations, the Company and its subsidiaries have established a complete education and training structure in conjunction with the functional system, planning appropriate training for new recruits, professional training, management training at all levels, environmental safety and health training, and corporate culture courses to strengthen employees' comprehensive training and continuing education channels, and enhance employees' professional capabilities and core competitiveness through courses taught in physical classrooms.

In addition to professional training, the Company and its subsidiaries coordinate with employee career planning to arrange job rotations, encourage employees to learn and educate themselves in various ways, and strive to improve the overall quality of employees, as well as improve talent cultivation and development.

3. Retirement plan

The Company and its subsidiaries have established retirement management measures in accordance with the Labor Standards Act and Labor Pension Act to help stabilize the life of employees after their retirement. The Company and its subsidiaries, in accordance with local government labor law, withdraw amounts according to the new labor pension system to the employee's individual retirement account on a monthly basis. After the employee meets the retirement conditions in accordance with the law, the Company helps the employee to apply for retirement pension from the government.

4. Employer-employee agreements

The labor policy of the Company and its subsidiaries adhere to the principle of honest communication, and at the same time, through the following actions, create a beneficial situation for both the Company and its employees.

- (1) Abide by the labor laws and relevant laws and regulations, so that employees can be given the maximum protection.
- (2) Employee communication channels are open and diverse, and opinions can be fully expressed and given proper response.
- (3) If there are operating situations and major measures of the Company and its subsidiaries, they are fully publicized in advance, so that employees can clearly

understand them and so that they can obtain full support and cooperation.

- (II) In the last two years and up to the publication date of the annual report, whether the Company has suffered losses due to labor disputes (including labor inspection results that have found violations of the Labor Standards Act, the date of disciplinary action, the name of the disciplinary action, the violation of laws or regulations, the content of violations, and the disciplinary action should be listed); also, disclose the estimated amounts and corresponding measures that may occur at present and in the future. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated must be explained: No such situation.

## VI. Cyber Security Management

- (I) Describe the cyber security risk management framework, cyber security policy, specific management plan and resources devoted to cyber security management
1. Cyber security risk management framework
    - (1) The Company's information security authority is the Hardware Information Security Network Management Division - Information Security Department under the IT Center, with an information security supervisor and professional IT engineers, who are responsible for formulating corporate information security policies, planning information security measures and implementing information security operations, and report to the top management of the IT Center on a regular basis.
    - (2) The Information Security Department is responsible for the coordination and promotion of information security management, the implementation of information security policies and plans, the formulation of technical regulations, and the management of security assessment.
    - (3) The Information Security Department cooperates with the accounting firm to conduct IT operation audit every year. If deficiencies are found, the Department should prepare and report improvement plans, and follow up the results of the improvements regularly to mitigate internal information security risks.
  2. Cyber security policy
    - (1) Raise personnel's awareness of information security
    - (2) Avoid leakage of sensitive information
    - (3) Implement effective daily maintenance and operation
    - (4) Ensure sustainable operation
  3. The Company modifies cyber security maintenance and makes viable management plans in response to changes in decrees and technologies to protect cyber systems and information from unauthorized access, use, control, leakage, sabotage, tampering, destruction or other violations to ensure their confidentiality, integrity

and availability.

To enhance cyber security management, ensure the availability, integrity and confidentiality of information, and prevent internal and external threats, either intentional or accidental, the Company has the following cyber security facilities and management methods in place.

- (1) The host in the server room is equipped with uninterruptible power supply and voltage stabilizer to ensure that the operation of computer applications will not be interrupted during temporary power outages.
- (2) Network control is tightened. The portal to the external network is equipped with an enterprise-level firewall to stop hackers from illegal intrusion.
- (3) Exclusive MPLS lines are used for site-to-site connection between each factory and Taichung headquarters, and data encryption is used to avoid illegal extraction of data during transmission.
- (4) We use more than two network services provided by different telecommunications companies to prevent disconnection from ending the service.
- (5) To access the system in the Company' s intranet remotely, employees must apply for a VPN account and log in through the VPN security method, and all usage records are kept for audit.
- (6) The server room has access control to block unauthorized personnel, and is managed and maintained by dedicated staff.
- (7) Endpoint protection software is installed on the server and employee terminal computers. Virus codes are automatically updated to ensure that the latest viruses are blocked. In the meantime, the anti-virus program detects and prevents the installation of potentially threatening executable files.
- (8) The server and terminal computers are equipped with original patching programs to fix security vulnerabilities for system integrity.
- (9) The email server is equipped with anti-virus and spam filtering mechanism to prevent viruses or spam from entering the user's PC.
- (10) The anti-virus system not only quarantines or deletes the virus detected or intercepted immediately, but also proactively issues risk reports on infected and at-risk computers to facilitate managers' response actions.
- (11) Employees must follow the Company's internal regulations to apply for permission before using each application system. Upon the responsible supervisor' s approval, the IT Center creates a system account and the system administrator grants access according to the function employees have applied for.
- (12) Account passwords must be strong enough, containing a minimum number of characters and mixing letters, numbers and non-alphanumeric characters.

- (13) Employees are prohibited from using removable USB storage devices or write out devices.
  - (14) When applying for discharge or suspension, employees must contact the IT Center to have the account in each system deleted or discontinued.
  - (15) System backup: In addition to data backup in the server room, we adopt an off-site backup mechanism, storing backup data on tapes and in an off-site location with access control and 24-hour monitoring devices to ensure the security of data.
  - (16) We require employees to change their system passwords regularly to maintain account security, and provide education and training courses on information security for internal employees from time to time each year to raise their awareness of information security.
  - (17) We regularly take inventory of information assets and personal data, conduct risk management based on information security and personal data risk assessment, and implement various control measures.
  - (18) We organize annual education and training on information security and personal data protection, and all new employees are required to sign a cyber security and confidentiality agreement.
  - (19) External vendors are required to sign a confidentiality agreement to ensure that those who use the Company's IT services or perform IT business have the responsibility and obligation to protect the Company's information assets from unauthorized access, alteration, destruction or improper disclosure.
  - (20) Internal audits are conducted every year to ensure information security and the effectiveness of the personal data protection management system.
4. Resources invested in cyber security management
- (1) Internet hardware equipment such as firewall, mail anti-virus, spam filtering, Internet behavior analysis, and network-managed hubs.
  - (2) Software systems such as endpoint protection system, backup management software, VPN authentication, and encryption software.
  - (3) Telecommunications services such as Multi-line, backup, and intrusion prevention.
  - (4) We use redundancy architecture for storage equipment and virtual machine system to mitigate the risk of single point of failure.
  - (5) We put in manpower, such as daily system status checks, weekly backup and off-site storage of backup media, at least two information security education and training sessions per year, annual system disaster recovery drills, annual internal audits of information cycles, and audits by accountants.
  - (6) Information Security: One information security supervisor and information

security personnel are responsible for designing information security architecture, maintaining and monitoring information security, responding to and investigating information security incidents, and reviewing and revising information security policies, and the information security supervisor reports to the top management of the IT Center at least once a year.

- (II) Losses suffered as a result of major cyber security incidents, the possible impacts, and the response measures in the most recent year and up to the printing date of the annual report. If the loss cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated. No such situation.



## VII. Important Contracts

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Manufacturing Agreement	Group A	2008/10/1-present	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>
Supply Agreement	Group B	2017/9/8-present	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>
Manufacturing Agreement	Group E	2017/7/6-present	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Manufacturing Agreement	Group C	2018/11/1-present	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>
Manufacturing Agreement	Company F	Beginning on 2017/9/1	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>
Manufacturing Agreement	Group G	Beginning on 2018/9/1	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>
Footwear Manufacturing and Supply Agreement	Group H	2021/7/1-present	Manufacturing and supplying branded products	<ol style="list-style-type: none"> <li>1. Confidential information must not be disclosed or used by third parties</li> <li>2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party</li> </ol>

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Loan agreement	Taichung Branch, Mega International Commercial Bank	2022/8/22-2023/8/21	Short-term borrowing, TWD 400,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2022/7/26-2023/7/26	Short-term borrowing, TWD 390,000,000	-
Loan agreement	Taipei Fubon Bank, Fengyuan Branch	2022/11/25-2023/10/22	Short-term borrowing USD4,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2021/12/6-2024/12/6	Medium and long-term borrowing TWD340,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2020/12/24-2024/1/18	Medium and long-term borrowing TWD250,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2021/12/6-2024/12/6	Medium and long-term borrowing TWD188,000,000	-
Loan agreement	Ho Chi Minh Branch, Mega International Commercial Bank	2022/6/12-2023/6/11	Short-term borrowing USD5,000,000	-
Loan agreement	Ho Chi Minh Branch, Mega International Commercial Bank	2016/9/9-2023/9/8	Medium and long-term borrowing USD10,000,000	-
Loan agreement	Taipei Fubon Bank, Ho Chi Minh Branch	2022/10/23-2023/10/22	Short-term borrowing USD5,000,000	-
Loan agreement	Vietcombank	2022/5/17-2023/5/16	Short-term borrowing USD10,000,000	-
Loan agreement	Taipei Fubon Bank, Binh Duong Branch	2022/10/22-2023/10/23	Short-term borrowing USD3,500,000	-
Loan agreement	E. SUN BANK, Dong Nai Branch	2022/9/8-2023/9/7	Short-term borrowing USD6,000,000	-
Loan agreement	First Commercial Bank, Taichung Branch	2023/2/24-2024/2/24	Short-term borrowing NTD150,000,000	-
Loan agreement	Citibank, Taichung Branch	2022/7/14-2023/7/14	Short-term borrowing USD20,000,000	-
Loan agreement	Syndicated loan from seven banks, including Mega International Commercial Bank and E. SUN BANK	2021/12/29-2028/12/28	Medium and long-term borrowing USD250,000,000	-
Loan agreement	Citibank, Europe Branch	2022/11-2024/11	Medium and long-term borrowing EUR5,000,000	-

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Lease agreement	Spread Idea Co., Ltd.	2020/10/1-2024/8/31	Samoa Sports Gear Taiwan Branch Office	-
Lease agreement	Binh Duong Provincial Government	2000/8/31-2050/8/31	Chi Hung's land use rights	-
Lease agreement	Ministry of Natural Resources and Environment	2000/8/31-2050/8/31	Chi Hung's land use rights	-
Lease agreement	Binh Duong Provincial People's Committee	2000/8/31-2050/8/31	Chi Hung's land use rights	-
Lease agreement	Binh Duong Province Ministry of Natural Resources and Environment	2015/1/13-2050/8/31	Chi Hung's land use rights	-
Lease agreement	Ba Ria Vung Tau Province People's Committee	2005/1/28-2055/1/28	All Wells's land use rights	-
Lease agreement	TAING SRY UY and Chen Wei Chia	2022/1/1-2041/12/31	Can Sports Cambodia's land use rights	-
Lease agreement	TAING SRY UY and Chen Wei Chia	2019/1/1-2025/12/31	Can Sports Cambodia's land and plant	-
Lease agreement	TAING SRY UY and Chen Wei Chia	2019/6/1-2033/5/31	Can Sports Cambodia's plant	-
Lease agreement	TAING SRY UY	2019/6/1-2033/5/31	Can Sports Cambodia Office	-
Lease agreement	Tây Ninh Province People's Committee	2011/4/15-2061/4/15	Can Sports Vietnam Xining plant's land use rights	-
Lease agreement	Tây Ninh Province People's Committee	2016/1/07-2061/4/15	Can Sports Vietnam Xining plant's land use rights	-
Lease agreement	Tây Ninh Province People's Committee	2019/3/5-2061/4/15	Can Sports Vietnam Xining plant's land use rights	-
Lease agreement	LUC DUNG Co.,Ltd.	2018/1/1-2027/12/31	Can Sports Vietnam Japeng Factory	-
Lease agreement	Vietnam Ya Hu, LLC	2018/1/2-2033/1/1	Dai Hoa Vietnam's plant	-
Lease agreement	Thnn High Point Furniture Global (VN)	2018/1/2-2033/1/1	Dai Hoa Vietnam's plant	-
Lease agreement	Thnn High Point Furniture Global (VN)	2016/1/1-2030/12/31	Dai Hoa Vietnam's plant	-

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Lease contract	Tianna Industrial Park Development Union Co., Ltd., Bien Hoa City, Dong Nai Province	2018/1/1-2053/10/6	August Sports Vietnam's land use rights	-
Lease agreement	Myanmar Japan Thilawa Development Ltd.	2017/2/10-2067/2/9	Land on which Sports Gear (Myanmar) expects to build a plant	-
Lease agreement	PT Surya Lestari Mandiri	2022/12/1-2023/11/30 (Short-term lease)	PT Can Sports Industrial Indonesia Office	-
Lease agreement	Christa Lange	2022/03/01-2032/02/28	FiL office lease	
Management and Administrative Services Agreement	Techlasts,S.A.	2020/01/02-Present	SGP factory lease	-

## Chapter VI. Financial overview

- I. Condensed financial information for the most recent five years
- (I) Condensed profit and loss statement and statement of comprehensive income
1. Concise Consolidated Balance Sheet-International Financial Reporting Standards

Unit: Thousand NTD

Item	Year	Financial information for the most recent five years					Up to Up to March 31, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current assets		11,119,813	11,442,911	10,538,173	11,198,648	13,833,907	-
Property, plant, and equipment		3,995,819	4,134,722	3,686,510	3,802,750	4,682,878	-
Right-of-use asset		-	1,923,757	1,768,029	1,183,934	1,244,724	-
Intangible assets		24,831	27,060	12,652	29,400	35,558	-
Other assets		748,961	331,650	289,503	262,458	244,650	-
Total assets		15,889,424	17,860,100	16,294,867	16,477,190	20,041,717	-
Current liabilities	Before distribution	3,909,361	4,339,103	3,777,034	3,095,687	4,244,992	-
	After distribution	4,606,403	4,687,625	4,365,170	3,781,848	(Note 2)	-
Non-current liabilities		1,021,722	2,368,133	1,735,825	1,325,345	1,656,758	-
Total liabilities	Before distribution	4,931,083	6,707,236	5,512,859	4,421,032	5,901,750	-
	After distribution	5,628,125	7,055,758	6,100,995	5,107,193	(Note 2)	-
Equity attributable to parent company shareholders		10,958,341	11,152,864	10,782,008	12,056,296	14,146,543	-
Share capital (Note 1)		1,742,606	1,742,606	1,742,606	1,960,456	1,960,456	-
Capital surplus	Before distribu	7,667,935	7,667,935	7,493,674	8,444,311	7,954,196	-

	tion						
	After distribu tion	7,667,935	7,493,674	7,199,606	7,954,196	(Note 2)	-
Retained earnings (not yet made up for losses)	Before distribu tion	1,509,128	1,860,672	2,095,518	2,446,384	4,058,430	-
	After distribu tion	812,086	1,686,411	1,801,450	2,250,338	(Note 2)	-
Other rights		38,672	(118,349)	(549,790)	(794,855)	173,461	-
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	(138)	(6,576)	-
Total equity	Before distribu tion	10,958,341	11,152,864	10,782,008	12,056,158	14,139,967	-
	After distribu tion	10,261,299	10,804,342	10,193,872	11,369,997	(Note 2)	-

Note: Consolidated financial statements for 2018–2021 verified by an accountant.

Note 1: On December 24, 2018, the shareholders' meeting of the Company resolved to change the face value of common shares from US\$1 to NT\$10 per share.

Note 2: On March 9, 2023, the Company's Board Of Directors resolved to distribute a cash dividend of NT\$5 per share (the profit distribution is subject to the resolution of the annual shareholders' meeting to be held on May 30, 2023).

Note 3: No consolidated financial statement had been reviewed by an accountant by the publication of the annual report.

## 2. Condensed Consolidated Statement of Comprehensive Income-International Financial Reporting Standards (IFRS)

Unit: Except for EPS, which is in NT\$, the rest is in thous

and NT\$

Item \ Year	Financial information for the most recent five years (Note 1)					
	2018	2019	2020	2021	2022	Up to March 31, 2023 (Note 2)
Operating revenue	17,318,360	17,208,037	13,514,535	12,335,924	18,524,986	-
Gross profit	3,822,174	3,705,062	2,509,509	2,434,574	4,284,342	-
Operating profit and loss	1,919,568	1,609,061	789,718	795,545	2,253,074	-
Non-operating revenue and expenses	(33,865)	(154,558)	(208,031)	68,361	110,823	-
Net profit (loss) before tax	1,885,703	1,454,503	581,687	863,906	2,363,897	-

Continuing business unit						
Net profit (loss) for the period	1,409,226	1,048,586	409,107	646,190	1,802,024	-
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	1,409,226	1,048,586	409,107	646,190	1,802,024	-
Other comprehensive income (Net income after tax)	231,134	(157,021)	(431,441)	(245,073)	967,946	-
Total comprehensive income for the current period	1,640,360	891,565	(22,334)	401,117	2,769,970	-
Net profit (loss) attributable to parent company	1,409,226	1,048,586	409,107	647,299	1,8080,092	-
Net profit (loss) attributable to non-controlling interests	-	-	-	(1,109)	(6,068)	-
Total comprehensive profit and loss attributable to the operators of the parent company	1,640,360	891,565	(22,334)	402,234	2,776,408	-
Total comprehensive profit and loss attributable to non-controlling interests	-	-	-	(1,117)	(6,438)	-
Earnings per share	8.09	6.02	2.35	3.42	9.22	-

Note 1: Consolidated financial statements for 2018–2022 verified by an accountant.

Note 2: No consolidated financial statement had been reviewed by an accountant by the publication of the annual report.



(II) Important matters that affect the consistency comparison of the above-mentioned concise financial statements, such as accountant changes, company mergers, or business department shutdowns, as well as their occurrence's affect on the financial statements of the current year: No such situation.

(III) Names and audit opinions of CPAs in the most recent five years

1. The names of the CPAs in the most recent five years and their audit opinions

Year	Name of the accounting firm	Names of the CPAs	Auditing opinions
2018	Deloitte Taiwan	Amy Chiang, Rock Tseng	Unqualified opinion
2019	Deloitte Taiwan	Amy Chiang, Rock Tseng	Unqualified opinion
2020	Deloitte Taiwan	Amy Chiang, Rock Tseng	Unqualified opinion
2021	Deloitte Taiwan	Amy Chiang, James Wu	Unqualified opinion
2022	Deloitte Taiwan	Amy Chiang, James Wu	Unqualified opinion

Note: The Company is a foreign issuing company, and thus, according to regulations, it may only present consolidated financial reports that have been verified and certified by accountants for the most recent three years.

2. If there is a change of accountant in the most recent five years, the reasons for the change should be given by the Company and the previous and successor accountants: The Company originally appointed Amy Chiang and Rock Tseng of Deloitte Taiwan as its CPAs. In 2021, the CPAs were Amy Chiang and James Wu owing to the internal rotation of Deloitte Taiwan.

3. If the audit has been performed by the same CPA for the last seven consecutive years, the reasons for not changing the CPA, the current independence of the CPA, and the specific measures taken by the issuing company to strengthen the independence of the CPA should be given: No such situation.

## II. Financial analysis

(I) Annual Financial Analysis for the Most Recent Five Years-International Financial Reporting Standards (Consolidated)

Analysis items		Annual Financial Analysis for the Most Recent Five Years (Notes 1 and 3)					
		2018	2019	2020	2021	2022	Up to March 31, 2023
Financial structure (%)	Ratio of liabilities to assets	31.03	37.55	33.83	26.83	29.45	(Note 4)
	Ratio of long-term capital to real estate properties, plants, and	299.81	327.01	339.56	351.89	337.33	(Note 4)

	equipment						
Liquidity (%)	Current ratio	284.44	263.72	279.01	361.75	325.89	(Note 4)
	Quick ratio	241.36	212.98	234.52	311.71	283.06	(Note 4)
	Interest protection multiples	33.46	11.63	6.05	11.86	32.68	(Note 4)
Operating ability	Receivables turnover (times)	5.23	5.56	5.28	5.72	7.24	(Note 4)
	Average collection period	70	66	70	64	51	(Note 4)
	Inventory turnover (times)	7.22	6.95	5.67	6.05	7.07	(Note 4)
	Payables turnover (times)	7.70	7.43	6.87	7.23	9.66	(Note 4)
	Average days in sales	51	53	65	61	52	(Note 4)
	Property, plant, and equipment Turnover (times)	4.62	4.23	3.46	3.29	4.37	(Note 4)
	Total assets turnover (times)	1.18	1.02	0.79	0.75	1.01	(Note 4)
Profitability	ROA (%)	9.93	6.86	2.94	4.33	10.20	-
	ROE (%)	13.78	9.48	3.73	5.66	13.76	-
	Pre-tax profit to paid-in capital ratio(%)	108.21	83.47	33.38	44.07	120.58	-
	Net profit margin (%)	8.14	6.09	3.03	5.24	9.73	-
	Earnings per share (NTD) (Note 2)	8.09	6.02	2.35	3.42	9.22	-
Cash flow	Cash flow ratio(%)	61.30	57.00	33.39	71.4	28.62	-
	Cash flow adequacy ratio(%)	(Note 3)	(Note 3)	(Note 3)	145.07	122.38	-
	Cash reinvestment ratio(%)	14.09	9.95	5.29	8.7	2.40	-
Leverage	Operational leverage	1.37	1.54	2.18	1.97	1.34	-
	Financial leverage	1.03	1.09	1.17	1.11	1.03	-

Explanation of changes in various financial ratios in the last two years that have increased or decreased by 20%:

1. Mainly due to the slowdown of the epidemic in 2022, the recovery of the European and American economies, and product portfolio optimization and other synergistic effects, improvement of various performances and the increase of the overall profit, so the relevant interest coverage ratio, ROA ROE, ratio of pre-tax net profit to paid-in capital, net profit ratio, EPS, and operating leverage ratio in the two periods have all reached more than 20%.
2. The turnover rate of accounts receivable, the average number of days for cash collection, the turnover rate of property, plant, and equipment, and the turnover rate of total assets all changed by more than 20% in 2022 compared to 2021, mainly due to the increase in net sales compared with the previous year.
3. Payable turnover increased by 33.6% in 2022 compared with 2021, mainly due to the increase in sales in 2022 and the corresponding increase in cost of goods sold.
4. The cash flow ratio and cash reinvestment ratio were lower in 2022 than in 2021, mainly due to the decrease in net cash flow from operating activities in 2022.

