



股票 Stock code
代號 6768

志強國際企業股份有限公司

SPORTS GEAR CO., LTD.

2023 年度年報

2023 Annual Report

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

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

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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

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

Telephone: (886)4-2258-5388 Email address: 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

Telephone: (886)4-2258-5388

Email address: 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

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Name: Fongyuan International Co., Ltd.

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, Duong Minh Chau District, Tây Ninh Province, Vietnam

Telephone: (84)2763-721111

Name: Dai Hoa Co., Ltd.

Address: Quarter 7, Uyen Hung Ward, Tan Uyen, 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,

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Sameakki Mean Chey District, Kampong Chhnang Province,
Cambodia

Telephone: (855)26777666

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 Beduído nº8, 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

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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, 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	Wei-Chia Chen	Republic of China	<p>Department of Business Administration, Fu Jen Catholic University</p> <p>Director of Sports Gear Samoa, Elephant, Fongyuan, and All Wells</p> <p>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)</p> <p>Commissioner of PT Can Sports Industrial Indonesia</p> <p>Director of SGP</p> <p>Director of FiL</p> <p>Director of Sports Gear SG Private Ltd.</p> <p>Chairman of Spread Idea Co., Ltd.</p> <p>Director of Chin Chin Human Resource Consulting Ltd.</p> <p>Director of X Man Footwear International Co., Ltd.</p> <p>Legal Person Director's Representative of Match Sports International Co., Ltd.</p> <p>Director of Mu Mu Sports International Limited</p> <p>Director of Lu Lu Sports International Limited</p> <p>Director of Lesson 1 Company Limited</p> <p>Director of Power Rich International Ltd.</p> <p>Legal Person Director's Representative of Pauian Archiland Co., Ltd.</p> <p>Director of Nanshan Senior High School</p> <p>Chairman of Sports Gear Social Welfare Foundation</p>
Director	Jialai Development Co., Ltd.	Republic of China	Legal Person Director of Interactive Digital Technologies Inc.
	Thomas Wang	Republic of China	<p>Department of Economics, National Taiwan University</p> <p>Legal Person Director's Representative of Interactive Digital Technologies Inc.</p>
Director	Pure-Xu Real Estate Advertising Co., Ltd.	Republic of China	
	Thomas Lee	Republic of China	<p>Executive Master of Business Administration (EMBA), Peking University</p> <p>Director of Pure-Burg General Contractors Co., Ltd.</p> <p>Chairman of Puquan Advertising Co., Ltd.</p> <p>Chairman of Puqun Advertising Co., Ltd.</p> <p>Chairman of Pure-Xu Real Estate Advertising Co., Ltd.</p> <p>Chairman of Pauian Archiland Advertising Co., Ltd.</p> <p>Chairman of Puhou Advertising Co., Ltd.</p> <p>Chairman of Puxin Advertising Co., Ltd.</p> <p>Chairman of Pauian Archiland Development Co., Ltd.</p> <p>Chairman of Huang Geun Construction Corp.</p> <p>Director of Puyuan Construction Co., Ltd.</p> <p>Chairman of Puchang Construction Co., Ltd.</p> <p>Chairman of Puqun Investment Co., Ltd.</p> <p>Chairman of Pumeng Investment Co., Ltd.</p> <p>Chairman of Pukuan Investment Co., Ltd.</p> <p>Chairman of Puying Investment Co., Ltd.</p> <p>Chairman of Puyi Development Co., Ltd.</p> <p>Chairman of Puyi Construction Co., Ltd.</p> <p>Chairman of Puji Advertising Co., Ltd.</p> <p>Chairman of Pauian Real Estate Co., Ltd.</p> <p>Director of Zhuguan Construction Co., Ltd.</p> <p>Chairman of Sant Law International Corporation</p> <p>Chairman of Pu'an Investment Co., Ltd.</p> <p>Chairman of Puyi Advertising Co., Ltd.</p> <p>Chairman of Pauian Edutainment Co., Ltd.</p> <p>Supervisor of Ruxin Construction Co., Ltd.</p> <p>Supervisor of Dongdacheng Construction Co., Ltd.</p> <p>Director of Baolai Construction Co., Ltd.</p>
Director	Davis Cheng	Republic of	Department of Electrical Engineering, National Taipei Institute of

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Title	Name	Nationality or place of registration	Primary experience (educational background)
		China	Technology (renamed to National Taipei University of Technology) Chairman of Interactive Digital Technologies Inc. Chairman of Huaqi Communications Equipment (Shanghai) Co., Ltd. Independent director of Taiwan IC Packaging Corporation Chairman of Artmo Inc. 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!

Looking back on 2023, with the continued war between Russia and Ukraine and geopolitical instability in some regions which led to inflation and recession, the world's top economies are facing a cooling economy. In addition, major brand customers stocked up their inventory in large quantities in 2022 in anticipation of economic recovery after the pandemic, and began to conduct inventory adjustment in 2023, resulting in a significant decline in the Company's revenue in the first two quarters. Fortunately, the Company weathered the storm with its sound financial structure and sufficient cash position. In the second half of the year, customers' inventory adjustment came to an end and orders gradually picked up. Revenue continued to grow from August to December, symbolizing the operation bottom is over. In terms of financial performance, the Company generated a consolidated revenue of NT\$14.21 billion in 2023, a decrease of 23.31% year-on-year. The overall net profit after tax was NT\$540 million.

Looking forward to 2024, as the influencing factors such as the war and unstable geopolitical situation are still ongoing, it will take some time for the global market to recover. We are deeply aware that such a difficult environment may continue for a period of time. The Company will continue to focus on process technology improvement, and look forward to the Olympics theme and North America football fever in the second half of the year to bring about the recovery of the operations gradually.

The Company continues to adhere to the philosophy of “think globally and care for the society”, and has over the years, been giving back to the society by providing financial subsidies and in-kind donations through Sports Gear Social welfare Foundation. Besides providing resources to remote regions' elementary school students, remote regions' medical care, and the disadvantaged elderly, it also invests in resources in environmental protection topics in recent years, bringing positive changes to the society and environment with practical actions. Sports Gear's 2023 Sustainability Report is expected to be released in July. The report covers various production bases in Vietnam and Cambodia, and will disclose our various performances in environmental,

social and governance aspects. We will also report on our ESG sustainable development results and plan 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.

Sincerely,

Chairman: Wei-Chia Chen [Seal]

2023 Business Report

I. Preface:

The lifting of the pandemic measures in 2022 ushered in the economic recovery. The global economy reaches its peak, and the Company's revenue and profit hit record highs. In 2023, under the twin storms of inflation and recession, the world's major economies faced a cooling economy. Due to customer inventory adjustments, revenue fell sharply in the first two quarters. However, the Company weathered this storm with its sound financial structure and sufficient cash positions. In the second half of the year, orders strengthened as customer inventory adjustments came to an end. The Company rebounded from rock bottom with four consecutive months of revenue growth since August. In terms of financial performance, the Company generated a consolidated revenue of NT\$14.21 billion in 2023, a decrease of 23.31% year-on-year. The overall net profit after tax was NT\$540 million. The Company's 2023 operating performance and 2024 business plan are as follows:

II. 2023 Business Report

(I) Results of business plans

Unit: Thousand NTD

Accounting items	2023	2022	Amount of increase (decrease)	Change ratio (%)
Net operating revenue	14,207,689	18,524,986	(4,317,297)	(23.31%)
Gross profit	2,366,728	4,284,342	(1,917,614)	(44.76%)
Net profit	480,052	2,253,074	(1,773,022)	(78.69%)
Net profit before tax	764,388	2,363,897	(1,599,509)	(67.66%)
Net profit after tax	539,460	1,802,024	(1,262,564)	(70.06%)

(II) Analysis of financial gains and losses and profitability

Analysis items		2023	2022
Financial structure	Ratio of liabilities to assets (%)	31.79	29.45
	Ratio of long-term capital to real estate	312.74	337.33

	properties, plants and equipment (%)		
Liquidity	Current ratio (%)	309.43	325.89
	Quick ratio (%)	273.32	283.06
Profitability	ROA (%)	3.10	10.20
	ROE (%)	3.89	13.76
	Net profit margin (%)	3.80	9.73
	earnings per share (EPS) (NTD)	2.78	9.22

(III) 2023 budget execution: The Company has not disclosed its 2023 financial forecast.

(IV) Production overview:

The Group produced 29,749 thousand pairs of shoes in 2023, a reduction of 32.07% compared to 2022, mainly due to only 70% of overall utilization rate in 2023, with Vietnam and Cambodia accounting for 63.88% and 36.12% respectively. The main production strategies for each region in 2023 are as follows:

- 19,005 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.
- 10,744 thousand pairs produced in Cambodia: We will continue to improve our production process, thereby improving our production technology.
- The future production capacity expansion will be in line with the global layout. With the new production plants in Portugal and Indonesia to be completed successively, the production capacity will continue to be expanded based on customer demand.

(V) Research and development

The Company continues to invest in the innovation of various processes. In 2023, it invested NT\$418,345 thousand in research and development, accounting for 2.94% of consolidated revenue, higher than the amount of NT\$381,738 thousand in research and development, which accounted for 2.06% of consolidated revenue in 2022. The research and development expenditure is mainly in the upgrade of direct injection technology and the improvement of various processes, demonstrating the Company's continued effort in production efficiency improvement and production technologies innovation in spite of the

weak economy. 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.

(VI) Corporate Social Responsibility

The Company adheres to the philosophy of "Think Global, Care for the Society". While pursuing sustainable operations, it continues to give back to the society for their continued support. In Taiwan, Sports Gear Social Welfare Foundation leads the Company in giving back to the society and participating in activities. For overseas subsidiaries, the relevant departments of the plants are responsible for coordinating the plants' activities in environmental safety and health, social and environmental affairs, and caring for the disadvantaged.

To fulfill the responsibilities of a corporate citizen, the Company continues to unleash its capabilities and invest resources in social welfare to reduce social problems and help Taiwan in becoming a better society. The Company also adheres to the United Nations' Sustainable Development Goals (SDGs). Over the years, it has been promoting charitable activities through funding, in-kind donations, etc. In addition to continuing to care for remote region's elementary school students, remote region's medical care and disadvantaged elderly, etc. the Company also began to invest resources in environmental protection issues in recent years, in the aim to bring about positive changes to the society and environment through actual actions.

III. 2024 Business Plan

(I) Business Plan

As we enter 2024, the global market still takes time to recover, and we are deeply aware that such a difficult environment may continue for a period of time. The Company will continue to focus on process technology improvement, and look forward to the Olympics theme and North America football fever in the second half of the year to bring about the recovery of the operations gradually.

(II) Outlook and Development Strategy

With the Company's professional management team, together with our stable product quality and compliance with international brands' standard, we will continue to cultivate our existing customers as well as actively expand our customer base. We will consider the future needs of the customers and development direction, and make proper investment in the future and optimize our cost structure and operating capacity.

(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, so as to attain stable growth and sustainable development. In terms of corporate social responsibility, we continue to strengthen the communication mechanism with all stakeholders, and make use of the Group's resources to unleash the influence of a corporate citizen, attaining a better society.

Chairman:

Manager:

Head of Accounting:

Chapter II. Company Profile

I. Date of Establishment

The Company was established on March 28, 2017

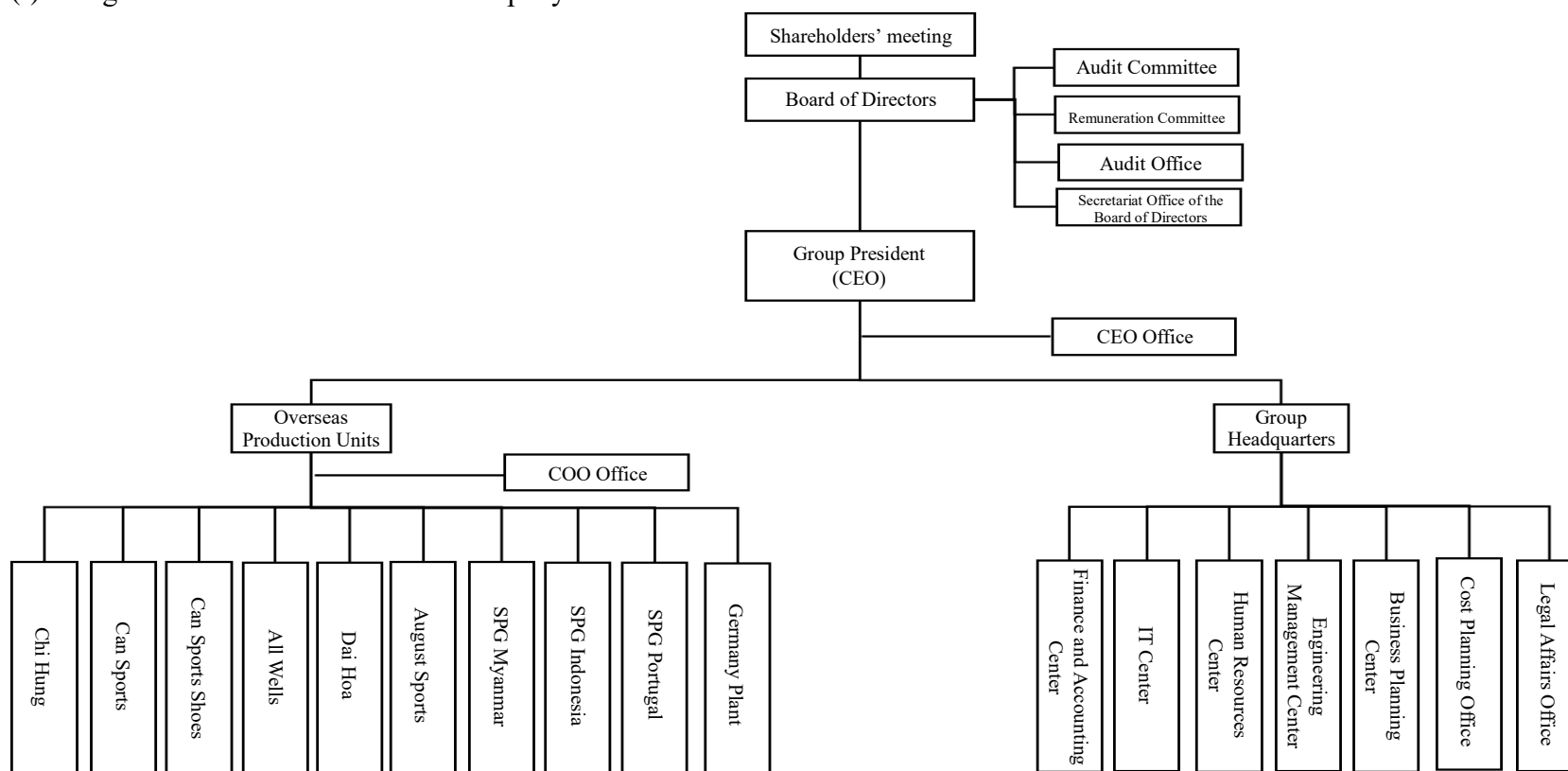
II. Company History

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.
2023	Implementation of SAP to the Group's ERP System

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">■ 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.■ 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.
Remuneration Committee	<ul style="list-style-type: none">■ 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.■ Regularly review the Remuneration Committee Charter and propose amendment recommendations.■ Establish and periodically review the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, and managerial officers of the Company, and disclose the contents of the performance assessment standards in the annual report.■ Periodically assess the degree to which performance goals for the directors and managerial officers of the Company have been achieved, set the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards. The annual report shall disclose the results of the individual performance assessments of the directors and the connection between and reasonableness of the contents and amounts of their individual compensation and performance assessment results, and it shall be reported at a shareholders' meeting.

Department	Responsibilities
Audit Committee	<ul style="list-style-type: none"> ■ Supervise operations and finances of the Group and ensure proper presentation of financial statements and effective implementation of internal controls. ■ Fair presentation of the Company's financial statements. ■ The hiring (and dismissal), independence, and performance of the Company's certificated public accountants. ■ The effective implementation of the Company's internal control system. ■ The Company's compliance with the relevant laws and regulations. ■ Management of the Company's existing or potential risks.
Audit Office	<ul style="list-style-type: none"> ■ Plan, implement and revise the internal control system. ■ Formulate and implement the Group's annual audit plan and handle other matters in accordance with laws and regulations. ■ Oversee the management and auditing of the subsidiaries of the Group. ■ Prepare proposals to remedy the Company's internal control deficiencies and track improvement.
Secretariat Office of the Board of Directors	<ul style="list-style-type: none"> ■ Plan and convene the Company's directors' meeting, remuneration committee meeting, audit committee meeting, shareholders' meeting, agenda, minutes, and other matters before and after the event. ■ Prepare shareholders' meeting annual report, agenda handbook, Corporate Sustainability Report. ■ Insider shareholding changes and management ■ Various announcements and reporting of material information at the Market Observation Post System. ■ Establishment and amendment of corporate governance and stock affairs related management measures and regulations, and the promotion and execution of related operations.
President's Office (CEO Office)	<ul style="list-style-type: none"> ■ Establish the Company's overall short, medium and long-term business goals and plan for the implementation of policies.

Department	Responsibilities
	<ul style="list-style-type: none"> ■ Define the functions and powers of each department of the business unit and appoint department and project managers. ■ Externally handle relevant business on behalf of the Company. ■ Integrate the Group's resources and plan operations. ■ Company's organizational development and the Group's new business evaluation and planning. ■ Formulate the Company's business strategy, set operational goals, and supervise and evaluate the implementation and performance of those operational goals. ■ Maintain relationships with investors. ■ Coordinate development for the Group's new technologies, new materials, and automation. ■ Assist the Group's new business in technical consultation and implementation. ■ Consolidate budgets, control monthly budget execution, and conduct deviation analysis.
COO Office	<ul style="list-style-type: none"> ■ Assist the CEO in managing the Group's technical process management and ensure that overseas production bases' operational goals are achieved. ■ Analyze and make recommendations on the Company's various operating results, and track and control the progress and effectiveness of the operational staffs' important projects.
Business Planning Center	<ul style="list-style-type: none"> ■ Coordinate development, inquiry, and price comparison/negotiation of various types of suppliers of the Group. ■ Review the purchase prices of mass-produced materials and development materials of each plant of the Group. ■ Development of new customers for the Group and maintenance of relationships with existing customer. ■ Track and manage the Group's accounts receivable and accounts payable.

Department	Responsibilities
Engineering Management Center	<ul style="list-style-type: none"> ■ Establish and promote various engineering projects within the Group. ■ Handle factory expansion matters and engineering operations of the Group. ■ Coordinate the contracting and procurement of domestic and overseas projects, machinery and equipment, and general affairs of the Group.
Human Resources Center	<ul style="list-style-type: none"> ■ Plan and establish human resource policies, and set an annual plan and budget for selection, training, hiring, retention and employee relations. ■ Personnel attendance, recruitment, remuneration and welfare, performance management, promotion and salary adjustment and the planning and implementation of the relevant regulations and measures. ■ Establish learning and development policies, effectively integrate training resources and implement, and evaluate the training effectiveness. ■ Maintenance of employee relations and handling of management-labor related issues. ■ Promote and manage corporate culture. ■ Planning of rewards system. ■ Planning and implementation of various human resources project plans. ■ Confirm the effectiveness of human resources management and incubation of each department of the Group. ■ Drive change to manage resource operations during organizational restructuring or change and ensure that the goals of the change are achieved effectively.
IT Center	<ul style="list-style-type: none"> ■ Oversee the planning, design, and management of the computerized information system of the Group, and evaluate and purchase information software and hardware. ■ Plan and establish the Group's overall information environment and management information system. ■ Develop and manage the Group's information system.

Department	Responsibilities
	<ul style="list-style-type: none"> ■ Control and supervise Information security. ■ Address education, training, and troubleshooting for information use. ■ Coordinate the allocation of the Company's computer resources. ■ Maintain information equipment/Internet software and hardware equipment. ■ Import and maintain ERP and other application systems. ■ Plan and maintain webpages. ■ Plan and maintain the SAP system. ■ Plan, develop and execute new projects in the SAP system. ■ SAP system and other systems, cross-system integration process and system analysis.
Finance and Accounting Center	<ul style="list-style-type: none"> ■ Coordinate the Group's financial scheduling, capital utilization and management, financial planning, and risk management for assets and liabilities. ■ Assist in the promotion and handling of the administrative orders of the competent authority. ■ Take charge of general affairs at the Taiwan headquarters. ■ Prepare and analyze financial statements and budgets of the business units of the Group for management and policy formulation by the decision-making units. ■ Establish, evaluate and implement the overall accounting system of the Group, and conduct research on improvement. ■ Provide guidance and supervise the accounting policies and financial accounting principles of the reinvestment company. ■ Plan and report tax for the Group. ■ Explore financial policies and tax regulations in different countries for the Group. ■ Analyze, design, evaluate, and plan the investment structure of the Group's domestic and overseas investment businesses. ■ Handle the Company's accounting and perform the collection and analysis of cost data. ■ Prepare financial statements, and establish, analyze and

Department	Responsibilities
	<p>interpret management-related financial data.</p> <ul style="list-style-type: none"> ■ Review monthly operating results and provide management accounting information. ■ Comprehensively manage the Company's tax plans and implementation and ensure compliance with tax laws and regulations. ■ Consolidate budgets, control monthly budget execution, and conduct deviation analysis. ■ Establish a sound financial management system, provide overall control over the daily management, capital budget, funding operations of the finance department. ■ Formulate the Group's financial investment plan, avoid investment risks. ■ Collect and preserve the affiliates' basic information document.
Cost Planning Office	<ul style="list-style-type: none"> ■ Coordinate and calculate the actual cost of each brand of the Group, provide the cost difference analysis of each brand and then set standards for each plant, which the plants will base on these goals to implement, and the office will supervise. ■ Monitor and assist in the Group's budget preparation, compile, analyze and review the budget, and report the budget results, provide operating status analysis and analysis recommendations.
Legal Affairs Office	<ul style="list-style-type: none"> ■ Provide legal advice and handle legal cases and related legal matters for the Group. ■ Propose and explain newly promulgated or revised laws and regulations that involve the business, and notify the relevant units. ■ Drafting and review of external contracts before signing. ■ Attention and warnings on relevant legal risks.

