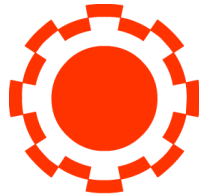


Stock Code: 9802



Fulgent Sun International (Holding) Co., Ltd.

Annual Report 2021



Fujian Sunshine Footwear Co., Ltd.



Fulgant Sun Footwear Co., Ltd.



Sunny Footwear Co., Ltd.



Capital Concord Enterprises Limited Taiwan Branch (Operation Location)



Hubei Sunsmile Footwear Co., Ltd.



Lin Wen Chih Sunbow Enterprises Co., Ltd.



NGOC HUNG Footwear Co., Ltd.

Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.fulgentsun.com>

Printed on April 15, 2022

I. Names, Titles, Contact Number, and E-mail of the Company's Spokesperson and Deputy Spokesperson

Spokesperson: Chih-Cheng, Liao	Deputy Spokesperson: Wen-Kuang, Lin	Deputy Spokesperson: Chien-Chao, Hung
Title: Executive Vice President	Title: Executive Vice President	Title: Controller
TEL: (886)5-551-4619	TEL: (886)5-551-4619	TEL: (886)5-551-4619
E-mail: service@fulgentsun.com	E-mail: service@fulgentsun.com	E-mail: service@fulgentsun.com

II. Names, Titles, Contact Number, and E-mail of Litigation and Non-litigation Agent in the Republic of China

Name: Chih-Cheng, Liao	TEL: (886)5-551-4619
Title: Executive Vice President	E-mail: service@fulgentsun.com

III. Addresses and Telephone Numbers of Head Office, Subsidiaries, and Branches

(I) Head Office: Fulgent Sun International (Holding) Co., Ltd. TEL: (886)5-551-4619
Address: PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

(II) Subsidiaries and Branches

Subsidiaries in Hong Kong

Capital Concord Enterprises Limited TEL: (886)5-551-4619
Address: 5F, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

Laya Outdoor Products Co., Ltd. TEL: (886)5-551-4619
Address: 5F, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

Subsidiary of Hong Kong in Taiwan

Capital Concord Enterprises Limited Taiwan Branch (H.K.) TEL: (886)5-551-4619
Address: No.76, Section 3, Yunke Road, Douliu City, Yunlin County, Taiwan

Subsidiaries in China

Fujian Sunshine Footwear Co., Ltd. TEL: (86)595-2206-1931
Address: Shuangyang Subdistrict, Luojiang District, Quanzhou City, Fujian Province, China

Sunny Footwear Co., Ltd. TEL: (86)597-681-9399
Address: Datong Industrial Park, Tengfei Economic Development Zone, Changting County, Longyan City, Fujian Province, China

Hubei Sunsmile Footwear Co., Ltd. TEL: (86)710-286-3991
Address: Shenzhen Industrial Park at No. 1, Shenzhen Avenue, Xiangyang City, Hubei Province, China

Fujian Laya Outdoor Products Co., Ltd. TEL: (86)595-2206-1931
Address: Shuangyang Overseas Chinese Farm (Yangshan Community), Luojiang District, Quanzhou City, Fujian Province, China

Subsidiaries in Vietnam

Fulgent Sun Footwear Co., Ltd. TEL: (84)221-397-2520
Address: Lot L5, Pho Noi B Textile & Garment Industrial Park, Di Su Ward, My Hao District, Hung Yen Province, Vietnam

NGOC HUNG Footwear Co., Ltd. TEL: (84)321-378-9188
Address: Luong Dien Industrial Zone, Tongxi Village, Luong Dien Township, Cam Giang County, Hai Duong Province, Vietnam

Eversun Footwear Co., Ltd. TEL: (84)226-396-7188
Address: Hamlet 2, An Noi Commune, Binh Luc District, Ha Nam Province

Subsidiary in Cambodia

Lin Wen Chih Sunbow Enterprises Co., Ltd. TEL: (885)01-2998391
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. TEL: (885)01-2998391
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Lin Wen Chih Sunlit Enterprises Co., Ltd. TEL: (885)01-2998391
Address: 24.5km, National Highway 2, Kandal Province, Cambodia

Subsidiary in Indonesia

PT. SUN BRIGHT LESTARI TEL: (021)300-50-238
Address: Letjen S. Parman Street Kav. 28, Soho Capital Tower Floor 39 No.01, Central Park, Jakarta 11470, Indonesia

IV. Name, Address, Website, and Contact Number of Stock Transfer Agency

Name: Transfer Agency Service, CTBC Bank

TEL: (886)2-6636-5566

Address: 5F, No. 83, Section 1, Chongqing South Road, Zhongzheng District, Taipei City

Website: <https://www.ctcbank.com>**V. Name of Certified Public Accounts for the Latest Financial Statements, and Name, Address, Website, and Contact Number of Accounting Firm**

Certified Public Accountant: Hua-Ling, Liang and Yu-Chuan, Wang

Accounting Firm: Pricewaterhouse Coopers (PwC) Taiwan

TEL: (886)2-2729-6666

Address: 27F, No. 333, Section 1, Keelung Road, Taipei City

Website: <http://www.pwc.tw>**VI. Name of Overseas Securities Exchange and Inquiry of Overseas Securities: N/A****VII. Company Website: <http://www.fulgentsun.com>****VIII. Board of Directors List**

Title	Name	Nationality	Education and Work Experience
Chairman	Wen-Chih, Lin	ROC	Bachelor of Chemical Engineering, Feng Chia University President, Fulgent Sun International (Holding) Co., Ltd. Chairman, Fulgent Sun International (Holding) Co., Ltd. Chief Strategy Officer, Fulgent Sun International (Holding) Co., Ltd.
Director	Fang-Chu, Liao	ROC	Bachelor of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd. President, Fulgent Sun International (Holding) Co., Ltd. Chief Executive Officer, Fulgent Sun International (Holding) Co., Ltd.
Director	Chih-Cheng, Liao	ROC	Master in Finance, National Yunlin University of Science and Technology Assistant Manager of Sales, First Commercial Bank Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. Spokesperson、CFO and CDO, Fulgent Sun International (Holding) Co., Ltd.
Independent Director	Kun-Hsien, Chang	ROC	Supplementary Open Junior College For Public Administration, National Chengchi University Manager of Northern Taichung Branch, Douliu Branch, and Zhongxiao Road Branch, First Commercial Bank Senior Assistant Vice President and Director of Taichung Region Center, First Commercial Bank
Independent Director	Ai-Chi, Hsu	ROC	Ph.D. in Economics, Michigan State University Master in Economics, National Chengchi University Director of Department of Finance, National Yunlin University of Science and Technology Associate Professor of Department of Finance, National Yunlin University of Science and Technology

Title	Name	Nationality	Education and Work Experience
Independent Director	Jing-Huang, Huang	ROC	<p>Ph.D. in Mechanical Engineering, Northwestern University</p> <p>Master in Mechanical Engineering, University of New Mexico</p> <p>Bachelor in Department of Mechanical Engineering, Feng Chia University</p> <p>Director of Department of Mechanical, Feng Chia University</p> <p>Computer-Aided Engineering, Feng Chia University</p> <p>Dean of College of Engineering and Science, Feng Chia University</p> <p>Vice President, Director of Office of Industry-Academia Cooperation, Feng Chia University</p> <p>Lifetime Distinguished Professor, Feng Chia University</p>
Independent Director	Chun-An, Li	ROC	<p>Ph.D. in Business Administration, National Chengchi University</p> <p>Master in Business Administration, National Taiwan University</p> <p>Bachelor in Physics, Tsing Hua University</p> <p>Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology</p> <p>Certified Public Accountant of Chun-An, Li Accounting Firm</p> <p>Director and Honorary Professor of Department of Finance, National Yunlin University of Science and Technology</p>
Independent Director	Jun-Ming, Wu	ROC	<p>Bachelor of Accounting, Soochow University</p> <p>Senior Vice President of Corporate Financing, Capital Securities Corp.</p> <p>President, Zhanteng Venture Capital Consulting Co., Ltd.</p>

Fulgent Sun International (Holding) Co., Ltd.