Note 1: The 2018–2022 annual financial analysis ratio information is based on the consolidated financial reports verified by an accountant.

Note 2: Refers to basic earnings per share.

Note 3: The Company is a foreign issuing company. According to regulations, only the consolidated financial reports of the most recent three years that have been verified and certified by accountants are listed. Since there is no relevant information on net cash flow from operating activities and capital expenditure in the most recent five years, it is not included in the calculation.

Note 4: No consolidated financial statement had been reviewed by an accountant by the publication of the annual report for 2023.

Note 5: The formulas used to make calculations in this table are as follows:

1. Financial structure:

- (1) Ratio of liabilities to assets = Total liabilities/Total assets
- (2) Ratio of long-term capital to real estate properties, factories, and equipment=(Total equity+Non-current liabilities)/net amount of real estate properties, factories, and equipment

2. Liquidity:

- (1) Current ratio=Current assets/Current liabilities
- (2) Quick Ratio=(Current assets-Inventories-Prepaid expenses)/Current liabilities
- (3) Interest Protection Multiples= PBIT/Interest expenses for this period

3. Operating ability:

- (1) Receivables turnover (including accounts receivable and notes receivable generated from operation) = net sales/remaining sum of average receivables (including accounts payable and notes payable generated from operation) for every period
- (2) Average collection period = 365/receivables turnover
- (3) Inventory turnover = cost of sales/average inventory
- (4) Payables turnover (including accounts payable and notes payable generated from operation) = cost of sales/remaining sum of average payables (including accounts payable and notes payable generated from operation) for every period
- (5) Average days in sales = 365/Inventory turnover
- (6) Turnover of real estate properties, factories, and equipment = net sales/average net amount of real estate properties, factories, and equipment
- (7) Total assets turnover = net sales/average total assets

4. Profitability:

- (1) ROA = [income after tax + interest expense x (1-tax rate)]/average total assets
- (2) ROE = income after tax/net average equity
- (3) Net profit ratio = income after tax/net sales
- (4) EPS = (income belonging to parent company - stock dividend of preferred stocks)/weighted average number of issued shares

5. Cash flow:

- (1) Cash flow ratio = net cash flow of operating activities/current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the most recent five years/(capital expenditure + inventory increase + cash dividends) for the most recent five years
- (3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends) / (gross real estate, plant and equipment + long-term investment + other non-current assets + working capital)

6. Leverage:

- (1) Operating leverage = (net operating income - current operating cost and expense)/operating profit
- (2) Financial leverage = operating profit/(operating profit - interest expense)

III. Audit Committee Review Report of the Most Recent Financial Report

審計委員會查核報告書

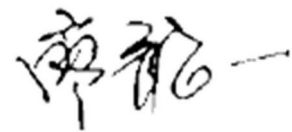
董事會造具本公司民國111年度營業報告書、財務報表及盈餘分派表，其中財務報表業經委託勤業眾信聯合會計師事務所蔣淑菁會計師及吳少君會計師查核完竣，並出具查核報告。

上述營業報告書、財務報表及盈餘分派表經本審計委員會查核，認為尚無不合，爰依證券交易法及公司法之相關規定報告如上，敬請鑒核。

此致

志強國際企業股份有限公司民國 112 年股東常會

審計委員會召集人 廖龍一



民 國 1 1 2 年 3 月 0 9 日

Sports Gear Co., Ltd. and Subsidiaries

Consolidated Financial Statements  
for the Years Ended December 31,  
2022 and 2021 and Independent  
Auditors' Report

Add. : The Grand Pavilion Commercial Centre,  
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Cayman Island.

Tel. : 04-22585388

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## Independent Auditor's Report

The Board of Directors and Shareholders  
Sports Gear Co., Ltd.

### Opinions

We have audited the accompanying consolidated financial statements of Sports Gear Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022, and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the 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, 2022, and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 ("ROC").

### 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 report. 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 these 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 judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022, is as follows:

Inventory valuation

As of the date of the balance sheet, the Group's inventory was NT\$1,817,958 thousand, which is significant to the overall consolidated financial statements. Inventories are stated at the lower of cost or net realizable value. As the determination of the net realizable value and estimation of the consumption of inventory based on aging is involved with subjective estimation and judgment, inventory valuation was identified as a key audit matter. Refer to Notes 4, 5, and 8 to the consolidated financial statements for accounting policies and disclosures related to inventory.

Our main audit procedures performed in respect of the key audit matter were as follows:

1. We understood and assessed the risks related to the design and implementation of internal control and the assessment of the net realizable value of inventories.
2. We assessed the reasonableness of management's accounting policies for estimating the net realizable value of inventories.
3. We obtained the assessment data of the net realizable value of inventories from the management. We also checked and re-calculated to confirm the correctness of the net realizable value of inventories and the provision of impairment losses.

**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 Reports 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 concerned and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations 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 objectives are 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 statements.



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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, 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 conclusions 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 and appropriate audit evidence regarding the financial information of 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 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 reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, 2022 and are therefore the key 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.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Chin, Chiang, and Shao-Chun, Wu.

March 9th, 2023.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

CODE	ASSETS	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Note 6)	\$ 5,566,630	28	\$ 6,041,954	37
1170	Accounts receivable, net (Note 7)	3,351,556	17	1,764,362	11
1200	Other receivables (Note 22)	54,126	-	34,589	-
1220	Current tax assets (Note 18)	30,018	-	53,380	-
130X	Inventories (Note 8)	1,817,958	9	1,548,998	9
1476	Other financial assets - current (Notes 6 and 23)	2,074,839	10	1,179,429	7
1479	Other current assets	938,780	5	575,936	4
11XX	Total current assets	<u>13,833,907</u>	<u>69</u>	<u>11,198,648</u>	<u>68</u>
	<b>NON-CURRENT ASSETS</b>				
1600	Property, plant, and equipment (Notes 10 and 23)	4,682,878	23	3,802,750	23
1755	Right-of-use assets (Note 11)	1,244,724	6	1,183,934	7
1780	Intangible assets	35,558	-	29,400	-
1840	Deferred income tax assets (Note 18)	103,260	1	46,501	-
1920	Refundable deposits	54,185	-	48,759	1
1980	Other financial assets - non-current (Notes 6 and 23)	11,827	-	93,924	1
1990	Other non-current assets	75,378	1	73,274	-
15XX	Total non-current assets	<u>6,207,810</u>	<u>31</u>	<u>5,278,542</u>	<u>32</u>
1XXX	<b>TOTAL</b>	<u>\$20,041,717</u>	<u>100</u>	<u>\$16,477,190</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term bank loans (Notes 12 and 23)	\$ 780,597	4	\$ 406,156	3
2150	Note payables	4,565	-	618	-
2170	Account payables	1,612,956	8	1,329,468	8
2200	Other payables (Notes 13 and 22)	977,682	5	755,195	5
2230	Current tax liabilities (Note 18)	593,046	3	313,856	2
2280	Lease liabilities-current (Notes 11 and 22)	88,326	-	70,942	-
2320	Current portion of long-term bank loans (Notes 12 and 23)	174,417	1	210,883	1
2399	Other current liabilities	13,403	-	8,569	-
21XX	Total current liabilities	<u>4,244,992</u>	<u>21</u>	<u>3,095,687</u>	<u>19</u>
	<b>NON-CURRENT LIABILITIES</b>				
2541	Long-term bank loans (Notes 12 and 23)	861,611	4	530,079	3
2560	Current tax liabilities - non-current (Note 18)	51,747	-	86,371	1
2570	Deferred tax liabilities (Note 18)	869	-	12,723	-
2580	Lease liabilities - non-current (Notes 11 and 22)	742,531	4	696,172	4
25XX	Total non-current liabilities	<u>1,656,758</u>	<u>8</u>	<u>1,325,345</u>	<u>8</u>
2XXX	Total liabilities	<u>5,901,750</u>	<u>29</u>	<u>4,421,032</u>	<u>27</u>
	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
3110	Share capital	1,960,456	10	1,960,456	12
3211	Capital surplus	7,954,196	40	8,444,311	51
	Retained earnings				
3310	Legal reserve	210,263	1	145,770	1
3320	Special reserve	794,855	4	549,790	3
3350	Unappropriated earnings	3,053,312	15	1,750,824	11
3400	Other equity	173,461	1	(794,855)	(5)
31XX	Total equity attributable to owners of the Company	<u>14,146,543</u>	<u>71</u>	<u>12,056,296</u>	<u>73</u>
36XX	Non-controlling interests	(6,576)	-	(138)	-
3XXX	Total equity	<u>14,139,967</u>	<u>71</u>	<u>12,056,158</u>	<u>73</u>
	<b>TOTAL</b>	<u>\$20,041,717</u>	<u>100</u>	<u>\$16,477,190</u>	<u>100</u>

The accompanying note is an integral part of the consolidated financial statements.

Chairman: Wei-Chia Chen    Manager: Wei-Chia Chen    Accounting Supervisor: Vincent Kang

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

CODE		2022		2021	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 16 and 22)	\$ 18,524,986	100	\$ 12,335,924	100
5000	OPERATING COSTS (Notes 8 and 17)	<u>14,240,644</u>	<u>77</u>	<u>9,901,350</u>	<u>80</u>
5900	GROSS PROFIT	<u>4,284,342</u>	<u>23</u>	<u>2,434,574</u>	<u>20</u>
	OPERATING EXPENSES (Notes 17 and 22)				
6100	Selling and marketing expenses	369,522	2	270,022	2
6200	General and administrative expenses	1,279,005	7	1,068,182	9
6300	Research and development expenses	381,738	2	300,856	3
6450	Expected credit losses (reversal gains)	<u>1,003</u>	<u>-</u>	<u>( 31 )</u>	<u>-</u>
6000	Total operating expenses	<u>2,031,268</u>	<u>11</u>	<u>1,639,029</u>	<u>14</u>
6900	PROFIT FROM OPERATIONS	<u>2,253,074</u>	<u>12</u>	<u>795,545</u>	<u>6</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 17 and 22)				
7010	Other income	25,722	-	15,375	-
7020	Other gains and losses	59,778	-	69,402	1
7050	Finance costs	( 74,614 )	-	( 79,555 )	( 1 )
7100	Interest income	<u>99,937</u>	<u>1</u>	<u>63,139</u>	<u>1</u>
7000	Total non-operating income and expenses	<u>110,823</u>	<u>1</u>	<u>68,361</u>	<u>1</u>
7900	PROFIT BEFORE INCOME	2,363,897	13	863,906	7
7950	INCOME TAX EXPENSE (Note 18)	<u>561,873</u>	<u>3</u>	<u>217,716</u>	<u>2</u>
8200	NET PROFIT FOR THE YEAR	<u>1,802,024</u>	<u>10</u>	<u>646,190</u>	<u>5</u>

(Continued)

(Continued)

CODE		2022		2021	
		Amount	%	Amount	%
	OTHER COMPREHENSIVE INCOME (LOSS)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Exchange difference of translation to the presentation currency	\$ 1,329,485	7	(\$ 333,806)	( 3)
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences in translating the financial statements of foreign operations	( 361,539)	( 2)	88,733	1
8300	Other comprehensive income (loss)	967,946	5	( 245,073)	( 2)
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,769,970</u>	<u>15</u>	<u>\$ 401,117</u>	<u>3</u>
	Net profit attributable to:				
8610	Owners of the Company	1,808,092	10	\$ 647,299	5
8620	Non-controlling interest	( 6,068)	-	( 1,109)	-
8600		<u>\$ 1,802,024</u>	<u>10</u>	<u>\$ 646,190</u>	<u>5</u>
	Comprehensive income attributable to:				
8710	Owners of the Company	2,776,408	15	\$ 402,234	3
8720	Non-controlling interest	( 6,438)	-	( 1,117)	-
8700		<u>\$ 2,769,970</u>	<u>15</u>	<u>\$ 401,117</u>	<u>3</u>
	EARNINGS PER SHARE (Note 19)				
9750	Basic	<u>\$ 9.22</u>		<u>\$ 3.42</u>	
9850	Dilution	<u>\$ 9.17</u>		<u>\$ 3.41</u>	

The accompanying note is an integral part of the consolidated financial statements.

Chairman: Wei-Chia Chen    Manager: Wei-Chia Chen    Accounting Supervisor: Vincent Kang

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Company (Note 15)

C O D E		Retained Earnings					Other Equity	Total	Non-controlling Interests (Note 9)	Total Equity
		Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Note 9)	Exchange differences in translation of the financial statements of foreign operations			
A1	Balance on January 1, 2021	\$ 1,742,606	\$ 7,493,674	\$ 104,859	\$ 118,349	\$ 1,872,310	(\$ 549,790)	\$ 10,782,008	\$ -	\$ 10,782,008
	Appropriation of 2020 earnings									
B1	Legal Reserve	-	-	40,911	-	(40,911)	-	-	-	-
B3	Special Reserve	-	-	-	431,441	(431,441)	-	-	-	-
B5	Cash dividends distributed by the Company	-	(294,068)	-	-	(294,068)	-	(588,136)	-	(588,136)
D1	Net profit for the year ended December 31, 2021	-	-	-	-	647,299	-	647,299	(1,109)	646,190
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(245,065)	(245,065)	(8)	(245,073)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	647,299	(245,065)	402,234	(1,117)	401,117
E1	Issuance of ordinary shares for cash	217,850	1,224,644	-	-	-	-	1,442,494	-	1,442,494
N1	Issuance of ordinary shares under employee share options	-	20,061	-	-	-	-	20,061	-	20,061
M7	Changes in the percentage of ownership interests in subsidiaries	-	-	-	-	(2,365)	-	(2,365)	2,365	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	(1,386)	(1,386)
Z1	Balance at December 31, 2021	1,960,456	8,444,311	145,770	549,790	1,750,824	(794,855)	12,056,296	(138)	12,056,158
	Appropriation of 2021 earnings									
B1	Legal Reserve	-	-	64,493	-	(64,493)	-	-	-	-
B3	Special Reserve	-	-	-	245,065	(245,065)	-	-	-	-
B5	Cash dividends distributed by the Company	-	(490,115)	-	-	(196,046)	-	(686,161)	-	(686,161)
D1	Net profit for the year ended December 31, 2022	-	-	-	-	1,808,092	-	1,808,092	(6,068)	1,802,024
D3	Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	968,316	968,316	(370)	967,946
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	1,808,092	968,316	2,776,408	(6,438)	2,769,970
Z1	Balance at December 31, 2022	\$ 1,960,456	\$ 7,954,196	\$ 210,263	\$ 794,855	\$ 3,053,312	\$ 173,461	\$ 14,146,543	(\$ 6,576)	\$ 14,139,967

The accompanying note is an integral part of the consolidated financial statements.  
Accounting Supervisor: Vincent Kang

Chairman: Wei-Chia Chen    Manager: Wei-Chia Chen

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

CODE		2022	2021
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 2,363,897	\$ 863,906
A20010	Adjustments for:		
A20100	Depreciation expenses	746,855	757,329
A20200	Amortization expenses	7,998	10,895
A20300	Expected credit losses (reversal gains)	1,003	( 31 )
A20900	Interest expenses	74,614	79,555
A21200	Interest income	( 99,937 )	( 63,139 )
A21900	Compensation cost of employee share options	-	20,061
A22500	Losses (gains) on disposal of property, plant, and equipment	13,952	( 2,159 )
A23800	Impairment gains on non-financial assets	( 4,663 )	( 23,882 )
A24100	Net losses on foreign currency exchange	60,837	23,353
A29900	Profit from lease modification	( 76 )	( 39,133 )
A30000	Changes in operating assets and liabilities		
A31150	Accounts receivable	( 1,410,991 )	795,339
A31180	Other accounts receivable	10,222	( 1,373 )
A31200	Inventories	( 131,526 )	142,376
A31240	Other current assets	( 354,538 )	( 178,435 )
A32150	Accounts payable	176,494	( 71,155 )
A32180	Other payables	151,719	68,704
A32230	Other current liabilities	3,861	4,340
A33000	Cash generated from operations	1,609,721	2,386,551
A33100	Interest received	73,013	47,146
A33300	Interest paid	( 72,639 )	( 79,657 )
A33500	Income tax paid	( 395,316 )	( 143,635 )
AAAA	Net cash generated from operating activities	<u>1,214,779</u>	<u>2,210,405</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
B02200	Acquisition of subsidiaries	-	( 6,336 )
B02700	Acquisition of property, plant, and equipment	( 1,231,989 )	( 707,186 )
B02800	Proceeds from disposal of property, plant, and equipment	11,006	17,349
B03700	Decrease (increase) in refundable deposits	( 627 )	23,610
B04500	Acquisition of intangible assets	( 14,781 )	( 7,850 )

(Continued)

(Continued)

<u>C o d e</u>		<u>2022</u>	<u>2021</u>
B05350	Acquisition of use-of-right assets	\$ -	(\$ 28,528)
B06500	Increase in other financial assets	( 682,806)	( 260,952)
B06800	Decrease (increase) in other non-current assets	<u>9,570</u>	<u>( 79,986)</u>
BBBB	Net cash used in investing activities	<u>( 1,909,627)</u>	<u>( 1,049,879)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term bank loans	2,301,747	3,711,215
C00200	Decrease in short-term bank loans	( 1,959,418)	( 4,139,437)
C01600	Proceeds from long-term bank loans	1,590,755	250,000
C01700	Repayments of long-term bank loans	( 1,332,399)	( 389,313)
C04020	Repayment of the principal portion of lease liabilities	( 77,595)	( 83,370)
C04500	Dividends paid to owners of the Company	( 686,161)	( 588,136)
C04600	Proceeds from issuance of ordinary shares	<u>-</u>	<u>1,442,494</u>
CCCC	Net cash from (used in) financing activities	<u>( 163,071)</u>	<u>203,453</u>
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>382,595</u>	<u>( 223,424)</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>( 475,324)</u>	<u>1,140,555</u>
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,041,954</u>	<u>4,901,399</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,566,630</u>	<u>\$ 6,041,954</u>

The accompanying note is an integral part of the consolidated financial statements.

Chairman: Wei-Chia Chen    Manager: Wei-Chia Chen    Accounting Supervisor: Vincent Kang



SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. COMPANY HISTORY

Sports Gear Co., Ltd. (the "Company") was established in the British Cayman Islands on March 28, 2017, mainly for organization structure reengineering of applying for the listing to the Taiwan Stock Exchange Corporation. On December 27, 2017, the Company completed the reorganization with Insport International Co., Ltd. (hereinafter referred to as "Insport") by exchanging shares and became the ultimate holding company.

The above-mentioned exchanging shares is a reorganization under common control. The Company is a continuation of Insport. It is regarded as a merger from the beginning and the preparation of financial statements for the comparison period is not limited by the date of establishment.

The company and its subsidiaries (collectively as the "Group") are mainly engaged in the manufacture and sales of various sports shoes and supplies.

The company's shares have been listed and traded on the TWSE since April 2021.

The functional currency is the US dollar. As the Company is listed on TWSE, to enhance the comparability and consistency of financial statements, the consolidated financial statements are presented in the New Taiwan dollar.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 9, 2023.

3. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS ADOPTED:

- (1) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The initial application of the IFRSs endorsed and issued into effect by the FSC would not have a significant effect on the Group's accounting policies.

- (2) IFRSs endorsed by the Financial Supervisory Commission (FSC) with an effective date starting 2023

New, Amended, or Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies“	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates“	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date of issuance of the consolidated financial report, the amendments to other standards and interpretations for the evaluation of the Group will not have a significant impact on the financial position and financial performance.

- (3) The IFRSs issued by IASB in issue but not yet endorsed and issued into effect by the FSC

New, Amended, or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 16 “Lease liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of the initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### (2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### (3) Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

##### (4) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-company transactions, balances, income, and expenses are eliminated in full upon consolidation. The total

comprehensive income of subsidiaries is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Note 9 and Table 7 for detailed information, percentage of ownership, and main businesses of subsidiaries.

(5) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation measured at the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

(6) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the year.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

For the purposes of presenting consolidated financial statements, the assets, and liabilities of the Group and its foreign operations (including subsidiaries in other countries that use currencies different

from the Company) are translated into the New Taiwan dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange difference arising from the conversion of a functional currency into a presentation currency is not subsequently reclassified to profit or loss.