Department	Responsibilities
Overseas Production Units	<ul style="list-style-type: none"> ■ Manage and execute production, development, procurement, sales, R&D, finance, administration, and other operations of overseas subsidiaries.

(III) Structure of the Group: See page 155: (VIII) Special Notes.

(IV) Risk Matters: See pages 146-154: (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

(一) Information on directors and supervisors

1. Director

March 26, 2024 Unit: 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	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	-	-	125,093,924 (Note 1)	63.81	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) Commissioner 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 Company's President, Mr. Ma Shih-Cheng, officially assumed office on July 3, 2023, and Chairman Mr. Patrick Chen, resigned as the President.

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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	
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.	-	-	-	-
		Thomas Wang	Male 60-69 years of age				-	-	-	-	-	-	-	-	Department of Economics, National Taiwan University		-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

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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			
Thomas Lee								Male 60-69 years of age		718,964	0.37	718,964	0.37	-	-	1,274,697 (Note 2)	0.65	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 Pukuan Investment Co., Ltd. Chairman of Puying Investment Co., Ltd. Chairman of Puyi Development Co., Ltd. Chairman of Puyi Construction Co., Ltd. Chairman of Puji Advertising Co., Ltd. Chairman of Pauian Real Estate Co., Ltd. Director of Zhuguan Construction Co., Ltd. Chairman of Sant Law International Corporation Chairman of Pu'an Investment Co., Ltd. Chairman of Puyi Advertising Co., Ltd. Chairman of Pauian Edutainment Co., Ltd. Supervisor of Ruxin Construction Co., Ltd. Supervisor of Dongdacheng Construction Co., Ltd. Director of Baolai Construction Co., Ltd.	-	-	-	-

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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	
Director	Republic of China	Davis Cheng	Male 60-69 years of age	2022.05.27	3 years	2019.11.08	200,000	0.1	368,000	0.19	-	-	-	-	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	2019.11.08	-	-	-	-	-	-	-	-	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.	-	-	-	-

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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	
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				

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.

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

3. Major shareholders of corporate shareholders:

March 31, 2024

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

March 31, 2024

Corporate name	Major shareholder of a corporation
Puquan Advertising Co., Ltd.	Pumeng Investment Co., Ltd. (19.95%), Chunfu Investment Co., Ltd. (12.39%), Pukuan Investment Co., Ltd. (11.38%), Purui Investment Co., Ltd. (11.09%), Puying Investment Co., Ltd. (10.45%), Yangzhe Investment Co., Ltd. (8.42%), Hezhong Investment Co., Ltd. (6.12%), Jingxiang Investment Co., Ltd. (4.61%), Puquan Investment Co., Ltd. (3.71%), Puqing Investment Co., Ltd. Company (2.88%)

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

March 31, 2024

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, and leadership and academic capabilities, and has been devoted to the footwear industry for over 30 years. He conducts strategic communication and interacts with the board of directors on business management, and provides relevant operations and management advice, and is hence equipped with practical skills in business, marketing and industry-related operational planning, operation and management.</p> <p>There are no circumstances as described in Article 30 of the Company Act.</p>	-	-
<p>Jialai Development Co., Ltd.</p> <p>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. currently. 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 business judgment
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 Company's current board of directors consists of 7 directors, including 4 directors and 3 independent directors, 14.29% of whom are employees (Chairman Mr. Patrick Chen is an employee of the Taiwan branch of the Group's affiliate to maintain the insured status in the labor insurance) and 42.86% are independent directors. To leverage the financial, accounting, and financial expertise of independent director Long-I Liao, and his familiarity with the Company's financial business, he is able to assume the role of convener of the Audit Committee and the Remuneration Committee. As of the publication date of the Annual Report, his term of office is 4.5 years in total in the 2nd term of the board of directors, while independent directors Chen Zong-Zhen and Shu Chong-Wan have been in office for 3.5 years and less than 3 years respectively in the 2nd term.

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 Wang	Director	Male		V					V	V	V	V			V
Thomas Lee	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
Peter Shu	Independent Director	Male		V			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 2023, 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.

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

March 26, 2024, Unit: shares; %

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		
President	Republic of China	Ma Shih-Cheng	Male	2023/7/3	-	-	-	-	-	-	Department of International Trade, Tunghai University President of Sports City International Inc. Chairman of Bamtop Garment Manufacturer Company Ltd. Business Manager /Factory Director of Ta Chung Knitting Co., Ltd.	Vice President of the Company	-	-	-	-	The Company's President, Mr. Ma Shih-Cheng, officially assumed office on July 3, 2023, and Chairman Mr. Patrick Chen, resigned as the President.

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		
Chief Operating Officer and Vice President of Can Sports Cambodia	Republic of China	Nick Lin	Male	2000/8/31	128,000	0.07	-	-	-	-	Shalu High-tech Machinery Division Chief Operating Officer of Sports Gear	Director of All Wells, Can Sports Cambodia, Dai Hoa Vietnam, Fireman	-	-	-	-	-
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	-	-	-	-	-

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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		
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" Director of global footwear developer and supplier World Cat Vietnam Sourcing & Development Services Company Ltd. (PUMA) President of Chi Hung Co., Ltd. Senior Project Manager of Adidas Group Football Shoes	-	-	-	-	-	-
Special Assistant to the Chairman and Spokesperson	United States	Benjamin David Metcalf	Male	2020/9/29	-	-	36,000	0.02	-	-	Department of Communications/Sports Management, George Washington University Head Coach of Taoyuan Pauian Archiland Basketball Team	Director of Sports Gear Social Welfare Foundation	-	-	-	-	
Corporate Governance Manager and Acting Spokesperson	Republic of China	Fu-Sheng Ku	Male	2020/9/29	2,000	-	-	-	-	-	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	-	-	-	-	

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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		
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 of 361 China Co., Ltd.	Director of Sports Gear Social Welfare Foundation	-	-	-	-	-
Audit Manager	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: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

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

(I) Remuneration of general directors and independent directors December 31, 2023, Unit: Thousand NTD

Title	Name	Director remuneration								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)		Total remuneration (A+B+C+D) and as a percentage of net profit after tax				Salary, bonuses, and special allowances (E)		Severance pay and pension (F)							Employee remuneration (G)			
																		the Company		All companies in the Financial Report						
		Total	Ratio of total amount to net profit after tax	Total	Ratio of total amount to net profit after tax	Total	Ratio of total amount to net profit after tax	Total	Ratio of total amount to net profit after tax	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									
Chairman	Wei-Chia Chen	-	-	-	-	3,540	3,540	60	60	3,600	0.66%	3,600	0.66%	3,644	5,635	-	-	247	-	247	-	7,491	1.37%	9,482	1.74%	-
Director	Jialai Development Co., Ltd.	-	-	-	-	-	-	-	-	-	0.00%	-	0.00%	-	-	-	-	-	-	-	-	-	0.00%	-	0.00%	-
	Representative: Thomas Wang	-	-	-	-	1,416	1,416	50	50	1,466	0.27%	1,466	0.27%	-	-	-	-	-	-	-	-	1,466	0.27%	1,466	0.27%	-

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

- (II) Supervisor remuneration: The Company does not have supervisors, so it is not applicable
- (III) Individual remuneration paid to each of the listed company's top five management personnel

December 31, 2023, Unit: Thousand NTD

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and special allowances (C)		Employee bonus (D) (Note 3)				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		All companies in the Financial Report		the Company		All companies in the Financial Report		
								Cash amount	Stock amount	Cash amount	Stock amount	Total	Raito of total amount to net profit after tax	Total	Raito of total amount to net profit after tax	
President (Note 1)	Wei-Chia Chen	3,644	5,203	-	-	-	432	247	-	247	-	3,891	0.71	5,882	1.08	-
	Ma Shih-Cheng	2,056	4,209	-	53	2,607	2,957	246	-	246	-	4,909	0.90	7,465	1.37	-
Chief Operating Officer and Vice President of Can Sports Cambodia	Nick Lin	3,451	8,834	-	108	6,573	6,985	302	-	302	-	10,326	1.89	16,229	2.98	-
Vice President of Business Development and Footwear Innovation Technology	Juergen Hans Wormser	9,270	12,132	-	-	1,523	1,703	95	-	95	-	10,888	2.00	13,930	2.56	-
Executive Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Jack Wang	3,865	7,190	-	108	3,678	4,234	350	-	350	-	7,893	1.45	11,882	2.18	-

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

Vice President of Chi Hung and Dai Hoa Vietnam (Note 2)	Jason Liu	2,887	6,157	-	105	291	505	108	-	108	-	3,286	0.60	6,875	1.26	-
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Note 1: Mr. Ma Shih-Cheng assumed the office of President on July 3, 2023.

Note 2: Jason Liu was relieved of his duties on December 21, 2023.

Note 3: On March 5, 2024, the Board of Directors approved the appropriation of 15,887 thousand NTD for employee compensation for 2023. The amount allocated to individual managers, tentatively estimated, is expected to be deliberated by the Board of Directors prior to its release.

(IV) Names of the managers to whom employee compensation is distributed and the distribution:

December 31, 2023, Unit: Thousand NTD

	Title	Name	Stock amount	Cash amount (Note 3)	Total	Raito of total amount to net profit after tax (%)
Manager	President	Wei-Chia Chen	-	1,903	1,903	0.35
	President (Note 1)	Ma Shih-Cheng				
	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 (Note 2)	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: Mr. Ma Shih-Cheng assumed the office of President on July 3, 2023.

Note 2: Jason Liu was relieved of his duties on December 21, 2023.

Note 2: On March 5, 2024, the Board of Directors approved the appropriation of 15,887 thousand NTD for employee compensation for 2023. The amount allocated to individual managers, tentatively estimated, is expected to be deliberated by the Board of Directors prior to its release.

(V) 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 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

Unit: Thousand NTD; %

Item	Ratio of total remuneration to net profit after tax in 2022				Ratio of total remuneration to net profit after tax in 2023			
	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	41,185	0.02	44,920	0.02	15,669	2.88	17,660	3.24
President and Vice President	58,848	3.27	87,482	4.85	41,193	7.56	62,263	11.42

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 to 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 2023 and up to the printing date of the annual report, the Board of Directors met 6 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
Chairman and President	Wei-Chia Chen	6	-	100.00%	
Director	Jialai Development Co., Ltd. Representative: Thomas Wang	6	-	100.00%	
Director	Pure-Xu Real Estate Advertising Co., Ltd. Representative: Thomas Lee	6	-	100.00%	
Director	Davis Cheng	6	-	100.00%	
Independent Director	Long-I Liao	6	-	100.00%	
Independent Director	Tzung-Chen Chen	6	-	100.00%	
Independent Director	Peter Shu	6	-	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
March 9, 2023	Wei-Chia Chen	The proposal of granting year-end bonuses and performance	Chairman Wei-Chia Chen, who serves as the manager, is an	Except for Mr. Wei-Chia Chen, the chairman and president, who

			bonuses to managers.	interested party in the bonus proposal	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.	
		Wei-Chia Chen Jialai Development Co., Ltd. Representative Thomas Wang 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.	
	August 17, 2023	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 2022 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	The distribution of employee compensation to managers in	Chairman Wei-Chia Chen, who serves as the manager, is an	Except for Mr. Wei-Chia Chen, the chairman and president, who	

			2022.	interested party in the manager's remuneration distribution proposal	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 5, 2024	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.	
	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.	

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) Internal evaluation:

1. 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	2023/1/1~2023/12/31	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>I. The Board of Directors evaluates the following aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Improvement in the quality of board decisions 3. Board composition and structure 4. Selection and continuing education of directors 5. Internal control <p>II. The board members evaluate the following aspects:</p> <ol style="list-style-type: none"> 1. Understanding of corporate objectives and missions 2. Awareness of directors' duties and responsibilities 3. Participation in the operation of the Company 4. Internal relationship management and communication 5. Expertise and continuing education of directors 6. Internal control <p>III. The functional committees evaluate the following aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Awareness of duties and responsibilities of the functional committees 3. Improvement in the quality of

				functional committee decisions
				4. Functional committee composition and selection of members
				5. Internal control

2. The results of the performance evaluation for 2023 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	4.08
B. Improvement in the quality of board decisions	12	4.17
C. Board composition and structure	7	4.57
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	4.14
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

(II) External agency assessment: EY Taiwan

1. Evaluation cycle and period, evaluation scope, method and content of the external evaluation of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Conducted once every 3 years	2023/1/1~2023/12/31	Board of Directors, individual board members, and functional committees	Internal self-evaluation by the Board of Directors and self-evaluation, interviews by the board members	8 aspects of the performance evaluation of the Board of Directors: The structure and process of the board of directors and functional committee, members of the board of directors and functional committee, roles and responsibilities, legal person and organizational structure, training and development of director and functional committee, behavior and culture, risk control supervision, and supervision of reporting, disclosure and performance.

2. 2023 external performance evaluation results is as follows (basic, advanced, benchmark):

(1).	Structure of the board of directors and functional committees:	Structure and process of the board of directors and functional committees, members of the board of directors and functional committee	Basic
(2).	Member (People):	legal person and organizational structure, roles and responsibilities, behavior and culture	Advanced
(3).	Process and Information:	Training and development of directors and functional committee, risk control supervision, and supervision of reporting, disclosure and performance	Advanced

(III) Conclusion:

According to the results of the performance evaluation of the Board of Directors for 2023, 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 2023, disclosed and published the 2022 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 2023 and up to the printing date of the annual report, the audit committee has held a total of 6 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	6	-	100.00%	
Independent Director	Tzung-Chen Chen	6	-	100.00%	
Independent Director	Peter Shu	6	-	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.

Audit Committee date and period	Proposal content	Audit committee resolution results	The Company's handling of the audit committee's opinions
March 9, 2023 Fourth meeting of the second term	(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.

	May 3, 2023 Fifth meeting of the second term	(1) Consolidated financial report for the second quarter of 2023. (2) Ratification of the acquisition or disposal of assets among the related parties from January to March 2023. (3) Inter-affiliate fund loan. (4) Application to financial institutions for loan limit renewal.	Approved by all members in attendance.	Proposal passed.
	August 17, 2023 Sixth meeting of the second term	(1) Consolidated financial report for the first quarter of 2023. (2) Budget changes for the second half of 2023. (3) Revision of the “Authority for Approval”. (4) Ratification of the acquisition or disposal of assets among the related parties from April to June 2023. (5) Inter-affiliate fund loan. (6) Application to financial institutions for loan limit renewal. (7) Cambodian sub-subsidiary, Can Sports Shoes Co., Ltd. obtained right-of-use asset from a related party.	Approved by all members in attendance.	Proposal passed.

Audit Committee date and period	Proposal content	Audit committee resolution results	The Company's handling of the audit committee's opinions
November 8, 2023 Seventh meeting of the second term	(1) Consolidated financial report for the third quarter of 2023. (2) Ratification of the acquisition or disposal of assets among the related parties from July to September 2023. (3) The Company intended to increase cash capital in the Seychelles subsidiary FONGYUAN INTERNATIONALCO., LTD. (4) The Company intended to increase cash capital in the Seychelles subsidiary ELEPHANT STEP CO., LTD. (5) Silk Invest International Co., Ltd., a sub-subsidiary of the Company, intended to acquire real estate. (6) Inter-affiliate fund loan.	Approved by all members in attendance.	Proposal passed.

	December 21, 2023 Eighth meeting of the second term	(1) 2024 Business Plan and Budget. (2) 2024 Audit Plan. (3) 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 2024 donation plan. (4) The Company plans to adjust the investment structure of SGP-Sports Gear Portugal, S.A. (5) Inter-affiliate fund loan. (6) Application to financial institutions for a new loan line.	Approved by all members in attendance.	Proposal passed.
	March 5, 2024 Ninth meeting of the second term	(1) Appraisal of the independence and competence of CPAs. (2) Review of CPA fees. (3) Individual financial statement for 2023. (4) Business report and consolidated financial report for 2023. (5) Surplus distribution for 2023. (6) Appraisal of the effectiveness of the internal control system and the statement on the internal control system for 2023. (7) Amendment to the "Rules and Procedures for Board of Directors Meetings" (8) Revision to the Company's "Audit Committee Organizational Rules" (9) Ratification of the acquisition or disposal of assets among the related parties from October to December in 2023. (10) Ratification of the acquisition or disposal of assets by Can Sports Cambodia and sub-subsidiary Chi Hung. (11) Inter-affiliate fund loan (12) Application to financial institutions for a new loan line. (13) Proposal the indirect investment and set up a subsidiary in China.	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, 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 2023 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				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?	✓		(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.
(II) Does the Company possess a list of major shareholders and ultimate owners of these major shareholders?	✓		(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.
(III) Has the Company established a risk management mechanism and "firewall" against its affiliates and implemented it?	✓		(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," "Guidelines for the Supervision of Subsidiaries," "Procedures for the Acquisition or Disposal of Assets," "Procedures for Extending Loans to Others," and "Procedures for	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	
(IV) Has the Company formulated internal regulations to prevent its insiders from trading securities based on information yet to be made public?	✓		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 (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.	
III. The composition and responsibilities of the Board of Directors				No major discrepancies.
(I) Does the Board of Directors draw up and implement the diversity policy and specific management objectives?	✓		(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.	Set according to future need.
(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?	✓		(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.	No major discrepancies.
(III) Has the Company formulated guidelines and methods for board of directors performance evaluation, does it conduct annual and regular	✓		(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 Performance Assessments", and completed	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>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>2023 directors performance assessment in March 2024. The assessment results have been submitted to the board of directors on March 5, 2024, 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's Audit Committee conducts annual regular evaluation on the independence and suitability of the certified public accountants and submits the evaluation results to the board of directors. The 2023 evaluation was approved by the Audit Committee on March 9, 2023, and submitted to and approved by the board of directors on March 9, 2023; The 2024 evaluation was approved by the Audit Committee on March 5, 2024, and submitted to and approved by the board of directors on March 5, 2024;</p> <ol style="list-style-type: none"> 1. The Company's evaluation mechanism references Article 47 of the Certified Public Accountant Act and "Professional Ethics Regulations Bulletin No. 10 Integrity, Objectivity and Independence" of the National Federation of CPA Associations of ROC as follows: (1). Confirm that the Company's certified public accountants and members of the Audit Committee are not related parties to the Company, directors and managers. (2). Confirm that the Company's certified public accountants and members of the Audit Committee have not accepted gifts that exceed the standard of social norm from the Company, directors, managers or major shareholders. (3). Confirm that the Company's certified public 	

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>accountants and members of the Audit Committee have conducted necessary independence/conflict of interest procedures, and no incidents of violation of independence or unresolved conflict of interest have been identified.</p> <p>(4). In compliance with the regulations of the Corporate Governance Best Practice Principles, conduct rotation of the certified public accountants.</p> <p>(5). Approval from the Audit Committee has been obtained for the appointment of the audit firm for the annual audit and other cases.</p> <p>(6). When the certified public accountants audit the annual and half-year reports, report to the Audit Committee the content and independence of conducting the audit/review, and other compliance status.</p> <p>(7). Regularly obtain the Declaration of Independence from the certified public accountants.</p> <p>(8). Obtain from the audit firm, information of the 13 audit quality indicators (AQIs) in 5 scopes provided in the Audit Quality Indicators (AQIs) Disclosure Template for the Big 4 accounting firms, and according to the “Guidance on Interpretation of Audit Quality Indicators (AQIs) by Audit Committees” released by the competent authority, evaluate the audit quality of the accounting firm and the audit team.</p> <p>2. Evaluation results:</p> <p>(1). Comply with the relevant regulations such as the Certified Public Accountant Act and Professional Ethics Regulations for Accountants, and the certified public accountants are independent from the</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>Company.</p> <p>(2). The Company has not appointed the same certified public accountant for seven consecutive years.</p> <p>(3). According to the Audit Quality Indicators (AQI), the certified public accountants are timely, appropriate and competent in providing the Company with various financial, tax consultation and audit services.</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 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)?	✓		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.	No major discrepancies.
V. Has the Company established communication channels	✓		(I) The Company has spokespersons and acting spokespersons that act as channels through which the	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	
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?			<p>Company expresses opinions to the public, and it handles related response in accordance with its internal control system.</p> <p>(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.</p>	
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?	✓		(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.	No major discrepancies.
(II) Does the Company adopt 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	✓		(II) Company-related questions are answered by 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.	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	
investor seminars on the Company website)? (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?	✓		(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.	
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 customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<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). 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</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	
			<p>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 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</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	
			shareholders resulting from director error or negligence.	
<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):</p> <p>In order to improve corporate governance, the Company has made the following improvements in 2023:</p> <ol style="list-style-type: none"> 1. The Company formulates a succession plan for the members of the board and key management members, and discloses the operations in the Company's website. 2. The Company has issued its 2022 Annual Sustainability Report in accordance with the GRI Standards, and has obtained a third-party assurance report, and published it on the Company's website and the Market Observation Post System before the end of September 2023. 3. The Company entrusted EY Taiwan to conduct the 2023 performance evaluation of the board of directors and functional committees, and the performance evaluation results are published in the Market Observation Post System and the Company's website. <p>In the future, the Company will continue to strengthen corporate governance and corporate sustainability development.</p>				

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

1. Profile of Remuneration Committee Members

March 31, 2024

Conditions Name	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Long-I Liao	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. 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. There are no circumstances as described in Article 30 of the Company Act.	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. Does not hold any shares of the Company Not a director, supervisor, or employee of a company with which the Company has a specific relationship. No remuneration for providing business, legal, financial, or accounting services to the Company or its affiliates in the last two years.	0
Tzung-Chen Chen	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. 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.	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. Does not hold any shares of the Company Not a director, supervisor, or employee of a company with which the Company has a specific	0

Conditions Name	Professional qualifications and experiences	Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	<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>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>	
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 4 times in 2023 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	4	-	100.00%	
Committee Member	Tzung-Chen Chen	4	-	100.00%	
Committee Member	Peter Shu	4	-	100.00%	