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I. Letter to Shareholders

Dear shareholders, I would like to report briefly on the operating performance for 2021 and the future outlook as follows:

1. Implementation Results of the Business Plan

The Company's operating revenue reached NT\$15.54 billion in 2021. Under the synergy of continuous improvement in profitability and the overall operational management of the Company, the consolidated sales revenue for 2021 hit a record high of NT\$15.54 billion. Not only did the Company increase the sales revenue by nearly NT\$4.20 billion from NT\$11.35 billion of the same period last year and the annual growth rate reached 37.0%, while the annual growth rate in USD reached as high as 44.5%. The operating profit margin was NT\$2.80 billion (up 17.7 % annually) and the operating income was NT\$1.47 billion (up 15.5% annually, which profit hit an all-time high in absolute value, contributing the income after tax to the parent company totaled NT\$1.19 billion (up 32.0% annually). Earnings per share reached NT\$6.39, which also topped the earnings from previous years. When excluding the operating exchange loss, the 2021 EPS could reach NT\$6.84, topping NT\$5 for a 6th consecutive year, with the annual dividend yield averaging 70%. A further review on the past operating performance of the group shows that the Groups' revenue has officially surpassed NT\$10 billion starting 2017 and hit a record high in 2021 at NT\$15,544 million under the full dedication of all employees, in spite of the severe impact of COVID-19 pandemic for 2 years in a row. Income after tax attributable to the parent company in the last three years reached NT\$1.28 billion, NT\$898 million and NT\$1.19 million respectively. The pandemic may not cease within a short period of time but the Company will face the different challenges and uncertainties with positivity, keep up with the times and take actions, and thereby grasp all opportunities and potential to boost the operation upward with stability.

2. The steady expansion of production capacity, continuous improvement of core technology, and exertion of intelligent production

Outdoor sports and leisure activities continue to boom around the world. The sports industry has been trending upward, so the Company continues to expand the production capacity and improve the flexibility of production area allocation, laying a good foundation for sound business operations. We will also continue transforming into intelligent production by upgrading production equipment, integrating and optimizing production lines, and increasing investments in research and development. In addition to ongoing industry-academia collaboration, we are working with major brand customers and strategic partners to optimize the core capabilities of shoe making, so as to create a more efficient, faster, and adaptable intelligent production model. This will become one of our diverse and competitive edges in the shoe-making industry.

3. Strengthening corporate governance and investor relations and fulfilling corporate social responsibility and business sustainability

Fulfilling corporate social responsibility and maintaining sustainable operation are the main business objectives of the Company. Through the public trust, Fulgent Sun International Charitable Public Welfare Fund, the Company supports various public welfare charities and social education undertakings in order to achieve social harmony and prosperity. For the concern over environmental protection, we've directly reflected our efforts in different dimensions. And our movement in taking care of the welfare of the entire workers is unending. The management team will stick to the core values of "honesty, speed, quality, innovation,"

uphold the spirit of "morality, wisdom, diligence, long-term cultivation," with "perseverance in deep cultivation, wisdom to thrive" as the philosophy of management. Moreover, the Company's successive corporate governance appraisals on the Taiwan Stock Exchange have achieved excellent results (frequently ranked top 20% percentile). The management team will continue to improve corporate governance-related standards through more rigorous attitudes, thereby assure the rights and interests of relevant stakeholders while pay attention to various domestic and international new agenda and new trends at all time. The Company will adjust with pragmatism and upgrade the performance related to fulfilling corporate social responsibilities, and consequently improve the corporate governance system and strengthen its internal control mechanism incessantly. To create long-term value and appeal in the equal treatment of shareholders' equity and maintain the rights and interest of company stakeholders as well as shareholders' equity, the Company will sustain to create value and protect the rights of all stakeholders practically and precisely. The Company shall return the operating performance through substantial feedback to all shareholders and employees, optimize corporate governance and move towards sustainable management, and thereby sharing the operating outcome with all shareholders.

4. Future prospects and strategies

Since the outbreak of COVID-19, the pandemic may not be completely eliminated within a short period of time. Nonetheless, regardless of the future development of the pandemic, Fulgent Sun and many international sports and leisure brands are optimistic about the prediction of changes in the pace of life and consumer habits in the future. Our Company will turn crises into opportunities due to the full dedication of the management team and all employees. Looking into the future, Fulgent Sun Group will constantly maintain the positive and optimistic view and will continue to establish the foundation in shoe making division. The management team will continue the adoption "continuous and consistent productivity," "production base flexibility and dispersion," and "mass production and diversified product brands" as well as other major basis of operational strategies. Our management team will actively improve the production performance, upgrade the weight in automation production, and actively invest in the leading development of new shoe models, based on the current stage of fully-booked production, thereby making full efforts in building the next growth dynamics.

"Performance is vital; nevertheless, strengthening on corporate governance is more essential." The overall management team will continue to create value for all stakeholders, committee in the upgrade of corporate governance, strengthen information disclosure and regulatory compliance, attention to investor relation, preform corporate social responsibility, pursue sustainable and innovative growth, and giving back the fruitful outcome of the company management to the general shareholders.

Thank you again for your support and encouragement, and I sincerely wish all shareholders health, joy, and happiness!

Sincerely,

Chairman Wen-Chih, Lin

II. Company Profile

1. Date of Establishment: The Company was established on November 24, 2009.

2. Company History

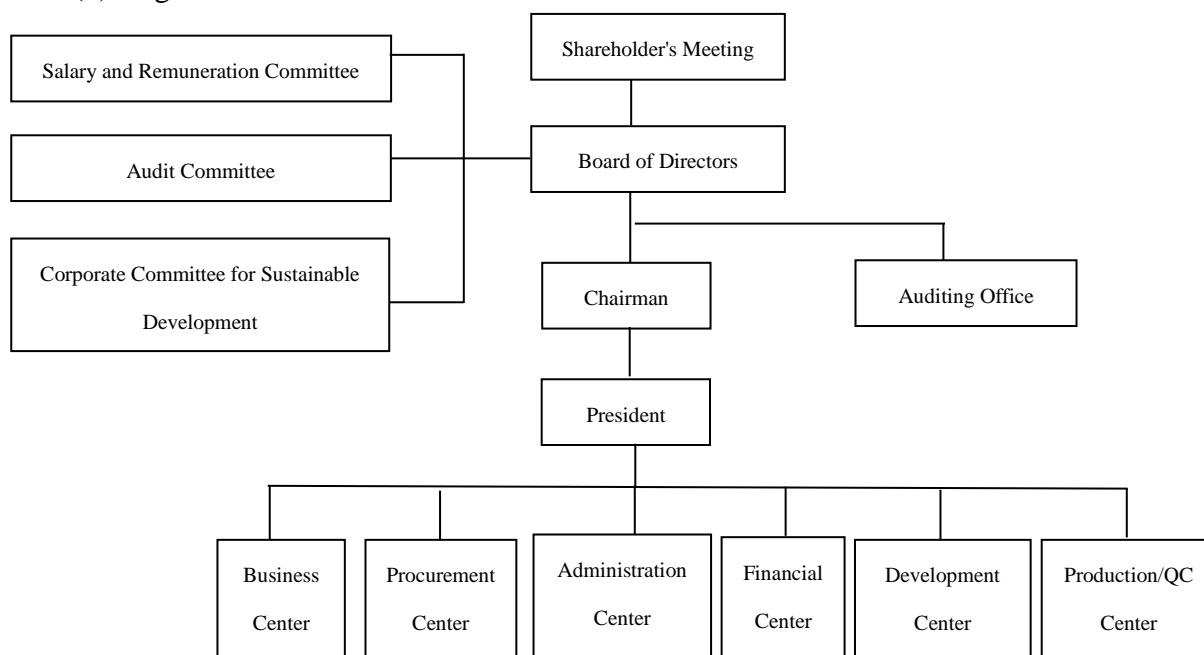
Year	Important Chronicle
1994	Capital Concord Enterprises Limited was established in December as a controlling company of shareholders' investment in China.
1995	In March, Fujian Sunshine Footwear Co., Ltd. was established to produce and export sports shoes and outdoor shoes as an OEM.
1996	In August, Quanzhou Sunrise Footwear Co., Ltd. was established to produce and sell sports shoes and outdoor shoes as an OEM in China.
2000	With capacity for production of waterproof outdoor shoes, as certified by GORE-TEX.
2003	In January, Fulgent Sun Footwear Co., Ltd. was established to produce outdoor shoes as an OEM. In August, Fujian Sunshine Footwear Co., Ltd. became a member of SATRA and its certified laboratory. In the same year, Fujian Sunshine Footwear Co., Ltd. passed the ISO9001 quality system certification and further received its certificate in January 2004.
2005	In September, Sunny Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM.
2007	In June, Fujian Sunflower Footwear Co., Ltd. has established to laminate the vamps of sports shoes and outdoor shoes.
2009	In June, Hubei Sunsmile Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM. In October, Fujian Laya Outdoor Products Co., Ltd. was established to trade shoe materials within the Group and to plan the agency and distribution of sporting goods in China. In November, Fulgent Sun International (Holding) Co., Ltd. (the Company) was established in the Cayman Islands to apply for listing in Taiwan and restructure. In the same year, the Company acquired Capital Concord Enterprises Limited, and Capital Concord Enterprises Limited acquired Fulgent Sun Footwear Co., Ltd. and established the Taiwan Branch to process imported materials.
2010	In April, Laya Max Trading Co., Ltd. was established to act as an agent for sporting goods in Taiwan. In September, Laya Outdoor Products Co., Ltd. was established in Hong Kong; in January 2011, Laya Outdoor Products Co., Ltd. formed a strategic alliance with La Sportiva (Hong Kong) Limited to establish Fujian La Sportiva Co., Ltd., which acts as agent for outdoor shoes and clothes of La Sportiva to expand domestic market in China.