(7) Inventories

Inventories consist of raw materials, supplies, work-in-progress, and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average costs on the balance sheet date.

(8) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant, and equipment in the course of construction are measured at cost less any recognized impairment loss. Costs include professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified into the appropriate categories of property, plant, and equipment when completed and ready for their intended uses.

Depreciation on property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values, and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant, and equipment, the difference between the sales proceeds and the carrying amount of the asset, and is recognized in profit or loss.

(9) Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less the accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the

current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro-rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(10) Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss.

3. Derecognition of intangible assets

Gains or losses from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(11) Impairment of property, plant and equipment, right-of-use asset, and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-

generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount

of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (less amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

(12) Financial instruments

Financial assets and financial liabilities are recognized in balance sheets when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost: :

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at the amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable (net), and other receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for: :

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- b. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Credit-impaired financial assets refer to the issuer or the borrower having significant financial difficulties, breach of contract, the borrower will enter bankruptcy or undergoing a financial reorganization, or the active market of financial assets disappearing due to financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month



ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- a. Internal or external information shows that the debtor is unlikely to pay its creditors.
- b. When a financial asset is more than 1 day past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

C. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

A. Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

B. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(13) Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized as revenue when the goods are delivered to the customers' specified location or when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and bears the risks of obsolescence. Sales revenue and accounts receivables are recognized at the point in time.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### (14) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains a lease.

##### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

##### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted to applying for a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(15) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(16) Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for services rendered by employees.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

(17) Employee share options

Employee share options granted to employees are measured at the fair value at the grant date. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately. The grant date is the date that employees and the Group have a shared understanding of the terms and conditions of the share-based payment arrangements.

At each balance sheet date, the Group reviews its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

(18) Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding

tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that taxable profits will probably be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and, probably, the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through a sale.

### 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 13,732	\$ 18,337
Checking accounts and demand deposits	4,530,728	5,253,274
Time deposits	<u>3,108,836</u>	<u>2,043,696</u>
	7,653,296	7,315,307
Less: Pledge time deposits	( 12,307)	( 10,563)
Time deposits with original maturities of less than 3 months	( 1,987,000)	( 1,262,790)
Restricted bank deposit	<u>( 87,359)</u>	<u>-</u>
	<u>\$ 5,566,630</u>	<u>\$ 6,041,954</u>

The restricted bank deposits, term time deposits and pledge time deposits with original maturities of more than 3 months are listed under other financial assets - current and non-current items. The restricted bank deposits refer to the amount of disbursed loans under the syndicated loans contract (as stated in Note 12) while information on other pledged assets can be found in Note 23.

The market interest rate range for bank deposits as of the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.01%-1.9%	0.0005%-1.9%
Time deposits	0.3%-7.2%	0.05%-5.35%

## 7. ACCOUNTS NET RECEIVABLES, NET

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivables	\$ 3,352,649	\$ 1,764,423
Less: Allowance for impairment loss	( <u>1,093</u> )	( <u>61</u> )
	<u>\$ 3,351,556</u>	<u>\$ 1,764,362</u>

The average credit period for the sale of goods was 30-75 days. No interest was charged on accounts receivables. The Group uses other publicly available financial information or its trading records to rate its customers. The Group set up the decision of dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults. To minimize credit risk, the management of the Group has been delegated for determining credit limits, credit approvals, and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivables. The expected credit loss on trade receivables is based on the past default experience and the current financial position of the debtor, the economic situation of the industry, as well as the GDP forecast, and the industry outlook. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the customer groups are not further differentiated, and the expected credit loss rate is determined only by the overdue days of receivables.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables of the Group:

		Past Due 1 to 90 days	Past Due 91 to 180 days	Past Due over 181 days	Total
<u>December 31, 2022</u>	<u>Not Past Due</u>				
Expected credit loss rate	0%	1%	20%	100%	
Gross carrying amount	\$ 3,267,731	\$ 83,637	\$ 1,281	\$ -	\$ 3,352,649
Loss allowance (Lifetime ECL)	<u>-</u>	( <u>837</u> )	( <u>256</u> )	<u>-</u>	( <u>1,093</u> )
Amortized cost	<u>\$ 3,267,731</u>	<u>\$ 82,800</u>	<u>\$ 1,025</u>	<u>\$ -</u>	<u>\$ 3,351,556</u>
<u>December 31, 2021</u>					
Expected credit loss rate	0%	1%	20%	100%	
Gross carrying amount	\$ 1,761,807	\$ 2,580	\$ 1	\$ 35	\$ 1,764,423
Loss allowance (Lifetime ECL)	<u>-</u>	( <u>26</u> )	<u>-</u>	( <u>35</u> )	( <u>61</u> )
Amortized cost	<u>\$ 1,761,807</u>	<u>\$ 2,554</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,764,362</u>

The movements of the loss allowance of accounts receivables were as follows:

	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 61	\$ 79
Acquired in a business combination (Note 9)	-	13
Net remeasurement of loss allowance (reversal gains)	1,003	( 31)
Foreign exchange gains and losses	<u>29</u>	<u>-</u>
Balance at December 31	<u>\$ 1,093</u>	<u>\$ 61</u>

#### 8. INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Finished goods	\$ 773,519	\$ 408,522
Work in progress	348,274	374,638
Raw materials and supplies	<u>696,165</u>	<u>765,838</u>
	<u>\$ 1,817,958</u>	<u>\$ 1,548,998</u>

The nature of the cost of goods sold is as follows:

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$14,196,908	\$ 9,459,271
Losses on inventory valuation loss (gains recoveries) (1)	( 4,663)	( 23,882)
Unallocated production overheads (2)	39,018	475,840
Others	<u>9,381</u>	<u>( 9,879)</u>
	<u>\$ 14,240,644</u>	<u>\$ 9,901,350</u>

- (1) The rise in the net realizable value of inventories was due to the destocking of inventories.
- (2) The unallocated production overheads in 2021 include the costs related to the fact that the actual production is lower than the normal production due to the COVID-19 epidemic.

#### 9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were summarized as follows:

<u>Investor</u>	<u>Investee</u>	<u>Nature of Activities</u>	<u>Proportion of Ownership</u>		<u>Remark</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
The Company	Sports Gear Co., Ltd. (Samoa) ("SPG (Samoa) ")	Sporting goods trading and international investment	100%	100%	
	Elephant Step Co., Ltd. ("Elephant")	International investment	100%	100%	
	Fongyuan International Co., Ltd. ("Fongyuan")	International investment	100%	100%	
	All Wells International Co., Ltd. ("All Wells")	International investment	100%	100%	

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(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			2022 December 31	2021 December 31	
SPG (Samoa)	Silk Invest International Co., Ltd. ("Silk Invest ")	Investment and real estate development, rental, and sales	100%	100%	
Elephant	Can Sports Vietnam Co., Ltd. ("VG")	Manufacturing, processing and trading of sporting goods	100%	100%	
	PT Can Sports Industrial Indonesia ("SPG Indonesia")	Manufacturing, processing and trading of sporting goods	90%	90%	
	SGP-Sports Gear Portugal, S.A. ("SGP")	Research center for sporting goods	2.78%	6.25%	Note 1
Fongyuan	All Wells International Co., Ltd. ("AW")	Manufacturing, processing and trading of sporting goods	90%	90%	
	SPG Indonesia	Manufacturing, processing and trading of sporting goods	10%	10%	
All Wells	Chi Hung Co., Ltd. ("SPG")	Manufacturing, processing and trading of sporting goods	100%	100%	
	Dai Hoa Co., Ltd. ("DH")	Manufacturing, processing and trading of sporting goods	100%	100%	
	AW	Manufacturing, processing and trading of sporting goods	10%	10%	
	Fireman Factory Co., Ltd. ("Fireman")	Manufacturing, processing and trading of sporting goods	100%	100%	Note 3
	Can Sports Shoes Co., Ltd. ("SGC")	Manufacturing, processing and trading of sporting goods	100%	100%	
	Sports Gear (Myanmar) Co., Ltd. ("SPG Myanmar")	Manufacturing, processing and trading of sporting goods	100%	100%	
	August Sports Co., Ltd. ("ASP")	Manufacturing, processing and trading of sporting goods	100%	100%	
Silk Invest	SGP	Research center for sporting goods	97.22%	93.75%	Note 1
	Footwear Innovation Lab GmbH ("FIL")	Manufacturing, processing and trading of sporting goods	87.45%	87.45%	Note 2

Note 1: SGP conducted cash capital increases of EUR 200 thousand and EUR 3,750 thousand in March and May 2021, respectively, with subscriptions from Elephant and Silk Invest. Elephant and Silk Invest obtained a shareholding ratio of 6.25% and 93.75%, respectively, after subscription. SGP also conducted a cash capital increase of EUR 5,000 thousand in June 2022, which was fully subscribed by Silk Invest, resulting in an increased shareholding ratio of 97.22% after subscription.

Note 2: The board of directors of the Group approved the acquisition and cash capital increase of FIL by Silk Invest in August 2021, and completed the acquisition in October 2021. The transfer consideration was EUR 200 thousand, and the shareholding ratio was 83.4%. The goodwill generated by the acquisition was NT\$ 13,540 thousand. In October 2021, issued a cash capital increase by EUR 500 thousand, and increased the shareholding ratio to 87.45%.



Note 3: In July 2021, the board of directors decided to dissolve Fireman to simplify the investment structure and effectively integrate resources. However, in response to the group's operation policy, the board of directors canceled the previous resolution in December 2021. In the future, Fireman will continue to operate and is expected to issue a cash capital increase of USD 11.25 million. The aforementioned capital increase was completed in April 2022.

## 10. PROPERTY, PLANT, AND EQUIPMENT

2022	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress and equipment under inspection	Total
<b>Cost</b>								
Balance at January 1	\$ 828,110	\$ 3,071,311	\$ 4,079,247	\$ 58,858	\$ 118,654	\$ 814,471	\$ 95,564	\$ 9,066,215
Increase	243,057	13,156	279,793	378	15,680	81,637	598,288	1,231,989
Decrease	-	( 16,963 )	( 88,819 )	( 1,213 )	( 687 )	( 28,561 )	-	( 136,243 )
Reclassifications	65,024	109,174	99,078	1,376	527	25,671	( 241,632 )	59,218
Effect of foreign currency exchange difference	( 1,395 )	277,171	339,609	3,340	8,498	67,917	( 17,546 )	677,594
Balance at December 31	<u>1,134,796</u>	<u>3,453,849</u>	<u>4,708,908</u>	<u>62,739</u>	<u>142,672</u>	<u>961,135</u>	<u>434,674</u>	<u>10,898,773</u>
<b>Accumulated depreciation</b>								
Balance at January 1	-	1,309,686	3,231,109	45,964	83,050	593,656	-	5,263,465
Increase	-	156,754	350,385	4,748	13,336	111,325	-	636,548
Decrease	-	( 5,784 )	( 85,878 )	( 1,213 )	( 687 )	( 17,723 )	-	( 111,285 )
Reclassifications	-	-	( 257 )	-	-	257	-	-
Effect of foreign currency exchange difference	-	103,526	264,967	2,896	5,820	49,958	-	427,167
Balance at December 31	-	<u>1,564,182</u>	<u>3,760,326</u>	<u>52,395</u>	<u>101,519</u>	<u>737,473</u>	-	<u>6,215,895</u>
Carrying amount at January 1	<u>\$ 828,110</u>	<u>\$ 1,761,625</u>	<u>\$ 848,138</u>	<u>\$ 12,894</u>	<u>\$ 35,604</u>	<u>\$ 220,815</u>	<u>\$ 95,564</u>	<u>\$ 3,802,750</u>
Carrying amount at December 31	<u>\$ 1,134,796</u>	<u>\$ 1,889,667</u>	<u>\$ 948,582</u>	<u>\$ 10,344</u>	<u>\$ 41,153</u>	<u>\$ 223,662</u>	<u>\$ 434,674</u>	<u>\$ 4,682,878</u>
<b>2021</b>								
<b>Cost</b>								
Balance at January 1	\$ 502,686	\$ 2,765,773	\$ 3,872,596	\$ 59,958	\$ 100,736	\$ 770,515	\$ 349,803	\$ 8,422,067
Acquired in a business combination (Note 9)	-	-	28,576	-	1,205	7,585	-	37,366
Increase	228,991	12,613	268,575	1,483	12,729	65,284	117,511	707,186
Decrease	-	( 3,793 )	( 51,232 )	( 2,078 )	( 797 )	( 24,508 )	-	( 82,408 )
Reclassifications	96,465	333,237	15,970	-	5,776	6,808	( 364,062 )	94,194
Effect of foreign currency exchange difference	( 32 )	( 36,519 )	( 55,238 )	( 505 )	( 995 )	( 11,213 )	( 7,688 )	( 112,190 )
Balance at December 31	<u>828,110</u>	<u>3,071,311</u>	<u>4,079,247</u>	<u>58,858</u>	<u>118,654</u>	<u>814,471</u>	<u>95,564</u>	<u>9,066,215</u>
<b>Accumulated depreciation</b>								
Balance at January 1	-	1,170,174	2,961,344	40,904	72,118	491,017	-	4,735,557
Acquired in a business combination (Note 9)	-	-	10,983	-	878	3,198	-	15,059
Increase	-	141,229	354,104	6,213	11,793	125,373	-	638,712
Decrease	-	( 398 )	( 46,396 )	( 739 )	( 777 )	( 18,908 )	-	( 67,218 )
Reclassifications	-	10,512	( 10,652 )	-	( 236 )	376	-	-
Effect of foreign currency exchange difference	-	( 11,831 )	( 38,274 )	( 414 )	( 726 )	( 7,400 )	-	( 58,645 )
Balance at December 31	-	<u>1,309,686</u>	<u>3,231,109</u>	<u>45,964</u>	<u>83,050</u>	<u>593,656</u>	-	<u>5,263,465</u>
Carrying amount at January 1	<u>\$ 502,686</u>	<u>\$ 1,595,599</u>	<u>\$ 911,252</u>	<u>\$ 19,054</u>	<u>\$ 28,618</u>	<u>\$ 279,498</u>	<u>\$ 349,803</u>	<u>\$ 3,686,510</u>
Carrying amount at December 31	<u>\$ 828,110</u>	<u>\$ 1,761,625</u>	<u>\$ 848,138</u>	<u>\$ 12,894</u>	<u>\$ 35,604</u>	<u>\$ 220,815</u>	<u>\$ 95,564</u>	<u>\$ 3,802,750</u>

The items of property, plant, and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	4 to 45 years
Machinery and equipment	2 to 12 years
Transportation equipment	4 to 12 years
Office equipment	2 to 9 years
Miscellaneous equipment	2 to 10 years

Property, plant, and equipment pledged as collateral for bank borrowings are set out in Note 23.

## 11. LEASE ARRANGEMENTS

### (1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ 620,371	\$ 594,742
Buildings	<u>624,353</u>	<u>589,192</u>
	<u>\$ 1,244,724</u>	<u>\$ 1,183,934</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 63,208</u>	<u>\$ 28,528</u>
Depreciation expenses for right-of-use assets		
Land	\$ 18,979	\$ 12,585
Buildings	<u>91,328</u>	<u>106,032</u>
	<u>\$ 110,307</u>	<u>\$ 118,617</u>

According to future operation planning, some plant leases are terminated. The consolidated company recognized the lease modification interest of NT\$39,133 thousand in September 2021. Except for the addition and depreciation listed above, there is no significant sublease or impairment of the right-of-use assets of the Group in 2022 and 2021.

### (2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Current	<u>\$ 88,326</u>	<u>\$ 70,942</u>
Non-current	<u>\$ 742,531</u>	<u>\$ 696,172</u>

The range of discount rates for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	4.94%-5.12%	4.94%-5.12%
Buildings	1.7%-4.82%	1.7%-4.82%

### (3) Material lease-in activities and terms

The Group leases buildings for office uses in Taiwan with lease terms of 3 years. The Group has the priority to renew the lease of the buildings at the end of the lease terms.

The Group leases certain, land and buildings, for plant and office uses in Cambodia and Germany with lease terms of 7 to 25 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group also promises certain, land and buildings, for plant and office uses in Vietnam, Indonesia, and Myanmar with lease terms of 10 to 50 years. Part of the land lease payment was paid at that time. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

### (4) Other lease information

The Group leases certain buildings which qualify as short-term leases. The Group has elected to apply for the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for

these leases.

12. LOANS

(1) Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Line of credit loans	\$ 780,597	\$ 203,719
Secured loans	<u>-</u>	<u>202,437</u>
	<u>\$ 780,597</u>	<u>\$ 406,156</u>
<u>Interest Rates (%)</u>		
Line of credit loans	1.39-5.14	0.65-1.2
Secured loans	-	0.82-1.4

(2) Long-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mortgaged loans		
Bank loan	\$ 646,004	\$ 708,962
Unsecured loans		
Syndicated loan	322,350	-
Bank loan	<u>68,983</u>	<u>32,000</u>
	1,037,337	740,962
Less: Arrangement fees for a syndicated loan	( 1,309)	-
Less: Classified as current portion due within one year	<u>( 174,417)</u>	<u>( 210,883)</u>
	<u>\$ 861,611</u>	<u>\$ 530,079</u>
<u>Interest Rates (%)</u>		
Mortgaged loans		
Bank loan	2.35-5.13	1.43-1.8
Unsecured loans		
Syndicated loan	5.16-5.58	-
Bank loan	3.41	1.43

(Continued)

( Continued )

<u>Due date</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mortgaged loans		
Bank loan	Due before January 2025	Due before December 2024
Unsecured loans		
Syndicated loan	Due before May 2029	-
Bank loan	Due before January 2023	Due before January 2023

The Group pledged its property, plant, equipment, and bank deposit as collateral for bank loans. (Note 23).

In December 2021, the Group signed a syndicated loan contract with the syndicated loan bank group composed of the Mega International Commercial Bank and other financial facilities to support the plant construction investment plan and enrich the operating capital.

The Company undertakes and ensures that the assets of related enterprises shall not be transferred, sold, encumbered, entrusted, or disposed of in any other manner, in whole or in part unless otherwise stipulated in the joint credit contract.

According to the provisions of the syndicated loan contract, the Group shall maintain the following financial ratios in each quarter and annual consolidated financial statements during the duration of the contract:

- 1) Debt ratio (debt / net tangible asset): maintain below 120% (included);
- 2) Net tangible asset ( net value - intangible assets ) : Maintain more than 10 billion (included).

If the Group fails to meet any of the above ratios, it should make improvements and adjustments through cash capital increase or other means within 6 months from the date of presentation of the financial statements. If the adjusted financial ratios meet the above provisions, it will not be deemed a violation of this commitment. However, from the day after the presentation of the financial statement in violation of the financial ratio to the day after the presentation of the financial statement in line with the financial ratio, the compensation fee shall be calculated and paid monthly at the annual interest rate of 0.1% for the total balance of the credit.

All financial ratios of the Group comply with the contractual requirements.

### 13. OTHER PAYABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payables for salaries and bonuses	\$ 582,696	\$ 520,362
Others	394,986	234,833
	<u>\$ 977,682</u>	<u>\$ 755,195</u>

#### 14. RETIREMENT BENEFIT PLANS

SPG (Samoa) Taiwan Branch and Silk Invest of the Group adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employee of the Group subsidiaries in Vietnam, Cambodia, and Myanmar are members of the retirement benefit plans operated by the respective governments. The subsidiaries are required to fund a pension benefit plan with a specific proportion of salary. The obligation of the Group to the government-operated retirement benefit plan is only to allocate a specific amount, and the relevant expenses are recorded under other employee benefits.

#### 15. EQUITY

##### (1) Common shares

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>196,046</u>	<u>196,046</u>
Shares issued	<u>\$ 1,960,456</u>	<u>\$ 1,960,456</u>

On December 16, 2020, the Company was resolved the board of directors to issue a cash capital increase and 21,785 thousand new common shares with a par value of NT\$10 per share before IPO. The record date of the capital increase is April 21, 2021. The minimum offering price of the bidding auction method is NT\$ 42.61 per share. The bidder with the highest bid price shall have priority to win the bid, and each winning bidder shall subscribe according to its bid price. The price of each winning bid and its quantity-weighted average price is NT\$ 73.30; The offering price of the public subscription was NT\$ 49 per share; the total fundraising amount of NT\$ 1,448,542 thousand has been fully paid. In addition to the share capital listed in the account of NT\$ 217,850 thousand and deducting the direct issuance cost, the total amount of the above-mentioned fund-raising is NT\$ 1,224,644 thousand, listed in the capital reserve - share premium. The capital increase has been approved by the FSC, and the relevant legal registration procedures have been completed.

Due to the above cash capital increase, the Company reserves 2,179 thousand common shares for employees' subscription, and 1,631 thousand shares are given on the date when the number and price of shares subscribed by employees are determined (April 8, 2021, is the giving date) and acquired immediately. If the employee abandons the shares subscribed, the chairman is authorized to contact a specific person to subscribe. The Black-Scholes model evaluates the fair value of each share option as NT\$12.3. In 2021, the cost of employee compensation of NT\$20,061 thousand was originally recorded as a capital reserve - employee stock options and transferred to capital reserve - share premium after the cash capital increase was completed.