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 with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and 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 Code of Sustainable Development Practices, and currently the Secretary's Office of the Board of Directors promotes the governance structure for sustainable development and reports to the Board of Directors. A dedicated unit for sustainable development will be set up in the future if necessary.	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 of materiality?	✓		In order to emphasize a corporate culture of integrity and ethics, the Company has formulated the Code of Sustainable Development Practices to regulate compliance of the management and employees. The Company will fulfill its corporate social responsibilities and implement its Principles.	No major discrepancies.
IV. Environmental issues				
(I) Has the Company built proper environmental management systems based on the characteristics of their industries in place?	✓		(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	No major discrepancies.
(II) Does the Company strive to improve energy efficiency and use renewable materials that have a low impact on the environment?	✓		(II) The factory will gradually move towards the use of clean energy (such as solar power) in accordance 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	No major discrepancies
				No major

Evaluation items	Operating status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
<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 the last two years, and drawn up policies on greenhouse gas reduction, water use reduction, or waste management? ✓</p>			<p>consumption per unit of production capacity.</p> <p>(III) Regarding the issue of climate change, each factory has a CR department responsible for handling such matters at the factory, 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>	discrepancies
<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>(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			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
(II) Does the Company establish and implement reasonable employee benefits (including compensation, leave, and other benefits), and ensure business performance or results are reflected adequately in employee compensation?	✓		employee benefits to ensure employee-employer harmony. (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.	discrepancies. No major discrepancies.
(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?	✓		(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.	No major discrepancies.
(IV) Does the Company offer its employees effective occupational empowerment training programs?	✓		(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.	No major discrepancies.
(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?	✓		(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.	
(VI) Has the Company established supplier management policies which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene,	✓		(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. If	

Evaluation items	Operating status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons therefor
	Yes	No	Summary description	
or labor and human rights? If so, describe the implementation results.			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 2022 Annual Sustainability Report in accordance with the GRI Standards, and has obtained a third-party assurance report, which will continue to be processed every year.	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				

(VI) Climate-related information of TWSE Listed and TPEx Companies

1. Climate-related implementation

Item	Implementation
<ol style="list-style-type: none"> 1. Describe the Board and management's supervision and governance of climate-related risks and opportunities. 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, describe its content, as well as the indicators and goals used to identify and manage physical risks and transition risks. 7. If internal carbon pricing is used as a tool for planning, the basis for price setting should be explained. 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. 9. GHG inventory and confirmation status, and carbon 	<ol style="list-style-type: none"> 1. The Company has established the "Risk Management Code of Practice", in addition to managing and controlling daily operational risk, it actively incorporates risks such as climate change or emerging infectious diseases, and evaluates, monitors and controls incidents or situations which may cause negative impact on operating activities. It adopts countermeasures to reduce loss, and makes use of the opportunities identified to grasp future business opportunities to ensure the Company's sustainable operations and establish a more complete risk management system. 2. The company issued the 2022 ESG Sustainability Report in 2023, where the environmentally friendly chapter (Chapter IV) on environmental sustainability references the Task Force on Climate-Related Financial Disclosures (TCFD) issued by the Financial Stability Board (FSB) to identify climate risks and opportunities according to disclosure frameworks such as "Governance", "Strategies," "Risk Management," and "Indicators and Targets". The report identifies the impact of climate risks and opportunities on the company's business, strategy, and finance (short-term, medium-term, long-term) effects. 3. For description of climate risks and opportunities, please refer to Chapter 4_Environmentally Friendly of the 2022 Sustainability Report. 4. The Company actively complies with customers' requirements and local environmental authorities' laws and regulations, and continues to track and understand GHG related trends and initiatives. Through cross-departmental discussion and cooperation, it is

reduction goals, strategies and specific action plans.	committed to reducing GHG emission, and actively mitigates climate change, so as to continue to work towards the goal of net zero emission by 2050.
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NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

2. GHG inventory and confirmation of the Company in the last two years

(1). GHG inventory information

Describe the emission volume (tons of CO₂e) and intensity (tons of CO₂e/million NT\$) GHG in the past two years, and the data coverage:

In 2023, Scope 1 and Scope 2 GHG emission was 120.66 (tons of CO₂e); In 2022, Scope 1 and Scope 2 GHG emission was 119.40 (tons of CO₂e), and the data coverage is Taiwan's operational headquarters.

(2). GHG assurance information

Describe the assurance status in the past two years up till the publication date of the Annual Report, including assurance scope, assurance agency, assurance standards and assurance opinion:

In accordance with Article 10 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" (herewith after referred to as the Regulations) released by the Financial Supervisory Commission, all TWSE and TPEx listed companies shall disclose information on climate change related issues according to the format in Attachment Table 2-2-3, and GHG related information shall be disclosed in stages according to the Sustainable Development Roadmap for TWSE and TPEx Listed Companies. 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. And 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.

3. GHG reduction goals, strategies and specific action plans

Describe GHG reduction base year and its data, reduction goals, strategies and specific action plans and status of the achievement of the reduction goals:

The Company arranges to conduct GHG inventory in 2024 on its Taiwan operating headquarters, and plants in Vietnam and Cambodia that are actually operating within the financial reporting boundary, with 2023 as the base year. Actively cooperate with customers' supply chain carbon reduction policies to reduce 30% of GHG emission by 2030.

(VII) 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	
I. Establishment of ethical corporate management policy and approaches				
(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 policies?	✓		(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.	No major discrepancies.
(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?	✓		(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.	No major discrepancies.
(III) Does the Company clearly define operating procedures, behavioral	✓		(III) The Company has formulated plans to prevent unethical behavior, it has formulated operating procedures and behavior	No major discrepancies.

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
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?			guidelines in each plan, and has promulgated professional ethics and legal compliance to the Company's employees, managers, and directors.	
II. Implementation of ethical corporate management				
(I) Does the Company evaluate the credit records of its counterparties and specify good faith terms and conditions in the contracts it enters into?	✓		(I) The Company evaluates its 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.	No major 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	No major discrepancies.

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
(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?	✓		allowed to participate in discussion and voting. (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.	
(V) Does the Company periodically organize internal and external education and training to help enforce ethical operations?	✓		(V) The Company organizes internal and external education and training that include ethical management content according to the situation.	

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
<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 Best Practice Principles and implementation status on its website or Market Observation Post System (MOPS)?</p>	<p>✓</p>		<p>(I) The Company has formulated various systems for the Ethical Corporate Management Best Practice Principles and discloses relevant information on its website for public reference.</p>	<p>No major discrepancies.</p>
V. If the Company has established its own Ethical Corporate Management Best Practice Principles in				

Evaluation items	Operating status			Discrepancy with industry standards in ethical corporate management and reasons therefor
	Yes	No	Summary description	
accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancies between the Company’s performance and the Principles. 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.				

(VIII) 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>.

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

(X) Implementation status of internal control system
1. Statement on Internal Control

志強國際企業股份有限公司
內部控制制度聲明書

日期：113年3月5日

本公司民國112年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任。本公司業已建立此一制度，其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標之達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境、2. 風險評估、3. 控制作業、4. 資訊與溝通，及5. 監督作業。每個組成要素又包括若干項目，前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國112年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國113年3月5日董事會通過，出席董事七人，無反對意見，餘均同意本聲明書之內容，併此聲明。

志強國際企業股份有限公司

董事長：陳維寧



簽章

總經理：馬世正



簽章



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

勤業眾信聯合會計師事務所
110216 台北市信義區永仁路101號20樓

Deloitte & Touche
20th, Taipei Nan-Shan Plaza
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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 112 年 12 月 31 日之設計及執行情形及於民國 113 年 3 月 5 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 112 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 112 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 113 年 3 月 5 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 112 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 1 號「會計師事務所之品質管理」，該品質管理準則規定會計師事務所設計、付諸實行及執行品質管理制度，包含與遵循職業道德規範、專業準則及適用之法令規範相關之政策或程序。

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 112 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 113 年 3 月 5 日所出具關於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



金融監督管理委員會核准文號

金管證審字第 1100356048 號



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 1000028068 號



中 華 民 國 113 年 3 月 15 日

- (XI) 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.
- (XII) 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 2023 shareholders' meeting

Item	Meeting date	Important resolution
Annual shareholders' meeting	2023.05.30	<u>Matters for Ratification</u> 1. Ratify the 2022 Business Report and Consolidated Financial Report. Implementation: The shareholders' meeting resolved to pass the matter as proposed. 2. Ratification of the 2022 Earnings Distributions. Implementation: The shareholders' meeting resolved to pass the matter as proposed. <u>Matters for Discussion</u> 1. Amendment to some articles of the Company's "Articles of Incorporation." Implementation: The shareholders' meeting resolved to pass the matter as proposed. <u>Elections</u> None

2. 2023 board resolutions

Item	Meeting date	Important resolution
Fifth meeting of the third term	2023.3.9	1. Approved the appraisal of the independence and competence of CPAs. 2. Approved the review of CPA fees. 3. Approved the individual financial statements for 2022. 4. Approved the 2022 Business Report and Consolidated Financial Report. 5. Approved the year-end bonuses and performance bonuses for managers. 6. Approved the proposal of employee remuneration and director remuneration for 2022. 7. Approved the 2022 surplus distributions. 8. Approved the appraisal of the effectiveness of the internal control system and the statement on the internal control system for 2022. 9. The amendments to some of the provisions of the Articles of Incorporation were approved 10. Approved the ratification of the acquisition or disposal of assets among the related parties from October to December 2022.

Item	Meeting date	Important resolution
		11. Approved the inter-affiliate fund loan. 12. Approved subsidiaries ELEPHANT STEP CO., LTD. and FONGYUAN INTERNATIONAL CO., LTD. to make capital increase by cash in Indonesian sub-subsidiary PT CAN SPORTS INDUSTRIAL INDONESIA. 13. Approved the acquisition or disposal of assets of sub-subsidiary PT Can Sports Industrial Indonesia. 14. Acquisition of a majority stake in Footwear Innovation Lab GmbH in Germany through sub-subsidiary Silk Invest International Co., Ltd. and a capital increase in the company. 15. Approved the proposal to convene the 2023 annual shareholders' meeting.
Sixth meeting of the third term	2023.5.3	1. Approved the consolidated financial report for the first quarter of 2023. 2. Approved the appointment of managers and spokespersons. 3. Approved the ratification of the acquisition or disposal of assets among the related parties from January to March 2023. 4. Approved the inter-affiliate fund loan. 5. Approved the application to financial institutions for loan limit renewal.
Seventh meeting of the third term	2023.8.17	1. Approved the consolidated financial report for the second quarter of 2023. 2. Approved budget changes for the second half of 2023. 3. Approved the revision of the “Authority for Approval”. 4. Approved the ratification of the acquisition or disposal of assets among the related parties from April to June in 2023. 5. Approved the inter-affiliate fund loan. 6. Approved the application to financial institutions for loan limit renewal. 7. Approved the assessment of the Company's 2022 director and manager salary and remuneration policies, systems, standards, and structures, and the review of the Company's 2022 director and manager salary and remuneration. 8. Approved the distribution of employee compensation to managers in 2022. 9. Approved the acquisition of right-of-use asset by Cambodian sub-subsidiary, Can Sports Shoes Co., Ltd., from a related party.
Eighth meeting of the third term	2023.11.08	1. Approved the consolidated financial report for the third quarter of 2023. 2. Approved the ratification of the acquisition or disposal of assets among the related parties from July to September in 2023. 3. Approved the Company's capital increase by cash of the subsidiary FONGYUAN INTERNATIONAL CO., LTD. 4. Approved the Company's capital increase by cash of the

Item	Meeting date	Important resolution
		subsidiary ELEPHANT STEP CO., LTD. 5. Approved the proposal for Silk Invest International Co., Ltd., a sub-subsidiary of the Company, to acquire real estate. 6. Approved the inter-affiliate fund loan.
Ninth meeting of the third term	2023.12.21	1. Approved 2024 Business Plan and Budget. 2. Approved the 2024 audit plan. 3. Approved the proposed donation from the Taiwan branch of the subsidiary Sports Gear Co., Ltd. to the Sports Gear Social Welfare Foundation in 2024. 4. Approved the Company's plan to adjust the investment structure of SGP-Sports Gear Portugal, S.A. 5. Approved the inter-affiliate fund loan. 6. Approved the application to financial institutions for loan limit renewal. 7. Approved the ratification of the discharge of managers.

(XIII) 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.

(XIV) 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: Chairman Mr. Patrick Chen formerly held the role of President concurrently. On July 3, 2023, Mr. Ma Shih-Cheng officially assumed office of President, and Chairman Mr. Patrick Chen, resigned as the President.

V. Information on CPA fees

(I) Information on CPA fees

Unit of amounts:

Thousand NTD

Name of accounting firm	Names of the accountants	Duration of audit by accountants	Auditing fee	Non-auditing fee	Total	Remarks
Deloitte Taiwan	Amy Chiang James Wu	2023.01.01-2023.12.31	8,200	Business registration: 248 Other: 4,230	12,678	The amount of other reports, including master file and transfer pricing, was 830 thousand NTD, the transfer pricing project review consulting fee, was 800 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.

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	2023		Up to March 26, 2024	
		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	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	158,000	-	-	-
Independent Director	Long-I Liao	-	-	-	-
Independent Director	Tzung-Chen Chen	-	-	-	-
Independent Director	Peter Shu	-	-	-	-
Shareholder who holds more than 10% of the Company's shares	MATCH SPORTS INTERNATIONAL CO., LTD.	-	-	-	-
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	-	-	(1,000,000)	-
President	Ma Shih-Cheng	-	-	-	-
Chief Operating Officer and Vice President of Can Sports Cambodia	Nick Lin	-	-	16,000	-
Vice President of Can Sports Vietnam, All Wells and August Sports Vietnam; Chairman of PT Can Sports Industrial Indonesia	Jack Wang	-	-	-	-
Vice President of Business Development and Footwear Innovation Technology	Juergen Hans Wormser	-	-	-	-
Special Assistant to the Chairman and Spokesperson	Benjamin David Metcalf	5,000	-	1,000	-
Corporate Governance Manager and Acting Spokesperson	Fu-Sheng Ku	1,446	-	-	-
Accounting Supervisor and Financial Officer	Vincent Kang	-	-	-	-
Audit Manager	Meg Hu	-	-	-	-

- (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 26, 2024; Unit:

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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or full name)	Relationship	
MATCH SPORTS INTERNATIONAL CO., LTD.	60,853,185	31.04	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note)	1,991,000	1.02	-	-	125,093,924	63.81	-	-	-
Mu Mu Sports International Limited	30,055,555	15.33	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note)	2,000,000	1.02	-	-	125,093,924	63.81	-	-	-
Lu Lu Sports International Limited	17,518,518	8.94	-	-	-	-	-	-	-
Responsible person/corporate representative: Wei-Chia Chen (Note)	2,000,000	1.02	-	-	125,093,924	63.81	-	-	-
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)	2,000,000	1.02	-	-	125,093,924	63.81	-	-	-
Li-Yang Lai	11,757,962	6.00	-	-	-	-	-	-	-
Citi (Taiwan) Commercial Bank entrusted with the custody of the investment account of	9,241,000	4.71	-	-	-	-	-	-	-

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	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or full name)	Relationship	
Nomura International Co., Ltd., a client of Nomura International (Hong Kong) Limited									
Citi Custody Citi Global Market - Asia Pacific Comprehensive Stock Finance	7,312,518	3.73	-	-	-	-	-	-	-
Wei-Chia Chen (Note)	1,991,000	1.02	-	-	125,093,924	63.81	-	-	-
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	-	-	-	-	-	-	-	-	-

Note: 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.

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, 2023; 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	59,000	100%	-	-	59,000	100%
Fongyuan	36,150	100%	-	-	36,150	100%
SPG Singapore	1,000	100%	-	-	1,000	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)	95.99%	-	-	(Note)	95.99%

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, 2024; 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: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

(II) Shareholder structure

March 26, 2024; Unit: shares; %

Shareholder structure Quantity	Government agency	Financial institution	Other legal persons	Individual	Foreign institutions and foreigner individuals	Total
Number of people	-	3	42	3,141	48	3,234
Number of shares held	-	306,000	25,558,414	40,086,200	130,095,003	196,045,617
Shareholding ratio	-	0.15	13.04	20.45	66.36	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 26, 2024; Unit: shares; %

Class of shareholding	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	481	54,988	14.87 —54,988
1,000 to 5,000	2,013	3,806,561	62.28 —3,806,561
5,001 to 10,000	298	2,385,688	9.21 —2,385,688
10,001 to 15,000	99	1,283,000	3.06 —1,283,000
15,001 to 20,000	70	1,314,400	2.16 —1,314,400
20,001 to 30,000	70	1,837,495	2.16 —1,837,495
30,001 to 40,000	35	1,244,000	1.08 —1,244,000
40,001 to 50,000	36	1,678,578	1.11 —1,678,578
50,001 to 100,000	59	4,337,425	1.82 —4,337,425
100,001 to 200,000	35	5,250,219	1.08 —5,250,219
200,001 to 400,000	18	4,714,659	0.56 —4,714,659
400,001 to 600,000	2	1,000,000	0.06 —1,000,000
600,001 to 800,000	5	3,650,992	0.15 —3,650,992
800,001 to 1,000,000	-	-	0 —
1,000,001 or more	13	163,487,612	0.4 —163,487,612
Total	3,234	196,045,617	100 —196,045,617

Note: The Company has not issued preferred shares.

(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 26, 2024; Unit: Shares

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
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 assets management account of Spread Idea Co., Ltd. under Lesson 1 Company Limited		16,666,666	8.50
Li-Yang Lai		11,482,962	5.86
Citi (Taiwan) Commercial Bank entrusted with the custody of the investment account of Nomura International Co., Ltd., a client of Nomura International (Hong Kong) Limited		9,241,000	4.71
Citi Custody Citi Global Market - Asia Pacific Comprehensive Stock Finance		7,312,518	3.73
Wei-Chia Chen		1,991,000	1.02
Pure Huang Investment Co., Ltd.		1,957,570	1.00
CHEN BAU Limited		1,957,570	1.00

(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 Dolla

rs (NT\$)/thousand shares

Year		2022	2023	The current year and up to March 31, 2024
Item				
Market price per share	Highest	99.3	74.3	76.2
	Lowest	66.6	61.2	64.2
	Average	74.15	68.09	69.86
Net value per share	Before distribution	72.16	69.32	(Note 4)
	After distribution	67.16 (Note 2)	(Note 3)	(Note 4)
Earnings per share	Weighted average shares (thousand shares)	196,046	196,046	(Note 4)
	Earnings per share (Note 1)	9.22	2.78	(Note 4)
Dividend per share	Cash dividend	5	(Note 3)	(Note 4)
	Stock dividend	Surplus earnings	-	(Note 4)
		Capital surplus	-	(Note 4)
	Accumulated undistributed dividends	-	-	(Note 4)
Return on investment analysis	P/E ratio	8.04	24.49	(Note 4)
	Price-dividend ratio	14.83	17.92	(Note 4)
	Cash dividend yield rate	6.74%	5.58	(Note 4)

Source: Consolidated financial statements verified by an accountant.

Note 1: Basic EPS after tax.

Note 2: On March 9, 2023, the Company's Board of Directors resolved to distribute a cash dividend of NT\$5 per share.

Note 3: On March 5, 2024, the Company's Board of Directors resolved to distribute a cash dividend of NT\$3.8 per share (the profit distribution is subject to the resolution of the annual shareholders' meeting to be held on May 24, 2024).

Note 4: No consolidated financial statement had been reviewed by an accountant by March 31, 2024.

(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 2023 dividend distribution proposal was passed by the Board of Directors on March 5, 2024. In accordance with the Company's Articles of Incorporation,

a shareholders' cash dividend of NT\$744,973, NT\$3.8 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, 2024.

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 5, 2024, the Board of Directors resolved to pay director remuneration and employee bonuses, respectively, of NT\$7,788 thousand and NT\$15,887 thousand in cash; there are no differences in the amounts of director remuneration and employee bonuses between the 2023 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 2023 director remuneration and employee dividend distribution plan are expected to be reported by the shareholders' meeting on May 24, 2024.
5. The actual distribution of remuneration for employees, directors, and supervisors in the previous year (2022) (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 2022 Directors' Remuneration and Employee Bonus Distribution Plan has been submitted to the shareholders' meeting on May 30, 2023, and the actual distribution amount is consistent with the amount proposed by the board of directors.

- II. The company buying back its own share: No such situation.
- III. Profile of corporate bonds
The handling of corporate bonds (including overseas corporate bonds): No such situation.
- IV. Handling situation of preferred shares: No such situation.
- V. Status of participation in the issuance of overseas depository receipts: No such situation.
- VI. Handling situation of employee subscription right certificates: No such situation.
- VII. Status of new restricted employee shares: No such situation.
- VIII. M&A handling situation
(一) In ongoing mergers or acquisitions, the following matters should be disclosed: No such situation.
(二) In ongoing spin-offs, the following matters should be disclosed: No such situation.
- IX. Processing for the issuance of new shares by transfer of shares of other companies: None.
- X. 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	2022		2023	
	Sales Amount	Proportion of revenue	Sales Amount	Proportion of revenue
Sports shoes	11,321,305	61.11%	10,620,143	74.75%
Casual footwear	6,929,686	37.41%	3,410,340	24.00%
Other	273,995	1.48%	177,206	1.25%
Total	18,524,986	100.00%	14,207,689	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

After being hit by Covid-19 in 2020, countries around the world have generally recovered from the pandemic in 2022. According to Statista.com, the global footwear market was valued

at US\$400 billion in 2023. Though the annual growth rate is not as strong compared to the previous year, the two driving factors including the countries' recovery strength from Covid-19 and holding of the World Cup in 2022 show that the shoe market is still expected to grow steadily in the future. It is also forecasted that by 2028, the shoe market value will reach US\$472 billion, with sports footwear estimated to account for US\$65 billion. The 2022 World Cup has created strong replenishment demand in the shoe industry, driving up the market. However, in 2023, with the rising global economic inflation, the continued stalemate in the Russia-Ukraine war, and major customers' inventory adjustment, the overall market was conservative, but maintained a relatively stable and smooth growth curve after the second half of the year, actively conserving momentum for the upcoming Olympics in 2024. 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, Vietnam and India ranked among the top three of footwear exports in 2023, 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 2024, this year's global economic growth rate will be raised to 3.1%, an increase of 0.2% compared to October 2023. At the same time, the organization's economic growth forecast for China in 2024 is 4.6%, a 0.4% increase since October 2023. This reflects, to a certain extent, the continued effect from 2023's higher-than-expected economic growth rate, and the government's building capacity in response to natural disasters. The only country with a growth forecast higher than this is India (6.5%), which means that in 2024, Asia emerging market and developing economies still hold a position that cannot be ignored in the world economic situation.