Year	Important Chronicle
2011	In April, The head office was established in Yunlin County, Taiwan. The Group restructured. And in May, it merged Quanzhou Sunrise Footwear Co., Ltd. and Fujian Sunflower Footwear Co., Ltd. into Fujian Sunshine Footwear Co., Ltd.
2012	In June, Fulgent Sun International (Holding) Co., Ltd. was approved by the review committee of the Listing Department of Taiwan Stock Exchange Corporation and went to list in Taiwan Stock Exchange in October.
2013	In December, Lin Wen Chih Sunbow Enterprises Co., Ltd. was established in Cambodia to produce and sell sports shoes and outdoor shoes; Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. was established to produce and sell clothes; Lin Wen Chih Sunbow Enterprises Co., Ltd. invested in Lin Wen Chih Sunlit Enterprises Co., Ltd. to undertake land leases.
2015	In February, NGOC HUNG Footwear Co., Ltd. was established to produce sports shoes and outdoor shoes as an OEM. In June, Fulgent Sun International (Holding) Co., Ltd. was selected as a constituent of the “TWSE Corporate Governance 100 Index.”
2016	In August, NGOC HUNG Footwear Co., Ltd. was certified by GORE TEX for producing waterproof outdoor shoes.
2019	In November, Fulgent Sun International (Holding) Co., Ltd. was selected as a constituent of the “MSCI Taiwan Small Cap Index.”
2020	In April, Fulgent Sun International (Holding) Co., Ltd. was awarded the Top 6%~ 20% Enterprises in the Sixth Corporate Governance Evaluation Appraisal by the TWSE.
2020	In July, Fulgent Sun International (Holding) Co., Ltd. was selected by Taiwan Index Plus Corporation as a constituent of the “TWSE Corporate Governance 100 Index.”
2021	In April, Fulgent Sun International (Holding) Co., Ltd. was awarded the Top 6%~ 20% Enterprises in the Seventh Corporate Governance Evaluation Appraisal by the TWSE.
2021	In August, Eversun Footwear Co., Ltd. was established to produce outdoor shoes as an OEM.
2021	In October, Fulgent Sun International (Holding) Co., Ltd. was selected by Taiwan Index Plus Corporation to be included in the "TIP TAIEX+ SMALL/MID-CAP ALPHA MOMENTUM 50 INDEX"
2021	In December, PT. SUN BRIGHT LESTARI was established in Indonesia.

III. Corporate Governance Report

1. Organization System

(1) Organization Chart



(2) Responsibilities and Functions of Major Departments

Department	Responsibilities
Audit Committee	<ol style="list-style-type: none"> 1. Stipulate or amend the Internal Control System (ICS). 2. Evaluate the effectiveness of the ICS. 3. Stipulate or amend the procedures for acquiring or disposing of assets, derivatives trading, lending funds to others, and making endorsements or guarantees to others. 4. Resolve issues associated with the interests of the directors. 5. Approve major transactions of assets or derivatives. 6. Review and approve major loans and endorsements or guarantees. 7. Offer, issue or privately place equity-based securities. 8. Appoint, dismiss, or remunerate CPAs. 9. Appoint or dismiss financial, accounting, or internal audit directors. 10. Audit annual financial statements and semiannual financial statements. 11. Other major matters stipulated by the Company or regulators.

Department	Responsibilities
Corporate Committee for Sustainable Development	<p>The Corporate Governance Team has been established under this committee, and it is responsible to coordinate the task forces dedicated to economic issues, environmental issues, social issues, ethical management, and risk management.</p> <ol style="list-style-type: none"> 1. Economic Issues Subcommittee <ol style="list-style-type: none"> 1.1 Perfect the framework of corporate governance, improve information transparency, and implement CSR to create the long-term value for shareholders. 1.2 Build a supply chain that attaches great importance to environmental protection, social responsibilities, labor rights, safety, health, and sustainable development, and maintain a long-term relationship with suppliers. 2. Environment Issues Subcommittee <ol style="list-style-type: none"> 2.1 Implement energy management and recycling and improve the utilization of resources to reduce the negative impact of the product life cycle on the environment. 2.2 Improve energy efficiency through process innovation and reduce greenhouse gas emissions to minimize the impact on the environment, bringing a safe and health workplace to employees and contractors. 3. Society Issues Subcommittee <ol style="list-style-type: none"> 3.1 Maintain the basic rights of employees and strive to contribute to employees, stakeholders, and the society with good corporate citizenship. 3.2 Support or sponsor charitable activities and social education with Charitable Trust Fulgent Sun Group International Charity Fund to achieve the prosperity, welfare, and harmony in society. 4. Ethical Management Issues Subcommittee <ol style="list-style-type: none"> 4.1 Organize training courses on ethical corporate management and promote the awareness and regulations of ethical corporate management in the orientation and on the website. 4.2 Set up a grievance system and have designated persons take charge of the follow-ups. 5. Risk Management Issues Subcommittee <ol style="list-style-type: none"> 5.1 Assess risks every year on a regular basis; formulate and implement risk management policies covering management objectives, organizational structure, attribution of responsibilities, and risk management procedures and other mechanisms in order to identify and measure the Company's various risks effectively and bring down risks arising from business activities to an acceptable level.

Department	Responsibilities
Salary and Remuneration Committee	<ol style="list-style-type: none"> 1. Stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers. 2. Regularly review and stipulate the salaries and remunerations of directors and managerial officers.
Auditing Office	<ol style="list-style-type: none"> 1. Establish, amend, and approve the ICS of the Company. 2. Implement the audits and independent assessment of the operation of the head office and branches. 3. Research, improve, and recommend matters associated with laws and regulations and auditing techniques.
Business Center	<ol style="list-style-type: none"> 1. Plan business goals and strategies. 2. Provide marketing promotion plans. 3. Set business performance and areas. 4. Plan annual budgets. 5. Set and manage prices. 6. Development sales representatives. 7. Manage channel conflicts. 8. Integrate business resources.
Procurement Center	<ol style="list-style-type: none"> 1. Develop, introduce, and manage suppliers. 2. Plan and implement external processing. 3. Plan and purchase raw materials and manage inventories.
Administration Center	<ol style="list-style-type: none"> 1. Purchase stationery, consumable supplies, and expense-based assets. 2. Recruit, assess attendance, and pay salaries. 3. Organize employees' welfare and training. 4. Handle general affairs. 5. Plan computer workstations and hardware/software facilities.
Financial Center	<ol style="list-style-type: none"> 1. Handle accounting (including general accounting and cost accounting) affairs. 2. Handle taxes (including business taxes and profit-seeking enterprise income taxes). 3. Plan and lump annual budgets together. 4. Plan and implement financial management and financing. 5. Plan and implement stocks and shareholders' equity. 6. Convene Board's meetings and shareholders' meetings and keep minutes.
Development Center	<ol style="list-style-type: none"> 1. Plan and implement annual development plans. 2. Perfect the development system. 3. Calculate the cost of goods. 4. Plan and supervise the sample making system.
Production/QC Center	<ol style="list-style-type: none"> 1. Handle production and external processing. 2. Schedule and follow up production and external processing.

2. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(1) Directors and supervisors

A. Directors

As of March 29, 2022; Unit: Thousand Shares, %

Title	Nationality or County of Registration	Name	Gender /Age	Date Elected	Term	Date First Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Shares Held in the Name of Others		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	ROC	Wen-Chih, Lin	M/67	2019/6/12	3 years	2009/11/24	3,148	1.97	4,341	2.33	23,481 (Note 1)	12.61	24,060 (Note 1)	12.92	Bachelor of Chemical Engineering, Feng Chia University President, Fulgent Sun International (Holding) Co., Ltd. Chairman, Capital Concord Enterprises Limited Chairman, Fujian Sunshine Footwear Co., Ltd. Chairman, Sunny Footwear Co., Ltd. Chairman, Hubei Sunsmile Footwear Co., Ltd. Chairman, Fulgent Sun Footwear Co., Ltd. Chairman, Fujian Laya Outdoor Products Co., Ltd. Chairman, Laya Outdoor Products Co., Ltd. Chairman, Lin Wen Chih Sunbow Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunlit Enterprises Co., Ltd. Chairman, NGOC HUNG Footwear Co., Ltd. CSO, Fulgent Sun International (Holding) Co., Ltd. Chairman, Eversun Footwear Co., Ltd. Chairman, PT. SUN BRIGHT LESTARI	President	Fang-Chu, Liao	Spouse	Note 3	
Director	ROC	Fang-Chu, Liao	F/66	2019/6/12	3 years	2013/6/21	1,648	1.03	1,798	0.97	28,401 (Note 2)	15.25	21,682 (Note 2)	11.65	Bachelor of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd. Director, Capital Concord Enterprises Limited Director, Fujian Sunshine Footwear Co., Ltd. Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Fujian Laya Outdoor Products Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. President, Fulgent Sun International (Holding) Co., Ltd. CEO, Fulgent Sun International (Holding) Co., Ltd. Director, PT. SUN BRIGHT LESTARI	Chairman	Wen-Chih, Lin	Spouse	Note 3	
																Executive Vice President	Wen-Kuang, Lin	Within second degree of kinship		