The parameters used in the evaluation model are as follows:

Weighted average share price	NT\$ 61.3
Exercise price	NT\$ 49
Expected volatility	34.27%
Expected duration	7 days
Risk-free rate of interest	0.35%

The expected volatility is the average of the annualized standard deviation of the daily rate of return of the Company's peers for the most recent year.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Additional paid-in capital (Note)	\$ 7,677,994	\$ 8,168,109
From differences between the equity purchase price and carrying amount arising from the actual acquisition or disposal of subsidiaries	<u>276,202</u>	<u>276,202</u>
	<u>\$ 7,954,196</u>	<u>\$ 8,444,311</u>

Note: Including the amount of issued share capital during the reorganization, which exceeds the amount in equity obtained, and the difference between the denomination of the Company's value per share changed from US dollars to New Taiwan dollars. When the Company has no deficit, the such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the paid-in capital.

(3) Retained earnings and dividend policy

In accordance with the earnings distribution policy of the articles of association of the company, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 17(5).

According to the articles of association of the company, shareholders' dividends can be distributed by cash dividends or stock dividends, and the proportion of cash dividends shall not be less than 10%.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no

deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 approved in the shareholders' meetings in May 2022 and July 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal Reserve	\$ 64,493	\$ 40,911		
Special Reserve	245,065	431,441		
Cash dividends	196,046	294,068	\$ 1	\$ 1.6875

In May 2022 and July 2021, the meeting of shareholders decided to distribute NT\$ 2.5 and NT\$ 1.6875 per share with NT\$ 490,115 thousand NT\$ 294,068 thousand of capital reserve.

The board of directors of the Company proposed the appropriation of 2022 earnings as follows in March 2023:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal Reserve	\$ 180,809	
Reversal Special Reserve	794,855	
Cash dividends	980,228	\$ 5

The appropriation of 2022 earnings is subject to the resolution of the shareholders in the regular shareholders' meetings to be held in May 2023.

## 16. REVENUE

	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 18,278,428	\$ 12,234,309
Others	246,558	101,615
	<u>\$ 18,524,986</u>	<u>\$ 12,335,924</u>
(1) Contract balances		
	111年12月31日	110年12月31日
Accounts receivables (Note 7)	<u>\$ 3,352,649</u>	<u>\$ 1,764,423</u>
(2) Disaggregation of customer contract revenue		
	2022	2021
Types of goods or services		
Casual shoes	\$ 6,929,686	\$ 6,129,489
Sports shoes	11,321,305	6,087,012
Others	273,995	119,423
	<u>\$ 18,524,986</u>	<u>\$ 12,335,924</u>

## 17. NET PROFIT FROM CONTINUING OPERATIONS

### (1) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant, and equipment	(\$ 13,952)	\$ 2,159
Net gains on foreign currency exchange	101,151	9,192
Profit from lease modification (Note 11)	76	39,133
Others	( 27,497)	18,918
	<u>\$ 59,778</u>	<u>\$ 69,402</u>

### (2) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expenses	\$ 40,634	\$ 25,080
Interest on lease liabilities	38,669	54,475
Less: Amount included in the cost of qualifying asset	( 4,689)	-
	<u>\$ 74,614</u>	<u>\$ 79,555</u>

The information related to interest capitalization is as follows:

	<u>2022</u>	<u>2021</u>
Amount of interest capitalized	\$ 4,689	\$ -
Rate of interest capitalized	5.16%-5.58%	-

### (3) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
An analysis of depreciation by function		
Operating costs	\$ 534,666	\$ 530,280
Operating expenses	212,189	227,049
	<u>\$ 746,855</u>	<u>\$ 757,329</u>
An analysis of amortization by function		
Operating costs	\$ 2,923	\$ 1,091
Operating expenses	5,075	9,804
	<u>\$ 7,998</u>	<u>\$ 10,895</u>



(4) Employee benefits expense

	<u>2022</u>	<u>2021</u>
Short-term benefits	\$ 4,277,957	\$ 3,183,685
Equity-settled share-based payment transaction (Note 15)	-	20,061
Post-employment benefits	15,956	11,904
Other employee benefits	<u>1,153,485</u>	<u>926,300</u>
Total employee benefits expense	<u>\$ 5,447,398</u>	<u>\$ 4,141,950</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,307,850	\$ 3,229,710
Operating expenses	<u>1,139,548</u>	<u>912,240</u>
	<u>\$ 5,447,398</u>	<u>\$ 4,141,950</u>

(5) Compensation of employees and remuneration of directors

According to the amended Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 2%, respectively, of net profit before income tax. The estimated remuneration of employees and directors in 2022 and 2021 were resolved by the board of directors in March 2023 and March 2022 as follows:

Estimation ratio

	<u>2022</u>	<u>2021</u>
Remuneration of employees	3.03%	3.11%
Remuneration of directors	0.97%	1.49%

Cash Amount

	<u>2022</u>	<u>2021</u>
Remuneration of employees	<u>\$ 74,450</u>	<u>\$ 27,799</u>
Remuneration of directors	<u>\$ 23,824</u>	<u>\$ 13,315</u>

If the amount still changes after the date of issuance of the annual consolidated financial report, it shall be adjusted and carried in the next year according to the changes in accounting estimates.

The actual distribution amounts of employee remuneration and director remuneration for the year 2021 are not different from the recognized amounts in the 2021 consolidated financial statements.

Information on the earnings appropriation resolved by the board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 18. INCOME TAXES

### (1) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 589,267	\$ 199,200
Adjustments for prior years	<u>36,422</u>	<u>4,317</u>
	625,689	203,517
Deferred tax		
In respect of the current year	( <u>63,816</u> )	<u>14,199</u>
Income tax expense recognized in profit or loss	<u>\$ 561,873</u>	<u>\$ 217,716</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>2022</u>	<u>2021</u>
Profit before tax	<u>\$ 2,363,897</u>	<u>\$ 863,906</u>
Income tax expense calculated at the statutory rate	\$ 492,555	\$ 191,012
Nondeductible expenses in determining taxable income	20,890	5,821
Unrecognized loss carryforwards and deductible temporary differences	12,006	16,566
Adjustments for prior years' tax	<u>36,422</u>	<u>4,317</u>
Income tax expense recognized in profit or loss	<u>\$ 561,873</u>	<u>\$ 217,716</u>

The Group applies to the individual of the Income Tax Act of the R.O.C, the rate for profit-seeking enterprise income tax is 20%; the tax amount generated from other districts is calculated by the tax rates applicable in each relevant district.

### (2) Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

<u>2022</u>	<u>Balance at January 1</u>	<u>Recognized in Profit or Loss</u>	<u>Foreign Currency Exchange Differences</u>	<u>Balance at December 31</u>
Deferred tax assets				
Temporary differences				
Property, plant, and equipment	\$ 19,103	\$ 8,063	\$ 2,341	\$ 29,507
Expenses payable	14,080	203	1,033	15,316
Provision for loss on inventory	8,040	( 149 )	606	8,497
Unrealized net loss on foreign currency	-	31,885	886	32,771
Others	<u>5,278</u>	<u>11,008</u>	<u>883</u>	<u>17,169</u>
	<u>\$ 46,501</u>	<u>\$ 51,010</u>	<u>\$ 5,749</u>	<u>\$ 103,260</u>

( Continued )

(Continued)

2022	Balance at January 1	Recognized in Profit or Loss	Foreign Currency Exchange Differences	Balance at December 31
Deferred tax liabilities				
Temporary differences				
Unrealized net gain on foreign currency	\$ 11,541	(\$ 12,416)	\$ 875	\$ -
Others	<u>1,182</u>	<u>(390)</u>	<u>77</u>	<u>869</u>
	<u>\$ 12,723</u>	<u>(\$ 12,806)</u>	<u>\$ 952</u>	<u>\$ 869</u>
2021				
Deferred tax assets				
Temporary differences				
Property, plant, and equipment	\$ 19,135	\$ 519	(\$ 551)	\$ 19,103
Expenses payable	16,912	( 2,687)	( 145)	14,080
Provision for loss on inventory	12,831	( 4,636)	( 155)	8,040
Others	<u>11,210</u>	<u>(5,530)</u>	<u>(402)</u>	<u>5,278</u>
	<u>\$ 60,088</u>	<u>(\$ 12,334)</u>	<u>(\$ 1,253)</u>	<u>\$ 46,501</u>
Deferred tax liabilities				
Temporary differences				
Unrealized net gain on foreign currency	\$ 10,307	\$ 1,244	(\$ 10)	\$ 11,541
Others	<u>567</u>	<u>621</u>	<u>(6)</u>	<u>1,182</u>
	<u>\$ 10,874</u>	<u>\$ 1,865</u>	<u>(\$ 16)</u>	<u>\$ 12,723</u>

- (3) The information of the unused operating loss carries forward for which no deferred tax assets have been recognized

	December 31, 2022	December 31, 2021
Loss carryforwards		
Due in 2023	\$ 9,685	\$ 9,026
Due in 2024	39,786	37,079
Due in 2025	14,823	13,815
Due in 2026	48,809	45,489
Due in 2028	149	149
Due in 2029	1,557	1,557
Due in 2030	1,485	1,485
Due in 2031	6,475	6,475
Due in 2032	<u>10,975</u>	<u>-</u>
	<u>\$ 133,744</u>	<u>\$ 115,075</u>

- (4) Income tax examination  
The tax authorities have examined the income tax returns of SPG(Samoa) Taiwan Branch and Silk Invest through 2020.

## 19. EARNINGS PER SHARE

	<u>Net profit attributable to owners of the Company</u>	<u>Number of shares (thousands)</u>	<u>Earnings per share (NT\$)</u>
<u>2022</u>			
Basic EPS			
Net profit attributable to owners of the Company	\$1,808,092	196,046	\$ <u>9.22</u>
Effect of dilutive potential common shares			
Employee compensation	<u>          -</u>	<u>      1,116</u>	
Diluted EPS			
Net profit attributable to owners of the Company plus the effect of dilutive potential common shares	<u>\$1,808,092</u>	<u>      197,162</u>	<u>\$ 9.17</u>
 <u>2021</u>			
Basic EPS			
Net profit attributable to owners of the Company	\$ 647,299	189,480	\$ <u>3.42</u>
Effect of dilutive potential common shares			
Employee compensation	<u>          -</u>	<u>      411</u>	
Diluted EPS			
Net profit attributable to owners of the Company plus the effect of dilutive potential common shares	<u>\$ 647,299</u>	<u>      189,891</u>	<u>\$ 3.41</u>

If the Group may choose to pay employees ammunition by cash, or by issuing shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in the calculation of diluted EPS if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing to employees to be settled in the form of common stocks is approved by the shareholders in the following year.

## 20. CAPITAL RISKS MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The overall strategy has not changed.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group reviews the capital structure on an annual basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of

capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the number of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

## 21. FINANCIAL INSTRUMENTS

### (1) Fair value of financial instruments not measured at fair value

The carrying amounts of the Group's financial assets and liabilities that are not measured at fair value approximated their fair values.

### (2) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
At amortized cost (Note 1)	\$ 11,113,163	\$ 9,163,017
<u>Financial liabilities</u>		
At amortized cost (Note 2)	4,411,828	3,232,399

Note 1: The balances, comprise cash and cash equivalents, notes and accounts receivables, other receivables, and refundable deposits.

Note 2: The balances, which comprise short-term and long-term loans, notes, and accounts payables, other payables, and the current portion of long-term loans.

### (3) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

The Group sought to minimize the effects of these risks by maintaining a flexible portfolio of financial instruments and using limited derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors and compliance with policies and exposure limits was reviewed according to the internal control policies on a continuous basis.

#### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. By maintaining a flexible portfolio of financial instruments and using limited derivative financial instruments, the Group can avoid the risk of some foreign currency net assets or liabilities arising from exchange rate or interest rate fluctuations.

There is no change in the exposure of the Group to market risks of financial instruments and the management and measurement of such exposure. The main financial risks are as follows:

A. Foreign currency risk

The Group has foreign currency-denominated sales and purchases, which expose the group to foreign currency risk. The carrying amounts (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements) of the Group's foreign currency-denominated monetary assets and liabilities at the end of the reporting period are set out in Note 25.

Sensitivity analysis

Assuming a 1% change in the NTD against the USD, the pre-tax profit(loss) for the years ended December 31, 2022, and 2021 would have changed by NT\$34,311 thousand and NT\$(1,592) thousand, respectively.

B. Interest rate risk

The Group is exposed to interest rate risk mainly caused by deposits and loans with floating interest rates. The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates on the day of the balance sheet were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate risk		
Financial assets	\$ 3,108,836	\$ 2,043,696
Financial liabilities	830,857	767,114
Cash flow interest rate risk		
Financial assets	4,530,728	5,253,274
Financial liabilities	1,816,625	1,147,118

Sensitivity analysis

For the Group's financial assets and liabilities with floating interest rates, if interest rates had been 4 quarter percentage points (1%) higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022, and 2021 would have changed by \$27,141 thousand and \$41,062 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk was mainly from the major customer, which accounted for 68% and 64% of the total trade receivables as of December 31, 2022, and 2021, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022, and 2021, the Group had available unutilized bank loan facilities of NT\$9,751,185 thousand and NT\$9,088,679 thousand, respectively.

The liquidity and interest rate risk table below illustrates the maturity analysis of the financial liabilities of the Group within the repayment period. Non-derivative financial liabilities are prepared in terms of undiscounted cash flow on the earliest date when the Group may be required to satisfy the liabilities.

Classification	Less than 3 months	3 months to 1 year	1+ years
<u>December 31, 2022</u>			
Non-interest bearing liabilities	\$ 2,595,203	\$ -	\$ -
Lease liabilities	29,541	94,229	974,734
Variable interest rate liabilities	<u>361,174</u>	<u>593,840</u>	<u>861,611</u>
	<u>\$ 2,985,918</u>	<u>\$ 688,069</u>	<u>\$ 1,836,345</u>
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 2,085,281	\$ -	\$ -
Lease liabilities	24,865	79,884	933,506
Variable interest rate liabilities	<u>134,387</u>	<u>482,652</u>	<u>530,079</u>
	<u>\$ 2,244,533</u>	<u>\$ 562,536</u>	<u>\$ 1,463,585</u>

The additional information about the maturity analysis for derivative financial liabilities is as follows :

	Less than 5 Years	5-10 Years	11-50 Years	16-20 Years	20+ years
<u>December 31, 2022</u>					
Lease liabilities	\$ 543,983	\$ 375,428	\$ 49,179	\$ 39,524	\$ 90,390
Variable interest rate liabilities:	<u>1,635,495</u>	<u>181,130</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,179,478</u>	<u>\$ 556,558</u>	<u>\$ 49,179</u>	<u>\$ 39,524</u>	<u>\$ 90,390</u>

	Less than 5 Y e a r s	5-10 Years	11-50 Years	16-20 Years	20+ years
<u>December 31,</u>					
<u>2021</u>					
Lease liabilities	\$ 487,504	\$ 328,497	\$ 92,780	\$ 38,385	\$ 91,089
Variable interest rate liabilities	<u>1,147,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$1,634,622</u>	<u>\$ 328,497</u>	<u>\$ 92,780</u>	<u>\$ 38,385</u>	<u>\$ 91,089</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been disclosed on consolidation and are not disclosed in this note.

### (1) Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Group</u>
Much More Co., Ltd. ("Much More")	The key management is the same person
Spread Idea Co., Ltd. ("Spread Idea")	The key management is the same person
Sports Gear Social welfare foundation ("SPG Foundation")	The key management is the same person
Wei-Chia Chen	The key management
Sunyin (Vietnam) Co., Ltd. ("Sunyin")	The key management is the same person
Power Rich International Ltd. ("Power Rich")	The key management is the same person

### (2) Operating revenue

<u>Related Party Category</u>	<u>2022</u>	<u>2021</u>
The key management is the same person	<u>\$ 17</u>	<u>\$ -</u>

There is no significant difference in the purchase price and conditions between related parties and non-related parties.

### (3) Receivables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other accounts receivables	The key management is the same person	<u>\$ -</u>	<u>\$ 2,659</u>

The outstanding accounts receivable from related parties in circulation have not been reserved for doubtful debts as there is no guarantee for their collection.

### (4) Payables to related parties

<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	The key management is the same person	<u>\$ 538</u>	<u>\$ -</u>

The outstanding accounts payable to related parties in circulation are not guaranteed.



(5) Other transactions with related parties		Related Party	2022	2021
Line Item	Category / Name			
Donation expense	SPG Foundation		\$ 6,000	\$ 8,500
Rental income	The key management is the same person		\$ 229	\$ -
Operating expenses	The key management is the same person		\$ 537	\$ -

Related Party Category	Disposal proceeds		Disposal gains	
	2022	2021	2022	2021
The key management is the same person	\$ -	\$ 2,408	\$ -	\$ 2,408

(7) Lease arrangements		December 31, 2022	December 31, 2021
Line Item	Related Party Category		
Lease liabilities	The key management is the same person	\$ 26,562	\$ 31,252
	The key management	95,069	101,709
		\$ 121,631	\$ 132,961
Line Item	Related Party Category	2022	2021
Interest expense	The key management is the same person	\$ 1,035	\$ 1,109
	The key management	4,749	5,215
		\$ 5,784	\$ 6,324

The main operating expenses are lease payments for land and buildings, which are determined through a mutual agreement based on the neighboring market prices and the leased area. Payment is made once a month.

(8) Remuneration of key management personnel	2022	2021
Short-term employee benefits	\$ 124,478	\$ 84,910
Post-employment benefits	709	672
	\$ 125,187	\$ 85,582

23. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for power company deposits and bank loans:

	December 31, 2022	December 31, 2021
Pledged time deposits (classified as other financial assets )	\$ 12,307	\$ 10,563
Property, plant, and equipment	1,694,338	1,422,025
	\$ 1,706,645	\$ 1,432,588

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The unrecognized commitments of the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase of property, plant, and equipment and software service contract	<u>\$ 730,465</u>	<u>\$ 274,208</u>

## 25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

Financial assets	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>						
USD(USD: TWD)	\$ 175,785	30.7	\$ 5,396,604	\$ 131,537	27.67	\$ 3,639,638
USD(USD: VND)	78,362	23,400	2,405,701	56,599	22,630	1,566,099
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (USD: TWD)	103,097	30.7	3,165,079	112,681	27.67	3,117,875
USD (USD: VND)	39,287	23,400	1,206,102	81,209	22,630	2,247,051

The Group is mainly exposed to the USD. The following information was aggregated by functional currencies of group entities, and the exchange rates between respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Functional Currencies	2022		2021	
	Functional Currencies to Express currencies	Net Foreign Exchange Gain (Loss)	Functional Currencies to Express currencies	Net Foreign Exchange Gain (Loss)
TWD	1(TWD: TWD)	\$ 97,581	1(TWD: TWD)	(\$ 14,299)
VND	0.0013(VND: TWD)	( 11,871)	0.0012(VND: TWD)	13,749
USD	0.0336(USD: TWD)	10,828	0.0357(USD: TWD)	8,947
IDR	0.0020(IDR: TWD)	4,613	0.0020(IDR: TWD)	795
		<u>\$ 101,151</u>		<u>\$ 9,192</u>

## 26. SEPARATELY DISCLOSED ITEMS

- (1) Information about significant transactions:
  - A. Financing provided to others. (Table 1)
  - B. Endorsements/guarantees provided. (Table 2)
  - C. Marketable securities held (excluding investments in subsidiaries). (None)
  - D. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - E. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 3)
  - F. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - G. Total purchases from or sales to related parties amounting to at

- least NT\$100 million or 20% of the paid-in capital. (Table 4)
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- I. Trading in derivative instruments. (None)
- J. Intercompany relationships and significant intercompany transactions. (Table 6)
- (2) Information on investees. (Table 7)
- (3) Information on investments in mainland China. (None)
- (4) Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and the percentage of ownership of each shareholder. (Table 8)

## 27. SEGMENTS INFORMATION

The Group is mainly engaged in the manufacturing of footwear products, and the primary operating decision-maker uses the overall business results and financial conditions of the Group as information for resource allocation and performance evaluation. Furthermore, the nature of the products and manufacturing processes of the Group are similar; therefore, it is considered a single operating segment.

### (1) Geographical information

The Group's revenue from continuing operations from external customers by location of customers and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	2022	2021	December 31, 2022	December 31, 2021
America	\$ 8,168,117	\$ 4,778,961	\$ -	\$ -
Europe	6,684,492	4,869,460	395,007	100,083
Asia	1,661,564	1,008,250	4,416,989	4,049,892
China	1,473,529	1,458,037	-	-
Taiwan	-	-	1,187,040	896,996
Other	<u>537,284</u>	<u>221,216</u>	<u>39,502</u>	<u>42,387</u>
	<u>\$ 18,524,986</u>	<u>\$ 12,335,924</u>	<u>\$ 6,038,538</u>	<u>\$ 5,089,358</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets.