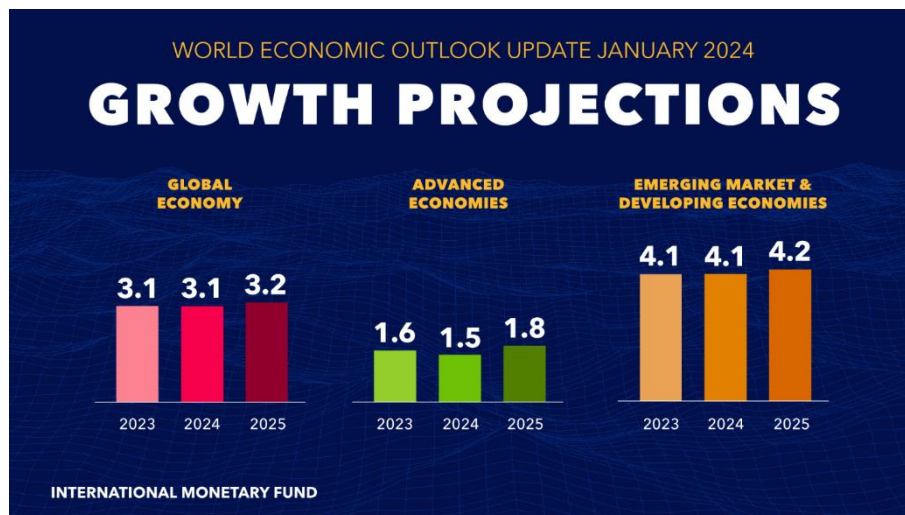
IMF also forecasts that overall global inflation will drop to 5.8% in 2024, and further drop to 4.4% in 2025. This means that with the slowing inflation and stable growth, the possibilities of an economic hard landing has reduced, and the risks faced by global economic development have stabilized. However, there are still a few uncertain factors to be observed carefully. For example, the continued conflict in the Red Sea will lead to further increase in commodity prices; China's real estate industry is also struggling, and if it continues to aggravate, it may lead to lower than expected economic growth. Finally, the economic disorder caused by the stalemate in the Russia-Ukraine war is also an unstable risk factor.

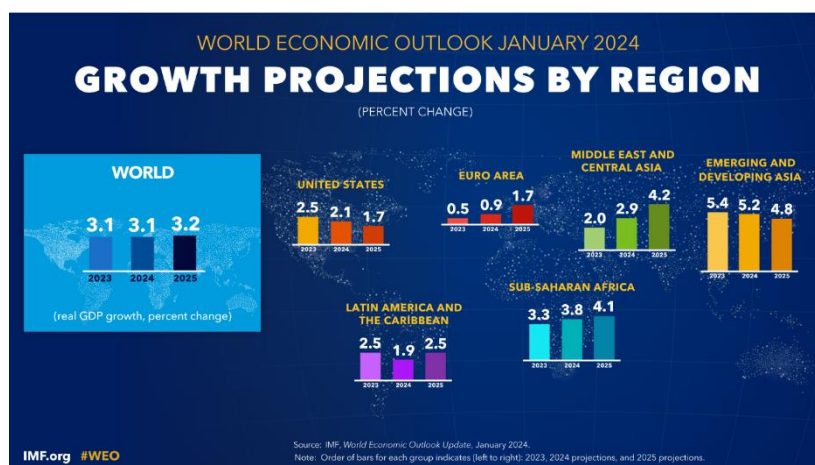
World Economic Outlook Growth Projections

	ESTIMATE	PROJECTIONS	
(Real GDP, annual percent change)	2023	2024	2025
World Output	3.1	3.1	3.2
Advanced Economies	1.6	1.5	1.8
United States	2.5	2.1	1.7
Euro Area	0.5	0.9	1.7
Germany	-0.3	0.5	1.6
France	0.8	1.0	1.7
Italy	0.7	0.7	1.1
Spain	2.4	1.5	2.1
Japan	1.9	0.9	0.8
United Kingdom	0.5	0.6	1.6
Canada	1.1	1.4	2.3
Other Advanced Economies	1.7	2.1	2.5
Emerging Market and Developing Economies	4.1	4.1	4.2
Emerging and Developing Asia	5.4	5.2	4.8
China	5.2	4.6	4.1
India	6.7	6.5	6.5
Emerging and Developing Europe	2.7	2.8	2.5
Russia	3.0	2.6	1.1
Latin America and the Caribbean	2.5	1.9	2.5
Brazil	3.1	1.7	1.9
Mexico	3.4	2.7	1.5
Middle East and Central Asia	2.0	2.9	4.2
Saudi Arabia	-1.1	2.7	5.5
Sub-Saharan Africa	3.3	3.8	4.1
Nigeria	2.8	3.0	3.1
South Africa	0.6	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.2	4.0	4.0
Low-Income Developing Countries	4.0	5.0	5.6

Source: IMF, World Economic Outlook Update, January 2024

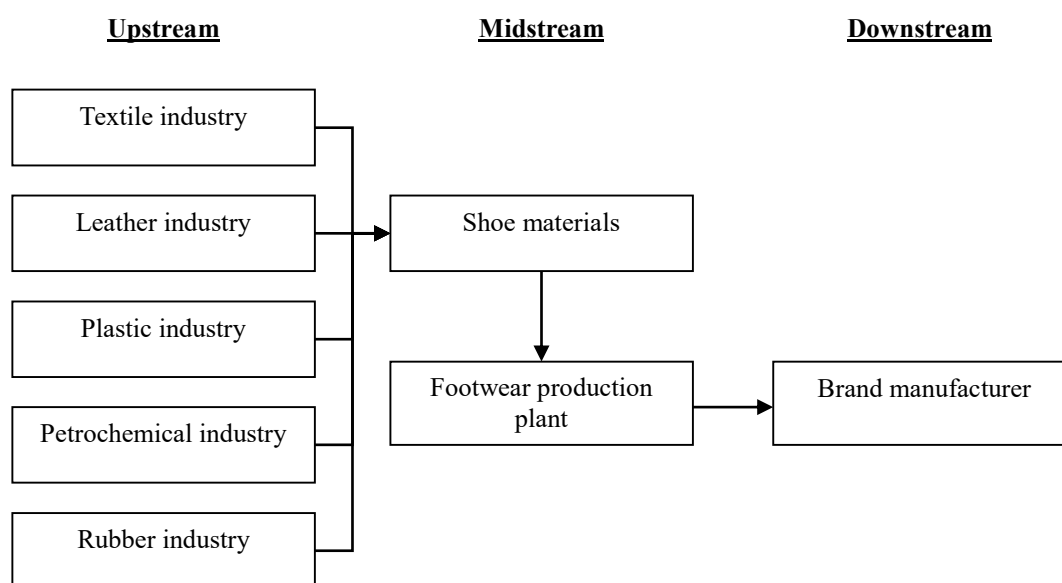
Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2023/2024 (starting in April 2023) shown in the 2023 column. India's growth projections are 5.7 percent in 2024 and 6.8 percent in 2025 based on calendar year.





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, though 2023's footwear market was affected by global inflation, geopolitics, and high inventory level, according to the forecast of Expert Market Research, with the various types of product mix and resumption of various competitions, footwear market will continue to grow from 2024 to 2032, with a compound annual growth rate of 4.9%. Hence, the future growth of the footwear industry remains stable and cautiously optimistic.

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 TPU, 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

Global sustainable development is no longer a slogan, with the raise in economic level and rapid and popularization of information transmission, the green environmental protection industry will become the future trend. On average, global sports shoes industry will emit nearly 700 million tons of carbon dioxide every year, and according to the industry trend, it is predicted that the sustainable footwear market value may reach US\$13.6 billion by 2030. Hence, sustainable development and the management and optimization of carbon emission have also become research topics not to be ignored by local and foreign companies. The new sustainable casual fashion brand, Allbirds, besides adopting a strategic cooperation with Adidas, also launches shoes which have only 2.94 kg of carbon footprint. Compared to the average carbon footprint of 13.6 kg of each pair of sneakers in the world, it is actually 25% of that of normal shoes. Also, part of the shoe materials use more than 50% of recycled materials, actively transforming the business towards low-carbon manufacturing. In 2023, the Company also announced its plan to research in the manufacturing of zero-carbon shoes, “M0.0NSHOT”. Taiwan’s shoe making machinery manufacturer, King Steel Machinery also announced before the 2023 United Nations Framework Convention on Climate Change, its commitment to achieve net-zero emission by 2050, and reduce 1% of carbon footprint every year. All of this shows that greening and carbon reduction of materials 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. In the near future, smart shoes which integrate various technological functions are no longer just for display purposes, but are able to create new added value, providing sport shoes a more diverse product appearance. Although preferences and styles of the consumer market are changing at an increasingly quick pace, innovation is always the core of competitiveness and the company's core philosophy. 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

The shoemaking industry is limited by the difficulties in process standardization. In practice, it still relies on manual adjustment. Also, the time wasted in changing the machines may affect the delivery time. These are the main reasons why it is still being regarded as a traditional labor-intensive industry. In recent years, with the rise of retro-shoes which are more complex in manufacturing, the trend has become more labor intensive instead. However, the impact of Covid 19 has caused factories to start to reflect. Once one process is interrupted, all processes must be suspended. Labor costs keep rising year by year, 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. In addition, ESG concepts have begun to receive attention. 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. In the shoemaking process, automated control systems (eg. automatic cutting machines can improve material utilization by computing cutting positions, consolidate shipment after scanning the QRcode on the cartons) are able to provide the products with more stable product quality. Besides being able to reduce the risk of human injury and achieve more efficient factory management, it can also reduce production and manufacturing cost; Fast and consistent output not only standardizes products, but also improves customer reliability, and these are the keys for the shoemaking industry to excel in the highly competitive market in the future.

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 diffused 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 direct injection and 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	2023	Up to February 28, 2024
PhD	0	0	0	0	0
Master's degree	0	1	0	0	0
College (Technical school)/University	332	339	354	364	358
Below high school (inclusive)	280	278	621	695	651
Total	612	618	975	1,059	1,009

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

Unit: Thousand NTD; %

Item	2019	2020	2021	2022	2023
R&D expenses	536,244	404,900	300,856	381,738	418,345
Net operating revenue	17,208,037	13,514,535	12,335,924	18,524,986	14,207,689
Percentage of net operating revenue	3.12%	3.00%	2.44%	2.06%	2.94%

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

Year	R&D results
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
2023	Introduction of IOT simulation and forecast scheduling system

(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 improve market visibility.
- 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 our professional sports shoes technologies, actively developing functional and casual footwear market, and establishing diverse domains to cater to the development of the post-pandemic era, and increase economic scale.
- 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 upgrading quality and increasing production efficiency.
- B. Continue enhancing awareness of teamwork among employees.
- C. Increase cross-departmental collaboration and reduce communication.
- D. Actively promote localization policies and improve the cultivation of local talents

(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 joint 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. Under the rising of the AI, we tap into the development and application of smart factories, using sensors to collect and construct data and obtain pertinent parameters, delivering them to the Backend to analytics big data, 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.
 - E. The philosophy of ESG can also be realized through digital transformation. By using alternative energy to conserve energy and reduce carbon emission and waste, the footwear manufacturing industry can achieve a more environmentally friendly production process. The use of environmentally friendly materials can reduce environmental impact, which is not only able to meet social expectations, but can also effectively raise the brand image, and have closer connections with customers.
- (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. In addition to actively expanding its plants in Southeast Asian countries such as Indonesia and Myanmar, we are also studying the feasibility in other regions, actively setting up production bases around the world to face the risks of changes in the international situation and the expected increase in manpower cost, in the aim to further expand the Company's operating scale and diverse development aspects in the future, and allocate the production capacity of the plants where necessary to maximize the Group's benefits.
 - B. In addition to acquiring FIL in Germany to improve research and development, we also focus on automated production process and innovative development, and set up a dedicated research and development center, as well as actively promote the implementation of Mechanical Engineer (ME) and real-time data system in each product base. Besides being able to collect production data to increase production stability, reduce the risk of human error, we also satisfy brand customers' various market demands in quality product service and fast respond through our continued investment in automation, innovative technology, process refining and shoe material development. In the future, we will also focus on the application of Artificial Intelligence (AI) and strive to improve all aspects of production.
- (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; %

Sales regions		Year		2022		2023	
				Amount	Ratio	Amount	Ratio
Domestic sales (note)				-	-	-	-
Exports	Europe			6,684,492	36.09	5,152,335	36.26
	The Americas			8,168,117	44.09	5,810,416	40.90
	Asia			3,135,093	16.92	2,661,986	18.74
	Other			537,284	2.90	582,952	4.10
Total				18,524,986	100.00	14,207,689	100.00

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

2. Market share

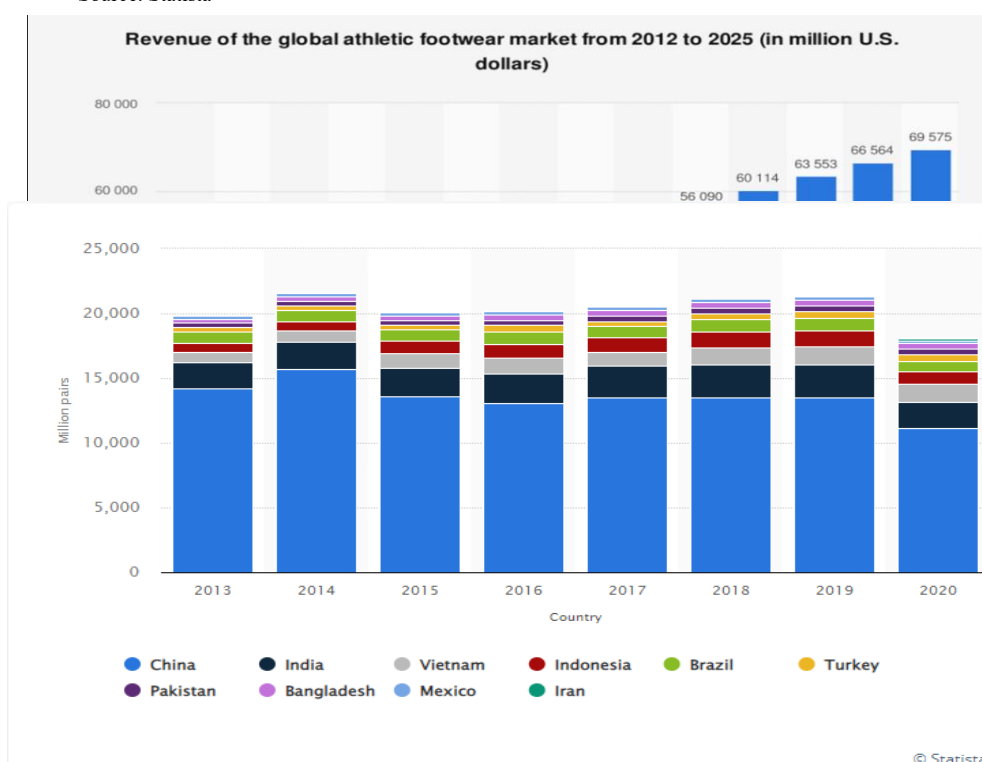
The Company has long been devoted to bolstering its technical strength and accumulating copious experiences in the industry. Aligning with the revolutionary elements and materials in recent years, the Company continues the partnership with international brands to provide high-quality footwear products, 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 the 1980s, it shifted to the Four Asian Dragons, such as Taiwan and South Korea, and Japan, which were experiencing an economic boom and relatively low manufacturing costs. In the 1990s, 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.

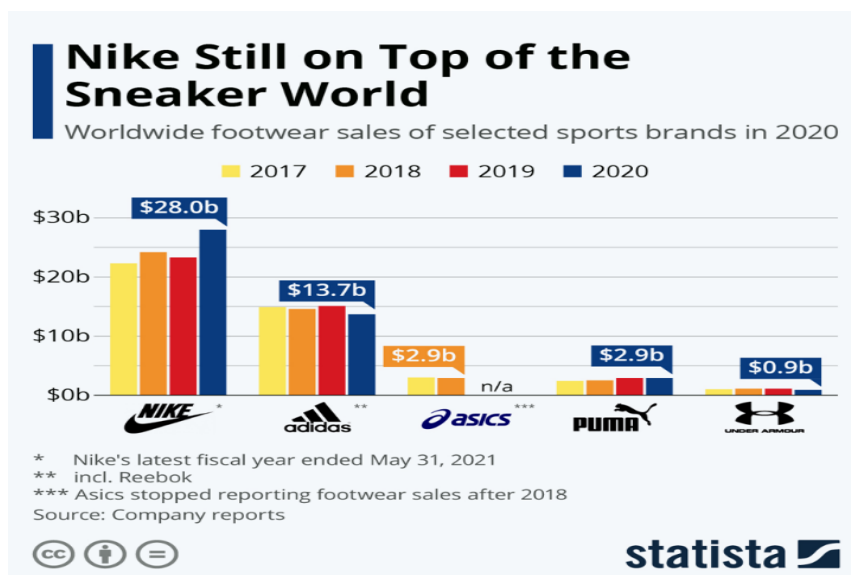
B. Impetus of sports events

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.

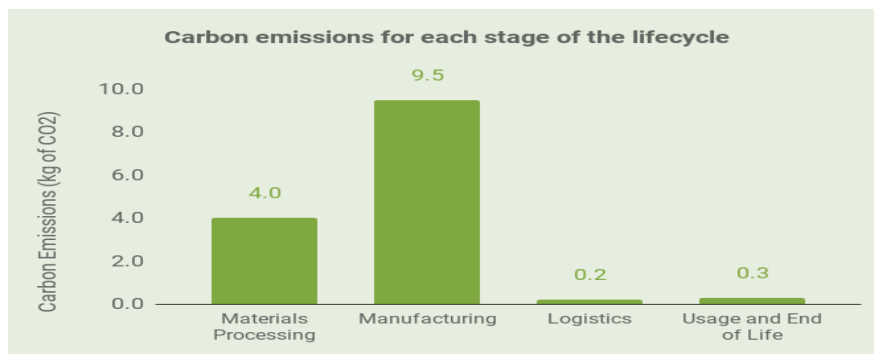


Source: Statista

(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.

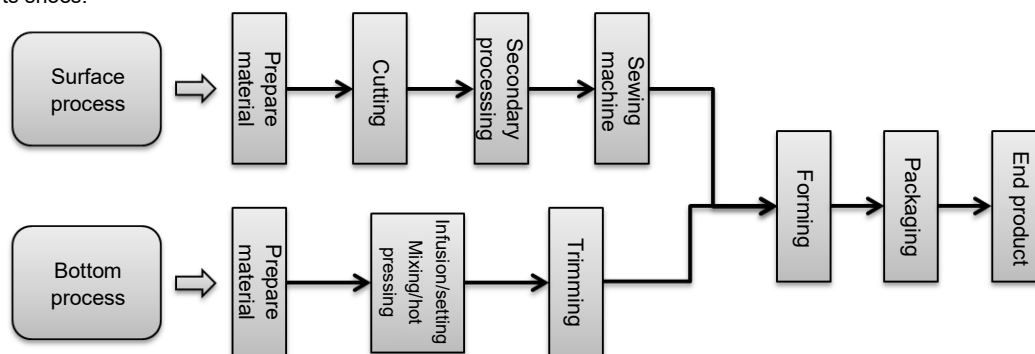
(II) Important applications and production process of main products

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

Sports shoes:



(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 L, Group M, Group N	Good
Textiles	Group H, Group I, Group E, 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

	2022				2023			
Item	Name	Amount	Percentage of annual net purchases	Relationship with the issuer	Name	Amount	Percentage of annual net purchases	Relationship with the issuer
1	Group B	754,265	9.48	None	Group B	590,929	9.42%	None
	Other	7,199,362	90.52	None	Other	5,683,834	90.58%	None
	Net purchases	7,953,627	100		Net purchases	6,274,763	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	2022				2023			
	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	10,306,903	55.64	None	Group A	7,686,859	54.10	None
2	Group B	5,615,613	30.31	None	Group B	5,170,114	36.39	None
	Other	2,602,470	14.05	None	Other	1,350,716	9.51	None
	Net sales	18,524,986	100		Net sales	14,207,689	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 NTD

Major products	Year Production value	2022			2023		
		Production capacity	Yield	Output value	Production capacity	Yield	Output value
Sports shoes		24,634	23,997	11,716,423	30,418	21,356	10,680,759
Casual footwear		21,045	19,794	7,029,946	12,189	8,393	3,217,568
Balls		-	-	-	-	-	-
Other		-	-	233,723	-	-	196,516
Total		45,679	43,791	18,980,091	42,607	29,749	14,094,844

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. The post-pandemic recovery in 2023 was not up to the customers' expectations, and they began to actively adjust their inventory, resulting in insufficient orders and decline in output value.

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

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

Major products (or by department)	Year Quantity and value of sales	2022				2023			
		Domestic sales		Exports		Domestic sales		Exports	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Sports shoes		-	-	23,352	11,321,305	-	-	21,508	10,620,143
Casual footwear		-	-	19,333	6,929,686	-	-	8,928	3,410,340
Balls		-	-	-	-	-	-		
Other		-	-	-	273,995	-	-		177,206
Total		-	-	42,685	18,524,986	-	-	30,436	14,207,689

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. The post-pandemic recovery in 2023 was not up to the customers' expectations, and they began to actively adjust their inventory, resulting in insufficient orders and decline in output value.