Title	Nationality or County of Registration	Name	Gender /Age	Date Elected	Term	Date First Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Shares Held in the Name of Others		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Director	ROC	Chih-Cheng, Liao	M/50	2019/6/12	3 years	2016/6/15	265	0.17	326	0.18	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager of Sales, First Commercial Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Spokesperson, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. CFO, Fulgent Sun International (Holding) Co., Ltd. CGO, Fulgent Sun International (Holding) Co., Ltd.	-	-	-	-
Independent Director	ROC	Kun-Hsien, Chang	M/71	2019/6/12	3 years	2016/6/15	-	-	-	-	-	-	-	Supplementary Open Junior College For Public Administration, National Chengchi University Manager of Northern Taichung Branch, Douliu Branch, and Zhongxiao Road Branch, First Commercial Bank Senior Assistant Vice President and Director of Taichung Region Center, First Commercial Bank	None	-	-	-	-	
Independent Director	ROC	Ai-Chi, Hsu	M/56	2019/6/12	3 years	2016/6/15	-	-	-	-	-	-	-	PhD in Economics, Michigan State University Master in Economics, National Chengchi University Part-time Assistant Professor of Department of Economics, National Chi Nan University Director of Department of Finance, National Yunlin University of Science and Technology Associate Professor of Department of Finance, National Yunlin University of Science and Technology	Associate Professor of Department of Finance, National Yunlin University of Science and Technology	-	-	-	-	

Title	Nationality or County of Registration	Name	Gender /Age	Date Elected	Term	Date First Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Shares Held in the Name of Others		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Independent Director	ROC	Jin-Huang, Huang	M/62	2019/6/12	3 years	2019/6/12	-	-	-	-	-	-	-	-	PhD in Mechanical Engineering, Northwestern University Master in Mechanical Engineering, University of New Mexico Bachelor in Department of Mechanical Engineering, Feng Chia University Director of Department of Mechanical and Computer-Aided Engineering, Feng Chia University Dean of College of Engineering and Science, Feng Chia University Vice President, Director of Office of Industry-Academia Cooperation, and Lifetime Distinguished Professor, Feng Chia University	Director, WINSON Machinery Casting Co., Ltd Independent Director, China Fineblanking Technology Co., Ltd. Independent Director, Best Precision Industrial Co., Ltd	-	-	-	-
Independent Director	ROC	Chun-An, Li	M/69	2019/6/12	3 years	2019/6/12	-	-	-	-	-	-	-	-	PhD in Business Administration, National Chengchi University Master in Business Administration, National Taiwan University Bachelor in Physics, Tsing Hua University Certified Public Accountant of Chun-An, Li Accounting Firm Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology Director and Honorary Professor of Department of Finance, National Yunlin University of Science and Technology	None	-	-	-	-
Independent Director	ROC	Jun-Ming, Wu	M/64	2019/6/12	3 years	2019/6/12	-	-	-	-	-	-	-	-	Bachelor of Accounting, Soochow University Senior Vice President of Corporate Financing, Capital Securities Corp. President, Zhanfeng Venture Capital Consulting Co., Ltd.	Director, E-Elements Technology Co., Ltd Independent Director, Tecstar Technology Co., Ltd. Independent Director, Lian Hong Art. Co., Ltd.	-	-	-	-

- Note 1: Shares are held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse, Fang-Chu, Liao, include those held by the spouse and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.
- Note 2: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse, Wen-Chih, Lin, include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.
- Note 3: The President and the Chairman are spouses. Both the Chairman and President own diverse experiences in functions of shoe sectors. Moreover, President Liao has taken considerably important role in previous daily operation performance for years and also controls the future operation execution in reality, who is qualified as the most ideal candidate for president. Additionally to strengthen the supervisory function of Board of Directors, the Company adds the seats for independent directors from the previous 3 seats to 5 seats, with the majority of directors not concurrently working as the employees or managers.

B. Supervisors: as the Company has set the Audit Committee, there is no supervisor.

C. Principal shareholder of corporate shareholder: The directors and independent directors of the Company are not representatives of corporate shareholder, therefore it doesn't apply.

D. Professional Qualification of Directors and Supervisors and Information Disclosure of the Independence of Independent Directors:

Criteria Name	Professional Qualification and Experience (Note 1)	Independence (note 2)	Taking a concurrent position as the independent director in other TWSE/TPEX Listed Companies
Wen-Chih, Lin	Work experience in commerce, corporate operations, and operational judgment required capacity. Worked as the Group President. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	-	-
Fang-Chu, Liao	Work experience in commerce, corporate operations, and operational judgment required capacity. Worked as the Group Executive Vice President. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	-	-
Chih-Cheng, Liao	Work experience in commerce, corporate operations, and operational judgment required capacity. Worked as the Group Executive Vice President. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	-	-
Kun-Hsien, Chang	Work experience in finance and accounting. Worked as the manager of Douliu Branch and Zhongxiao Road Branch of First Commercial Bank, and the senior associate manager and director of Taichung Regional Center. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	An Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.	-

Criteria Name	Professional Qualification and Experience (Note 1)	Independence (note 2)	Taking a concurrent position as the independent director in other TWSE/TPEX Listed Companies
Ai-Chi, Hsu	<p>Work experience as lecturer in the finance related departments of public and private universities and colleges. Worked as the director and associate professor of the Department of Finance, National Yunlin University of Science and Technology. No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	-
Jing-Huang, Huang	<p>Work experience as lecturer in the finance related departments of public and private universities and colleges. Director of Department of Mechanical and Computer-Aided Engineering, Feng Chia University Dean of College of Engineering and Science, Director of Office of Industry-Academia Cooperation Feng Chia University Vice President, and Lifetime Distinguished Professor of Feng Chia University. No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	2
Chun-An, Li	<p>Work experience as lecturer in the finance related departments of public and private universities and colleges; and CPA, or other professional or technical specialist who has passed a national examination and been awarded a Certificate in a Profession necessary for the business of the Company. Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology, Director and Honorary Professor of Department of Finance, National Yunlin University of Science and Technology, and CPA in practice. No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	-

Criteria Name	Professional Qualification and Experience (Note 1)	Independence (note 2)	Taking a concurrent position as the independent director in other TWSE/TPEX Listed Companies
Jun-Ming, Wu	<p>Work experience in commerce, finance, accounting, and operational judgement required capacity.</p> <p>Worked as the vice president at the Underwriting Department of Capital Securities Corp., senior deputy CEO of Department of Corporate Banking, Capital Securities Corp. and President, Zhanteng Venture Capital Consulting Co., Ltd.</p> <p>No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	2

Note 1: Professional Qualification and Experience: Describe the professional qualification and experience of the individual director and supervisor. If the director is a member of the Audit Committee with expertise in accounting or finance, describe the accounting or financial background and work experience of the director. Additionally, explain any circumstances in the subparagraphs of Article 30 of the Company Act, when applicable.

Note 2: The compliance of independence for independent directors includes but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not the natural-person, spouse and relative of second degree kinship (or under other's name) who holds the shares of the Company and with certain weight; Not a director, supervisor or employee of the company with specific relation to the Company (refer to Refer to Article 3, Item 1, Paragraph 5~8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in recent 2 years.

E. Board diversity and independence:

(A) Board diversity: The Company has established a diversity policy on the formation of the Board members in the "Corporate Governance Best-Practice Principles," in which all members are equipped with the necessary knowledge, skills, and moral fiber to carry out their responsibilities.

- a. The Company adopted the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and developed a diversified approach in Chapter III, "Strengthening the Functions of the Board". The nomination and selection of the members of the Board of Directors of the Company shall, in accordance with the provisions of the Articles of Incorporation, adopt a system of nomination of candidates, in addition to assessing the qualifications of the candidates for their studies and taking into account the views of interested parties, to comply with the "Regulations for the Election of Directors and Independent Directors" and "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" in order to ensure diversity and independence of the directors.