(2) Information about major customers

Revenue from any individual customer exceeding 10% of the Group's revenue is detailed below:

Customer name	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 10,306,903	56	\$ 6,748,051	55
Customer B	5,615,613	30	3,748,788	30

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 1

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed (Note 3)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
0	The Company	SPG (Samoa)	Other receivables - Related parties	Yes	\$ 921,000 USD 30,000	\$ -	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,414,656 USD 46,080	\$ 5,658,624 USD 184,320
		Elephant	Other receivables - Related parties	Yes	1,049,940 USD 34,200	1,049,940 USD 34,200	128,940 USD 4,200	0%	Necessary for short-term financing	-	Operating capital	-	-	-	1,414,656 USD 46,080	5,658,624 USD 184,320
		Fongyuan	Other receivables - Related parties	Yes	116,660 USD 3,800	116,660 USD 3,800	24,560 USD 800	0%	Necessary for short-term financing	-	Operating capital	-	-	-	1,414,656 USD 46,080	5,658,624 USD 184,320
		All Wells	Other receivables - Related parties	Yes	153,500 USD 5,000	153,500 USD 5,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	1,414,656 USD 46,080	5,658,624 USD 184,320
1	SPG (Samoa)Taiwan Branch	SGP	Other receivables - Related parties	Yes	153,500 USD 5,000	153,500 USD 5,000	30,700 USD 1,000	1.5%-2.5%	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		FIL	Other receivables - Related parties	Yes	492,735 EUR 15,000	328,490 EUR 10,000	164,245 EUR 5,000	1.5%-2.5%	Necessary for short-term financing	-	Operating capital	-	-	-	502,230 EUR 15,289	2,008,920 EUR 61,156
2	SPG (Samoa)	Fongyuan	Other receivables - Related parties	Yes	153,500 USD 5,000	153,500 USD 5,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		SPG	Other receivables - Related parties	Yes	307,000 USD 10,000	307,000 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		All Wells	Other receivables - Related parties	Yes	614,000 USD 20,000	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		DH	Other receivables - Related parties	Yes	307,000 USD 10,000	307,000 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		SPG Indonesia	Other receivables - Related parties	Yes	307,000 USD 10,000	307,000 USD 10,000	70,610 USD 2,300	1.5%-2.5%	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		ASP	Other receivables - Related parties	Yes	583,300 USD 19,000	307,000 USD 10,000	153,500 USD 5,000	1.5%-2.5%	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		Silk Invest	Other receivables - Related parties	Yes	307,000 USD 10,000	307,000 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		AW	Other receivables - Related parties	Yes	614,000 USD 20,000	460,500 USD 15,000	184,200 USD 6,000	1.5%	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		VG	Other receivables - Related parties	Yes	921,000 USD 30,000	614,000 USD 20,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
		SGC	Other receivables - Related parties	Yes	1,228,000 USD 40,000	1,228,000 USD 40,000	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371
Fireman	Other receivables - Related parties	Yes	614,000 USD 20,000	-	-	-	-	Necessary for short-term financing	-	Operating capital	-	-	-	15,066,915 USD 490,779	20,089,190 USD 654,371	

(Continued)

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed (Note 3)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
3	All Wells	Fireman	Other receivables - Related parties	Yes	\$ 614,000 USD 20,000	\$ 614,000 USD 20,000	\$ 552,600 USD 18,000	0%	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 19,535,669 USD 636,341	\$ 26,047,569 USD 848,455
		SGC	Other receivables - Related parties	Yes	307,000 USD 10,000	307,000 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	19,535,669 USD 636,341	26,047,569 USD 848,455
4	Elephant	SPG Indonesia	Other receivables - Related parties	Yes	828,900 USD 27,000	828,900 USD 27,000	-	-	Necessary for short-term financing	-	Operating capital	-			6,085,907 USD 198,238	8,114,532 USD 264,317
5	Fongyuan	SPG Indonesia	Other receivables - Related parties	Yes	92,100 USD 3,000	92,100 USD 3,000	-	-	Necessary for short-term financing	-	Operating capital	-			2,367,584 USD 77,120	3,156,789 USD 102,827

Note 1: The individual amount for lending to a company or a firm having a business relationship with the Company shall not exceed the total transaction amount between the parties during the period of lending and shall not exceed 10% of the net worth of the Company's financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA). The "transaction amount" shall mean the purchasing or sales amount between the parties during the period of twelve (12) months prior to the time of lending, whichever is higher; The individual amount for lending to a company in need of funds for a short-term period shall not exceed 10% of the net worth of the Company's financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA). For fund-lending between offshore companies whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of short-term financing. Unless there are other relevant laws and regulations in the place where the subsidiary is established and the limit of the transaction amount to individual objects shall not exceed three times of the net worth of the latest financial statements of the company.

Note 2: The total amount for lending to a company or a firm having a business relationship with the Company shall not exceed the total transaction amount between the parties during the period of lending and shall not exceed 40% of the net worth of the Company's financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA); The total amount for lending to a company in need of funds for a short-term period shall not exceed 40% of the net worth of the Company's financial statements of the issuing company for the most recent period, audited and attested or reviewed by a certified public accountant (CPA). For fund-lending between offshore companies whose voting shares are 100% owned, directly or indirectly, by the Company, the total amount for such fund-lending shall not be subject to the limit of short-term financing. Unless there are other relevant laws and regulations in the place where the subsidiary is established and the limit of the transaction amount to individual objects shall not exceed four times of the net worth of the latest financial statements of the company.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 2

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given On Behalf of Companies in Mainland China (Note 3)	Remark
		Name	Relationship (Note 1)											
0	The Company	FIL	2	\$ 7,073,280 USD 230,400	\$ 153,500 USD 5,000	\$ -	\$ -	\$ -	-	\$ 11,317,248 USD 368,640	Y	N	N	
1	SGC	All Wells	3	1,093,166 USD 35,608	245,600 USD 8,000	-	-	-	-	1,749,071 USD 56,973	N	N	N	
2	SPG (Samoa)	FIL	2	2,511,137 USD 81,796	153,500 USD 5,000	153,500 USD 5,000	68,983 USD 2,247	-	1.37%	4,017,832 USD 130,874	N	N	N	

Note 1: The relationship between endorser and endorsee:

- (1) A company with which it does business.
- (2) A company in which the public company, directly and indirectly, holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares for each other.

Note 2: The total amount of external endorsement/guarantee shall not exceed 80% of the net worth of the Company. The amount of endorsement/guarantee rendered to any single company shall not exceed 50% of the net worth of the Company; In the event that an endorsement/guarantee is made due to needs arising out of businesses, the amount of endorsement/guarantee shall not exceed the amount of the purchasing or sales between the parties in the most recent year whichever is higher.

Note 3: Fill in 'Y' for those cases of provision of endorsements/guarantees by the listed parent company to the subsidiary and provision by the subsidiary to the listed parent company, and provision to the party in Mainland China.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 3 (In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
SPG Indonesia	Contract for the construction of the factory building in Indonesia	March 10, 2022 (Board resolution)	USD 27,128	As of the reporting date, contracts are being awarded progressively, and payments are made as the project progress.	PT Rokat Jaya Abadi ...etc.	—	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Newly established shoe factory in Indonesia	None



SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 4

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Remark	
			Purchases/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total		
SPG (Samoa) Taiwan Branch	SPG	Refer to Note 9 of the consolidated financial statements	Sale	\$ 531,882	2	—	\$ -	—	\$ 87,895	2		
	SPG	Refer to Note 9 of the consolidated financial statements	Purchase	4,168,273	20	—	-	—	( 227,274 )	15		
	VG	Refer to Note 9 of the consolidated financial statements	Sale	344,985	2	—	-	—	50,020	1		
	VG	Refer to Note 9 of the consolidated financial statements	Purchase	3,593,266	17	—	-	—	( 291,789 )	19		
	AW	Refer to Note 9 of the consolidated financial statements	Sale	188,465	1	—	-	—	52,590	1		
	AW	Refer to Note 9 of the consolidated financial statements	Purchase	1,860,921	9	—	-	—	( 135,018 )	9		
	DH	Refer to Note 9 of the consolidated financial statements	Sale	178,700	1	—	-	—	21,456	1		
	DH	Refer to Note 9 of the consolidated financial statements	Purchase	1,948,441	9	—	-	—	( 233,650 )	15		
	SGC	Refer to Note 9 of the consolidated financial statements	Sale	2,197,934	10	—	-	—	298,486	8		
	SGC	Refer to Note 9 of the consolidated financial statements	Purchase	5,309,222	26	—	-	—	( 205,357 )	14		
	ASP	Refer to Note 9 of the consolidated financial statements	Purchase	437,798	2	—	-	—	( 11,897 )	1		
	SPG	SGC	Refer to Note 9 of the consolidated financial statements	Sale	VND 160,538,193	5	—	-	—	VND 6,872,071	4	
		SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 3,246,135,584	95	—	-	—	VND 173,231,961	94	
	VG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 417,569,009	23	—	-	—	( VND 66,994,550 )	18	
SPG (Samoa) Taiwan Branch		Refer to Note 9 of the consolidated financial statements	Sale	VND 2,799,511,058	98	—	-	—	VND 222,406,302	98		
AW	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 237,530,835	20	—	-	—	( VND 38,125,730 )	19		
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 1,446,138,557	97	—	-	—	VND 102,912,586	97		
DH	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 149,568,417	27	—	-	—	( VND 40,085,068 )	29		
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 1,502,937,732	94	—	-	—	VND 178,091,822	94		
SGC	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 140,738,358	20	—	-	—	( VND 16,354,143 )	9		
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	USD 178,214	100	—	-	—	USD 6,689	96		
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	USD 74,420	79	—	-	—	( USD 9,723 )	56		
ASP	SPG	Refer to Note 9 of the consolidated financial statements	Purchase	USD 7,042	7	—	-	—	( USD 294 )	2		
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 337,377,112	94	—	-	—	VND 9,068,413	71		

Note: The transactions within the Group were eliminated in the consolidated financial statements.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2022

Table 5

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Elephant	Refer to Note 9 of the consolidated financial statements	Other receivables USD 4	-	-	-	USD 2,000	\$ -
All Wells	Fireman	Refer to Note 9 of the consolidated financial statements	Other receivables USD 18	-	-	-	USD 2,000	-
SPG (Samoa) Taiwan Branch	SGC	Refer to Note 9 of the consolidated financial statements	Accounts receivables NTD 298	6.48	-	-	258,846	-
	FIL	Refer to Note 9 of the consolidated financial statements	Other receivables NTD 164	-	-	-	32,849	-
SPG (Samoa)	AW	Refer to Note 9 of the consolidated financial statements	Other receivables USD 6	-	-	-	-	-
	ASP	Refer to Note 9 of the consolidated financial statements	Other receivables USD 5	-	-	-	-	-
SPG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 173,231	17.99	-	-	VND 173,231,961	-
VG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 222,406	13.85	-	-	VND 222,406,302	-
AW	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 102,912	12.59	-	-	VND 102,912,586	-
DH	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 178,091	11.53	-	-	VND 178,091,822	-
SGC	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables USD 6	15.14	-	-	USD 6,689	-

Note: The transactions within the Group were eliminated in the consolidated financial statements.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
THE BUSINESS RELATIONSHIP BETWEEN THE PARENT AND THE SUBSIDIARIES AND BETWEEN EACH SUBSIDIARY, AND THE CIRCUMSTANCES AND AMOUNTS  
OF ANY SIGNIFICANT TRANSACTIONS BETWEEN THEM  
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 6

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage to Consolidated Net Revenue or Total Assets (%)
				Financial Statement Account	Amount	Terms	
1	All Wells	Fireman	3	Other receivables	552,600	—	3
2	SPG (Samoa) Taiwan Branch	SGC	3	Accounts payables	205,357	Open account 60 days	1
		SGC	3	Accounts receivables	298,486	Open account 60 days	1
		SPG	3	Accounts payables	227,274	Open account 60 days	1
		VG	3	Accounts payables	291,789	Open account 60 days	1
		DH	3	Accounts payables	233,650	Open account 60 days	1
		SPG	3	Cost of goods sold	4,168,273	Open account 60 days	23
		SGC	3	Cost of goods sold	5,309,222	Open account 60 days	29
		VG	3	Cost of goods sold	3,593,266	Open account 60 days	19
		AW	3	Cost of goods sold	1,860,921	Open account 60 days	10
		DH	3	Cost of goods sold	1,948,441	Open account 60 days	11
		ASP	3	Cost of goods sold	437,798	Open account 60 days	2
		SPG	3	Revenue of goods sold	531,882	Open account 60 days	3
		SGC	3	Revenue of goods sold	2,197,934	Open account 60 days	12
		VG	3	Revenue of goods sold	344,985	Open account 60 days	2
		AW	3	Revenue of goods sold	188,465	Open account 60 days	1
3		SPG	SGC	3	Revenue of goods sold	209,707	Open account 60 days

Note 1: The relationships: (1) Represents the transactions from the parent company to the subsidiary. (2) Represents the transactions from the subsidiary company to the parent. (3) Represents the transactions between subsidiaries.

Note 2: For balance sheet accounts, transactions exceeding 1% of the consolidated total assets should be disclosed; for income statement accounts, transactions exceeding 1% of the consolidated total revenue should be disclosed. The transactions within the Group were eliminated in the consolidated financial statement.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES  
 INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Table 7

(In Thousands of New Taiwan Dollars , Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Share of Profit (Loss)	Remark
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership (%)	Carrying Amount			
The Company	SPG (Samoa)	Samoa	Sporting goods trading and international investment	USD 101,400	USD 101,400	5,035,579	100	USD 162,488	USD 18,111	USD 18,109	First-tier subsidiary
	Fongyuan	Seychelles	International investment	USD 32,109	USD 32,109	34,850,000	100	USD 25,722	USD 6,295	USD 6,295	First-tier subsidiary
	Elephant	Seychelles	International investment	USD 48,035	USD 48,035	49,000,000	100	USD 66,215	USD 16,427	USD 16,427	First-tier subsidiary
	All Wells	The British Virgin Islands	International investment	USD 65,000	USD 42,500	48,500,000	100	USD 212,121	USD 29,701	USD 29,701	First-tier subsidiary
SPG (Samoa)	Silk Invest	Taiwan	Investment and real estate development, rental, and sales	USD 35,446	USD 13,696	-	100	USD 27,250	( \$ 86,010)	(Note 1)	Second-tier subsidiary
Elephant	VG	Vietnam	Manufacturing, processing and trading of sporting goods	USD 56,000	USD 56,000	-	100	USD 58,678	VND 386,487,785	(Note 1)	Second-tier subsidiary
	SPG Indonesia	Indonesia	Manufacturing, processing and trading of sporting goods	USD 10,350	USD 3,150	-	90	USD 9,290	( IDR 2,466,050)	(Note 1)	Second-tier subsidiary
	SGP	Portugal	Research center for sporting goods	EUR 250	EUR 250	250,000	2.78	USD 214	(EUR 578)	(Note 1)	Second-tier subsidiary
Fongyuan	AW	Vietnam	Manufacturing, processing and trading of sporting goods	USD 36,000	USD 36,000	-	90	USD 23,951	VND 163,200,511	(Note 1)	Second-tier subsidiary
	SPG Indonesia	Indonesia	Manufacturing, processing and trading of sporting goods	USD 1,150	USD 350	-	10	USD 1,032	( IDR 2,466,050)	(Note 1)	Second-tier subsidiary
All Wells	SPG	Vietnam	Manufacturing, processing and trading of sporting goods	USD 12,700	USD 12,700	-	100	USD 47,294	VND 196,856,769	(Note 1)	Second-tier subsidiary
	AW	Vietnam	Manufacturing, processing and trading of sporting goods	USD 4,000	USD 4,000	-	10	USD 2,661	VND 163,200,511	(Note 1)	Second-tier subsidiary
	DH	Vietnam	Manufacturing, processing and trading of sporting goods	USD 21,600	USD 21,600	-	100	USD 22,501	VND 165,477,640	(Note 1)	Second-tier subsidiary
	Fireman	Cambodia	Manufacturing, processing and trading of sporting goods	USD 15,000	USD 3,750	-	100	USD 15,723	USD 392	(Note 1)	Second-tier subsidiary
Silk Invest	SPG Myanmar	Myanmar	Manufacturing, processing and trading of sporting goods	USD 20,000	USD 20,000	-	100	USD 18,565	(USD 219)	(Note 1)	Second-tier subsidiary
	ASP	Vietnam	Manufacturing, processing and trading of sporting goods	USD 12,000	USD 12,000	-	100	USD 7,963	(VND 17,863,074)	(Note 1)	Second-tier subsidiary
	SGC	Cambodia	Manufacturing, processing and trading of sporting goods	USD 27,500	USD 25,000	-	100	USD 71,223	USD 14,389	(Note 1)	Second-tier subsidiary
	SGP	Portugal	Research center for sporting goods	EUR 8,750	EUR 3,750	8,750,000	97.22	\$ 229,731	( EUR 578)	(Note 1)	Second-tier subsidiary
	FIL	Germany	Manufacturing, processing and trading of sporting goods	EUR 700	EUR 700	-	87.45	( \$ 32,284 )	( EUR 1,560)	(Note 1)	Second-tier subsidiary

Note 1: Not required to fill in.

Note 2: The transactions within the Group were eliminated in the consolidated financial statements.

SPORTS GEAR CO. LTD.  
 INFORMATION ON MAJOR SHAREHOLDERS  
 DECEMBER 31, 2022

Table 8

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
MATCH SPORTS INTERNATIONAL CO LTD.	60,853,185	31.04
Mu Mu Sports International Limited	30,055,555	15.33
Lu Lu Sports International Limited	18,518,518	9.44
Trust account of Spread Idea Co., Ltd.	16,666,666	8.50
Preferred Grand Fund SPC-Stone Wall Fund Segregated Portfolio	16,480,518	8.40
LAI Li-Yang	11,777,962	6.00

Note: The main shareholder information in this table was calculated by the insurance company on the last business day at the end of each quarter, the total number of common shares and special shares held by the shareholders who have completed the delivery of the company without physical registration has reached more than 5%. As for the share capital recorded in the Company's consolidated financial report and the number of shares actually delivered by the Company without physical registration, there may be differences due to the different calculation basis.

V. Financial turnover difficulties

If any financial difficulties occur for the Company or its affiliates in the most recent fiscal year and up to the publication date of this Annual Report, the impact on the Company' s financial status should be stated: No such situation.

## Chapter VII. Financial Condition and Financial Performance Review and Risk Analysis.

### I. Financial Condition

Unit: Thousand NTD; %

Item \ Year	2022	2021	Discrepancy	
			Amount	%
Current assets	13,833,907	11,198,648	2,635,259	23.53
Property, plant, and equipment	4,682,878	3,802,750	880,128	23.14
Right-of-use asset	1,244,724	1,183,934	60,790	5.13
Intangible assets	35,558	29,400	6,158	20.95
Other assets	244,650	262,458	(17,808)	(6.79)
Total assets	20,041,717	16,477,190	3,564,527	21.63
Current liabilities	4,244,992	3,095,687	1,149,305	37.13
Non-current liabilities	1,656,758	1,325,345	331,413	25.01
Total liabilities	5,901,750	4,421,032	1,480,718	33.49
Share capital	1,960,456	1,960,456	0	0
Capital surplus	7,954,196	8,444,311	(490,115)	(5.8)
Retained surplus (loss not yet made up)	4,058,430	2,446,384	1,612,046	65.9
Other rights	173,461	(794,855)	968,316	121.82
Non-controlling interests	(6,576)	(138)	(6,438)	4,665.22
Total shareholder equity	14,139,967	12,056,158	2,083,809	17.28
<p>If the change between the early and late period exceeds 20%, and the amount of change is more than NT\$10 million, the main analysis and explanation are as follows:</p> <p>(1) Total assets increased by NT\$3,564,527 thousand compared with 2021, mainly due to the increase of NT\$2,635,259 thousand in current assets and NT\$880,128 thousand in property, plant, and equipment. The reasons for the changes in current assets and property, plant, and equipment are as follows:</p> <p style="padding-left: 20px;">10. Current assets are mainly due to the increase in flow of receivables and other financial assets.</p> <p style="padding-left: 20px;">11. Property, plant, and equipment are mainly due to the construction of new production bases and the addition of automated machinery.</p> <p>(2) Total liabilities increased by NT\$1,480,718 thousand compared with 2021, mainly due to the increase of NT\$1,149,305 thousand in current liabilities and NT\$331,413 thousand in non-current liabilities. The reasons for the changes are as follows:</p> <p style="padding-left: 20px;">1. Current liabilities are mainly due to the total increase of by NT\$337,975 thousand in short-term bank loans and long-term bank loans due within one year, NT\$283,488 thousand in accounts payable, and NT\$279,190 thousand in income tax liabilities for the current period.</p> <p style="padding-left: 20px;">2. Non-current liabilities are mainly due to the increase in long-term bank loans.</p> <p>(3) Retained earnings increased by NT\$1,612,046 thousand compared with 2021, mainly due to the increase in net profit for the current period.</p> <p>(4) The increase of other rights by NT\$968,316,000 was mainly due to exchange rate fluctuations.</p>				

Item \ Year	2022	2021	Discrepancy	
			Amount	%

## II. Financial Performance

### (I) Financial performance comparison analysis table

Unit: Thousand NTD; %

Item \ Year	2022	2021	Amount of change	Change ratio (%)
Operating revenue	18,524,986	12,335,924	6,189,062	50.17
Operating costs	14,240,644	9,901,350	4,339,294	43.83
Gross profit	4,284,342	2,434,574	1,849,768	75.98
Operating expenses	2,031,268	1,639,029	392,239	23.93
Net profit	2,253,074	795,545	1,457,529	183.21
Non-operating revenue and (expenses)	110,823	68,361	42,462	62.11
Net profit before tax	2,363,897	863,906	1,499,991	173.63
Income tax expenses	561,873	217,716	344,157	158.08
Net profit for the period	1,802,024	646,190	1,155,834	178.87
Other comprehensive income/losses for the current period (net, after-tax)	967,946	(245,073)	1,213,019	494.96
Total comprehensive income	2,769,970	401,117	2,368,853	590.56
Net profit attributable to the parent company	1,808,092	647,299	1,160,793	179.33
Net profit attributable to non-controlling interests	(6,068)	(1,109)	(4,959)	(447.16)
Comprehensive profit	2,776,408	402,234	2,374,174	590.25



Item \ Year	2022	2021	Amount of change	Change ratio (%)
and loss attributable to the parent company				
Comprehensive profit and loss attributable to non-controlling interests	(6,438)	(1,117)	(5,321)	(476.37)

If the change between the early and late period exceeds 20%, and the amount of change is more than NT\$10 million, the main analysis and explanation are as follows:

- (1) Increase in operating revenue, costs and gross profit: Mainly due to the increase in sales volume in 2022, which led to increases in the operating revenue and corresponding costs. In addition, due to the increase in shipments of high-unit-priced shoes, the gross profit margin increased compared with 2021.
- (2) Increased operating expenses: Mainly due to increase in sales and corresponding increase in sales expenses. In addition, management expenses calculated based on net profit also increased due to the increase in net profit.
- (3) Increase in operating profit: Mainly due to the increase in operating gross profit exceeding the increase in operating expenses.
- (4) The increase in non-operating income was mainly due to the increase in income from interest.
- (5) Increase of net profit before tax, income tax expense, and net profit for the period: Mainly due to the increase in operating net profit. Income tax expenses increased due to the increase in net profit before tax; the increase in net profit and net profit attributable to the parent company for the current period was mainly due to the increase in net profit before tax and the increase in profit from exchange.
- (6) Other comprehensive income (net, after-tax) was mainly caused by the currency translation difference in presentation currency and exchange differences arising from the translation of the financial statements of foreign operations.
- (7) The increase in the net profit attributable to the parent company and total comprehensive income and comprehensive income attributable to the parent company was mainly due to the increase in net profit in 2022 and fluctuations in the exchange rate.