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

Number of people		Year	2022	2023	February 29, 2024
Number of employees	Manager		19	19	19
	General staff		31,290	27,299	28,449
	Total		31,309	27,318	28,468
Average age			36.28	36.02	34.35
Average years of service			3.45	3.92	3.71
Education distribution ratio (%)	PhD		-	-	-
	Master's degree		0.14	0.18	0.17
	Undergraduate or technical degree		5.90	6.76	6.38
	High school diploma		15.14	16.01	16.12
	Below high school		78.82	77.05	77.33

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, 2023; Unit: Thousand NTD

Equipment name	Quantity	Date acquired	Cost of investment	Un-discounted balance	Applications and expected benefits
Wastewater treatment equipment and systems	7	2007/12~2023/6	14,031	123	Industrial wastewater/sewage treatment
Automatic wastewater treatment monitoring system	1	2018/10	1,991	-	Industrial wastewater/sewage treatment
Exhaust equipment and systems	22	2006/1~2023/6	2,660	499	Reduced concentration VOC
Wastewater treatment equipment and systems	5	2011/11~2020/5	12,316	3,928	Industrial wastewater/sewage treatment
Exhaust equipment and systems	7	2012/4~2023/12	11,728	630	Reduced concentration VOC
Wastewater treatment equipment and systems	12	2014/4~2022/6	54,557	30,289	Industrial wastewater/sewage treatment
Exhaust equipment and systems	21	2018/2~2022/12	17,450	12,879	Reduced concentration VOC
Exhaust equipment and systems	3	2022/2~2022/9	4,215	3,624	Pollution control
Wastewater treatment equipment and systems	12	2011/12~2023/6	11,259	242	Industrial wastewater/sewage treatment

Equipment name	Quantity	Date acquired	Cost of investment	Un-discounted balance	Applications and expected benefits
Exhaust equipment and systems	6	2012/7~2023/10	2,789	2,519	Reduced VOC concentration
Wastewater treatment equipment and systems	4	2016/4~2018/2	5,351	-	Industrial wastewater/sewage treatment
Exhaust equipment and systems	4	2016/1~2019/12	1,772	216	Reduced VOC concentration
Wastewater treatment equipment and systems	1	2020/5	1,314	779	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, the Company and its subsidiaries pay production bonuses based on their operating situations 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 or employer-employee meetings by 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 or cash 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, long-term gifts or cash gifts 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, 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 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	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
Supply Agreement	Group B	2017/9/8-present	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
Manufacturing Agreement	Group G	Beginning on February 1, 2024	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
Footwear Manufacturing and Supply Agreement	Group H	2021/7/1-present	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Master Purchase and Sales Agreement	Group I	2023/06/01-present	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
Dai Hoa Develop and Manufacturing Agreement Term Sheet	Group J	2023/06/27-2026/06/26	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
August Sports Develop and Manufacturing Agreement Term Sheet	Group J	2024/01/19-2027/01/18	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party
Sports Gear Manufacturing Agreement Term Sheet	Group K	2023/09/01-2026/08/31	Manufacturing and supplying branded products	1. Confidential information must not be disclosed or used by third parties 2. Information on the client's technical secrets shall not be used for other purposes or leaked to any third party

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Loan agreement	Taichung Branch, Mega International Commercial Bank	2023/8/22-2024/8/21	Short-term borrowing, TWD 400,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2023/7/11-2024/7/11	Short-term borrowing, TWD 390,000,000	-
Loan agreement	Taipei Fubon Bank, Fengyuan Branch	2023/12/21-2024/10/22	Short-term borrowing USD4,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2021/12/6-2024/12/6	Medium-term borrowing TWD340,000,000	-
Loan agreement	E. SUN BANK, Taichung Branch	2021/12/6-2024/12/6	Medium-term borrowing TWD188,000,000	-
Loan agreement	Ho Chi Minh Branch, Mega International Commercial Bank	2023/6/12-2024/6/11	Short-term borrowing USD4,000,000	-
Loan agreement	Taipei Fubon Bank, Ho Chi Minh Branch	2023/10/23-2024/10/22	Short-term borrowing USD5,000,000	-
Loan agreement	Vietcombank	2023/5/17-2024/5/16	Short-term borrowing USD10,000,000	-
Loan agreement	Taipei Fubon Bank, Binh Duong Branch	2023/11/12-2024/10/22	Short-term borrowing USD3,500,000	-
Loan agreement	E. SUN BANK, Dong Nai Branch	2023/08/15-2024/08/15	Short-term borrowing USD6,000,000	-
Loan agreement	First Commercial Bank, Taichung Branch	2023/12/08-2024/12/08	Short-term borrowing NTD150,000,000	-
Loan agreement	Citibank, Taichung Branch	2023/7/31-2024/7/31	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-term borrowing USD250,000,000	-
Loan agreement	Citibank, Europe Branch	2023/7/31-2024/7/31	Short-term borrowing USD5,000,000	-
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	-

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
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 Janpeng 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	-
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 contract	CÔNG TY TNHH XÂY DỰNG SÀI GÒN THỊNH VƯỢNG	2024/02/01-2027/01/31	August Sports dormitory	-

Contract type	Parties	Commencement date/expiration date	Main items covered	Restriction clauses
Lease contract	CÔNG TY TNHH XÂY DỰNG SÀI GÒN THỊNH VƯỢNG	2023/11/01- 2028/10/31	August Sports dormitory	-
Lease contract	CÔNG TY TNHH XÂY DỰNG SÀI GÒN THỊNH VƯỢNG	2023/08/01- 2028/07/31	August Sports dormitory	-
Lease contract	CÔNG TY TNHH XÂY DỰNG SÀI GÒN THỊNH VƯỢNG	2023/09/01- 2028/08/31	August Sports dormitory	-
Lease agreement	Myanmar Japan Thilawa Development Ltd.	2017/2/10- 2067/2/9	Land on which Sports Gear (Myanmar) plant	-
Lease agreement	Christa Lange	2022/03/01- 2032/02/28	FiL office 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 (Note 1)					
		2019	2020	2021	2022	2023	Up to March 31, 2024 (Note 3)
Current assets		11,442,911	10,538,173	11,198,648	13,833,907	13,177,669	-
Property, plant, and equipment		4,134,722	3,686,510	3,802,750	4,682,878	5,009,498	-
Right-of-use asset		1,923,757	1,768,029	1,183,934	1,244,724	1,234,197	-
Intangible assets		27,060	12,652	29,400	35,558	17,471	-
Other assets		331,650	289,503	262,458	244,650	486,836	-
Total assets		17,860,100	16,294,867	16,477,190	20,041,717	19,925,671	-
Current liabilities	Before distribution	4,339,103	3,777,034	3,095,687	4,244,992	4,258,759	-
	After distribution	4,687,625	4,365,170	3,781,848	5,225,220	(Note 2)	-
Non-current liabilities		2,368,133	1,735,825	1,325,345	1,656,758	2,076,181	-
Total liabilities	Before distribution	6,707,236	5,512,859	4,421,032	5,901,750	6,334,940	-
	After distribution	7,055,758	6,100,995	5,107,193	6,881,978	(Note 2)	-
Equity attributable to parent company shareholders		11,152,864	10,782,008	12,056,296	14,146,543	13,590,183	-
Share capital		1,742,606	1,742,606	1,960,456	1,960,456	1,960,456	-
Capital surplus	Before distribution	7,667,935	7,493,674	8,444,311	7,954,196	7,954,196	-
	After distribution	7,493,674	7,199,606	7,954,196	7,954,196	(Note 2)	-
Retained earnings (not yet made up for losses)	Before distribution	1,860,672	2,095,518	2,446,384	4,058,430	3,609,459	-
	After distribution	1,686,411	1,801,450	2,250,338	3,078,202	(Note 2)	-
Other rights		(118,349)	(549,790)	(794,855)	173,461	66,072	-
Treasury stock		-	-	-	-	0	-

Non-controlling interests		-	-	(138)	(6,576)	548	-
Equity	Before distribution	11,152,864	10,782,008	12,056,158	14,139,967	13,590,731	-
Total	After distribution	10,804,342	10,193,872	11,369,997	13,159,739	19,925,671	-

Note 1: Consolidated financial statements for 2019–2023 verified by an accountant.

Note 2: On March 5, 2024, the Company's Board of Directors resolved to distribute a cash dividend of NT\$3.8 per share (the profit distribution is subject to the resolution of the annual shareholders' meeting to be held on May 24, 2024).

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 thousand NT\$

Year Item	Financial information for the most recent five years (Note 1)					
	2019	2020	2021	2022	2023	Up to March 25, 2024 (Note 2)
Operating revenue	17,208,037	13,514,535	12,335,924	18,524,986	14,207,689	-
Gross profit	3,705,062	2,509,509	2,434,574	4,284,342	2,366,728	-
Operating profit and loss	1,609,061	789,718	795,545	2,253,074	480,052	-
Non-operating revenue and expenses	(154,558)	(208,031)	68,361	110,823	284,336	-
Net profit (loss) before tax	1,454,503	581,687	863,906	2,363,897	764,388	-
Continuing business unit Net profit (loss) for the period	1,048,586	409,107	646,190	1,802,024	539,460	-
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	1,048,586	409,107	646,190	1,802,024	539,460	-
Other comprehensive income (Net income after tax)	(157,021)	(431,441)	(245,073)	967,946	(108,468)	-
Total comprehensive income for the current period	891,565	(22,334)	401,117	2,769,970	430,992	-
Net profit (loss) attributable to parent company	1,048,586	409,107	647,299	1,808,092	544,986	-
Net profit (loss) attributable to non-controlling interests	-	-	(1,109)	(6,068)	(5,526)	-

Total comprehensive profit and loss attributable to the operators of the parent company	891,565	(22,334)	402,234	2,776,408	437,597	-
Total comprehensive profit and loss attributable to non-controlling interests	-	-	(1,117)	(6,438)	(6,605)	-
Earnings per share	6.02	2.35	3.42	9.22	2.78	-

Note 1: Consolidated financial statements for 2019–2023 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
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
2023	Deloitte Taiwan	Amy Chiang, James Wu	Unqualified opinion

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)

Year Analysis items		Annual Financial Analysis for the Most Recent Five Years (Notes 1 and 3)					
		2019	2020	2021	2022	2023	Up to March 31, 2024 (Note 4)
Financial structure (%)	Ratio of liabilities to assets	37.55	33.83	26.83	29.45	31.79	-
	Ratio of long-term capital to real estate properties, plants, and equipment	327.01	339.56	351.89	337.33	312.74	-
Liquidity (%)	Current ratio	263.72	279.01	361.75	325.89	309.43	-
	Quick ratio	212.98	234.52	311.71	283.06	273.32	-
	Interest protection multiples	11.63	6.05	11.86	32.68	8.65	-
Operating ability	Receivables turnover (times)	5.56	5.28	5.72	7.24	4.83	-
	Average collection period	66	70	64	51	76	-
	Inventory turnover (times)	6.95	5.67	6.05	7.07	6.92	-
	Payables turnover (times)	7.43	6.87	7.23	9.66	7.31	-
	Average days in sales	53	65	61	52	53	-
	Property, plant, and equipment Turnover (times)	4.23	3.46	3.29	4.37	2.93	-
	Total assets turnover (times)	1.02	0.79	0.75	1.01	0.71	-
Profitability	ROA (%)	6.86	2.94	4.33	10.20	3.10	-
	ROE (%)	9.48	3.73	5.66	13.76	3.89	-
	Pre-tax profit to paid-in capital ratio (%)	83.47	33.38	44.07	120.58	38.99	-
	Net profit margin (%)	6.09	3.03	5.24	9.73	3.80	-
	Earnings per share (NTD) (Note 2)	6.02	2.35	3.42	9.22	2.78	-
Cash flow	Cash flow ratio (%)	57.00	33.39	71.4	28.62	53.44	-
	Cash flow adequacy ratio (%)	(Note 3)	(Note 3)	145.07	106.56	120.36	-

	Cash reinvestment ratio (%)	9.95	5.29	8.7	2.40	5.84	-
Leverage	Operational leverage	1.54	2.18	1.97	1.34	2.51	-
	Financial leverage	1.09	1.17	1.11	1.03	1.26	-

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

1. In 2023, due to the economic downturn and customers' inventory adjustment, both revenue and profit were affected. Hence, the related interest coverage ratio, return on assets, return on equity, income before tax to paid-in capital ratio, net profit margin, earnings per share and degree of operating leverage saw a change of more than 20% over the two periods.
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 2023 compared to 2022, mainly due to the decrease in net sales compared with the previous year.
3. Payable turnover decreased mainly due to the decrease in sales in 2023 and the corresponding decrease in cost of goods sold.
4. The cash flow ratio and cash reinvestment ratio were lower in 2023 than in 2022, mainly due to the increase in net cash flow from operating activities in 2023.
5. The increase in degree of financial operating leverage is mainly due to the increase in interest expense generated from the loan for plant construction.

Note 1: The 2019–2023 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 2024.

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

IV. Most recent annual report

Independent Auditor's Report

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

Auditors' 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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, 2023, is as follows:

Inventory valuation

As of the date of the balance sheet, the Group's inventory was NT\$1,537,782 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 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, 2023 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 5, 2024.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

CODE	ASSETS	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 6)	\$ 5,862,699	29	\$ 5,566,630	28
1170	Accounts receivable, net (Notes 7, 16, and 22)	2,534,960	13	3,351,556	17
1200	Other receivables	47,741	-	54,126	-
1220	Current tax assets (Note 18)	27,075	-	30,018	-
130X	Inventories (Note 8)	1,537,782	8	1,817,958	9
1476	Other financial assets - current (Notes 6 and 23)	2,458,969	12	2,074,839	10
1479	Other current assets	708,443	4	938,780	5
11XX	Total current assets	<u>13,177,669</u>	<u>66</u>	<u>13,833,907</u>	<u>69</u>
	NON-CURRENT ASSETS				
1600	Property, plant, and equipment (Notes 10 and 23)	5,009,498	25	4,682,878	23
1755	Right-of-use assets (Notes 11 and 12)	1,234,197	6	1,244,724	6
1780	Intangible assets	17,471	-	35,558	-
1840	Deferred income tax assets (Note 18)	112,333	1	103,260	1
1920	Refundable deposits	54,078	-	54,185	-
1980	Other financial assets - non-current (Notes 6 and 23)	225,712	1	11,827	-
1990	Other non-current assets	94,713	1	75,378	1
15XX	Total non-current assets	<u>6,748,002</u>	<u>34</u>	<u>6,207,810</u>	<u>31</u>
1XXX	TOTAL	<u>\$19,925,671</u>	<u>100</u>	<u>\$20,041,717</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term bank loans (Notes 12 and 23)	\$ 922,412	5	\$ 780,597	4
2150	Note payables	538	-	4,565	-
2170	Account payables	1,621,864	8	1,612,956	8
2200	Other payables (Notes 13 and 22)	947,822	5	977,682	5
2230	Current tax liabilities (Note 18)	230,272	1	593,046	3
2280	Lease liabilities-current (Notes 11 and 22)	95,153	-	88,326	-
2320	Current portion of long-term bank loans (Notes 12 and 23)	384,570	2	174,417	1
2399	Other current liabilities	56,128	-	13,403	-
21XX	Total current liabilities	<u>4,258,759</u>	<u>21</u>	<u>4,244,992</u>	<u>21</u>
	NON-CURRENT LIABILITIES				
2541	Long-term bank loans (Notes 12 and 23)	1,351,457	7	861,611	4
2560	Current tax liabilities - non-current (Note 18)	10,668	-	51,747	-
2570	Deferred tax liabilities (Note 18)	2,612	-	869	-
2580	Lease liabilities - non-current (Notes 11 and 22)	711,444	4	742,531	4
25XX	Total non-current liabilities	<u>2,076,181</u>	<u>11</u>	<u>1,656,758</u>	<u>8</u>
2XXX	Total liabilities	<u>6,334,940</u>	<u>32</u>	<u>5,901,750</u>	<u>29</u>
	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
3110	Share capital	1,960,456	10	1,960,456	10
3211	Capital surplus	7,954,196	40	7,954,196	40
	Retained earnings				
3310	Legal reserve	391,072	2	210,263	1
3320	Special reserve	-	-	794,855	4
3350	Unappropriated earnings	3,218,387	16	3,053,312	15
3400	Other Equity	66,072	-	173,461	1
31XX	Total equity attributable to owners of the Company	<u>13,590,183</u>	<u>68</u>	<u>14,146,543</u>	<u>71</u>
36XX	Non-controlling interests	<u>548</u>	<u>-</u>	<u>(6,576)</u>	<u>-</u>
3XXX	Total equity	<u>13,590,731</u>	<u>68</u>	<u>14,139,967</u>	<u>71</u>
	TOTAL	<u>\$19,925,671</u>	<u>100</u>	<u>\$20,041,717</u>	<u>100</u>

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

Chairman: Wei-Chia Chen Manager: Shi-Zheng Ma Accounting Supervisor: Vincent Kang

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

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

CODE		2023		2022	
		Amount	%	Amount	%
4000	OPERATING REVENUE (Notes 16 and 22)	\$ 14,207,689	100	\$ 18,524,986	100
5000	OPERATING COSTS (Notes 8 and 17)	<u>11,840,961</u>	<u>84</u>	<u>14,240,644</u>	<u>77</u>
5900	GROSS PROFIT	<u>2,366,728</u>	<u>16</u>	<u>4,284,342</u>	<u>23</u>
	OPERATING EXPENSES (Notes 17 and 22)				
6100	Selling and marketing expenses	288,209	2	369,522	2
6200	General and administrative expenses	1,181,125	8	1,279,005	7
6300	Research and development expenses	418,345	3	381,738	2
6450	Expected credit losses (Reversal gains)	(<u>1,003</u>)	<u>-</u>	<u>1,003</u>	<u>-</u>
6000	Total operating expenses	<u>1,886,676</u>	<u>13</u>	<u>2,031,268</u>	<u>11</u>
6900	PROFIT FROM OPERATIONS	<u>480,052</u>	<u>3</u>	<u>2,253,074</u>	<u>12</u>
	NON-OPERATING INCOME AND EXPENSES (Notes 17 and 22)				
7010	Other income	36,594	-	25,722	-
7020	Other gains and losses	55,462	1	59,778	-
7050	Finance costs	(99,957)	(1)	(74,614)	-
7100	Interest income	<u>292,237</u>	<u>2</u>	<u>99,937</u>	<u>1</u>
7000	Total non-operating income and expenses	<u>284,336</u>	<u>2</u>	<u>110,823</u>	<u>1</u>
7900	PROFIT BEFORE INCOME TAX	764,388	5	2,363,897	13
7950	INCOME TAX EXPENSE (Note 18)	<u>224,928</u>	<u>1</u>	<u>561,873</u>	<u>3</u>
8200	NET PROFIT FOR THE YEAR	<u>539,460</u>	<u>4</u>	<u>1,802,024</u>	<u>10</u>

(Continued)

(Continued)

CODE		2023		2022	
		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	(\$ 5,019)	-	\$ 1,329,485	7
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences in translating the financial statements of foreign operations	(103,449)	(1)	(361,539)	(2)
8300	Other comprehensive income (loss)	(108,468)	(1)	967,946	5
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 430,992</u>	<u>3</u>	<u>\$ 2,769,970</u>	<u>15</u>
	Net profit (loss) attributable to:				
8610	Owners of the company	\$ 544,986	4	\$ 1,808,092	10
8620	Non-controlling interest	(5,526)	-	(6,068)	-
8600		<u>\$ 539,460</u>	<u>4</u>	<u>\$ 1,802,024</u>	<u>10</u>
	Comprehensive income attributable to:				
8710	Owners of the company	\$ 437,597	3	\$ 2,776,408	15
8720	Non-controlling interest	(6,605)	-	(6,438)	-
8700		<u>\$ 430,992</u>	<u>3</u>	<u>\$ 2,769,970</u>	<u>15</u>
	EARNINGS PER SHARE (Note 19)				
9750	Basic	<u>\$ 2.78</u>		<u>\$ 9.22</u>	
9850	Dilution	<u>\$ 2.77</u>		<u>\$ 9.17</u>	

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

Chairman: Wei-Chia Chen

Manager: Shi-Zheng Ma

Accounting Supervisor: Vincent Kang

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Company (Note 15)								
		Share Capital	Capital Surplus	Retained Earnings			Other Equity	Total	Non-controlling Interests	Total Equity
C O D E				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences in translation of the financial statements of foreign operations			
A1	Balance on January 1, 2022	\$ 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 (loss) 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
	Appropriation of 2022 earnings									
B1	Legal Reserve	-	-	180,809	-	(180,809)	-	-	-	-
B3	Special Reserve	-	-	-	(794,855)	794,855	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	-	(980,228)	-	(980,228)	-	(980,228)
D1	Net profit (loss) for the year ended December 31, 2023	-	-	-	-	544,986	-	544,986	(5,526)	539,460
D3	Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(107,389)	(107,389)	(1,079)	(108,468)
D5	Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	544,986	(107,389)	437,597	(6,605)	430,992
M7	Changes in the percentage of ownership interests in subsidiaries	-	-	-	-	(13,729)	-	(13,729)	13,729	-
Z1	Balance at December 31, 2023	\$ 1,960,456	\$ 7,954,196	\$ 391,072	\$ -	\$ 3,218,387	\$ 66,072	\$ 13,590,183	\$ 548	\$ 13,590,731

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

Chairman: Wei-Chia Chen Manager: Shi-Zheng Ma

Accounting Supervisor: Vincent Kang

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(In Thousands of New Taiwan Dollars)

CODE		2023	2022
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before income tax	\$ 764,388	\$ 2,363,897
A20010	Adjustments for:		
A20100	Depreciation expenses	717,555	746,855
A20200	Amortization expenses	9,269	7,998
A20300	Expected credit losses (reversal gains)	(1,003)	1,003
A20900	Interest expenses	99,957	74,614
A21200	Interest income	(292,237)	(99,937)
A22500	Losses on disposal of property, plant, and equipment	8,898	13,952
A23700	Losses on impairment of goodwill	13,540	-
A23800	Reversal of impairment losses on non-financial assets	(14,104)	(4,663)
A24100	Net losses on foreign currency exchange	9,517	60,837
A29900	Profit from lease modification	(2)	(76)
A30000	Changes in operating assets and liabilities		
A31150	Accounts receivable	818,781	(1,410,991)
A31180	Other accounts receivable	(2,926)	10,222
A31200	Inventories	266,726	(131,526)
A31240	Other current assets	278,971	(354,538)
A32150	Accounts payable	6,535	176,494
A32180	Other payables	(32,493)	151,719
A32230	Other current liabilities	43,397	3,861
A33000	Cash generated from operations	2,694,769	1,609,721
A33100	Interest received	300,717	73,013
A33300	Interest paid	(89,811)	(72,639)
A33500	Income tax paid	(629,748)	(395,316)
AAAA	Net cash generated from operating activities	<u>2,275,927</u>	<u>1,214,779</u>
	CASH FLOWS FROM INVESTING ACTIVITIES		
B02700	Acquisition of property, plant, and equipment	(1,011,493)	(1,231,989)
B02800	Proceeds from disposal of property, plant, and equipment	2,857	11,006
B03700	Increase in refundable deposits	(319)	(627)
B04500	Acquisition of intangible assets	(4,165)	(14,781)
B05350	Acquisition of right-of-use assets	(42,848)	-

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<u>C o d e</u>		<u>2023</u>	<u>2022</u>
B06500	Increase in other financial assets	(\$ 624,147)	(\$ 682,806)
B06700	Decrease (increase) in other non-current assets	(20,793)	9,570
BBBB	Net cash used in investing activities	(1,700,908)	(1,909,627)
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term bank loans	3,729,938	2,301,747
C00200	Decrease in short-term bank loans	(3,590,775)	(1,959,418)
C01600	Proceeds from long-term bank loans	1,455,951	1,590,755
C01700	Repayments of long-term bank loans	(744,660)	(1,332,399)
C04020	Repayment of the principal portion of lease liabilities	(90,422)	(77,595)
C04500	Dividends paid to owners of the Company	(980,228)	(686,161)
CCCC	Net cash used in financing activities	(220,196)	(163,071)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(58,754)	382,595
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	296,069	(475,324)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,566,630	6,041,954
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 5,862,699	\$ 5,566,630

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

Chairman: Wei-Chia Chen

Manager: Shi-Zheng Ma

Accounting Supervisor: Vincent Kang

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

(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 share exchange 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 5, 2024.