- b. The Company set up eight directors. One of the Board members was female. In addition to the one female member, Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Jing-Huang, Huang, and Jun-Ming, Wu are experienced in management and decision-making; Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Kun-Hsien, Chang, Ai-Chi, Hsu, and Jun-Ming, Wu are experienced in finance and accounting; Kun-Hsien, Chang, Chih-Cheng, Liao, and Jun-Ming, Wu are experienced in banking and securities affairs.
 - c. The ratio of directors of the Company as the employees is 3/8; the ratio of independent directors is 5/8, and the ratio of female directors is 1/8; three independent directors have a service duration of fewer than 3 years, and two independent directors have a service duration for 3 to 6 years; four directors are below 65 years old; three directors are 65 to 69 years old; one director is above 70 years old.
 - d. Specific management goals: The Company values the importance of gender equality. The target ratio of female directors is 33% or more. To achieve this goal, the Company expects to add two female directors to the 6th session of the Board of Directors.
 - e. The Board of Directors sets out the diversification policy for the composition of its members and exposes it on the company website.
- (B) Board independence: All independent directors comply with the requirements for independence, including but not limited to the condition that directors, their spouses, and relatives within the second degree of kinship do not serve as directors, supervisors, or employees of the Company or any of its affiliates. Director Fang-Chu, Liao and Chairman are spouses to each other.
- a. Specific management goals: The Company pays attention to the independence and gender equality of the Board members, with the target ratio of independent directors setting at 50% or more. Two independent directors were added to the 5th session of the Board of Directors. At present, independent directors account for 63% of the total number of directors.

(2) President, vice presidents, assistant vice presidents, and heads of departments and branches

As of March 29, 2022; Unit: Thousand Shares, %

Title	Nationality or Country of Registration	Name	Gender	Date Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Group President	ROC	Fang-Chu, Liao	F	2010 12/29	1,798	0.97	28,401 (Note 1)	15.25	21,682 (Note 1)	11.65	Bachelor of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd.	Director, Capital Concord Enterprises Limited Director, Fujian Sunshine Footwear Co., Ltd. Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Fujian Laya Outdoor Products Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. President, Fulgent Sun International (Holding) Co., Ltd. CEO, Fulgent Sun International (Holding) Co., Ltd Director, PT. SUN BRIGHT LESTARI	Chairman	Wen-Chih, Lin	Spouse	Note 5
Executive Vice President	ROC	Chih-Cheng, Liao	M	2011 5/16	326	0.18	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager of Sales, First Commercial Bank	Director, Capital Concord Enterprises Limited Director, Sunny Footwear Co., Ltd. Director, Hubei Sunsmile Footwear Co., Ltd. Director, Fulgent Sun Footwear Co., Ltd. Director, Lin Wen Chih Sunbow Enterprises Co., Ltd. Director, Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Spokesperson, Fulgent Sun International (Holding) Co., Ltd. Executive Vice President, Fulgent Sun International (Holding) Co., Ltd. CFO, Fulgent Sun International (Holding) Co., Ltd. CGO, Fulgent Sun International (Holding) Co., Ltd.	-	-	-	-

Title	Nationality or Country of Registration	Name	Gender	Date Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Executive Vice President	ROC	Wen-Kuang, Lin	M	2018 12/12	393	0.21	-	-	-	-	Master of Arts, Institute of Labor Relations, National Zhongzheng University	None	Chairman	Wen-Chih, Lin	Within second degree of kinship	-
													President	Fang-Chu, Liao,	Within second degree of kinship	
Group Controller	ROC	Chien-Chao, Hung (note2)	M	2021 9/1	2	-	-	-	-	-	Bachelor of Accounting, Feng Chia University Group Deputy Associate of Accounting Department, Fulgent Sun International (Holding) Co., Ltd.	None	-	-	-	-
Group CFO	ROC	Chen-Hsian, Fan (note3)	M	2011 6/1	-	-	-	-	-	-	Bachelor of Accounting, Feng Chia University Accounting Manager, Soaring Technology Co., Ltd.	None	-	-	-	-
Group Audit Manager	ROC	Chia-Jung, Shen	F	2020 8/6	11	0.01	-	-	-	-	Bachelor of Accounting, Providence University Auditor, Fulgent Sun International (Holding) Co., Ltd.	None	-	-	-	-
Sales Vice President	ROC	Ming-Hsien, Chen	M	2015 8/01	116	0.06	-	-	-	-	Master of Engineering Design and its Management of University of Huddersfield Manager, Pou Chen Corporation	Supervisor, Sunny Footwear Co., Ltd. Supervisor, Hubei Sunsmile Footwear Co., Ltd. Supervisor, Fujian Laya Outdoor Products Co., Ltd.	-	-	-	-

Title	Nationality or Country of Registration	Name	Gender	Date Elected	Shares Held when Elected		Shares Currently Held		Currently Held by Spouse and Minor		Education and Work Experience	Current Position in the Company and/or Other Companies	Executives, Directors or Supervisors who Are Spouses or within Second Degree of Kinship			Remark
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Production Vice President in China	RPC	Xu-Ming, Huang	M	2013 9/1	92 (Note 4)	0.05	-	-	-	-	Qingliu No.2 High School in Sanming City, Fujian Province	None	-	-	-	-

Note 1: Shares are held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank; shares held by the spouse Lin, Wen-Chich include those held by the spouse and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

Note 2: Chien-Chao, Hung was appointed as Group Controller upon the Board of Directors' resolution on August 11, 2021, and took office on September 1, 2021.

Note 3: Group CFO Chen-Hsiang, Fan left office on August 31, 2021.

Note 4: Shares directly held by Xu-Ming, Huang through the custodial account used by CTBC Bank.

Note 5: The President and the Chairman are spouses. Both the Chairman and President own diverse experiences in functions of shoe sectors. Moreover, President Liao has taken considerably important role in previous operation performance and also controls the daily operation execution in reality for years, who is qualified as the most ideal candidate for president. Additionally to strengthen the supervisory function of Board of Directors, the Company adds the seats for independent directors from the previous 3 seats to 5 seats, with the majority of directors not concurrently working as the employees or managers.

3. Compensations to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

(1) Compensations to directors and independent directors

Unit: NT\$1,000; %

Title	Name	Compensations to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remunerations Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income (%)		Remuneration Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Remuneration (A)		Severance Pay (B) (Note 1)		Directors' Remuneration (C) (Note2)		Business Execution Expenses (D)		Salary, Bonus and Allowances (E)		Severance Pay (F) (Note 1)		Employees' Remuneration (G)				The Company	All Companies Listed in Financial Statements			
		The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company		All Companies Listed in Financial Statements						
Director	Wen-Chih, Lin																					
	Fang-Chu, Liao	-	-	-	-	-	6,350	-	-	-	0.54	-	26,415	-	216	-	-	3,854	-	-	3.11	None
	Chih-Cheng, Liao																					
Independent Director	Kun-Hsien, Chang																					
	Ai-Chi, Hsu																					
	Jing-Huang, Huang	-	-	-	-	-	3,650	-	180	-	0.32	-	-	-	-	-	-	-	-	-	0.32	None
	Chun-An, Li																					
	Jun-Ming, Wu																					

1. Please describe the policy, system, standards and structure of compensations paid to independent directors, and explain the association with amount of compensation, relative to responsibility, risk, period of commitment, and other factors:

The compensations to the independent directors of the Company take into consideration the evaluation of director performance and comply with the Provisions set forth in Article 34.1 of the Articles of Incorporation, where the Salary and Remunerating Committee resolves and submits report to the Board of Directors for final resolution by the involvement and value of contribution made by individual director in corporate operation, in accordance with the rationality and fairness of respective responsibility and risk associated with compensations.

2. Except for the foregoing disclosed from the table, the compensations paid for services provided by all companies listed in financial statements to the directors of the Company in the most recent year (i.e., the concurrent position of consultant, other than employees): NT\$ 0.

Remunerations Brackets

Brackets of Remunerations Paid to Paid to Directors	Name of Director			
	Total of 4 Remunerations (A+B+C+D)		Total of 7 Remunerations (A+B+C+D+E+F+G)	
	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements
Less than NT\$1,000,000	-	Kun-Hsien, Chang, Ai-Chi, Hsu, Jing-Huang, Huang, Chun-An, Li, Jun-Ming, Wu	-	Kun-Hsien, Chang, Ai-Chi, Hsu, Jing-Huang, Huang, Chun-An, Li, Jun-Ming, Wu
NT\$1,000,000 ~ NT\$2,000,000 (excluded)	-	Chih-Cheng, Liao	-	-
NT\$2,000,000 ~ NT\$3,500,000 (excluded)	-	Wen-Chih, Lin, Fang-Chu, Liao	-	-
NT\$3,500,000 ~ NT\$5,000,000 (excluded)	-	-	-	-
NT\$5,000,000~ NT\$10,000,000 (excluded)	-	-	-	Chih-Cheng, Liao
NT\$10,000,000~ NT\$15,000,000 (excluded)	-	-	-	Fang-Chu, Liao
NT\$15,000,000~ NT\$30,000,000 (excluded)	-	-	-	Wen-Chih, Lin,
NT\$30,000,000~ NT\$50,000,000 (excluded)	-	-	-	-
NT\$50,000,000~ NT\$100,000,000 (excluded)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	-	8	-	8

Note 1: No severance pay was given out that year but from the appropriated pension.