(II) Expected sales volume and its basis, possible impact on the Company's future financial operations and the response plan:

See page3: Business report three, 2023 Business Plan

### III. Cash flow

#### (I) Analysis of cash flow change in most recent year

Unit: Thousand NTD

Cash balance at beginning of period	Cash flow from operating activities over the entire year	Net cash inflow from investment	Net cash inflow from financing activities	Total year exchange rate effects on cash and cash equivalents:	Cash surplus	Improvement plan for insufficient liquidity	
						Investment plans	Financing plans
6,041,954	1,214,779	(1,909,627)	(163,071)	382,595	5,566,630	None	None
<p>Analysis of cash flow changes for the year:            Cash inflow from operating activities is about 1.21 billion: Mainly includes net profit after tax and expenses from depreciation and amortization.            Cash outflow from investment activities is about 1.91 billion: Mainly from use for capital expenditure.            Cash outflow of financing activities is about 160 million: Mainly due to the increase in bank borrowing and partly offset by the distribution of cash dividends.</p>							

#### (II) Improvement plan for insufficient liquidity

The Company expects to continue to make profits, and there is no danger of insufficient liquidity.

#### (III) Analysis of cash liquidity for the coming year (2022)

Unit: Thousand NTD

Cash balance at beginning of period	Estimated net cash inflow from operating activities for the whole year	Net cash inflow from investment and financing activities	Estimated cash surplus (insufficiency) amount	Estimated capital resources for insufficient cash	
				Investment plans	Financing plans
5,566,630	1,475,909	(2,752,635)	4,289,904	None	None
<p>(1) Analysis of cash flow changes in the next year:            Operating activities: This is mainly due to cash inflow and net changes in receivables, inventories and payables as a result of the expected cash inflow from operations and profits in 2023.            Investment and financing activities: This is mainly due to the proposed use of long-term financing from a syndicated loan for the construction of a new production unit and the purchase of production machinery, and the payment of cash dividends.            (2) Remedial measures and liquidity analysis for expected cash insufficiency: There is no expected cash insufficiency, so it is not applicable.</p>					

### IV. Effect of major capital expenditures on financial operations in the most recent year

#### (I) Use of major capital expenditures and sources of capital:

Unit: Thousand NTD

Plan	Actual or projected sources of funds	Actual use of funds	
		2022	2021

Acquisition of property, equipment and right-of-use assets	Company funds and bank loans	1,231,989	735,714
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(II) Expected possible benefits:

After the new production base is completed and is in production, it is expected to increase the Company's production capacity and inject new momentum for growth into operations, so capital expenditure increased.

V. Reinvestment policy, main reasons for profit or loss, and improvement plans in the most recent year and investment plans for the coming year

(I) Reinvestment policy

The Company's takes its own business as the core consideration for its reinvestment policy, and does not engage in industries outside of its own business. The Company has formulated the "Investment Cycle," "Regulations on the Supervision and Management of Subsidiaries," "Management Guidelines for Related-party Transactions," "Regulations Governing Financial Business Among Affiliates" and the Company's "Procedures for the Acquisition or Disposal of Assets"; relevant investment plans made in the future will be processed in accordance with the aforementioned regulations.

(II) The main reason for the profit or loss of reinvestment in the most recent year, and the improvement plan

Unit: thousand NTD

Name of invested company	Direct (indirect) shareholding ratio(%)	Income on investment recognized by the Company in 2022	Reason for profit or loss	Improvement plan
Sports Gear Co., Ltd.	100%	539,277	The holding company recognizes income on investment	Not applicable
All Wells	100%	884,486	The holding company recognizes income on investment	Not applicable
Elephant	100%	489,200	The holding company recognizes income on investment	Not applicable
Fongyuan	100%	187,460	The holding company recognizes income on investment	Not applicable
Silk Invest International Co., Ltd.	100%	(86,010)	The Group holds land through Silk Invest for the construction of a future headquarters, and losses were mainly due to management expenses	The headquarters design plan has been completed. However, due to the impact of the COVID-19 pandemic, the Company has decided to suspend the

Name of invested company	Direct (indirect) shareholding ratio(%)	Income on investment recognized by the Company in 2022	Reason for profit or loss	Improvement plan
			and financial costs being incurred while operations have not yet begun. In addition, the recognition of SGP and FiL investment gains and losses also caused losses due to the holding company.	construction of the headquarters, and will review the plant expansion plan when the pandemic abates. Investment will improve after operations of SGP and FiL are on track.
Chi Hung Co., Ltd.	100%	252,287	Good operations	Not applicable
All Wells International Co., Ltd.	100%	209,154	Good operations	Not applicable
Can Sports Shoes Co., Ltd.	100%	428,510	Good operations	Not applicable
Can Sports Vietnam Co., Ltd.	100%	495,314	Good operations	Not applicable
Dai Hoa Co., Ltd.	100%	212,072	Good operations	Not applicable
August Sports Co., Ltd.	100%	(22,893)	Losses from the initial orders of the factory not reaching economic scale.	Work to fill the group's new brand orders and improve management efficiency to increase production capacity, thus ameliorating losses.
Fireman	100%	11,687	Good operations	Not applicable
Sports Gear (Myanmar) Co., Ltd	100%	(6,515)	Due to the postponement of the factory construction plan caused by COVID-19 pandemic and the local coup d'état, factory construction is still in the planning stage and is not yet in operations; it has generated management costs.	Thwarted by the COVID-19 pandemic and the local coup d' é tat, the plant construction plan has been postponed. We will review the expansion plan when the pandemic subsides and the political and economic situation stabilizes.
PT Can Sports Industrial Indonesia	100%	(4,945)	In the construction stage and not yet in operations; it has generated management costs and financial costs.	Currently, there are active negotiations with the brand on the production plan, and the factory construction plan started in 2022. It is expected that

Name of invested company	Direct (indirect) shareholding ratio(%)	Income on investment recognized by the Company in 2022	Reason for profit or loss	Improvement plan
				the first factory building will be completed by the end of 2023.
SGP	100%	(18,067)	In the construction stage and not yet in operations; it has generated management costs and marketing costs.	The brand has been approved to establish a plant, and construction is expected to be completed by the end of June 2023. After the installation of machinery and equipment and personnel training, R&D and production will formally begin in the end of 2023.
FiL	87.45%	(42,658)	Losses from the initial orders not reaching economic scale.	Currently there are active negotiations with the brand on the production plan, and we are focusing on advanced manufacturing technologies such as direct injection (DI). Cooperating with Portugal, we are carrying out automatic production R&D and DI injection technology R&D, for trial production of high-unit-price DI shoes. We hope to use this to expand with investment opportunities in Europe

(III) Investment Plans for the Coming Year: In response to the trend of international anti-tax avoidance policies, the group is planning operations in Europe, adjusting the group structure, and is planning to invest in and establish a subsidiary in Singapore. In the future, the European subsidiary will be directly held and controlled by the Singapore company when established.

#### VI. Risk analysis

(I) Effects of fluctuations in interest rate and exchange rate and inflation on the Company's finances, and future response measures

1. The impact of interest rate fluctuations on the Company's profit and loss and future response measures

The interest income of the Company and its subsidiaries is mainly due to the

interest on bank deposits; the interest expenses are mainly the interest expenses resulting from financial institution borrowing and lease liabilities recognized by the effective interest method. The interest incomes of the Company and its subsidiaries in 2022 and 2021 were, respectively, NT\$99,937 thousand and NT\$63,139 thousand, accounting for 0.54% and 0.51% of the current consolidated net operating revenue; interest expenses were, respectively, NT\$74,614 thousand and NT\$79,555 thousand, accounting for 0.40% and 0.64% of the current consolidated net operating revenue, indicating that fluctuations in interest rates have no significant impact on the operation of the Company and its subsidiaries.

Response measures:

If there is a trend of significant fluctuations in interest rates in the future, the Company and its subsidiaries will make appropriate fund utilization plans based on changes in interest rates in the financial market, assess bank borrowing rates from time to time, and strive for more favorable interest rates to achieve the maximum cost-effectiveness of funds.

2. The impact of exchange rate fluctuations on the Company's profit and loss and future response measures

The main purchases and sales of the Company and its subsidiaries are denominated in US dollars, so the receivables and payables of purchases and sales transactions can be mutually offset, resulting in a natural hedging effect. The net exchange (profit) and loss for the Company and its subsidiaries for 2022 and 2021 were, respectively, NT\$101,151 thousand and NT\$9,192 thousand, accounting for 0.55% and 0.07% of the net operating revenue of the current period, indicating that the impact of fluctuations in exchange rates on the Company's profits is still limited.

Response measures:

In order to avoid excessive exchange rate risks arising from exchange rate fluctuations on foreign sales and purchases, the Company adopts the following measures to deal with the impact of exchange rate fluctuations on its profits and losses:

- (1) Utilizing the characteristics of natural hedging, the sales revenue of the same currency is used to cover the purchase expenditure to reduce the impact of exchange rate fluctuations.
- (2) Financial units monitor the fluctuations in international exchange rates in real time and maintain close contact with major correspondent banks. Financial specialists continuously collect information about exchange rate fluctuations, endeavor to fully grasp international exchange rate trends and fluctuations, and actively respond to the impact of exchange rate fluctuations; and, to meet

the Company's capital needs, conduct foreign exchange in a timely manner to reduce risk.

- (3) Financial units continuously collect information on fluctuations in the foreign exchange market to understand exchange rate trends, use cash flow forecasts to maintain an appropriate net foreign exchange position, and when necessary, perform forward exchange transactions, foreign exchange transactions, or currency options in accordance with the "Management Procedures for the Acquisition or Disposal of Assets" based on foreign currency positions and exchange rate fluctuations, to hedge the net foreign currency positions after natural hedging, so as to reduce the exchange rate risk generated by the Company's business operations.

3. The impact of inflation on the Company's profits and losses and future response measures

Under the rapid changes in the global economic environment, the Company has not suffered a major impact on profit or loss due to inflation or deflation crises up to the printing date of the annual report.

Response measures:

The Company continuously pays attention to market price fluctuations and continues to maintain close and good interactions with suppliers to avoid the adverse effects of inflation on the Company's profits and losses.

(II) Policies, main causes of profit or loss, and future response measures with respect to high-risk, high-leveraged investments, fund loans to others, or endorsements and guarantees, and derivatives transactions

1. Main reasons for profit or loss with respect to high-risk, high-leveraged investments and future response measures

The Company has not engaged in high-risk, high-leverage investments in the most recent year and up to the printing date of the annual report.

2. The main reasons for the profit or loss with respect to fund loans to others and future response measures

The Company engages in fund loans to others, mainly between the Company and its subsidiaries, or between the Company and foreign subsidiaries in which it directly or indirectly holds 100% of the voting shares or where it has substantial controlling interest, where there is a need for business transactions or fund needs, and it proceeds in accordance with the Company's "Procedures for Extending Loans to Others."

3. The main reasons for profit or loss with respect to endorsements and guarantees and future response measures

The Company engages in endorsements and guarantees, mainly for mutual

guarantees between the Company and its subsidiaries or between bank financing accounts of subsidiaries in which 100% of the voting rights are held directly or indirectly or where it has substantial controlling interest; endorsements and guarantees are handled in accordance with the relevant provisions of the Company's "Procedures for Endorsements and Guarantees."

4. Policy for engaging in derivative commodity trading, main reasons for profit or loss, and future response measures

The Company has not engaged in derivative commodity trading investments in the most recent year and up to the printing date of the annual report.

(III) Future R&D plans and estimated R&D expenses

The Company's R&D unit is led by the Samoa Sports Gear Taiwan Branch, with support from Chi Hung, Can Sports Vietnam, Dai Hoa Vietnam, August Sports Vietnam, SGP, and FiL. The Company and its subsidiaries will focus on continuing the existing R&D plan in 2023. In addition to the Company and its subsidiaries' R&D units developing new shoe models, mold development, and sample trial production testing, the Company and its subsidiaries actively engage in technological innovation and enhancement of production processes. Future R&D plans include new direct injection technologies and new product development, automation of production processes, establishment of an online real-time inspection record system, a high-speed visual point cloud identification and inspection system, and a cloud control management system.

(IV) The impact of important domestic and foreign policy and legal changes on the Company's financial business and response measures

The Company's execution of its various businesses is in accordance with the laws and regulations and related policies of the countries of registration and the countries of main operation; it continuously pays attention to changes and development trends; and it immediately responds to changes in the market environment and takes appropriate response measures. Important domestic and foreign policies and legal changes have not had a significant impact on the Company's finances or business in the most recent year and up to the printing date of the annual report.

(V) Impact of technological changes (including information security risks) and industrial changes on the Company's financial business and response measures

The Company continuously pays attention to the technologies, developments, and updates related to the industry in which it operates, and quickly grasps industry dynamics; it continuously improves its production capacity, evaluates the impact of production capacity on the Company's operations, and understands technological or industrial changes in a timely manner to adjust its developmental direction. For



information security, in 2022 the Company established the Information Security Department - Hardware Information Security Network Management Division - Information Security Department under the IT Center, with an information security supervisor and professional IT engineers, who are responsible for formulating corporate information security policies, planning information security measures and implementing information security operations, and report to the top management of the IT Center on a regular basis. The Information Security Department also cooperates with the accounting firm to conduct IT operation audit every year. If deficiencies are found, the Department should prepare and report improvement plans, and follow up the results of the improvements regularly to mitigate internal information security risks. Technological changes and industrial changes have not had a significant impact on the Company's financial business in the most recent year and up to the printing date of the annual report.

- (VI) The impact of changes to the corporate image on corporate crisis management and response measures

The Company adheres to the philosophy of honesty, trust, and sustainable management. Since its establishment, it has focused on its business operations. It has a good corporate image, abides by relevant laws and regulations, and continues to maintain its good corporate image. There has been no change in its corporate image or corporate crisis management in the most recent year and up to the printing date of the annual report.

- (VII) Expected benefits, possible risks, and response measures with respect to mergers and acquisitions

As of the printing date of the annual report, there is no plan to acquire other companies. If there is a plan for merger and acquisition in the future, the Company will assess the plan with caution and fully consider the synergies of the merger to truly protect shareholder equity.

- (VIII) Expected benefits, possible risks and response measures with respect to plant expansion

The Company communicated with major brands before plant expansion, and after reaching a preliminary consensus, it worked out a three-to-five-year plant expansion plan and future production plan. As the factory for Group A was at full capacity, the Company added Factory S3 to Can Sports Shoes Co., Ltd. in 2021 and the outsole plant, which was put into operation in 2022. The Company established a subsidiary SGP in Portugal and acquired FiL in Germany, and will work with the direct injection team in Portugal to carry out R&D on automated production and direct injection technology, mainly engaged in the R&D and production process for the Group's brand footwear products.

In addition to reaching consensus with big brands on the above-mentioned factory expansion plans, the Company plans to build a headquarters building through its subsidiary, Silk Invest International Co., Ltd.. However, the plan has been postponed due to the impact of the two years of the COVID-19 pandemic. Meanwhile, the Company purchased the land as originally planned because land is difficult to acquire. In addition, thwarted by the local coup d'état and the COVID-19 pandemic, the factory expansion plan of Sports Gear (Myanmar) Co., Ltd has been postponed. We will review the above investment plans for Silk Invest International Co., Ltd. and Sports Gear (Myanmar) Co., Ltd when the political and economic situation stabilizes. We will also continue to discuss updates on the factory expansion plans with our brand customers. If, after evaluation, it is decided to resume the factory expansion plans, the plans and investment evaluation reports will be prepared in accordance with internal procedures, and will be approved by the Board of Directors in accordance with the approval authority before implementation.

The company is currently carrying out the expansion plans of Can Sports Shoes Co., Ltd. S3 factory and onsole plant, SGP, FiL and SPG Indonesia. Both Can Sports Shoes Co., Ltd. and onsole plant have started production. The new SPG Indonesia plant will continue with the expansion plan and is expected to go into production after its completion in 2024. In addition, the main section of the SGP plant has been built and is undergoing interior furnishing. FiL has moved into the new plant and is ready to start production. The Company currently has no major risks in plant expansion. It is expected that investment in the expansion will help expand the Company's capacity and improve flexibility in scheduling, as well as increase the Company's operating scale and competitiveness.

(IX) Risks and response measures with respect to concentration in purchases or sales

1. Sales

In both 2021 and 2022, the Company and its subsidiaries sold more than 30% of the net revenue for each period to a single client of Group A. This is mainly due to the Company's cooperation with the Group A brand client for more than 20 years, and because the brand client has approved of the quality of the products produced by the Company. And as the performance of the Group A brand clients has grown, so has its demand for Company's products, resulting in concentrated sales. In addition to retaining its existing clients, the Company maintains good cooperative relationships with clients, and adjusts the product lines of each plant in response to trends of various brands around the world, leading to changes in order amounts from each brand and reduction in the risk of the Company's sales being concentration on a single client.

2. Purchases

In the most recent year and up to the printing date of the annual report, there has not been a situation for the Company or its subsidiaries where supply has reached 30% or more from a single supplier, so there is no risk of concentration of purchases.

- (X) The impact, risks, and response measures of the Company where there are massive transfers or replacements of shares with respect to the directors, supervisors, or major shareholders holding more than 10% of shares

Up to the printing date of the annual report, the Company's directors or major shareholders holding more than 10% of the shares have not had a major transfer or replacement of equity that affects the Company's operations.

- (XI) The impact, risks, and response measures of the change of operation rights on the Company

Up to the printing date of the annual report, the Company has no changes to operation rights that affect the Company's operations.

- (XII) Litigation or non-litigation events in which the Company, its directors, supervisors, presidents, substantial persons-in-charge, major shareholders holding more than 10% of shares, or subordinate companies are involved that have been determined by verdict of the court or are still pending in a major litigation, non-litigation, or administrative litigation, the outcome of which may have a significant impact on shareholder equity or securities prices

There are no major litigations, non-litigations or administrative litigations in which the Company, its directors, presidents, substantive persons in charge, major shareholders holding more than 10% of the shares, or subordinate companies are involved.