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 application of the amended 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 and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024 (Note 2)
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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards 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 initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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)
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Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) Impairment of property, plant and equipment, right-of-use asset, and intangible assets other than goodwill

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.

(11) 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.

(12) 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.

(13) 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.

(14) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of those assets until 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.

(15) 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.

(16) 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.

(17) 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.

When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

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, 2023</u>	<u>December 31, 2022</u>
Cash on hand and petty cash	\$ 6,061	\$ 13,732
Checking accounts and demand deposits	2,790,928	4,530,728
Time deposits	<u>5,750,391</u>	<u>3,108,836</u>
	8,547,380	7,653,296
Less: Pledge time deposits	(10,279)	(12,307)
Time deposits with original maturities of less than 3 months	(2,586,208)	(1,987,000)
Restricted bank deposit	<u>(88,194)</u>	<u>(87,359)</u>
	<u>\$ 5,862,699</u>	<u>\$ 5,566,630</u>

Restricted bank deposits, time deposits with an original maturity of over 3 months and pledged bank time deposits, are classified as other financial assets - current and non-current items. Restricted bank deposits refer to the amount of disbursed loans under the joint credit 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, 2023</u>	<u>December 31, 2022</u>
Demand deposits	0.01%-4%	0.01%-1.9%
Time deposits	0.5%-8.2%	0.3%-7.2%

7. ACCOUNTS RECEIVABLES, NET

	December 31, 2023	December 31, 2022
Accounts receivables	\$ 2,535,190	\$ 3,352,649
Less: Allowance for impairment loss	(<u>230</u>)	(<u>1,093</u>)
	<u>\$ 2,534,960</u>	<u>\$ 3,351,556</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 to 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 recognizes the loss allowance for accounts receivables at an amount equal to the lifetime expected credit loss. The lifetime expected credit loss is calculated by provision matrix and evaluated based on past default experience of customers and the current financial position of the debtor, the economic situation of the industry, as well as the GDP forecast, and the industry outlook. 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:

December 31, 2023	Not Past Due	Past Due 1 to 90 days	Past Due 91 to 180 days	Past Due over 181 days	Total
Expected credit loss rate	0%	1%	20%	100%	
Gross carrying amount	\$ 2,515,422	\$ 19,650	\$ 106	\$ 12	\$ 2,535,190
Loss allowance (Lifetime ECL)	-	(197)	(21)	(12)	(230)
Amortized cost	<u>\$ 2,515,422</u>	<u>\$ 19,453</u>	<u>\$ 85</u>	<u>\$ -</u>	<u>\$ 2,534,960</u>
December 31, 2022					
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)	-	(837)	(256)	-	(1,093)

Amortized cost	<u>\$ 3,267,731</u>	<u>\$ 82,800</u>	<u>\$ 1,025</u>	<u>\$ -</u>	<u>\$ 3,351,556</u>
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The movements of the loss allowance of accounts receivables were as follows:

	2023	2022
Balance at January 1	\$ 1,093	\$ 61
Net remeasurement of loss allowance (reversal gains)	(1,003)	1,003
Foreign exchange gains and losses	140	29
Balance at December 31	<u>\$ 230</u>	<u>\$ 1,093</u>

8. INVENTORIES

	December 31, 2023	December 31, 2022
Finished goods	\$ 530,907	\$ 773,519
Work in progress	356,773	348,274
Raw materials and supplies	<u>650,102</u>	<u>696,165</u>
	<u>\$ 1,537,782</u>	<u>\$ 1,817,958</u>

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

	2023	2022
Cost of inventories sold	\$11,740,479	\$14,196,908
Gains on reversal of inventory valuation loss	(14,104)	(4,663)
Unallocated production overheads	112,872	39,018
Others	<u>1,714</u>	<u>9,381</u>
	<u>\$ 11,840,961</u>	<u>\$ 14,240,644</u>

The rise in the net realizable value of inventories was due to the destocking of inventories.

9. SUBSIDIARIES

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

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31, 2023	December 31, 2022	
The Company	Sports Gear Co., Ltd. ("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%	
	Sports Gear SG Private Ltd. ("SPG Singapore")	International investment	100%	-	Note 3

(Continued)

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31, 2023	December 31, 2022	
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%	2.78%	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%	
	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%	97.22%	Note 1
	Footwear Innovation Lab GmbH (“FIL”)	Manufacturing, processing and trading of sporting goods	95.99%	87.45%	Note 2

Note 1: SGP 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. In consideration of future development directions and plans, the board of directors resolved in December, 2023 that SGP’s shares held by Elephant and Silk Invest with percentage of ownership of 2.78% and 97.22%, respectively, will be transferred to SGP Singapore. The procedures of the changes is still in progress.

Note 2: FIL conducted a cash capital increase of EUR4,373 thousand in May 2023, which was fully subscribed by Silk Invest, resulting in an increased shareholding ratio of 95.99% after subscription.

Note 3: In order to adjust the investment structure of the Group, the board of directors has resolved to establish SPG Singapore in December, 2022, and the establishment has been completed in June, 2023.

10. PROPERTY, PLANT, AND EQUIPMENT

2023	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress and equipment under inspection	Total
Cost								
Balance at January 1	\$ 1,134,796	\$ 3,453,849	\$ 4,708,908	\$ 62,739	\$ 142,672	\$ 961,135	\$ 434,674	\$ 10,898,773
Increase	-	1,410	74,536	20,035	10,692	71,398	833,422	1,011,493
Decrease	-	(2,018)	(68,633)	(4,050)	(715)	(80,083)	(57)	(155,556)
Reclassifications	-	75,318	10,169	1,050	6,556	7,440	(142,473)	(41,940)
Effect of foreign currency exchange difference	434	(67,262)	(79,069)	(1,078)	(2,845)	(15,926)	(1,238)	(166,984)
Balance at December 31	<u>1,135,230</u>	<u>3,461,297</u>	<u>4,645,911</u>	<u>78,696</u>	<u>156,360</u>	<u>943,964</u>	<u>1,124,328</u>	<u>11,545,786</u>
Accumulated depreciation								
Balance at January 1	-	1,564,182	3,760,326	52,395	101,519	737,473	-	6,215,895
Increase	-	149,333	324,979	5,664	16,278	103,134	-	599,388
Decrease	-	(2,018)	(68,018)	(4,050)	(704)	(69,011)	-	(143,801)
Reclassifications	-	-	471	-	-	(471)	-	-
Effect of foreign currency exchange difference	-	(39,464)	(79,178)	(873)	(2,233)	(13,446)	-	(135,194)
Balance at December 31	-	<u>1,672,033</u>	<u>3,938,580</u>	<u>53,136</u>	<u>114,860</u>	<u>757,679</u>	-	<u>6,536,288</u>
Carrying amount at January 1	<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>
Carrying amount at December 31	<u>\$ 1,135,230</u>	<u>\$ 1,789,264</u>	<u>\$ 707,331</u>	<u>\$ 25,560</u>	<u>\$ 41,500</u>	<u>\$ 186,285</u>	<u>\$ 1,124,328</u>	<u>\$ 5,009,498</u>
2022								
Cost								
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>
Accumulated depreciation								
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>

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

Buildings	2 to 45 years
Machinery and equipment	2 to 12 years
Transportation equipment	2 to 7 years
Office equipment	2 to 10 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

	December 31, 2023	December 31, 2022
Carrying amount		
Land	\$ 697,464	\$ 620,371

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

	December 31, 2023	December 31, 2022
Buildings	<u>536,733</u>	<u>624,353</u>
	<u>\$ 1,234,197</u>	<u>\$ 1,244,724</u>
	2023	2022
Additions to right-of-use assets	<u>\$ 109,367</u>	<u>\$ 63,208</u>
Depreciation expenses for right-of-use assets		
Land	\$ 20,341	\$ 18,979
Buildings	<u>97,826</u>	<u>91,328</u>
	<u>\$ 118,167</u>	<u>\$ 110,307</u>

Except for the additions and depreciation listed above, there is no significant sublease or impairment of the right-of-use assets of the Group in 2023 and 2022.

(2) Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amounts		
Current	<u>\$ 95,153</u>	<u>\$ 88,326</u>
Non-current	<u>\$ 711,444</u>	<u>\$ 742,531</u>

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

	December 31, 2022	December 31, 2021
Land	4.94%-7.62%	4.94%-5.12%
Buildings	1.7%-5%	1.7%-4.82%

(3) Material lease-in activities and terms

The Group leases buildings for office uses in Taiwan with lease terms of 2 to 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 20 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 bank loans

	December 31, 2023	December 31, 2022
Line of credit loans	\$ 736,911	\$ 780,597
Secured loans	<u>185,501</u>	<u>-</u>
	<u>\$ 922,412</u>	<u>\$ 780,597</u>
<u>Interest Rates (%)</u>		

Line of credit loans	1.53-5.54	1.39-5.14
Secured loans	2.5-3.27	-
(2) Long-term bank loans		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mortgaged loans		
Bank loan	\$ 540,570	\$ 646,004
Unsecured loans		
Syndicated loan	1,197,690	322,350
Bank loan	<u>-</u>	<u>68,983</u>
	1,738,260	1,037,337
Less: Arrangement fees for a syndicated loan	(2,233)	(1,309)
Less: Classified as current portion due within one year	(<u>384,570</u>)	(<u>174,417</u>)
	<u>\$ 1,351,457</u>	<u>\$ 861,611</u>
<u>Interest Rates (%)</u>		
Mortgaged loans		
Bank loan	2.6-2.61	2.35-5.13
Unsecured loans		
Syndicated loan	6.40-6.64	5.16-5.58
Bank loan	-	3.41
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Due date</u>		
Mortgaged loans		
Bank loan	Due before January 2025	Due before January 2025
Unsecured loans		
Syndicated loan	Due before May 2029	Due before May 2029
Bank loan	-	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, 2023</u>	<u>December 31, 2022</u>
Payables for salaries and bonuses	\$ 540,301	\$ 582,696
Others	<u>407,521</u>	<u>394,986</u>
	<u>\$ 947,822</u>	<u>\$ 977,682</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, Myanmar, Indonesia, and Europe 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, 2023</u>	<u>December 31, 2022</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>

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</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	\$ 7,677,994
From differences between the equity purchase price and carrying	<u>276,202</u>	<u>276,202</u>

amount arising from the actual
acquisition or disposal of
subsidiaries

\$ 7,954,196

\$ 7,954,196

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, 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.

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%.

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company'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 2022 and 2021 approved in the shareholders' meetings in May 2023 and May 2022, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2022	2021	2022	2021
Legal Reserve	\$ 180,809	\$ 64,493		
(Reversal) Special Reserve	(794,855)	245,065		
Cash dividends	980,228	196,046	\$ 5	\$ 1

In May 2022, the meeting of shareholders decided to distribute NT\$2.5 per share in cash by NT\$490,115 thousand of capital reserve.

The board of directors of the Company proposed the appropriation of 2023 earnings as follows in March 2024:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal Reserve	\$ 53,126	
Cash dividends	744,973	\$ 3.8

The appropriation of 2023 earnings is subject to the resolution of the shareholders in the regular shareholders' meetings to be held in May 2024.

16. REVENUE

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 14,053,307	\$ 18,278,428
Others	<u>154,382</u>	<u>246,558</u>
	<u>\$ 14,207,689</u>	<u>\$ 18,524,986</u>
 (1) Contract balances		
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivables (Note 7)	<u>\$ 2,535,190</u>	<u>\$ 3,352,649</u>
 (2) Disaggregation of customer contract revenue		
	<u>2023</u>	<u>2022</u>
Types of goods or services		
Sports shoes	\$ 10,620,143	\$ 11,321,305
Casual shoes	3,410,340	6,929,686
Others	<u>177,206</u>	<u>273,995</u>
	<u>\$ 14,207,689</u>	<u>\$ 18,524,986</u>

17. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

(1) Other gains and losses	<u>2023</u>	<u>2022</u>
Losses on disposal of property, plant, and equipment	(\$ 8,898)	(\$ 13,952)
Net gains on foreign currency exchange	97,178	101,151
Losses on impairment of goodwill	(13,540)	-
Profit from lease modification	2	76
Others	<u>(19,280)</u>	<u>(27,497)</u>
	<u>\$ 55,462</u>	<u>\$ 59,778</u>
 (2) Finance costs		
	<u>2023</u>	<u>2022</u>
Interest expenses	\$ 81,351	\$ 40,634
Interest on lease liabilities	44,572	38,669
Less: Amount included in the cost of qualifying asset	<u>(25,966)</u>	<u>(4,689)</u>
	<u>\$ 99,957</u>	<u>\$ 74,614</u>

The information related to interest capitalization is as follows:

	2023	2022
Amount of interest capitalized	\$ 25,966	\$ 4,689
Rate of interest capitalized	6.40%-6.64%	5.16%-5.58%
(3) Depreciation and amortization		
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 507,866	\$ 534,666
Operating expenses	209,689	212,189
	<u>\$ 717,555</u>	<u>\$ 746,855</u>
An analysis of amortization by function		
Operating costs	\$ 5,782	\$ 2,923
Operating expenses	3,487	5,075
	<u>\$ 9,269</u>	<u>\$ 7,998</u>
(4) Employee benefits expense		
	2023	2022
Short-term benefits	\$ 3,725,962	\$ 4,277,957
Post-employment benefits	29,932	15,956
Other employee benefits	1,079,474	1,153,485
Total employee benefits expense	<u>\$ 4,835,368</u>	<u>\$ 5,447,398</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 3,801,622	\$ 4,307,850
Operating expenses	1,033,746	1,139,548
	<u>\$ 4,835,368</u>	<u>\$ 5,447,398</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 2023 and 2022 were resolved by the board of directors in March 2024 and March 2023 as follows:		
<u>Estimation ratio</u>		
	2023	2022
Remuneration of employees	2.01%	3.03%
Remuneration of directors	0.98%	0.97%
<u>Amount</u>		
	2023	2022
Remuneration of employees	<u>\$ 15,887</u>	<u>\$ 74,450</u>
Remuneration of directors	<u>\$ 7,788</u>	<u>\$ 23,824</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 2022 are not different from the recognized amounts in the 2022 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:

	2023	2022
Current tax		
In respect of the current year	\$ 238,238	\$ 589,267
Adjustments for prior years	(5,623)	36,422
	<u>232,615</u>	<u>625,689</u>
Deferred tax		
In respect of the current year	(6,641)	(63,816)
Effect of tax rate changes	(1,046)	-
	<u>(7,687)</u>	<u>(63,816)</u>
Income tax expense recognized in profit or loss	<u>\$ 224,928</u>	<u>\$ 561,873</u>

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

	2023	2022
Profit before tax	<u>\$ 764,388</u>	<u>\$ 2,363,897</u>
Income tax expense calculated at the statutory rate	\$ 175,362	\$ 492,555
Nondeductible expenses in determining taxable income	23,584	20,890
Unrecognized loss carryforwards and deductible temporary differences	32,651	12,006
Adjustments for prior years' tax	(5,623)	36,422
Effect of tax rate changes	(1,046)	-
Income tax expense recognized in profit or loss	<u>\$ 224,928</u>	<u>\$ 561,873</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:

2023	Balance at January 1	Recognized in Profit or Loss	Effect of tax rate changes	Foreign currency exchange differences	Balance at December 31
<u>Deferred tax assets</u>					
Temporary differences					
Property, plant, and equipment	\$ 29,507	\$ 8,721	\$ -	(\$ 114)	\$ 38,114
Expenses payable	15,316	(690)	-	(376)	14,250
Provision for loss on inventory	8,497	(5,163)	254	(50)	3,538
Unrealized net loss on foreign currency exchange	32,771	(12,567)	683	109	20,996
Refund liabilities	-	10,681	-	-	10,681
Others	17,169	293	109	213	17,784
	<u>103,260</u>	<u>1,275</u>	<u>1,046</u>	<u>(218)</u>	<u>105,363</u>
Tax losses	-	7,187	-	(217)	6,970
	<u>\$ 103,260</u>	<u>\$ 8,462</u>	<u>\$ 1,046</u>	<u>(\$ 435)</u>	<u>\$ 112,333</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized net gains on foreign currency exchange	\$ -	\$ 146	\$ -	(\$ 4)	\$ 142

Others	<u>869</u>	<u>1,675</u>	<u>-</u>	<u>(74)</u>	<u>2,470</u>
(Continued)	<u>\$ 869</u>	<u>\$ 1,821</u>	<u>\$ -</u>	<u>(\$ 78)</u>	<u>\$ 2,612</u>

(Continued)

2022	Balance at January 1	Recognized in Profit or Loss	Effect of tax rate changes	Foreign currency exchange differences	Balance at December 31
<u>Deferred tax assets</u>					
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 exchange	-	31,885	-	886	32,771
Others	5,278	11,008	-	883	17,169
	<u>\$ 46,501</u>	<u>\$ 51,010</u>	<u>\$ -</u>	<u>\$ 5,749</u>	<u>\$ 103,260</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized gains on foreign currency exchange	\$ 11,541	(\$ 12,416)	\$ -	\$ 875	\$ -
Others	1,182	(390)	-	77	869
	<u>\$ 12,723</u>	<u>(\$ 12,806)</u>	<u>\$ -</u>	<u>\$ 952</u>	<u>\$ 869</u>

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

	December 31, 2023	December 31, 2022
Loss carryforwards		
Due in 2024	\$ 38,755	\$ 39,786
Due in 2025	12,077	14,823
Due in 2026	18,187	48,809
Due in 2027	18,199	-
Due in 2028	30,135	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	10,524	10,975
Due in 2033	3,162	-
	<u>\$ 140,556</u>	<u>\$ 124,059</u>

- (4) Information on unused loss carryforwards
Loss carryforwards as of December 31, 2023 comprised:

Remaining Creditable Amount	Expiry Year
\$ 38,755	2024
12,077	2025
18,187	2026
18,199	2027
64,986	2028
1,557	2029
1,485	2030
6,475	2031
10,524	2032
3,162	2033
<u>\$ 175,407</u>	

- (5) Income tax examination

The tax authorities have examined the income tax returns of SPG (Samoa) Taiwan

Branch through 2020, and Silk Invest through 2021.

19. EARNINGS PER SHARE

	Net profit attributable to owners of the Company	Number of shares (thousands)	Earnings per share (NT\$)
<u>2023</u>			
Basic EPS			
Net profit attributable to owners of the Company	\$ 544,986	196,046	\$ <u>2.78</u>
Effect of dilutive potential common shares			
Employee compensation	<u>-</u>	<u>426</u>	
Diluted EPS			
Net profit attributable to owners of the Company plus the effect of dilutive potential common shares	<u>\$ 544,986</u>	<u>196,472</u>	<u>\$ 2.77</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>

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 capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital, capital reserve, retained earnings, and other equity).