Note 2: The directors' remuneration has been approved by the Board of Directors on February 25, 2022.

Note 3: The remuneration disclosed in this table is based on a concept different from income stipulated in the Income Tax Act. The purpose of the table aims to disclose information, instead of taxation.

(2) Remuneration paid to supervisors: As the Company has set the Audit Committee, there is no supervisor.

(3) Remunerations paid to the president and vice presidents

Unit: NT\$1,000; %

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Employees' Remuneration (D) (Note 2)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration Paid to Directors from A Reinvested Company Other than the Company's Subsidiary
		The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company		All Companies Listed in Financial Statements		The Company	All Companies Listed in Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Group President	Fang-Chu, Liao	-	15,272	-	543	-	13,109	-	-	6,655	-	-	3.00	None
Executive Vice President	Wen-Kuang, Lin													
Executive Vice President	Chih-Cheng, Liao													
Production Vice President in China	Xu-Ming, Huang													
Sales Vice President	Ming-Hsien, Chen													
Group Controller (note3)	Chien-Chao, Hung													
Group CFO (note4)	Chen-Hsiang, Fan													

Remunerations Brackets

Brackets of Remunerations Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All Companies Listed in Financial Statements
Less than NT\$1,000,000	-	Chen-Hsiang, Fan (note4)
NT\$1,000,000 ~ NT\$2,000,000 (Excluded)	-	Chien-Chao, Hung (note3)
NT\$2,000,000 ~ NT\$3,500,000 (Excluded)	-	-
NT\$3,500,000 ~ NT\$5,000,000 (Excluded)	-	Wen-Kuang, Lin, Chih-Cheng, Liao
NT\$5,000,000 ~ NT\$10,000,000 (Excluded)	-	Ming- Hsien, Chen, Xu-Ming, Huang
NT\$10,000,000 ~ NT\$15,000,000 (Excluded)	-	Fang-Chu, Liao
NT\$15,000,000 ~ NT\$30,000,000 (Excluded)	-	-
NT\$30,000,000 ~ NT\$50,000,000 (Excluded)	-	-
NT\$50,000,000 ~ NT\$100,000,000 (Excluded)	-	-
More than NT\$100,000,000	-	-
Total	-	7

Note 1: No severance pay was given out that year but from the appropriated pension.

Note 2: The directors' remuneration has been approved by the Board of Directors on February 25, 2022.

Note 3: Chien-Chao, Hung was appointed as Group Controller upon the Board of Directors' resolution on August 11, 2021, and took office on September 1, 2021.

Note 4: Group CFO Chen-Hsiang, Fan left office on August 31, 2021.

Note 5: The remuneration disclosed in this table is based on a concept different from income stipulated in the Income Tax Act. The purpose of the table aims to disclose information, instead of taxation.

(4) Name and distribution of managers who distribute employee remunerations

Unit: NT\$ 1,000; %

Item	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Manager	Group President	Fang-Chu, Liao	-	6,655	6,655	0.56
	Vice President	Wen-Kuang, Lin				
	Vice President	Chih-Cheng, Liao				
	Vice President	Ming-Hsien, Chen				
	Group Controller	Chien-Chao, Hung				

(5) Analysis of ratio of total remunerations paid to directors, supervisors, the president and vice presidents by the Company and all companies listed in the consolidated financial statements to net income in the most recent two years; policies, standards, and portfolios of remunerations; procedures for determining remunerations; and correlation between business performance and future risks

A. Analysis of ratio of total remunerations paid to directors, supervisors, the president and vice presidents by the Company and all companies listed in the consolidated financial statements to net income in the most recent two years

Unit: NT\$ 1,000; %

Title	2020				2021			
	Total Remuneration		Ratio of Net Income (%)		Total Remuneration		Ratio of Net Income (%)	
	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements	The Company	All Companies Listed in Financial Statements
Directors	-	47,996	-	5.36	-	40,665	-	3.43
President and Vice presidents	-	45,584	-	5.09	-	35,579	-	3.00

B. Policies, standards, and portfolios of remunerations; procedures for determining remunerations; and correlation between business performance and future risks

According to Article 32 of the Company's Articles of Incorporation, directors' remunerations shall be determined by the Board of Directors based on the standards of other businesses in the same industry and shall be paid regardless of the Company's profits or losses. The Company has established Salary and Remuneration Committee, which is composed of all independent directors, to stipulate and regularly review the policies, systems, standards, and structure of performance assessment, salaries, and remunerations of directors and managerial officers, and to regularly review and stipulate the salaries and remunerations of directors and managerial officers based on the standards of other businesses in the same industry. In particular, titles, ranking, education (experience), expertise, and responsibilities are items taken into account for salary while bonuses take into consideration items for performance evaluation of managers, including financial indicators (corporate revenue, pre-tax net income and net income completion) and expertise (financial accounting, operational management, industry knowledge, and decision-making capacity).

The remunerations paid to the president and vice presidents include salaries, incentive pay and employees' bonuses, and shall be determined based on their positions, responsibilities, and contribution to the Company as well as the standards of other businesses in the same industry.

According to the Articles of Incorporation of the Company and the operation of the Board of Directors and Salary and Remuneration Committee, the Company timely reviews the directors' and executives' participation in and contribution to the Company's operation for their remunerations, and minimizes the possibility of and correlation between business performance and future risks, so as to balance the Company's sustainable development and risk control.

4. Implementation of Corporate Governance

(1) The Board's Operation

A total of five meetings of the Board of Directors were held in 2021. The attendance of directors and independent directors is as follows:

Title	Name	Time of Actual Attendance	Time of Actual Attendance by Proxy	Ratio of Actual Attendance (%)	Remark
Chairman	Wen-Chih, Lin	5	0	100	-
Director	Fang-Chu, Liao	5	0	100	-
Director	Chih-Cheng, Liao	5	0	100	-
Independent Director	Kun-Hsieng, Chang	5	0	100	-
Independent Director	Ai-Chi, Hsu	5	0	100	-
Independent Director	Jing-Huang, Huang	5	0	100	-
Independent Director	Chun-An, Li	5	0	100	-
Independent Director	Jun-Ming, Wu	5	0	100	-

Other matters to be recorded:

1. Should any of the following takes place in a Board's meeting, the date, session, and proposals of Board's meeting, opinions of all independent directors, and the Company's response to such opinions shall be specified: The Company had no resolution that was objected and reserved by the independent directors.

(1) Items listed in Article 14-3 of the Securities and Exchange Act

Date and Session of Board Meeting	Agenda	Independent Director's Opinion	Action Taken
2021.2.26 5th Session 11th Time	Case: Amendment of documentation for internal control - "Computer Cycle"	Unanimously passed	N/A
2021.8.11 5th Session 13th Time	Case: Appointment of Chief Accountant	Unanimously passed	N/A
2021.11.15 5th Session 14th Time	Case: Change of the person in custody of the company chop of the dedicated authorized signatory for Making of Endorsements/Guarantees	Unanimously passed	N/A
2021.12.28 5th Session 15th Time	Case: Replacement of CPAs for 2021 in line with the internal adjustment of the accounting firm.	Unanimously passed	N/A

(2) In addition to the above matters, any Board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: None.

2. When a director refuses from proposals involving the conflict of interest, the director's name, the content of proposal, cause for the conflict of interest, and the voting shall be specified: The Company had no director who refused from proposals involving the conflict of interest.

3. Execution of the Board of Directors evaluation:

For more information on the results of the Board of Directors evaluation for 2021, refer to the company website and the section, III. 4. (3) Implementation of corporate governance, discrepancies in the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such discrepancies, in the Annual Report.

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Criteria
Once a year	Evaluation for performance between December of previous year to November of current year	Performance evaluation for the overall Board of Directors, individual directors, and functional committees	Internal self-evaluations by the Board of Directors and by individual directors, peer evaluation, third-party evaluation by professional institutions or experts, or other applicable methods	Five evaluation criteria: participation in the Company's operations, improvement in the Board's decision-making quality, composition and structure of the Board, advanced studies of directors, and internal control

4. The goals of strengthening the functionality of the Board of Directors in the current and the preceding years (e.g., establishing the Audit Committee and increasing information transparency), and the evaluation of their execution:

- (1) Performance and assessment of Board's meetings: The Company has established the rules of procedures for Board's meetings. Board's meetings were convened in accordance with the rules and existing laws and regulations, and the attendance of directors and independent directors was good.
- (2) Directors' advanced studies: To encourage directors' advanced studies, the Company arranges lecturers to teach and interact with directors on-site every year. For the implementation of directors' advanced studies this year, please refer to the section, III. 4. (3) Implementation of Corporate Governance, Gaps in Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reasons for the Said Discrepancies, in the Annual Report.
- (3) Improvement in information transparency: The Company attaches great importance to the rights and interests of investors and stakeholders. After each Board meeting is convened, the Company will publish important resolutions of the Board of Directors immediately. The Company also participates in road shows from time to time.
- (4) Directors' liability insurance: To protect directors and managerial officers from risks when performing their duties, the Company purchases "Liability Insurance for Directors and Managers" each year.