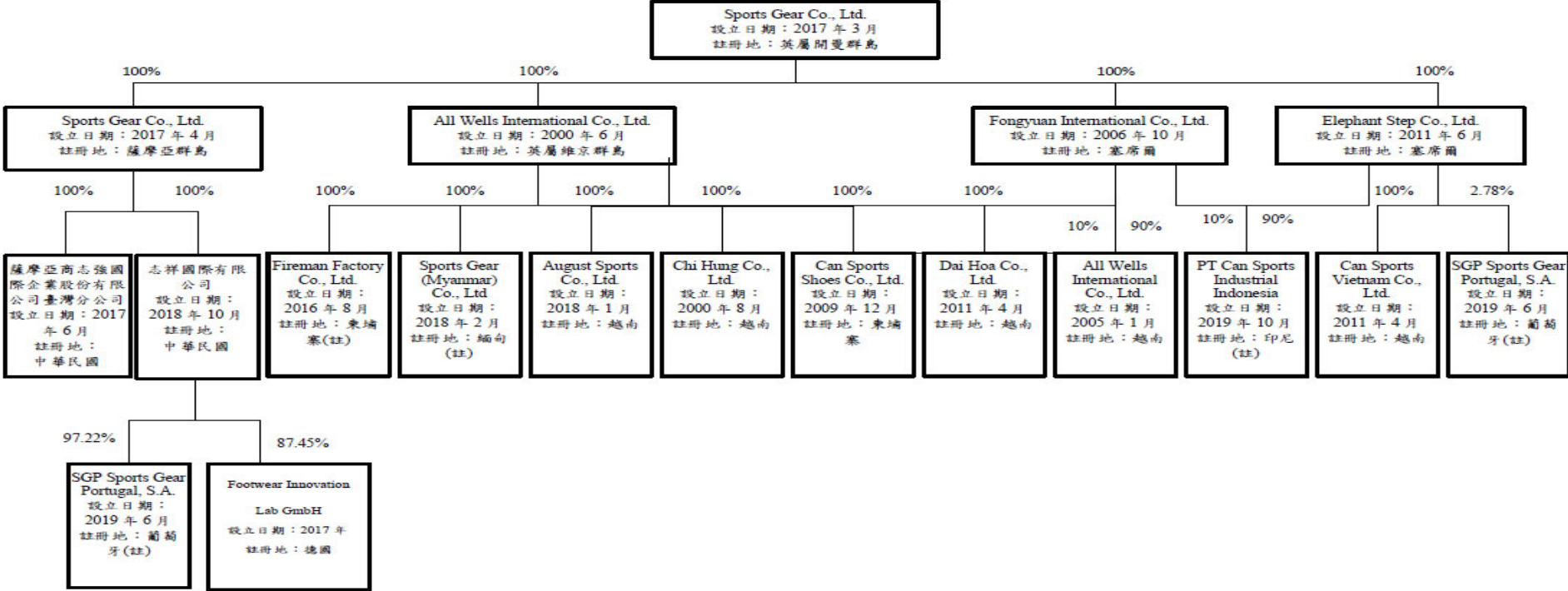
- (XIII) Other important risks and response measures  
None.

VII. Other important matters: None.

# Chapter VIII. Special records

## I. Affiliate information (I) Affiliate diagram

Date: December 31, 2022



## (II) Basic information on each affiliate

December 31, 2022; Unit: Thousand USD

Company Name	Date of Establishment	Location	Paid-in capital	Main business
Sports Gear Co.,Ltd.	April 2017	Samoa	5,036	Trading of sporting goods and international investment
All Wells International Co.,Ltd.(All Wells)	June 2000	The British Virgin Islands	48,500	International investment business
Elephant Step Co.,Ltd.(Elephant)	June 2011	Seychelles	49,000	International investment business
Fongyuan International Co.,Ltd(Fongyuan)	October 2006	Seychelles	34,850	International investment business
Silk Invest International Co., Ltd.	October 2018	Republic of China	35,446	General investment business and property development leasing and sales business
Chi Hung Co., Ltd.	August 2000	Vietnam	12,700	Manufacturing, processing, and trading of sporting goods
All Wells International Co., Ltd.	January 2005	Vietnam	40,000	Manufacturing, processing, and trading of sporting goods
Can Sports Shoes Co.,Ltd.	December 2009	Cambodia	27,500	Manufacturing, processing, and trading of sporting goods
Can Sports Vietnam Co.,Ltd.	April 2011	Vietnam	56,000	Manufacturing, processing, and trading of sporting goods
Dai Hoa Co.,Ltd.	April 2011	Vietnam	21,600	Manufacturing, processing, and trading of sporting goods
August Sports Co.,Ltd.	January 2018	Vietnam	12,000	Manufacturing, processing, and trading of sporting goods
Fireman Factory Co.,Ltd. (Fireman)	August 2016	Cambodia	15,000	Manufacturing, processing, and trading of sporting goods

Company Name	Date of Establishment	Location	Paid-in capital	Main business
Sports Gear (Myanmar)Co.,Ltd	February 2018	Myanmar	20,000	Manufacturing, processing, and trading of sporting goods
PT Can Sports Industrial Indonesia	October 2019	Indonesia	11,500	Manufacturing, processing, and trading of sporting goods
SGP Sports Gear Portugal,S.A.(SGP)	June 2019	Portugal	10,136	Sporting Goods Research Center
Footwear Innovation Lab GmbH	September 2017	Germany	2,378	Manufacturing, processing, and trading of sporting goods

- (III) The information of identical shareholders presumed to have control and subsidiary relationship: Not applicable.
- (IV) Overall industries covered by the business of affiliates:
1. Industry: Footwear production, sales and reinvestment, and other related businesses
  2. Other: Distribution agency business, etc. For the main business or production items of each affiliate, refer to (2) Overview of Basic Information on Each Affiliate for details.

- (V) Information on directors, supervisors, and presidents of affiliates

Date of information: December 31, 2022

Company Name	Title	Name or representative	Shares held	
			Number of shares (shares)	Shareholding ratio
Sports Gear Co.,Ltd.	Director	Wei-Chia Chen	-	-
Sports Gear Co., Ltd. Taiwan Branch	Manager	Wei-Chia Chen	-	-
All Wells International Co.,Ltd.	Director	Wei-Chia Chen	-	-
Elephant Step Co.,Ltd.	Director	Wei-Chia Chen	-	-
Fongyuan International Co.,Ltd	Director	Wei-Chia Chen	-	-
Silk Invest International Co., Ltd.	Director	Wei-Chia Chen	-	-
Chi Hung Co.,Ltd. (Chi Hung Co., Ltd.)	Director	Wei-Chia Chen	-	-
	Supervisor	An-De Wu	-	-

Company Name	Title	Name or representative	Shares held	
			Number of shares (shares)	Shareholding ratio
All Wells International Co., Ltd.	Director	Wei-Chia Chen	-	-
	Vice President	Jack Wang	-	-
	Supervisor	An-De Wu		
Can Sports Shoes Co.,Ltd.	Director	Wei-Chia Chen	-	-
	Director and Vice President	Nick Lin	-	-
Can Sports Vietnam Co.,Ltd.	Director	Wei-Chia Chen	-	-
	Supervisor	An-De Wu	-	-
Dai Hoa Co.,Ltd.	Director	Wei-Chia Chen	-	-
	Director	Michael Huang		
	Director	Stella Chang		
	Director	Nick Lin		
August Sports Co.,Ltd. (August Sports Co., Ltd.)	Director	Wei-Chia Chen	-	-
	Director	Michael Huang		
Fireman Factory Co.,Ltd. (Fireman)	Director	Wei-Chia Chen	-	-
	Director	Nick Lin		
Sports Gear (Myanmar) Co.,Ltd(SPG 緬甸)	Director	Wei-Chia Chen	-	-
	Director	Michael Huang	-	-
PT Can Sports Industrial Indonesia	Director	Jack Wang	-	-
	Director	Ji-Hong Chen	-	-
	Director	Yong-Zhi Xu	-	-
	Supervisor	Wei-Chia Chen	-	-

Company Name	Title	Name or representative	Shares held	
			Number of shares (shares)	Shareholding ratio
SGP Sports Gear Portugal,S.A. (SGP)	Director	Wei-Chia Chen	-	-
	Director	Jui-Lan Wang	-	-
Footwear Innovation Lab GmbH(FIL)	Director	Wei-Chia Chen	-	-
	Director	Juergen Hans Wormser(沃漢于)	-	-
	Director	Monica Schmidt	-	-
Sports Gear SG Private Ltd.	Director	Wei-Chia Chen	-	-
	Director	Shao-Jie Chen	-	-
	Director	LEE HUI YING	-	-

(VI) Overview of operations of affiliates

Unit: The capital amount is in thousand USD, and the rest is in

thousand NTD;

Date of information: January 1 to December 31,

2022

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current Profit/Loss (After tax)
Sports Gear Co.,Ltd.	5,036	7,696,700	2,674,399	5,022,301	21,838,511	647,168	535,737
All Wells International Co.,Ltd.(All Wells)	48,500	6,511,938	46	6,511,892	0	(7,813)	884,486
Elephant Step Co.,Ltd.(Elephant)	49,000	2,157,573	128,940	2,028,633	0	(60)	489,200
Fongyuan International Co.,Ltd(Fongyuan)	34,850	813,754	24,560	789,194	0	(70)	187,460
Silk Invest International Co., Ltd.	35,446	1,392,691	556,125	836,566	0	(3,348)	(86,010)
Chi Hung Co., Ltd.	12,700	2,194,711	742,781	1,451,930	4,385,760	331,367	252,287
All Wells International Co., Ltd.	40,000	1,403,329	586,337	816,992	1,906,461	272,691	209,154
Can Sports Shoes Co.,Ltd.	27,500	3,134,623	948,291	2,186,332	5,318,003	556,574	428,510
Can Sports Vietnam Co.,Ltd.	56,000	2,390,461	589,037	1,801,424	3,673,700	576,494	495,314
Dai Hoa Co.,Ltd.	21,600	1,422,004	731,234	690,770	2,043,174	269,473	212,072



Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current Profit/Loss (After tax)
August Sports Co.,Ltd.	12,000	523,008	278,535	244,473	0	(479,524)	(22,893)
Fireman Factory Co.,Ltd. (Fireman)	15,000	1,042,718	560,020	482,698	0	(512)	11,687
Sports Gear (Myanmar)Co.,Ltd	20,000	570,205	258	569,947	0	(10,755)	(6,515)
PT Can Sports Industrial Indonesia	11,500	478,565	166,298	312,267	0	(8,269)	(4,945)
SGP Sports Gear Portugal,S.A.(SGP)	10,136	281,265	44,965	236,300	8,699	(21,618)	(18,067)
Footwear Innovation Lab GmbH(FIL)	2,378	260,075	312,475	(52,400)	39,526	(38,080)	(48,780)

(VII) Consolidated financial and business statements of affiliates:  
Same as the consolidated financial statements; see pages 84 to 141.

- II. In the most recent year and up to the printing date of the annual report, the status of private placement securities:  
No such situation.
- III. Status of holding or disposing of the Company's stocks by subsidiaries in the most recent year and up to the printing date of the annual report:  
No such situation.
- IV. Other necessary supplementary explanations:
- V. No such situation.

**Chapter IX. Matters that have significantly affected shareholders' equity and prices of securities pursuant to Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act in the most recent year and up to the printing date of the annual report: None.**

## Chapter X. Significant discrepancies with Taiwan's provisions on the protection of shareholder equity

Important Matters for the Protection of Shareholder Equity	The Company Act, the Securities and Exchange Act, or other applicable laws and regulations	Relevant regulations of company law of the country where the foreign issuer is registered	Reasons and explanations for discrepancies
<b>I. The formation and change of company capital</b>			
<p>1. The Company may not cancel its shares unless it reduces its capital in accordance with the resolution of the shareholders' meeting; in which case, the reduction of capital shall be based on the proportion of shares held by the shareholders.</p> <p>2. When the Company reduces its capital, it can return the share money with property other than cash; the property returned and the amount of the offset shall be</p>	<p>Article 168 of the Company Act</p>	<p>1. Article 14 of Cayman Islands company law allows a company to reduce its issued capital, but only after a special resolution of the shareholders' meeting and confirmation by a Cayman court.</p> <p>2. Except for Article 14 of Cayman Islands company law, the issued capital of a company can only be cancelled when the Company purchases, returns, or recovers the issued capital in accordance</p>	<p>Article 15(a), 47(a)(xii), and Article 59 of the Company's Articles of Incorporation stipulate that the Company may reduce its capital after a special resolution of the shareholders' meeting. However, it is still slightly different from the Important Matters for the Protection of Shareholder Equity listed in the preceding. According to the provisions of Cayman Islands company law, the reduction of issued shares must go through the process of share buy-back before cancellation, and the company does not have the unilateral</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>resolved by the shareholders' meeting and approved by the shareholder who receives the property.</p> <p>3. The value of the property mentioned in the preceding paragraph and the amount of the offset shall be submitted by the Board of Directors to an accountant of the Republic of China for auditing and verification before the shareholders' meeting.</p>		<p>with the provisions of Article 37 or 37B of Cayman Islands company law.</p> <p>3. In accordance with Cayman Islands company law, while not violating the provisions of Article 37 of that law (Article 37 stipulates that a joint stock limited company may issue shares that give the Company or shareholders the right to choose to redeem them if it is expressly authorized by the Company's Articles of Incorporation. Provided that the Company does not violate Article 37, the</p>	<p>right to cancel shares still held by shareholders. These discrepancies are due to the provisions of Cayman Islands company law, but the Company's Articles of Incorporation do not have restrictions on the Company's capital reduction procedures.</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
		<p>Company may buy back its own shares, including any redeemable shares) and, upon confirmation by the court, where the Company's Articles of Incorporation have expressly provided so, a special resolution may be made to reduce capital. The Company registration authority (Registrar) will register after receiving the order confirmed by the court and the record of the proceedings approved by the court (Article 14, Article 15 (1), Article 17 (1)).</p>	

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<ol style="list-style-type: none"> <li>1. The procedure for the Company and its employees to sign a stock option contract or issue employee stock option certificates.</li> <li>2. Employee stock option certificates may not be transferred, however this does not apply for inheritors.</li> </ol>	<p>Article 167-2 of the Company Act</p>	<p>Cayman Islands company law does not provide special regulations on matters such as employee stock option contracts or procedures for issuing employee stock option certificates.</p>	<p>Although Article 14(a) and Article 14(b) of the Articles of Incorporation of the Company have been amended in accordance with the Important Matters for the Protection of Shareholder Equity, if there is an intent to transfer employee subscription rights, it must be stipulated in the employee stock option contract or employee stock option certificate.</p>
<b>II. Convening and Resolution Method for Shareholders' Meetings</b>			
<ol style="list-style-type: none"> <li>1. The annual shareholders' meeting must be convened at least once a year; it shall be convened within six months after the end of each fiscal year. The shareholders' meeting shall be</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 170 of the Company Act</li> <li>2. Article 172-2 of the Company Act</li> <li>3. Article 172-1 of the Company Act</li> </ol>	<ol style="list-style-type: none"> <li>1. Except for exempted companies, the Company shall hold a shareholders' meeting at least once a year (Article 58).</li> <li>2. Unless otherwise provided in</li> </ol>	<p>The Company is an exempted company under Cayman law. Although it is not necessary to hold a general shareholders' meeting according to Cayman Islands company law, it is stipulated in Article 38 of the Articles of Incorporation: "The</p>

<p align="center"><b>Important Matters for the Protection of Shareholder Equity</b></p>	<p align="center"><b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b></p>	<p align="center"><b>Relevant regulations of company law of the country where the foreign issuer is registered</b></p>	<p align="center"><b>Reasons and explanations for discrepancies</b></p>
<p>convened by the Board of Directors.</p> <p>2. According to Article 172-2 of the Company Act, a company may explicitly provide for in its Articles of Incorporation that its shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority. Under the circumstances of calamities, incidents, or force majeure, the central competent authority may promulgate a ruling that a company, which has no above</p>	<p>4. Article 173, Paragraph 1 and Paragraph 2; Article 173-1 of the Company Act</p> <p>5. Article 172 of the Company Act; Article 26-1 and Article 43-6 of the Securities and Exchange Act</p>	<p>the Articles of Incorporation, the notice of convening the shareholders' meeting shall be delivered to all shareholders five days in advance; shareholders' meetings may be convened with the attendance of three shareholders; the shareholders' meeting may be chaired by the person selected by the shareholders in attendance (Article 61).</p> <p>3. The Company may adopt the provisions of Schedule A to explicitly require the</p>	<p>Company shall have its Board of Directors convene an annual shareholders' meeting within six months after the end of each fiscal year, and shall specify in the meeting notice that the meeting is an annual shareholders' meeting."</p> <p>Other matters are stipulated in Articles 39, 40, 43, and 51 of the Company's Articles of Incorporation.</p> <p>However, there are slight discrepancies between Article 40 of the Company's Articles of Incorporation and the Important Matters for the Protection of Shareholder Equity listed in the preceding, which are explained below:</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>provision in its Articles of Incorporation, within a certain period of time, may hold its shareholders' meeting by means of visual communication network or other promulgated methods.</p> <p>3. In case a shareholders' meeting is proceeded via visual communication network, the shareholders taking part in such a visual communication meeting shall be deemed to have attended the meeting in person.</p> <p>4. When holding a visual shareholders' meeting, a public company shall be subject to</p>		<p>convening of the annual shareholders' meeting in its Articles of Incorporation; the shareholders' meeting may be convened by the Board of Directors, or shareholders may request the Board of Directors to convene in writing in accordance with the method prescribed in the Articles of Incorporation (Article 22 (1); Article 38 of Schedule A ).</p> <p>4. Except as otherwise provided in the Company's Articles of Incorporation, a shareholder</p>	<p>According to the TWSE Letter No. 099171319 dated April 13, 2010: "Description: 2. (3) While not contravening the laws and regulations of the place of registration, the foreign issuer shall stipulate in its articles of incorporation the right of minority shareholders to request the convening of an extraordinary shareholders' meeting, and the part authorizing the competent authority to convene should be deleted. " Therefore, Article 40 of the Company's Articles of Incorporation stipulates: "...If the Board of Directors fails to make notification of the extraordinary shareholders' meeting within fifteen days</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>prescriptions provided for by the competent authority in charge of securities affairs, including the prerequisites, procedures, and other compliance matters.</p> <p>5. Physical shareholders' meetings shall be held in the territory of the Republic of China. If the physical shareholders' meeting is held outside the Republic of China, the reporting to the stock exchange shall be performed within two days after the resolution of the Board of Directors or from the shareholders obtaining permission from the competent authority to convene the</p>		<p>meeting may be convened when one shareholder is in attendance (Article 57).</p> <p>5. There are no similar provisions in Cayman Islands company law regarding the rights of minority shareholders to propose proposals.</p> <p>6. Regarding minority shareholders requesting the Board of Directors to convene an extraordinary shareholders' meeting, there is no similar requirement in Cayman Islands company</p>	<p>after the aforementioned shareholder's request, the shareholder who made the request may convene the extraordinary shareholders' meeting at its own discretion in accordance with the Company Act for public offerings. 」。  The discrepancy should have no adverse effect on the Company's shareholder equity.</p> <p>In addition, the Company has not yet incorporated the provisions with respect to virtual shareholders' meetings into the Articles of Incorporation, and will amend the Articles in the future depending on legal requirements and actual needs.</p>



<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>meeting.</p> <p>6. Shareholders who hold more than one percent of the total number of issued shares may submit proposals to the Company for an annual shareholders' meeting in writing or electronically. Except where the item in question is not a resolution obtained by the shareholders' meeting, the proposing shareholder's shareholding has not reached 1%, the item is proposed outside the announced acceptance period, the item exceeds 300 words, or the items exceed one in number, the</p>		<p>law.</p> <p>7. Regarding the matters that should be listed in the reasons for convening the shareholders' meeting, there is no similar requirement in Cayman Islands company law.</p>	

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>Board of Directors shall classify it as a proposal. Where a shareholder proposal is a suggestion to urge the Company to promote the public interest or fulfill its social responsibilities, the Board of Directors may still include it in the proposal.</p> <p>7. Shareholders holding more than 3% of the total issued shares for more than one year can write down proposed matters and reasons and request that the Board of Directors convene an extraordinary shareholders' meeting. If the Board of Directors does not provide</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>notification of the convening within 15 days after the request is made, the shareholders may report to the competent authority to convene the convening at their own discretion.</p> <p>8. Shareholders holding more than half of the total issued shares for more than three months may convene an extraordinary shareholders' meeting at their own discretion. The calculation of the period of shareholders' shareholding and the number of shares held shall be based on the holdings at the time when the share transfer has stopped.</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>9. The following matters shall be listed and explained in the reasons for convening the shareholders' meeting, and shall not be proposed as extempore motions; the main contents may be placed on the website designated by the competent securities authority or the Company, and the website URL shall be included in the notice:</p> <ul style="list-style-type: none"> <li>(1) Election or dismissal of directors or supervisors;</li> <li>(2) Change to the Articles of Incorporation;</li> <li>(3) Capital reduction;</li> <li>(4) Application to stop the</li> </ul>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>public offering;</p> <p>(5) Company dissolution, merger, share conversion, and demerger;</p> <p>(6) Conclude, change, or terminate the lease of the entire business; to commission business or regular joint business contract with others;</p> <p>(7) Transfer of the whole or any essential part of the Company's business or assets;</p> <p>(8) or acceptance of the transfer of another</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>complete business or assets that has significant impact on the business operation of the Company;</p> <p>(9) Private placement of securities with equity;</p> <p>(10) Permission for directors to engage in non-competition behaviors;</p> <p>(11) Distribution of all or part of dividends and bonuses by issuing new shares;</p> <p>(12) The legal reserve and the capital surplus derived from the contributed</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>capital in excess of par or donations being distributed to the original shareholders by issuing new shares or cash.</p>			
<p>1. When the Company holds a shareholders' meeting, an electronic means shall be included as one of the methods for exercising voting rights.</p> <p>2. The Company must state in its shareholders' meeting notice the methods through which shareholders may exercise voting rights, i.e., in writing or in electronic form. Shareholders</p>	<p>1. Article 177-1 of the Company Act</p> <p>2. Article 177-2 of the Company Act</p>	<p>1. There is no similar requirement in Cayman Islands company law regarding the adoption of written or electronic voting for shareholders' meetings.</p> <p>2. Cayman Islands company law does not have specific rules for the use of power of attorney. The Company may adopt the provisions of Schedule A and stipulate the relevant provisions</p>	<p>The Company has provided relevant regulations in Articles 68 to 70 of its Articles of Incorporation.</p> <p>Article 68 of the Company's Articles of Incorporation stipulates: "When shareholders exercise their voting rights in the shareholders' meeting in writing or electronically in accordance with the previous regulations, they are deemed to have entrusted the chairman of that meeting as their agent." Although</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>who exercise voting rights in writing or electronically are deemed to have attended the shareholders' meeting in person. However, for extempore motions and amendments to the original proposals of the shareholders' meeting, the shareholders shall be deemed as having abstained.</p> <p>3. Where shareholders exercise their voting rights in writing or electronically, their expression of intention shall be delivered to the Company two days before the convening of the shareholders' meeting. If there are any</p>		<p>of the power of attorney in shareholders' meetings in the Articles of Incorporation (Article 22, Article 59, Article 60 of Schedule A).</p>	<p>Cayman law holds that shareholders who exercise their voting rights in this way will not be deemed as attending the shareholders' meeting in person, the shareholder substantially has the right to exercise all the rights of shareholders with voting rights in writing or electronically in accordance with the laws of the Republic of China, thus there should be no adverse impact on the equity of the Company's shareholders.</p>