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider 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, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
At amortized cost (Note 1)	\$ 11,184,159	\$ 11,113,163
<u>Financial liabilities</u>		
At amortized cost (Note 2)	5,228,663	4,411,828

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

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

(3) Financial risk management objectives and policies

The Group's major financial instruments include receivables, 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 were 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, 2023, and 2022 would have changed by NT\$15,075 thousand and NT\$34,311 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, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate risk		
Financial assets	\$ 5,750,391	\$ 3,108,836
Financial liabilities	806,597	830,857
Cash flow interest rate risk		
Financial assets	2,790,928	4,530,728
Financial liabilities	2,658,439	1,816,625

Sensitivity analysis

For the Group's financial assets and liabilities with floating interest rates, if interest rates had been 4 base points (1%) higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have changed by \$1,325 thousand and \$27,141 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 67% and 68% of the total trade receivables as of December 31, 2023 and 2022, 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, 2023 and 2022, the Group had available unutilized bank loan facilities of \$8,294,751 thousand and \$9,751,185 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, 2023</u>			
Non-interest-bearing liabilities	\$ 2,570,224	\$ -	\$ -
Lease liabilities	31,651	98,343	955,238
Floating rate instrument	<u>684,862</u>	<u>622,120</u>	<u>1,351,457</u>
	<u>\$ 3,286,737</u>	<u>\$ 720,463</u>	<u>\$ 2,306,695</u>
<u>December 31, 2022</u>			
Non-interest-bearing liabilities	\$ 2,595,203	\$ -	\$ -
Lease liabilities	29,541	94,229	974,734
Floating rate instrument	<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>

Additional information about the maturity analysis for lease liabilities:

	Less than 5 Years	5-10 Years	11-50 Years	16-20 Years	20+ years
<u>December 31, 2023</u>					
Lease liabilities	\$ 533,204	\$ 339,702	\$ 73,294	\$ 58,129	\$ 80,903
Floating rate instrument	<u>2,186,356</u>	<u>472,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$2,719,560</u>	<u>\$ 811,785</u>	<u>\$ 73,294</u>	<u>\$ 58,129</u>	<u>\$ 80,903</u>
<u>December 31, 2022</u>					
Lease liabilities	\$ 543,983	\$ 375,428	\$ 49,179	\$ 39,524	\$ 90,390
Floating rate instrument	<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>

22. TRANSACTIONS WITH RELATED PARTIES

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

(1) Related party name and relationship

Related Party Name	Relationship with the Group
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. ("Sinyin")	The key management is the

	Power Rich International Ltd. ("Power Rich")	same person The key management is the same person	
(2)	Operating revenue		
	<u>Related Party Category</u>	<u>2023</u>	<u>2022</u>
	The key management is the same person	\$ <u>182</u>	\$ <u>17</u>

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

(3)	Receivables from related parties			
	<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Accounts receivables	The key management is the same person	\$ 58	\$ -

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			
Line Item	Related Party Category	December 31, 2023	December 31, 2022
Other payables	The key management is the same person	\$ -	\$ 538

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

(5) Other transactions with related parties				
		Related Party		
	Line Item	Category/Name	2023	2022
	Donation expense	The key management is the same person		
		SPG Foundation	\$ 5,500	\$ 6,000
	Rental income	The key management is the same person		
		SPG Foundation	\$ 171	\$ 229
	Operating expenses	The key management is the same person		
		SPG Foundation	\$ -	\$ 537

(6)	Lease arrangements		
	<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Acquisition of right-of-use assets</u>		
	The key management	\$ <u>21,875</u>	\$ <u>-</u>

	<u>Line Item</u>	<u>Related Party Category</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	Lease liabilities	The key management is the same person	\$ <u>7,778</u>	\$ <u>26,562</u>

The key management	<u>112,726</u>	<u>95,069</u>
	<u>\$ 120,504</u>	<u>\$ 121,631</u>

Line Item	Related Party Category	2023	2022
Interest expense	The key management is the same person	\$ 576	\$ 1,035
	The key management	<u>6,202</u>	<u>4,749</u>
		<u>\$ 6,778</u>	<u>\$ 5,784</u>

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.

(7) Remuneration of key management personnel

	2023	2022
Short-term employee benefits	\$ 86,386	\$ 124,478
Post-employment benefits	<u>762</u>	<u>709</u>
	<u>\$ 87,148</u>	<u>\$ 125,187</u>

23. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31, 2023	December 31, 2022
Pledged time deposits (classified as other financial assets)	\$ 10,279	\$ 12,307
Property, plant, and equipment	<u>1,645,000</u>	<u>1,694,338</u>
	<u>\$ 1,655,279</u>	<u>\$ 1,706,645</u>

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The unrecognized commitments of the Group are as follows:

	December 31, 2023	December 31, 2022
Purchase of property, plant, and equipment and contract of software service	<u>\$ 952,511</u>	<u>\$ 730,465</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:

	December 31, 2023			December 31, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets						
<u>Monetary items</u>						
USD (USD: TWD)	\$ 132,334	30.71	\$ 4,063,982	\$ 175,785	30.7	\$ 5,396,604
USD (USD: VND)	64,481	24,030	1,980,220	78,362	23,400	2,405,701
Financial liabilities						
<u>Monetary items</u>						
USD (USD: TWD)	108,607	30.71	3,335,313	103,097	30.7	3,165,079
USD (USD: VND)	39,120	24,030	1,201,364	39,287	23,400	1,206,102

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 and losses were as follows:

Functional Currencies	2023		2022	
	Functional Currencies to Presentation currencies	Net Foreign Exchange Gain (Loss)	Functional Currencies to Presentation currencies	Net Foreign Exchange Gain (Loss)
TWD	1(TWD: TWD)	\$ 16,284	1(TWD: TWD)	\$ 97,581
VND	0.0013(VND: TWD)	54,317	0.0013(VND: TWD)	(11,871)
USD	0.0321(USD: TWD)	31,677	0.0336(USD: TWD)	10,828
IDR	0.0020(IDR: TWD)	(5,100)	0.0020(IDR: TWD)	4,613
		<u>\$ 97,178</u>		<u>\$ 101,151</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 Company 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
---------------------------------	--------------------

	2023	2022	December 31, 2023	December 31, 2022
America	\$ 5,810,416	\$ 8,168,117	\$ -	\$ -
Europe	5,152,335	6,684,492	563,386	395,007
Asia	1,822,738	1,661,564	4,541,887	4,416,989
China	839,248	1,473,529	-	-
Taiwan	-	-	1,212,032	1,187,040
Other	<u>582,952</u>	<u>537,284</u>	<u>38,574</u>	<u>39,502</u>
	<u>\$ 14,207,689</u>	<u>\$ 18,524,986</u>	<u>\$ 6,355,879</u>	<u>\$ 6,038,538</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	2023		2022	
	Amount	%	Amount	%
Customer A	\$ 7,686,859	54	\$ 10,306,903	56
Customer B	5,170,114	36	5,615,613	30

SPORTS GEAR CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023

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	Elephant	Other receivables - Related parties	Yes	\$ 2,100,564 USD 68,400	\$ 1,050,282 USD 34,200	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 1,359,010 USD 44,253	\$ 5,436,069 USD 177,013
		Fongyuan	Other receivables - Related parties	Yes	233,396 USD 7,600	116,698 USD 3,800	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	1,359,010 USD 44,253	5,436,069 USD 177,013
		All Wells	Other receivables - Related parties	Yes	307,100 USD 10,000	153,550 USD 5,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	1,359,010 USD 44,253	5,436,069 USD 177,013
		SPG (Samoa)	Other receivables - Related parties	Yes	614,200 USD 20,000	614,200 USD 20,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	1,359,010 USD 44,253	5,436,069 USD 177,013
1	SPG (Samoa)Taiwan Branch	SGP	Other receivables - Related parties	Yes	153,550 USD 5,000	153,550 USD 5,000	32,246 USD 1,050	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		SGP	Other receivables - Related parties	Yes	170,441 EUR 5,000	170,441 EUR 5,000	160,214 EUR 4,700	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 EUR 422,315	19,194,548 EUR 563,087
		FIL	Other receivables - Related parties	Yes	681,762 EUR 20,000	340,881 EUR 10,000	139,761 EUR 4,100	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	479,858 EUR 14,077	1,919,467 EUR 56,309
		Silk Invest	Other receivables - Related parties	Yes	300,000 USD 9,769	300,000 USD 9,769	50,000 USD 1,628	2.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
2	SPG (Samoa)	Fongyuan	Other receivables - Related parties	Yes	153,550 USD 5,000	-	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		SPG	Other receivables - Related parties	Yes	614,200 USD 20,000	307,100 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		DH	Other receivables - Related parties	Yes	614,200 USD 20,000	307,100 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		SPG Indonesia	Other receivables - Related parties	Yes	614,200 USD 20,000	307,100 USD 10,000	144,337 USD 4,700	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		ASP	Other receivables - Related parties	Yes	614,200 USD 20,000	307,100 USD 10,000	153,550 USD 5,000	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		Silk Invest	Other receivables - Related parties	Yes	307,100 USD 10,000	307,100 USD 10,000	153,550 USD 5,000	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		AW	Other receivables - Related parties	Yes	767,750 USD 25,000	307,100 USD 10,000	122,840 USD 4,000	3.0%	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		VG	Other receivables - Related parties	Yes	921,300 USD 30,000	307,100 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026
		SGC	Other receivables - Related parties	Yes	1,381,950 USD 45,000	153,550 USD 5,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	14,395,927 USD 468,770	19,194,548 USD 625,026

(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	\$ 614,200 USD 20,000	\$ 614,200 USD 20,000	\$ -	-	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 17,797,336 USD 579,529	\$ 23,729,801 USD 772,706
		SGC	Other receivables - Related parties	Yes	307,100 USD 10,000	307,100 USD 10,000	-	-	Necessary for short-term financing	-	Operating capital	-	—	-	17,797,336 USD 579,529	23,729,801 USD 772,706
4	Elephant	SPG Indonesia	Other receivables - Related parties	Yes	829,170 USD 27,000	829,170 USD 27,000	-	-	Necessary for short-term financing	-	Operating capital	-			7,847,511 USD 255,536	10,463,358 USD 340,715
5	Fongyuan	SPG Indonesia	Other receivables - Related parties	Yes	92,130 USD 3,000	92,130 USD 3,000	-	-	Necessary for short-term financing	-	Operating capital	-			2,758,065 USD 89,810	3,677,430 USD 119,747

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, 2023

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)	Remarks
		Name	Relationship (Note 1)											
1	SPG (Samoa)	FIL	2	\$ 2,399,311 USD 78,128	\$ 153,550 USD 5,000	\$ 153,550 USD 5,000	\$ 23,862 USD 777	\$ -	0.5%	\$ 3,838,904 USD 125,005	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, 2023

Table 3

(In Thousands of Foreign Currencies)

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 9, 2023 (Board resolution)	USD 36,158	As of the reporting date, contracts are being awarded progressively, and payments are made as the project progress.	PT Roket Jaya Abadi ...etc.	—	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	The expansion of the sports wear factory is in response for future business expansion.	None

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

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, 2023

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	\$ 387,828	2	—	\$ -	—	\$ 112,157	4	
	SPG	Refer to Note 9 of the consolidated financial statements	Purchase	3,577,916	23	—	-	—	(272,838)	15	
	VG	Refer to Note 9 of the consolidated financial statements	Sale	358,933	2	—	-	—	81,386	3	
	VG	Refer to Note 9 of the consolidated financial statements	Purchase	3,246,956	21	—	-	—	(635,196)	35	
	AW	Refer to Note 9 of the consolidated financial statements	Purchase	1,516,789	10	—	-	—	(114,868)	6	
	DH	Refer to Note 9 of the consolidated financial statements	Purchase	725,184	5	—	-	—	(35,102)	2	
	SGC	Refer to Note 9 of the consolidated financial statements	Sale	1,621,930	10	—	-	—	253,034	8	
	SGC	Refer to Note 9 of the consolidated financial statements	Purchase	3,711,940	24	—	-	—	(310,139)	17	
	ASP	Refer to Note 9 of the consolidated financial statements	Purchase	412,880	3	—	-	—	(44,728)	2	
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 2,687,402,528	99	—	-	—	VND 213,490,969	95	
SPG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 295,318,497	20	—	-	—	(VND 87,760,449)	20	
	VG	Refer to Note 9 of the consolidated financial statements	Sale	VND 2,462,681,856	98	—	-	—	VND 497,028,745	99	
VG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	VND 272,803,561	22	—	-	—	(VND 63,682,843)	20	
	AW	Refer to Note 9 of the consolidated financial statements	Sale	VND 1,150,259,629	98	—	-	—	VND 89,882,178	96	
DH	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 551,621,492	87	—	-	—	VND 27,466,490	50	
SGC	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	USD 119,379	99	—	-	—	USD 10,099	97	
	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Purchase	USD 52,157	84	—	-	—	(USD 8,239)	60	
ASP	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Sale	VND 305,578,073	93	—	-	—	VND 34,998,631	88	

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, 2023

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		
SPG (Samoa) Taiwan Branch	SGC	Refer to Note 9 of the consolidated financial statements	Accounts receivables \$ 253,034	5.88	-	—	\$ 213,562	-
	SPG	Refer to Note 9 of the consolidated financial statements	Accounts receivables 112,157	3.88	-	—	65,942	-
	SGP	Refer to Note 9 of the consolidated financial statements	Other receivables 192,460	-	-	—	-	-
	FIL	Refer to Note 9 of the consolidated financial statements	Other receivables 139,761	-	-	—	-	-
	AW	Refer to Note 9 of the consolidated financial statements	Other receivables USD 4,000	-	-	—	USD 2,000	-
	ASP	Refer to Note 9 of the consolidated financial statements	Other receivables USD 5,000	-	-	—	-	-
	SPG Indonesia	Refer to Note 9 of the consolidated financial statements	Other receivables USD 4,700	-	-	—	-	-
	Silk Invest	Refer to Note 9 of the consolidated financial statements	Other receivables USD 5,000	-	-	—	-	-
SPG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 213,490,969	13.9	-	—	VND213,490,969	-
VG	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 497,028,745	6.85	-	—	VND497,028,745	-
AW	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables VND 89,882,178	11.93	-	—	VND 89,882,178	-
SGC	SPG (Samoa) Taiwan Branch	Refer to Note 9 of the consolidated financial statements	Accounts receivables USD 10,099	14.22	-	—	USD 10,099	-

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, 2023

Table 6

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

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (%)
1	SPG (Samoa) Taiwan Branch	SGC	3	Accounts payables	\$ 310,139	Open account 60 days	2
		SGC	3	Accounts receivables	253,034	Open account 60 days	1
		SPG	3	Accounts payables	272,838	Open account 60 days	1
		VG	3	Accounts payables	635,196	Open account 60 days	3
		SPG	3	Cost of goods sold	3,577,916	Open account 60 days	25
		SGC	3	Cost of goods sold	3,711,940	Open account 60 days	26
		VG	3	Cost of goods sold	3,246,956	Open account 60 days	23
		AW	3	Cost of goods sold	1,516,789	Open account 60 days	11
		DH	3	Cost of goods sold	725,184	Open account 60 days	5
		ASP	3	Cost of goods sold	412,880	Open account 60 days	3
		SPG	3	Revenue of goods sold	387,828	Open account 60 days	3
		SGC	3	Revenue of goods sold	1,621,930	Open account 60 days	11
		VG	3	Revenue of goods sold	358,933	Open account 60 days	3

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, 2023

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, 2023			Net Income (Losses) of the Investee	Share of Profit (Loss)	Remark
				December 31, 2023	December 31, 2022	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 155,492	USD 12,697	USD 13,037	First-tier subsidiary
	Fongyuan	Seychelles	International investment	USD 33,409	USD 32,109	36,150,000	100	USD 30,031	USD 3,576	USD 3,576	First-tier subsidiary
	Elephant	Seychelles	International investment	USD 62,035	USD 48,035	59,000,000	100	USD 86,024	USD 6,462	USD 6,462	First-tier subsidiary
	All Wells	The British Virgin Islands	International investment	USD 65,000	USD 65,000	48,500,000	100	USD 193,226	USD 752	USD 752	First-tier subsidiary
	SPG Singapore	Singapore	International investment	USD 1,000	-	1,000,000	100	USD 997	(USD 3)	(USD 3)	First-tier subsidiary
SPG (Samoa)	Silk Invest	Taiwan	Investment and real estate development, rental, and sales	USD 35,446	USD 35,446	-	100	USD 23,066	(\$ 124,253)	(Note 1)	Second-tier subsidiary
Elephant	VG	Vietnam	Manufacturing, processing and trading of sporting goods	USD 56,000	USD 56,000	-	100	USD 63,785	VND 159,685,788	(Note 1)	Second-tier subsidiary
	SPG Indonesia	Indonesia	Manufacturing, processing and trading of sporting goods	USD 21,690	USD 10,350	-	90	USD 21,260	(IDR 5,605,065)	(Note 1)	Second-tier subsidiary
	SGP	Portugal	Research center for sporting goods	EUR 250	EUR 250	250,000	2.78	USD 206	(EUR 513)	(Note 1)	Second-tier subsidiary
Fongyuan	AW	Vietnam	Manufacturing, processing and trading of sporting goods	USD 36,000	USD 36,000	-	90	USD 26,853	VND 94,264,384	(Note 1)	Second-tier subsidiary
	SPG Indonesia	Indonesia	Manufacturing, processing and trading of sporting goods	USD 2,410	USD 1,150	-	10	USD 2,362	(IDR 5,605,065)	(Note 1)	Second-tier subsidiary
All Wells	SPG	Vietnam	Manufacturing, processing and trading of sporting goods	USD 12,700	USD 12,700	-	100	USD 35,875	(VND 10,614,943)	(Note 1)	Second-tier subsidiary
	AW	Vietnam	Manufacturing, processing and trading of sporting goods	USD 4,000	USD 4,000	-	10	USD 2,984	VND 94,264,384	(Note 1)	Second-tier subsidiary
	DH	Vietnam	Manufacturing, processing and trading of sporting goods	USD 21,600	USD 21,600	-	100	USD 19,217	(VND 64,738,121)	(Note 1)	Second-tier subsidiary
	Fireman	Cambodia	Manufacturing, processing and trading of sporting goods	USD 15,000	USD 15,000	-	100	USD 16,660	USD 937	(Note 1)	Second-tier subsidiary
	SPG Myanmar	Myanmar	Manufacturing, processing and trading of sporting goods	USD 20,000	USD 20,000	-	100	USD 18,754	USD 189	(Note 1)	Second-tier subsidiary
	ASP	Vietnam	Manufacturing, processing and trading of sporting goods	USD 12,000	USD 12,000	-	100	USD 7,008	(VND 17,938,109)	(Note 1)	Second-tier subsidiary
	SGC	Cambodia	Manufacturing, processing and trading of sporting goods	USD 40,000	USD 27,500	-	100	USD 86,829	USD 3,064	(Note 1)	Second-tier subsidiary
	SGP	Portugal	Research center for sporting goods	EUR 8,750	EUR 8,750	8,750,000	97.22	\$ 221,404	(EUR 513)	(Note 1)	Second-tier subsidiary
Silk Invest	FIL	Germany	Manufacturing, processing and trading of sporting goods	EUR 5,073	EUR 700	-	95.99	13,105	(EUR 2,377)	(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, 2023

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 managed by Spread Idea	16,666,666	8.50
LAI Li-Yang	11,476,962	5.85

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	2023	2022	Discrepancy	
			Amount	%
Current assets	13,177,669	13,833,907	-656,238	-4.74
Property, plant, and equipment	5,009,498	4,682,878	326,620	6.97
Right-of-use asset	1,234,197	1,244,724	-10,527	-0.85
Intangible assets	17,471	35,558	-18,087	-50.87
Other assets	486,836	244,650	242,186	98.99
Total assets	19,925,671	20,041,717	-116,046	-0.58
Current liabilities	4,258,759	4,244,992	13,767	0.32
Non-current liabilities	2,076,181	1,656,758	419,423	25.32
Total liabilities	6,334,940	5,901,750	433,190	7.34
Share capital	1,960,456	1,960,456	0	0
Capital surplus	7,954,196	7,954,196	0	0
Retained surplus (loss not yet made up)	3,609,459	4,058,430	-448,971	-11.06
Other rights	66,072	173,461	-107,389	-61.91
Non-controlling interests	548	-6,576	7,124	-108.33
Total shareholder equity	13,590,731	14,139,967	-549,236	-3.88
<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) The decrease of intangible assets by NT\$18,087,000 is mainly due to the decrease in normal recognition of amortization and goodwill.</p> <p>(2) The increase of other assets by NT\$242,186,000 is mainly due to the increase in other financial assets.</p> <p>(3) The increase in non-current liabilities of NT\$419,423 was mainly due to the increase in long-term bank loans.</p> <p>(4) The decrease of other rights by NT\$107,389 was mainly due to fluctuations in the exchange rate.</p>				

II. Financial Performance

(I) Financial performance comparison analysis table

Unit: Thousand NTD; %

Item \ Year	2023	2022	Amount of change	Change ratio (%)
Operating revenue	14,207,689	18,524,986	-4,317,297	-23.31
Operating costs	11,840,961	14,240,644	-2,399,683	-16.85
Gross profit	2,366,728	4,284,342	-1,917,614	-44.76
Operating expenses	1,886,676	2,031,268	-144,592	-7.12
Net profit	480,052	2,253,074	-1,773,022	-78.69
Non-operating revenue and (expenses)	284,336	110,823	173,513	156.57
Net profit before tax	764,388	2,363,897	-1,599,509	-67.66
Income tax expenses	224,928	561,873	-336,945	-59.97
Net profit for the period	539,460	1,802,024	-1,262,564	-70.06
Other comprehensive income/losses for the current period (net, after-tax)	-108,468	967,946	-1,076,414	-111.21
Total comprehensive income	430,992	2,769,970	-2,338,978	-84.44
Net profit attributable to the parent company	544,986	1,808,092	-1,263,106	-69.86
Net profit attributable to non-controlling interests	-5,526	-6,068	542	-8.93
Comprehensive profit and loss attributable to the parent company	437,597	2,776,408	-2,338,811	-84.24
Comprehensive profit and loss attributable to non-controlling interests	-6,605	-6,438	-167	2.59
<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) The decrease in operating revenue and current net profit is mainly due to inflation and slowdown in 2023. Customers' inventory adjustment and the drop in overall utilization rate have led to the decline in operating revenue and gross margin.</p> <p>(2) Decrease in net operating profit, net income before tax, current net profit: Mainly due to drop in revenue in 2023.</p> <p>(3) The increase in non-operating income was mainly due to the increase in income from interest.</p> <p>(4) Decrease in income tax expense due to drop in net profit in 2023.</p> <p>(5) 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.</p> <p>(6) 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 decrease in net profit in 2023 and fluctuations in the exchange rate.</p>				

- (II) Expected sales volume and its basis, possible impact on the Company's future financial operations and the response plan: Please refer to “1. Letter to Shareholders”.