(2) Composition, responsibilities and operation of the Audit Committee

A. Composition of Audit Committee

The Audit Committee is composed of all independent directors, with no fewer than three persons, one of whom is the convener, and at least one person should have accounting or financial expertise.

The term of the independent director of the Audit Committee is three years, and it may be reelected; if it is dismissed for any reason, it should be elected by the recent shareholders' meeting.

B. Responsibilities of the Audit Committee: The main purpose of the Audit Committee's operation is to monitor the following matters:

- (A) The expression of the company's financial statements.
- (B) Appointment (dismissal) of CPA, independence and performance.
- (C) The effective implementation of internal control.
- (D) Compliance with relevant laws and regulations.
- (E) Control of the Company's existing or potential risks.

C. Information on the operation of the Audit Committee

- (A) The Audit Committee of the Company consists of five members.

The Audit Committee met 5 times in 2021. The attendance of independent director is as follow:

Title	Name	Time of Actual Attendance	Time of Actual Attendance by Proxy	Rate of Actual Attendance (%)	Remark
Independent Director	Kun-Hsien, Chang	5	0	100	-
Independent Director	Ai-Chi, Hsu	5	0	100	-
Independent Director	Jing-Huang, Huang	5	0	100	-
Independent Director	Chun-An, Li	5	0	100	-
Independent Director	Jun-Ming, Wu	5	0	100	-

Other matters to be recorded:

1. Should any of the following takes place in a meeting of the Audit Committee, the date and session of the meeting, the proposal, the Audit Committee's resolution and the Company's response to such a resolution shall be specified:

- (1) Items listed in Article 14-5 of the Securities Exchange Act: Please refer to the section, C (B) Implementation of the Audit Committee for the current year, below.

- (2) Other than the matters mentioned above, other resolutions passed by two-thirds of all directors but yet to be approved by the Audit Committee: None.
2. When an independent director refuses himself/herself from proposals involving the conflict of interest, the independent director's name, the proposal, cause for the conflict of interest, and the voting shall be specified: The Company did not have a director who refused himself/herself from proposals involving the conflict of interest.
3. Communication between the independent director and the internal audit manager and CPAs (including material matters, methods, and results associated with corporate finance and business):
- (1) The Company's audit manager communicates with the Audit Committee about the results of audits on a regular basis and attends meetings of the Audit Committee without a vote. The independent directors raised no objection against report items and had good communication with the Company's audit manager.
- (2) Independent directors review the Company's financial statements on a regular basis. The CPAs also attend the annual meeting of the Audit Committee without votes to explain the results of audits. The independent directors had good communication with the CPAs.

(B) Implementation of the Audit Committee for the current year:

Audit Committee	Agenda and Subsequent Process	Items listed in Article 14-5 of the Securities Exchange Act	Other Resolutions Passed by Two-thirds of All Directors but Yet to Be Approved by the Audit Committee
2021.02.26 4th Session 9th Time	Case: The Company' statement of internal control system in 2020	V	-
	Case: The Company's consolidated financial statements for 2020	V	-
	Case: The Company's distribution of earnings for 2020	V	-
	Case: Amendment to the "Rules and Procedures of Shareholders Meeting"	-	-
	Case: Amendment of documentation for internal control "Computer Cycle"	V	-
	Case: Assessment of the Company's CPA independence for 2021	V	-
	Resolution of the Audit Committee (on February 26, 2021): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2021.05.06 4th Session 10th Time	Case: The Company's consolidated financial statements for the first quarter of 2021	-	-
	Resolution of the Audit Committee (on May 6, 2021): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2021.08.11 4th Session 11th Time	Case: The Company's consolidated financial statements for the second quarter of 2021	V	-
	Case: Appointment of Chief Accountant.	V	-
	Case: Appointment of deputy spokesperson.	V	-

Audit Committee	Agenda and Subsequent Process	Items listed in Article 14-5 of the Securities Exchange Act	Other Resolutions Passed by Two-thirds of All Directors but Yet to Be Approved by the Audit Committee
	Resolution of the Audit Committee (on August 11, 2021): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2021.11.05 4th Session 12th Time	Case: The Company's consolidated financial statements for the third quarter of 2021	-	-
	Case: Amendments to the proposition of "Authorization Chart."	-	-
	Resolution of the Audit Committee (on November 5, 2021): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2021.12.28 4th Session 13th Time	Case: The Company's audit plan for 2022	V	-
	Case: The Company's business report and distribution of earnings for the first half of 2021.	V	-
	Case: Amendments to the Company's "Articles of Incorporation."	V	-
	Case: Replacement of CPAs for 2021 in line with the internal adjustment of the accounting firm.	V	-
	Case: Amendment to the Company's "Corporate Governance Best-Practice Principles."	-	-
	Case: Amendments to the Company's "Corporate Social Responsibility Best-Practice."	-	-
	Resolution of the Audit Committee (on December 28, 2021): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2022.02.26 4th Session 14th Time	Case: The Company's statement of internal control system in 2021.	V	-
	Case: The Company's consolidated financial statements for 2021.	V	-
	Case: The Company's 2021 business report.	V	-
	Case: The Company's 2021 earnings distribution.	V	-
	Case: The Company's 2022 CPA independence assessment.	V	-
	Case: Amendments to the Company's "Articles of Incorporation."	V	-
	Case: Amendments to the "Procedures for the Acquisition or Disposal of Assets."	V	-
	Case: Lifting non-compete clause of newly appointed directors and their representatives.	V	-
	Resolution of the Audit Committee (on February 26, 2022): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		

(3) Implementation of corporate governance, discrepancies in the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the “Corporate Governance Best-Practice Principles” and disclosed these principles on the company website. Each operation has complied with these principles. As of the printing date of the Annual Report, there is no major discrepancy.	No major discrepancy
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) The Company has established the “Procedures for Handling Material Inside Information” and set up a spokesperson, a deputy spokesperson, a person in charge of stocks, and an e-mail address for handling shareholders' proposals and inquiries.	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) The Company has set up a person in charge of stocks with the help of Transfer Agency Service of CTBC Bank to control the list of major shareholders.	No major discrepancy
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The Company has established the “Procedures for Trading with Group Companies, Specific Companies,” and “Related Parties and the Regulations Governing Supervision and Management of Subsidiaries,” which stipulate the operation, business, and financial dealings associated with affiliated companies, to control related risks.	No major discrepancy
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established related written regulations to maintain the fairness of securities trading. The Company has also established the “Procedures for Handling Material Inside Information” and promotes the awareness to insiders from time to time.	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	✓		<p>(1) The Company has established a diversity policy on the formation of the Board members in the “Corporate Governance Best-Practice Principles,” in which all members are equipped with necessary knowledge, skills, and moral fiber to carry out their responsibilities.</p> <p>A. The Company adopted the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and developed a diversified approach in Chapter III, "Strengthening the Functions of the Board". The nomination and selection of the members of the Board of Directors of the Company shall, in accordance with the provisions of the Articles of Incorporation, adopt a system of nomination of candidates, in addition to assessing the qualifications of the candidates for their studies and taking into account the views of interested parties, to comply with the “Regulations for the Election of Directors and Independent Directors” and “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” in order to ensure diversity and independence of the directors.</p> <p>B. The Company set up 8 directors. One of the Board members was female. In addition to the one female member, Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Jing-Huang, Huang, and Jun-Ming, Wu are experienced in management and</p>	No major discrepancy

Evaluation Item	Implementation Status		Summary	Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
			<p>decision-making; Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Kun-Hsien, Chang, Ai-Chi, Hsu, and Jun-Ming, Wu are experiences in finance and accounting; Kun-Hsien, Chang, Chih-Cheng, Liao, and Jun-Ming, Wu are experienced in banking and securities affairs.</p> <p>C. The ratio of directors of the Company as the employees is 3/8; the ratio of independent director is 5/8, and the ratio of female directors is 1/8; 3 independent directors have a service duration less than 3 years, and 2 independent directors have a service duration for 3 to 6 years; 4 directors are below 65 years old, and 3 directors are 65 to 69 years old, and 1 director is aged 70 years or older.</p> <p>D. Specific management goals: The Company pays attention to the independence of the Board members, with the target ratio of independent directors setting at 50% or more. Two independent directors were added to the 5th session of the Board of Directors. At present, independent directors account for 63% of the total number of directors. The target ratio of female directors is more than 33%, which is expected to be in the sixth term of directors and two female directors will be added to achieve the goal.</p> <p>E. The Board of Directors sets out the diversification policy for the composition of its members, and exposes it on the company website.</p>	