<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>duplications of said expression of intention, the first delivered shall prevail. However, this is not applicable to those who have expressed their intentions before the declaration is revoked.</p> <p>4. After shareholders have exercised their voting rights in writing or electronically, those who wish to attend the shareholders' meeting in person shall revoke the expression of their intention to exercise the voting rights in the preceding paragraph two days before the shareholders' meeting in the same manner as when</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>exercising their voting rights; for overdue revocations, the voting rights exercised in writing or electronically shall prevail.</p> <p>5. Where a shareholder has exercised voting rights in writing or electronically and entrusts an agent to attend the shareholders' meeting with a power of attorney, the voting rights exercised by that agent shall prevail.</p>			
<p>1. Thirty days before convening a regular shareholders' meeting or 15 days before a special shareholders' meeting, a company shall prepare the</p>	<p>1. Article 5 of the Regulations Governing Content and Compliance Requirements for</p>		<p>The Company's board of directors has passed a resolution to propose in the 2023 annual shareholders' meeting, the amendment of Article 48 of Articles of Incorporation, where the Company shall</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda.</p> <p>2. Where voting rights at a shareholders' meeting are to be exercised in writing, a print version of the materials referred to in the preceding paragraph and a printed ballot shall also be sent to the shareholders.</p>	<p>Shareholders' Meeting Agenda Handbooks of Public Companies</p> <p>2. Article 6 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies</p>		<p>announce the meeting agenda handbook and other meeting related information on the website specified by the FSC, Taipei Exchange or TWSE (if applicable), 30 days before convening a annual shareholders' meeting or special shareholders' meeting.</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>A company shall prepare a manual for shareholders' meeting proceedings and shall disclose the manual together with other information related to the said shareholders' meeting in a public notice to be published no later than 21 days prior to the regular shareholders' meeting or 15 days prior to the special shareholders' meeting. However, in the case of a company with paid-in capital reaching NT\$10 billion or more as of the last day of the most recent fiscal year, or in which the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reached 30% or</p>			

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
<p>more as recorded in the shareholders' register at the time of holding of the shareholders' meeting in the most recent fiscal year, it shall upload the foregoing electronic file 30 days prior to the day on which the shareholders' meeting is to be held.</p>			
<p>If the convening procedure of the shareholders' meeting or its resolution method violates the laws or regulations or the Articles of Incorporation, the shareholders may appeal to the court to revoke their resolutions, and the Taiwan Taipei District Court may be approached as the court of first instance.</p>	<p>Article 189 of the Company Act</p>	<p>There are no similar provisions in Cayman Islands company law.</p>	<p>Article 55 of the Articles of Incorporation stipulates: "The Company's shares are traded on the designated securities market. Subject to the permission of this law, the contents of the Articles of Incorporation may not prevent any filing of lawsuits or seeking of appropriate remedy from any court with jurisdiction within 30 days after the conclusion of the</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
			<p>shareholders' meeting where the convening procedure or resolution method violate law or regulations or the Articles of Incorporation. The Taipei District Court of Taiwan shall be the court of first instance for disputes arising from the foregoing. " The said provision differs slightly from the Important Matters for the Protection of Shareholder Equity listed on the left.</p> <p>According to the Company's Articles of Incorporation, such provisions may not be enforced under Cayman law, because the Cayman Islands court cannot recognize and enforce a non-monetary foreign judgment without having re-</p>

<b>Important Matters for the Protection of Shareholder Equity</b>	<b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b>	<b>Relevant regulations of company law of the country where the foreign issuer is registered</b>	<b>Reasons and explanations for discrepancies</b>
			<p>reviewed the legal basis of the dispute. Although the provisions of Article 55 of the Company's Articles of Incorporation are slightly different from the Important Matters for the Protection of Shareholder Equity listed in the preceding, the Company's Articles of Incorporation do not restrict the right of shareholders from filing lawsuits in court or seeking remedy when the procedures for convening the shareholders' meeting or its resolution methods violate laws or regulations or the Articles of Incorporation; as to whether the court accepts such litigation, and whether the accepting court revokes the convening procedure or resolution</p>

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			<p>method that violates the law or regulation or the Company's Articles of Incorporation, that court (regardless of whether it is in the Republic of China or Cayman Islands or a court in another country with jurisdiction) shall consider whether the applicable laws provide shareholders with the right to revoke the lawsuit, and shall make judgment in accordance with their powers. These discrepancies are due to the nature of shareholders' revocation of the right of litigation, however the Company's Articles of Incorporation do not restrict the right of shareholders from filing lawsuits in court or seeking remedy. The</p>



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			discrepancy has had no adverse effect on the Company's shareholder equity.
<p>The following proposals involving major shareholder equity must be raised at a meeting attended by shareholders representing more than two-thirds of the total number of issued shares, and may only be approved by a majority of the voting rights of the shareholders in attendance. If the total number of shares of the shareholders in attendance is less than the aforementioned quota, approval may be obtained by the shareholders in attendance representing more than</p>	<ol style="list-style-type: none"> <li>1. Article 185 of the Company Act</li> <li>2. Article 277 of the Company Act</li> <li>3. Article 159 of the Company Act</li> <li>4. Article 240 of the Company Act</li> <li>5. Article 316 of the Company Act</li> </ol>	<ol style="list-style-type: none"> <li>1. Cayman Islands company law stipulates in Article 60 that a special resolution refers to (1) Where a vote is taken at a shareholders' meeting, the shareholders with voting rights at the shareholders' meeting shall, in person or through an agent (if permitted) reach a resolution with a majority of at least two-thirds of the voting rights of the shareholders in attendance at the Company's shareholders'</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 2 of the Company's Articles of Incorporation provides a definition of a supermajority resolution, which refers to (i) a resolution passed by shareholders representing two-thirds or more of the total issued shares of the Company at the shareholders' meeting, and more than half of the voting rights of the shareholders present; or (ii) where the total number of shares represented by the shareholders attending the shareholders' meeting is less than two-thirds of the total issued shares of</li> </ol>

<p align="center"><b>Important Matters for the Protection of Shareholder Equity</b></p>	<p align="center"><b>The Company Act, the Securities and Exchange Act, or other applicable laws and regulations</b></p>	<p align="center"><b>Relevant regulations of company law of the country where the foreign issuer is registered</b></p>	<p align="center"><b>Reasons and explanations for discrepancies</b></p>
<p>half of the total number of issued shares and more than two-thirds of the voting rights of the shareholders in attendance:</p> <p>1. The Company concludes, changes, or terminates the lease of the entire business; commissions business or regular joint business contract with others, transfers of the whole or any essential part of the Company's business or assets; or acceptance of the transfer of another complete business or assets that has significant impact on the business operation of the</p>		<p>meeting (the meeting notice states that the proposal is to be passed as a special resolution). The Company may, in its Articles of Incorporation, depending on the importance of the matter, set a higher number of votes than the special resolution stipulated in Cayman Islands company law; or (2) if the Articles of Incorporation clearly provide as such, the special resolution may also be signed-off and approved in writing by all shareholders with voting</p>	<p>the Company but exceeds half of the total issued shares of the Company, the shareholders' meeting shall express its approval for a resolution by two-thirds or more of the voting rights of the shareholders in attendance at the meeting. (Shareholders who have attended but have not exercised their voting rights will be deemed to have abstained from exercising their voting rights, but they will still be counted in the number of voting rights in attendance at the meeting. )</p> <p>2. The Company has listed the preceding regulations in Article 60 of</p>

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<p>Company.</p> <ol style="list-style-type: none"> <li>2. Change to the Articles of Incorporation</li> <li>3. If the amendment to the articles of incorporation damages the rights of the shareholders of preferred shares, a resolution of the shareholders' meeting of the preferred shares shall also be required.</li> <li>4. Distribution of all or part of dividends and bonuses by issuing new shares</li> <li>5. Resolution of dissolution, merger, or demerger</li> </ol>		<p>rights.</p> <ol style="list-style-type: none"> <li>2. According to the provisions of Cayman Islands company law, the following matters are subject to special resolutions: (1) change of company name (Article 31); (2) amendment to the memorandum of incorporation (Article 10); (3) amendment to the articles of incorporation (Article 24); (4) reduction of capital (Article 14); (5) voluntary dissolution by special resolution, not because the company is unable to pay its debts as they</li> </ol>	<p>the Articles of Incorporation, and shall obtain the approval by supermajority resolution of the shareholders. In addition, changes to the Articles of Incorporation and mergers in accordance with Cayman Islands company law are made in accordance with a special resolution as stipulated in Article 59 of the Company's Articles of Incorporation.</p> <ol style="list-style-type: none"> <li>3. Explanation on the number of votes on the relevant proposals of the shareholders' meeting: According to the provisions of Cayman Islands company law and items that are subject to special resolutions in</li> </ol>

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		<p>become due (Article 116(c)); (6) merger in accordance with the provisions of the Cayman Islands Company Law (Article 233).</p>	<p>accordance with Cayman Islands company law, the shareholders shall make special resolutions in accordance with the Articles of Incorporation. Such matters may not be resolved with a lower threshold for special resolutions given in the Cayman Islands company law.</p> <p>In addition to ordinary resolutions and supermajority resolutions stipulated in the Company Act of the Republic of China, the Articles of Incorporation of the Company also stipulate special resolutions in accordance with the definition under Article 60 of Cayman Islands</p>

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			<p>company law. This is different from the matters listed in the preceding that should be resolved by a supermajority resolution (including changes to the Articles of Incorporation, dissolution, merger) and other matters. Since these discrepancies are based on the provisions of Cayman Islands company law, the Company's Articles of Incorporation have separately specified matters which are subject to supermajority resolutions and statutory matters subject to special resolutions under Cayman Islands company law; such discrepancies will not adversely</p>

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			affect the equity of shareholders in Taiwan.
<b>III. Authority and responsibility of directors and supervisors</b>			
If the remuneration of directors is not stipulated in the Articles of Incorporation, it shall be determined by the shareholders' meeting, and may not be ratified afterwards.	Article 196, Paragraph 1 of the Company Act	There are no similar provisions in Cayman Islands company law. The Company's Articles of Incorporation may adopt Schedule A, which stipulates that the remuneration of directors shall be determined by the resolution of the shareholders' meeting (Article 22, Article 64 of Schedule A).	Article 95(b) of the Company's Articles of Incorporation stipulates that regardless of the Company's profit or loss, the Board of Directors will refer to the recommendations of its remuneration committee (if one has been established) each year, and based on the following factors, determine (i) the extent of its involvement in the Company's operations; (ii) the value of its contribution to the Company; (iii) by reference to the norm in the industry; and (iv) other relevant factors. In accordance

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			with the Ministry of Economic Affairs interpretation no. 09302030870 dated March 8, 2004, as well as the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange," the Company's Board of Directors has established a remuneration committee, so the preceding requirements should have no adverse impact on the Company's shareholder equity.
1. Where a company has supervisors, the supervisors shall be selected by the shareholders'	Articles 216 to 222 of the Company Act	Cayman Islands company law does not implement a supervisory system, and there is no similar	According to the first section of Article 28-4, Paragraph 2 of the Taiwan Stock Exchange Corporation Rules Governing

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<p>meeting, and at least one of the supervisors must have a domicile in the country.</p> <p>2. The term of office of the supervisors may not exceed three years. But they may be re-elected.</p> <p>3. When all supervisors are dismissed, the Board of Directors shall convene an extraordinary shareholders' meeting within 60 days to elect new supervisors.</p> <p>4. Supervisors shall oversee the business operations of the Company and may, whenever deemed necessary, inspect the business and financial status of</p>		<p>requirement.</p>	<p>Review of Securities Listings: "A foreign issuer shall install an audit committee." The Company has set up an audit committee composed of all its independent directors (Article 139 of the Articles of Incorporation), so there is no need to set up an additional supervisor. The discrepancy should have no adverse effect on the Company's shareholder equity.</p>



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<p>the Company, examine audits, written copies or duplicates of ledgers and documents, and may request the board of directors or managers to provide relevant reports.</p> <p>5. Supervisors shall check the various documents for use at the shareholders' meeting prepared by the Board of Directors and report its opinions on such documents to the shareholders' meeting.</p> <p>6. Supervisors may appoint accountants and lawyers to</p>			

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<p>conduct audits on behalf of the Company.</p> <p>7. Supervisors may attend the Board of Directors meetings to state their opinions. If the Board of Directors or individual directors violate the laws, regulations, or resolutions of the shareholders' meeting in the execution of business, the supervisor shall immediately notify the Board of Directors or directors to stop such actions.</p> <p>8. Each supervisor may exercise its supervisory power independently.</p>			

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<p>9. A supervisor may not concurrently serve as director, manager, or other staff of the Company.</p>			
<p>1. Shareholders who continue to hold more than one percent of the total issued shares of the Company for more than six months can make a written request to supervisor to file a lawsuit against a director for the Company, for which the Taiwan Taipei District Court will be the court of first instance.</p> <p>2. Within 30 days of the shareholder's request, if the</p>	<p>Articles 200, 214, 220, and 227 of the Company Act</p>	<p>Cayman Islands company law does not implement a supervisory system, and there is no similar requirement.</p>	<p>1. Article 92(b) of the Articles of Incorporation stipulates: "So long as this law is not violated, shareholders who hold more than one percent of the total issued shares continuously for more than six months may make a written request for any independent director of the audit committee to file a lawsuit for the company against a director at a court with jurisdiction (including the Taiwan Taipei District Court). If the independent director</p>

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<p>supervisor does not file a lawsuit, the shareholder may file a lawsuit for the Company, and the Taiwan Taipei District Court will be the court of first instance.</p> <p>3. In addition to the condition that the Board of Directors does not or is unable to convene a shareholders' meeting, the supervisors may, for the benefit of the Company, call a shareholders' meeting when it is deemed necessary.</p>			<p>does not file a lawsuit within 30 days of the date of receipt of the aforementioned written request, the requesting shareholder may, within the scope permitted by the laws of the Cayman Islands, file a lawsuit for the Company. " Article 42 of the Company's Articles of Incorporation stipulates: "If the Board of Directors does not convene or cannot convene a shareholders' meetings (including annual shareholders' meetings), or where it is in the interest of the Company to do so, independent directors may convene shareholders' meetings when necessary. " (Article</p>

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			<p>42 of the Company's Articles of Incorporation was proposed to be deleted at the 2022 annual shareholders' meeting)</p> <p>2. Reasons for the discrepancy: Article 214, Paragraphs 1 and 2 of the Company Act stipulate: "(Paragraph 1) Shareholders who hold more than one percent of the total issued shares for more than six months may make a written request for a supervisor to file a lawsuit for the company against a director. (Paragraph 2) If the supervisor does not file a lawsuit within 30 days of the date of receipt of the aforementioned written</p>

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			<p>request, the aforementioned shareholder may file a lawsuit for the Company; when a shareholder initiates a lawsuit, the court may order the shareholder to provide an equivalent guarantee based on the defendant's application; if the lawsuit is lost and causes damage to the Company, the shareholder who brought the lawsuit shall be liable for compensation to the Company. " In accordance with Article 14-4, Paragraph 4 of the Securities and Exchange Act, when a company establishes an audit committee, Article 214 of the Company Law will</p>

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			<p>apply mutatis mutandis to the independent directors of the audit committee. If the Company has established an audit committee, the shareholders' written request should be to the independent directors of the audit committee.</p> <p>Since the Cayman Islands court cannot recognize and enforce a non-monetary foreign judgment without having re-reviewed the legal basis of the dispute, even if the preceding Important Matters for the Protection of Shareholder Equity are included in the Company's Articles of Incorporation, judgments or rulings</p>

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			<p>made by the Taiwan Taipei District Court may not be recognized or enforced by the Cayman Court. In light of this fact, it is stipulated in the Company's Articles of Incorporation to bring lawsuits against the directors in a court with jurisdiction (including the Taiwan Taipei District Court). The discrepancy should have no adverse effect on the Company's shareholder equity.</p>
<p>When a director or supervisor (applicable to a company with a supervisor) uses a pledge of shares to exceed one-half of the number of shares of the Company held at the</p>	<p>Article 197-1, Article 227 of the Company Act.</p>	<p>There are no similar provisions in Cayman Islands company law.</p>	<p>According to the first section of Article 28-4, Paragraph 2 of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: "A foreign issuer shall install an audit committee."</p>



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<p>time of election, the excess shares may not exercise voting rights and will not be counted as the number of voting rights of shareholders in attendance.</p>			<p>The Company has set up an audit committee composed of all independent directors (Article 139 of the Articles of Incorporation), so there is no need to set up a supervisor. The discrepancy should have no adverse effect on the Company's shareholder equity.</p>
<p>1. The directors of the Company shall conduct business in good faith and exercise the due care of a good administrator, and shall be held liable if there is a violation that causes damages to the Company. If the act is done by oneself or another, the shareholders' meeting may decide</p>	<p>Article 8, Paragraph 2 and Paragraph 3; Article 23, Paragraph 3 of the Company Act</p>	<p>1. Cayman Islands company law does not specify the obligations of directors. According to the common law principles applicable in the Cayman Islands, directors shall bear (1) fiduciary duties and (2) duty of care. The Company may request compensation from</p>	<p>Article 104 of the Company's Articles of Incorporation stipulates that when a director of the Company conducts business operations, if a violation of a law or order causes the Company to be liable for any compensation or damages to any person, that director shall be liable for joint and several compensation for damages with the Company; and if for</p>

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<p>to treat the proceeds of the act as the Company's income.</p> <p>2. The directors of the Company shall be jointly and severally liable for compensation to others if they cause damages to others by violating the law in the execution of the Company's business.</p> <p>3. The managers and supervisors of the Company shall have the same liability for damages as the directors of the Company within the scope of the performance of their duties.</p>		<p>directors who violate the above-mentioned obligations. In addition, if a director violates the obligations and benefits as a result, the Company may attribute such benefits to the Company.</p> <p>2. According to the principles of common law, the actions performed by the directors in the course of managing the business of the Company on behalf of the Company will be regarded as the Company's own actions. If the actions cause damage to any third party, the</p>	<p>any reason the director is not required to be jointly and severally liable for compensation with the Company, that director shall compensate the Company for the losses suffered by the Company as a result of the breach of responsibilities. However, under the principles of Cayman laws and orders and common law, the third party may not necessarily have a basis for the claim against the director, but can directly appeal for compensation, even if the Company's Articles of Incorporation stipulate that the director shall be jointly and severally liable to others; and liability for compensation cannot be used to create a basis for the</p>

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		<p>Company and not the director shall be held responsible to the third party for its actions. A third party requesting compensation for damages may not make a request in accordance with the Company's Articles of Incorporation. When the Company is liable for damages to a third party due to a breach of obligations by a director, the Company may request compensation from the director who caused the damages.</p> <p>3. In addition, Article 77 of</p>	<p>claim. In addition, although Article 104 of the Company's Articles of Incorporation have stipulated that this obligation is also applicable to managers, if there is an intent to implement protection of shareholders' equity as a responsibility of this department for managers, the Company and the managers should specify such implementation in a separate contract. The discrepancy has had no adverse effect on the Company's shareholder equity.</p>

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		<p>Cayman Islands company law stipulates that the responsibilities of company directors and managers are regulated by law. If there is not stipulated any special penalty or fine for violations, the directors or managers of the company shall be fined US\$5,000 for violation; Article 78 stipulates that the Company's memorandum of incorporation may stipulate that the liability of directors and managers is unlimited.</p>	

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<p>When a legal person is a shareholder, that legal person's representative may be elected as a director or supervisor. When there are several representatives, they may be elected separately, but they may not be elected at the same time or serve as directors and supervisors.</p>	<p>Article 27, Paragraph 2 of the Company Act</p>	<p>There are no similar provisions in Cayman Islands company law.</p>	<p>According to the first section of Article 28-4, Paragraph 2 of the Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: "A foreign issuer shall install an audit committee." The Company has set up an audit committee composed of all independent directors, and there is no need to appoint a supervisor, so the Company charter does not regulate supervisors. The discrepancy should have no adverse effect on the Company's shareholder equity.</p>

Sports Gear Co.,Ltd.

Chairman: Wei-Chia Chen