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
5,566,630	2,275,927	-1,700,908	-220,196	-58,754	5,862,699	None	None
Analysis of cash flow changes for the year:							
(1). Cash inflow from operating activities is about 2.27 billion: Mainly include net changes in accounts receivables, cash inflow from operating profit, and depreciation and amortization expenses.							
(2). Cash outflow from investment activities is about 1.70 billion: Mainly from use for capital expenditure.							
(3). Cash outflow of financing activities is about 220 million: Mainly due to the increase in bank borrowing and partly offset by the distribution of cash dividends.							

(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 (2024)

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
5,862,699	2,600,249	(1,953,176)	6,509,772	None	None
1. Analysis of cash flow changes in the next year:					
(1). 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 2024.					
(2). Investment and financing activities: Outflow mainly due to construction of a new production base, purchase of production machinery, and 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.					

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	
		2023	2022
Acquisition of property, equipment and right-of-use assets	Company funds and bank loans	1,054,341	1,231,989

(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 investment recognized by the Company in 2023	Reason for profit or loss	Improvement plan
Sports Gear Co., Ltd.	100%	406,096	The holding company recognizes income on investment	Not applicable
All Wells	100%	23,417	The holding company recognizes income on investment	Not applicable
Elephant	100%	201,288	The holding company	Not applicable

Name of invested company	Direct (indirect) shareholding ratio (%)	Income investment recognized by the Company in 2023	Reason for profit or loss	Improvement plan
			recognizes income on investment	
Fongyuan	100%	111,400	The holding company recognizes income on investment	Not applicable
Silk Invest International Co., Ltd.	100%	-124,253	The Group holds land through Silk Invest for the construction of a future headquarters, and losses were mainly due to management expenses 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.	The headquarters' construction project has not started in 2023, but its design and planning is completed. With the construction headquarters building which is scheduled to be started, there will be rental income when the construction is completed. Investment will improve after operations of SGP and FiL are on track.
Chi Hung Co., Ltd.	100%	-13,988	Loss due to main customers' inventory adjustment.	As customers' inventory adjustment comes to an end, order momentum has strengthened, and profitability will hence improve.
All Wells International Co., Ltd.	100%	124,221	Good operations	Not applicable
Can Sports Shoes Co., Ltd.	100%	95,431	Good operations	Not applicable
Can Sports Vietnam Co., Ltd.	100%	210,433	Good operations	Not applicable
Dai Hoa Co., Ltd.	100%	-85,311	As it is still in the phase of learning curve in undertaking the Group's new products orders, losses were incurred.	With continued progress, management efficiency will be improved to increase production capacity, and loss will be reduced.
August Sports Co., Ltd.	100%	-23,639	Losses from the orders not reaching economic scale.	Loss will be reduced as orders grow.
Fireman	100%	29,184	Good operations	Not applicable
Sports Gear (Myanmar) Co., Ltd.	100%	5,880	Good operations	Not applicable
PT Can Sports	100%	-11,459	In the construction stage	Currently, there are active

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

Name of invested company	Direct (indirect) shareholding ratio (%)	Income investment recognized by the Company in 2023	Reason for profit or loss	Improvement plan
Industrial Indonesia			and not yet in operations; it has generated management costs and financial costs.	negotiations with the brand on the production plan, and the factory construction plan started in 2023. It is expected that the first factory building will be completed by the end of 2023. And start production in 2024.
SGP	100%	-17,250	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 April 2024. After the installation of machinery and equipment and personnel training, R&D and production will formally begin at the end of 2024.
FiL	95.99%	-79,961	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, hoping to find development opportunities in Europe.
SPG Singapore	100%	-89	The holding company recognizes income on investment	Not applicable

(III) Investment Plans for the Coming Year:

As China has a complete industrial supply chain, the Company hence plans to take advantage of the local shoemaking and industrial chain and set up another research and development center in China. In the initial stage, it will focus on brand development and material searching and evaluation.

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 2023 and 2022 were, respectively, NT\$292,237 thousand and NT\$99,937 thousand, accounting for 2.06% and 0.54% of the current consolidated net operating revenue; interest expenses were, respectively, NT\$99,957 thousand and NT\$74,614 thousand, accounting for 0.70% and 0.40% 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:

2. The increase in interest expense is mainly due to the increase in long-term bank loans. The Company and its subsidiaries will consider the interest rate changes in the financial market, and regularly and irregularly assess the capital situation and bank interests in making appropriate capital utilization plans and prudent decisions in fund raising methods to obtain more favorable interest rates and most cost effective funding. 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 2023 and 2022 were, respectively, NT\$97,178 thousand and NT\$101,151 thousand, accounting for 0.68% and 0.55% 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). Take into consideration exchange rate change when quoting customers to safeguard the Company's reasonable profit.
 - (3). 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.
 - (4). 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. Following the implementation of the IOT simulation and forecast scheduling system in 2023, the Company and its subsidiaries will focus on continuing the existing R&D plan in

2024. 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 past few years of the COVID-19 pandemic. Meanwhile, the Company purchased the land as originally planned because land is difficult to acquire. It is expected that the preparatory work related to the construction of the headquarters building will be officially launched in 2024. Also, SPG Myanmar plant, which has been affected by the local coup and the pandemic in the past few years, is currently delaying its plant expansion plan, and slowing down its plant construction project. When the local political and economic situation in Myanmar is certain, SPG Myanmar plant's investment plant will be reviewed again, and discussion with brand customers on the subsequent status of the plant expansion will resume. After evaluation, if it is decided that the plant expansion plan is to be resumed, plant expansion plan and investment evaluation report will be prepared in accordance with internal procedures, and upon approval by the approval authority and board of directors, the project will be executed.

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 in recent years. 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
2. In both 2023 and 2022, the Company and its subsidiaries sold more than 50% 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 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 brand clients has grown, so has its demand for Company's products, resulting in concentrated sales. In

addition to cultivating its existing customers, maintaining good cooperative relationship, and responding to the trend of various brands around the world, the Company is also committed to expanding its cooperation with Group B, actively establishing a stronger cooperation with Group C and D, and adjusting the product lines of each plant to increase or decrease the orders of each brand, reducing the Company's risk of concentrating its sales on a single customer. 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

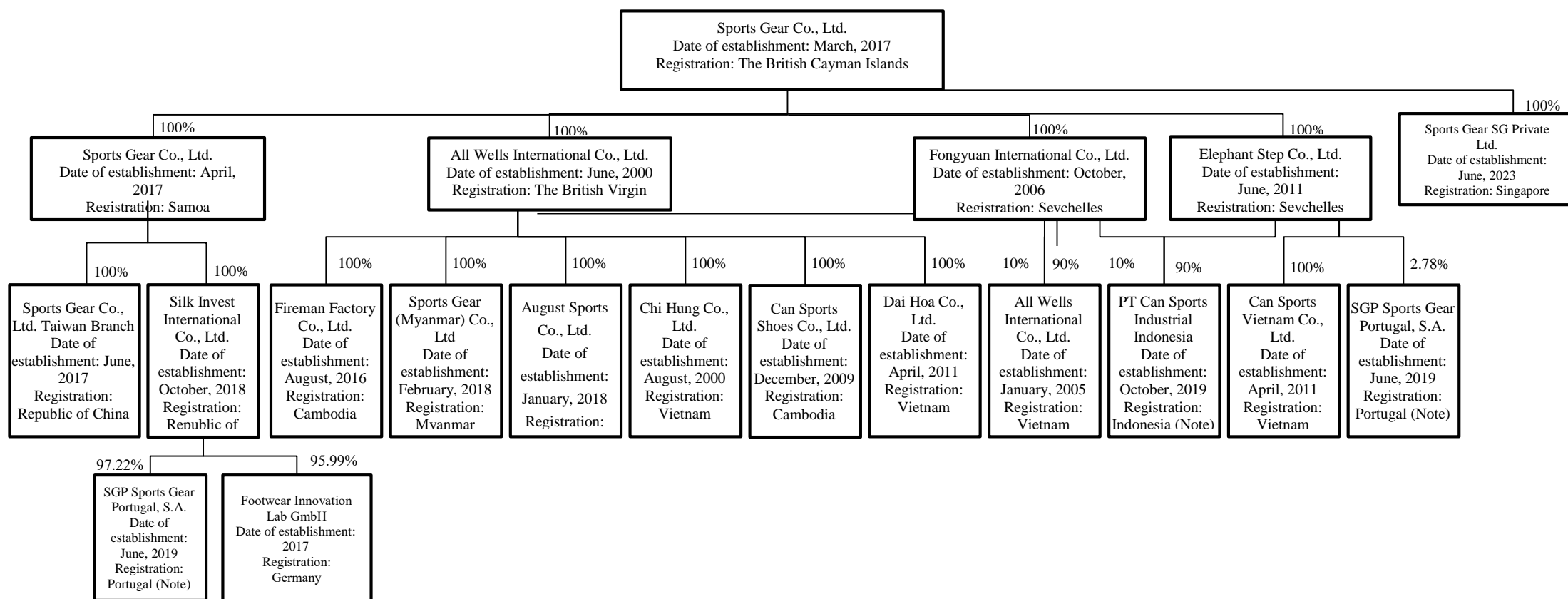
None.

VII. Other important matters: None.

Chapter VIII.Special records

- I. Affiliate information
 - (I) Affiliate diagram

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.



Note: The Group continues to expand production capacity and into new territories. Currently, PT Can Sports Industrial Indonesia and SGP-Sports Gear Portugal, S.A. are planning to expand factories.

(II) Basic information on each affiliate

December 31, 2023; 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	59,000	International investment business
Fongyuan International Co., Ltd(Fongyuan)	October, 2006	Seychelles	36,150	International investment business
Sports Gear SG Private Ltd.	June, 2023	Singapore	1,000	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	40,000	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
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	24,100	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	7,118	Manufacturing, processing, and trading of sporting goods

(III) The information of identical shareholders presumed to have control and

NOTE: This English translation is for reference purposes only and not a legally definitive translation of the original Chinese texts. In the event a difference arises regarding the meaning herein, the original Chinese version shall prevail as the official authoritative version.

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: March 31, 2024

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	-	-
All Wells International Co., Ltd.	Director	Wei-Chia Chen	-	-
	Supervisor	An-De Wu	-	-
Can Sports Shoes Co., Ltd.	Director	Wei-Chia Chen	-	-
	Director	Nick Lin	-	-
Can Sports Vietnam Co., Ltd.	Director	Wei-Chia Chen	-	-
	Supervisor	An-De Wu	-	-
Dai Hoa Co., Ltd.	Director	Wei-Chia Chen	-	-
	Director	Nick Lin	-	-
	Supervisor	An-De Wu	-	-
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)	Director	Wei-Chia Chen	-	-
Sports Gear (Myanmar) Co., Ltd.	Director	Michael Huang	-	-
PT Can Sports Industrial Indonesia	Director	Jack Wang	-	-

Company Name	Title	Name or representative	Shares held	
			Number of shares (shares)	Shareholding ratio
	Director	Ji-Hong Chen	-	-
	Director	Yong-Zhi Xu	-	-
	Supervisor	Wei-Chia Chen	-	-
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 (沃漢千)	-	-
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, 2023

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Net income (loss) (after tax)
Sports Gear Co., Ltd.	5,036	7,645,132	2,846,494	4,798,638	16,684,943	466,048	392,711
All Wells International Co., Ltd.(All Wells)	48,500	5,932,448	0	5,932,448	0	(1,086)	23,417
Elephant Step Co., Ltd.(Elephant)	59,000	2,615,842	0	2,615,842	0	(661)	201,288
Fongyuan International Co., Ltd(Fongyuan)	36,150	919,358	0	919,358	0	(178)	111,400
Sports Gear SG Private Ltd.	1,000	30,692	70	30,622	0	(86)	(89)
Silk Invest International Co., Ltd.	35,446	1,456,175	747,824	708,351	0	(16,799)	(124,253)
Chi Hung Co., Ltd.	12,700	1,991,294	889,583	1,101,711	3,564,808	(92,833)	(13,988)
All Wells International Co., Ltd.	40,000	1,294,491	378,190	916,301	1,543,518	137,026	124,221
Can Sports Shoes Co., Ltd.	40,000	3,420,989	755,987	2,665,002	3,753,410	92,528	95,431
Can Sports Vietnam Co., Ltd.	56,000	2,642,128	683,285	1,958,843	3,299,995	260,985	210,433
Dai Hoa Co., Ltd.	21,600	1,076,543	486,398	590,145	830,844	(85,538)	(85,311)
August Sports Co., Ltd.	12,000	545,117	329,901	215,216	0	(447,400)	(23,639)
Fireman Factory Co., Ltd. (Fireman)	15,000	517,074	5,448	511,626	0	(898)	29,184
Sports Gear (Myanmar) Co., Ltd	20,000	578,278	2,348	575,930	0	(11,565)	5,880
PT Can Sports Industrial Indonesia	24,100	1,043,832	347,211	696,621	0	(7,936)	(11,459)
SGP Sports Gear Portugal, S.A.(SGP)	10,136	438,391	210,656	227,735	14,403	(32,009)	(17,250)
Footwear Innovation Lab GmbH(FIL)	7,118	242,412	228,760	13,652	7,942	(74,334)	(79,961)

(VII) Consolidated financial and business statements of affiliates: Same as the consolidated financial statements; see pages 87 to 143.

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:

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
I. The formation and change of company capital			
<ol style="list-style-type: none"> 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. 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 	Article 168 of the Company Act	<ol style="list-style-type: none"> 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. 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 	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 cancelation, and the company

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
<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>accordance 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</p>	<p>does not have the unilateral 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>

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
		Article 37, the 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	

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
		(1), Article 17 (1)).	
1. The procedure for the Company and its employees to sign a stock option contract or issue employee stock option certificates. 2. Employee stock option certificates may not be transferred, however this does not apply for inheritors.	Article 167-2 of the Company Act	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.	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.
II. Convening and Resolution Method for Shareholders' Meetings			
1. The annual shareholders' meeting	1. Article 170 of the	1. Except for exempted	The Company is an exempted company

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
<p>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 convened by the Board of Directors.</p> <p>2. A company may explicitly provide in its Articles of Incorporation that its shareholders' meeting can be held using a 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</p>	<p>Company Act</p> <p>2. Article 172-2 of the Company Act</p> <p>3. Article 172-1 of the Company Act</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>companies, the Company shall hold a shareholders' meeting at least once a year (Article 58).</p> <p>2. Unless otherwise provided in 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</p>	<p>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 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</p>

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
<p>promulgate a ruling that a company, which has no above 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</p>		<p>selected by the shareholders in attendance (Article 61).</p> <p>3. The Company may adopt the provisions of Schedule A to explicitly require the 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</p>	<p>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: According to the TWSE Letter No. 0991701319 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."</p>

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
<p>shareholders' meeting, a public company shall be subject to 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</p>		<p>(Article 22 (1); Article 38 of Schedule A).</p> <p>4. Except as otherwise provided in the Company's Articles of Incorporation, a shareholder 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</p>	<p>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 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</p>

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
<p>shareholders obtaining permission from the competent authority to convene the meeting.</p> <p>6. Shareholders who hold more than 1% 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</p>		<p>Board of Directors to convene an extraordinary shareholders' meeting, there is no similar requirement in Cayman Islands company 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>	<p>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>

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
<p>words, or the items exceed one in number, the Board of Directors shall classify it as a proposal.</p> <p>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</p>			

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
<p>of Directors does not provide 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</p>			

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
<p>holdings at the time when the share transfer has stopped.</p> <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> <p>(1) Election or dismissal of directors or supervisors;</p> <p>(2) Change to the Articles of</p>			

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
<p>Incorporation;</p> <p>(3) Capital reduction;</p> <p>(4) Application to stop the 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</p>			

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
<p>assets;</p> <p>(8) or acceptance of the transfer of another 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>			

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
(12) The legal reserve and the capital surplus derived from the contributed capital in excess of par or donations being distributed to the original shareholders by issuing new shares or cash.			
1. When the Company holds a shareholders' meeting, an electronic means shall be included as one of the methods for exercising voting rights. 2. The Company must state in its shareholders' meeting notice the methods through which	1. Article 177-1 of the Company Act 2. Article 177-2 of the Company Act	1. There is no similar requirement in Cayman Islands company law regarding the adoption of written or electronic voting for shareholders' meetings. 2. Cayman Islands company law does not have specific rules for the use of power of attorney.	The Company has provided relevant regulations in Articles 68 to 70 of its Articles of Incorporation. 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

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
<p>shareholders may exercise voting rights, i.e., in writing or in electronic form. Shareholders 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</p>		<p>The Company may adopt the provisions of Schedule A and stipulate the relevant provisions of the power of attorney in shareholders' meetings in the Articles of Incorporation (Article 22, Article 59, Article 60 of Schedule A).</p>	<p>previous regulations, they are deemed to have entrusted the chairman of that meeting as their agent." Although 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>

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
<p>Company two days before the convening of the shareholders' meeting. If there are any 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</p>			

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
<p>preceding paragraph two days before the shareholders' meeting in the same manner as when exercising their voting rights; shareholders who exercise voting rights in writing or electronically are deemed to have attended the shareholders' meeting in person.</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>			

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<ol style="list-style-type: none"> Thirty days before convening a regular shareholders' meeting or 15 days before a special shareholders' meeting, a company shall prepare the 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. Where voting rights at a shareholders' meeting are to be 	<ol style="list-style-type: none"> Article 5 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies Article 6 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda 		<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 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 an annual shareholders' meeting or special shareholders' meeting.</p>

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<p>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>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</p>	<p>Handbooks of Public Companies</p>		

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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 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.			
If the convening procedure of the shareholders' meeting or its	Article 189 of the Company Act	There are no similar provisions in Cayman Islands company law.	Article 55 of the Articles of Incorporation stipulates: "The

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<p>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 approach the court of first instance.</p>			<p>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 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</p>

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			<p>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-reviewed the legal basis of the dispute.</p> <p>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</p>

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			<p>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 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</p>

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			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 discrepancy has had no adverse effect on the Company's shareholder equity.
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	1. Article 185 of the Company Act 2. Article 277 of the Company Act 3. Article 159 of the	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	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

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<p>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 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;</p>	<p>Company Act</p> <p>4. Article 240 of the Company Act</p> <p>5. Article 316 of the Company Act</p>	<p>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' 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</p>	<p>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 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</p>

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<p>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 Company</p> <p>2. Change to the Articles of Incorporation</p> <p>3. If the amendment to the articles of incorporation damages the rights of the shareholders of preferred shares, a resolution of</p>		<p>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 rights.</p> <p>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</p>	<p>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 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</p>

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<p>the shareholders' meeting of the preferred shares shall also be required</p> <p>4. Distribution of all or part of dividends and bonuses by issuing new shares</p> <p>5. Resolution of dissolution, merger, or demerger</p>		<p>to the Memorandum of Incorporation (Article 10); (3) Amendment to the Articles of Incorporation (Article 24); (4) Reduction of capital (Article 14); (5) Dissolved voluntarily by a special resolution where it is not because the Company cannot pay off its debts at maturity (Article 116(c)); (6) Merger under Cayman Islands company law (Article 233).</p>	<p>Islands company law are made in accordance with a special resolution as stipulated in Article 59 of the Company's Articles of Incorporation.</p> <p>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 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</p>

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			<p>for special resolutions given in the Cayman Islands company law. 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 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)</p>

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			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 affect the equity of shareholders in Taiwan.
III. Authority and responsibility of directors and supervisors			
If the remuneration of directors is not stipulated in the Articles of	Article 196, Paragraph 1 of the Company Act	There are no similar provisions in Cayman Islands company law.	Article 95(b) of the Company's Articles of Incorporation stipulates that

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Incorporation, it shall be determined by the shareholders' meeting, and may not be ratified afterwards.		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).	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) Considering the industry standards; and (iv) other relevant factors. In accordance 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

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			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' meeting, and at least one of the supervisors must have a domicile in the country.	Articles 216 to 222 of the Company Act	Cayman Islands company law does not implement a supervisory system, and there is no similar requirement.	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 its

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<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 the Company, examine audits, written copies or duplicates of</p>			<p>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>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 conduct audits on behalf of the Company.</p>			

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<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> <p>9. A supervisor may not concurrently serve as director,</p>			

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manager, or other staff of the Company.			
<ol style="list-style-type: none"> Shareholders who continue to hold more than 1% 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. Within 30 days of the shareholder's request, if the supervisor does not file a lawsuit, the shareholder may file a lawsuit for the Company, and the Taiwan 	Articles 200, 214, 220, and 227 of the Company Act	Cayman Islands company law does not implement a supervisory system, and there is no similar requirement.	<ol style="list-style-type: none"> Article 92(b) of the Articles of Incorporation stipulates: "So long as this law is not violated, shareholders who hold more than 1% 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 does not file a lawsuit within 30 days of the date of receipt of the

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<p>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>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 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 42 of the Company's Articles of Incorporation was proposed to be</p>

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			<p>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 1% 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 request, the aforementioned shareholder may file a lawsuit for the</p>

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			<p>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 apply mutatis mutandis to the independent directors of the audit</p>

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			<p>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 made by the Taiwan Taipei District Court may not be recognized or</p>

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			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.
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 time of election, the excess shares may not exercise voting rights and	Article 197-1, Article 227 of the Company Act.	There are no similar provisions in Cayman Islands company law.	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

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will not be counted as the number of voting rights of shareholders in attendance.			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.
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 to treat the proceeds of	Article 8, Paragraph 2 and Paragraph 3; Article 23, Paragraph 3 of the Company Act	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 directors who violate the	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 any reason the director is not

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<p>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>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 Company and not the</p>	<p>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 claim. In</p>

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		<p>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 Cayman Islands company law</p>	<p>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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		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.	
When a legal person is a shareholder, that legal person's representative	Article 27, Paragraph 2 of the Company Act	There are no similar provisions in Cayman Islands company law.	According to the first section of Article 28-4, Paragraph 2 of the Taiwan Stock

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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.			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.

Sports Gear Co., Ltd.

Chairman: Wei-Chia Chen