Evaluation Item	Implementation Status		Summary	Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons																																																																																																																																																																												
	Yes	No																																																																																																																																																																														
(2) Does the Company voluntarily establish other functional committees in addition to the Salary and Remuneration Committee and the Audit Committee?	✓		<p>F. Diversification of the Board's members:</p> <table border="1"> <thead> <tr> <th rowspan="3">Diversification Criteria Director</th> <th colspan="6">Basic Composition</th> <th colspan="4">Industry Experience</th> <th colspan="4">Expertise</th> </tr> <tr> <th rowspan="2">Nationality</th> <th rowspan="2">Gender</th> <th rowspan="2">Concurrent position as the employee of the Company</th> <th colspan="3">Age</th> <th colspan="2">Seniority of Terms for Independent Director</th> <th rowspan="2">Banking</th> <th rowspan="2">Securities</th> <th rowspan="2">Trade</th> <th rowspan="2">Management</th> <th rowspan="2">Finance & Accounting</th> <th rowspan="2">Business Administration</th> <th rowspan="2">Industry Knowledge</th> <th rowspan="2">Decision-making</th> </tr> <tr> <th>Under 65 Years old</th> <th>65-69 years old</th> <th>70 Years or older</th> <th>Under 3 Years</th> <th>3-6 Years</th> </tr> </thead> <tbody> <tr> <td>Wen-Chih, Lin</td> <td>ROC</td> <td>M</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Fang-Chu, Liao</td> <td>ROC</td> <td>F</td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Chih-Cheng, Liao</td> <td>ROC</td> <td>M</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Kun-Hsieng, Chang</td> <td>ROC</td> <td>M</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Ai-Chi, Hsu</td> <td>ROC</td> <td>M</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Jing-Huang, Huang</td> <td>ROC</td> <td>M</td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Chun-An, Li</td> <td>ROC</td> <td>M</td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Jun-Ming, Wu</td> <td>ROC</td> <td>M</td> <td></td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> </tr> </tbody> </table>	Diversification Criteria Director	Basic Composition						Industry Experience				Expertise				Nationality	Gender	Concurrent position as the employee of the Company	Age			Seniority of Terms for Independent Director		Banking	Securities	Trade	Management	Finance & Accounting	Business Administration	Industry Knowledge	Decision-making	Under 65 Years old	65-69 years old	70 Years or older	Under 3 Years	3-6 Years	Wen-Chih, Lin	ROC	M	✓		✓						✓	✓	✓	✓	✓	✓	Fang-Chu, Liao	ROC	F	✓		✓						✓	✓	✓	✓	✓	✓	Chih-Cheng, Liao	ROC	M	✓	✓					✓		✓	✓	✓	✓	✓	✓	Kun-Hsieng, Chang	ROC	M				✓		✓	✓		✓	✓	✓			✓	Ai-Chi, Hsu	ROC	M		✓				✓					✓			✓	Jing-Huang, Huang	ROC	M		✓			✓				✓		✓			✓	Chun-An, Li	ROC	M			✓		✓				✓	✓	✓			✓	Jun-Ming, Wu	ROC	M		✓			✓		✓	✓			✓	✓		✓	No major discrepancy
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(2) In addition to setting up the Salary and Remuneration Committee and the Audit Committee, the Company also set up the Corporate Committee for Sustainable Development. The Corporate Committee for Sustainable Development is composed of 8 directors (including 5 independent directors). Committee Chair and Director Wen-Chih, Lin specializes in corporate governance and meets the expertise required for the Corporate Committee for Sustainable Development. The Audit Committee met 1 time in 2021. The attendance of independent director is as follow:																																																																																																																																																																																

Evaluation Item	Implementation Status				Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons			
	Yes	No	Summary					
(3) Does the Company establish a guidelines for evaluating the Board of Director performance and the method of	✓				No major discrepancy			
			Title	Name		Time of Actual Attendance	Time of Actual Attendance by Proxy	Ratio of Actual Attendance (%)
			Director	Wen-Chih, Lin		1	0	100
			Director	Fang-Chu, Liao		1	0	100
			Director	Chih-Cheng, Liao		1	0	100
			Independent Director	Kun-Hsien, Chang		1	0	100
			Independent Director	Ai-Chi, Hsu		1	0	100
			Independent Director	Jing-Huang, Huang		1	0	100
			Independent Director	Chun-An, Li		1	0	100
			Independent Director	Jun-Ming, Wu		1	0	100
(3) The Board of Directors adopted the formulation of the “Guidelines for the Evaluation of the Board of Directors” on May 2, 2019. Directors shall conduct individual self-evaluation and functional committee adopting the overall self-evaluation or evaluation by others. At least one Board of Directors evaluation will be conducted and the period of								

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
evaluation? Does the Company conduct annual performance evaluation and submit the outcome of performance evaluation to the Board of Directors in addition to applying such evaluation on the consideration for the remuneration of individual director and the renewal of nomination?			<p>internal evaluation for the Board of Directors is between December of previous year and November of current year. The outcome of the internal performance evaluation for the Board of Directors shall be completed prior to the last Board of Director meeting convened for the current year.</p> <p>The outcome of the latest Board of Directors performance evaluation is as follows:</p> <p>The evaluation of the Board of Directors and functional committees was completed on December 28, 2021, and no improvement was required. For more information, visit the company website (Investors - Corporate Information - Board of Directors - Board Performance Assessment).</p>	
(4) Does the Company regularly evaluate the independence of CPAs?	✓		(4) According to the “Corporate Governance Best-Practice Principles”, the Audit Committee and the Board of Directors shall evaluate the independence, competence, and professionalism of the Company's CPAs every year on a regular basis, and shall request the CPAs to provide the statement of independence every year. The Group's finance department will review the competence and independence of the CPAs (Note) and report the results of review to the Board of Directors for	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons																		
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4. Does the Company allocate a corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to Board's	✓		The Company adopted the resolution by the Board of Directors to appoint Executive Vice President Chih-Cheng, Liao as the head of corporate governance to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Executive Vice President Liao has had more than three years of experience in the position of a public company in charge of finance. The major responsibility of the head of corporate governance is to handle matters related to the Board's meetings and shareholders' meetings in accordance with the law, produce directorate and shareholders' meetings, assist directors and supervisors in continuing education, provide data for directors and supervisors to perform business, assist directors and supervisors to follow laws and regulations.	No major discrepancy												

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meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce minutes of the Board's meetings and shareholders meetings, etc.)?			<p>(1) The implementation of the business is as follows:</p> <p>A. To assist independent director and general directors in carrying out their duties, providing necessary data and arranging directors' training:</p> <p>(1) The development and revision of the latest laws and regulations related to the Company's business areas and corporate governance.</p> <p>(2) Inspect the confidential level of information and provide the Company information required by directors, so as to maintain the smooth communication between directors and business executives.</p> <p>(3) In accordance with the "Corporate Governance Best-Practice Principles," independent director assists in arranging related meetings with individual internal auditors or endorsing accountants to meet individual financial needs.</p> <p>(4) To assist independent director and directors in developing annual training plans and arranging courses based on the industrial characteristics of or Company and directors' experience and background.</p> <p>B. To assist the Board of Directors and shareholders' meeting procedures and resolutions:</p> <p>(1) To report to the Board of Directors, independent director, audit committee or supervisor on the Company's corporate</p>	

Evaluation Item	Implementation Status		Summary	Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No		
			<p>governance status, and confirm whether the shareholders' meeting and the Board of Directors are in line with the relevant laws and rules of corporate governance.</p> <p>(2) To assist and remind the directors to comply with the laws and regulations that should be observed when carrying out the business or making formal resolutions of the Board of Directors.</p> <p>(3) To be responsible for checking the important information release of the important resolutions of the Board of Directors after the meeting, and ensuring the lawfulness and correctness of the contents of the resolutions, so as to protect the investors' trading information.</p> <p>C. To inform the Board of Directors 7 days before convening the Board's meeting, and to provide the conference data. If matter is to be avoided, the matter should be reminded in advance, and the minutes of the Board will be completed within 20 days after the meeting.</p> <p>D. In accordance with the law, registration should be made before shareholders' meeting date, the meeting notice shall be made within the legal time limit, the meeting handbook and the meeting minutes shall be made, and the registration of the change shall be made if the Articles of Incorporation are amended or directors are re-elected.</p>	

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			<p>(2) The advanced studies of the head of corporate governance in 2021 and as of the printing date of the Annual Report:</p> <table border="1"> <thead> <tr> <th>Time</th> <th>Organizer</th> <th>Course Name</th> <th>Hours</th> <th>Total Hours</th> </tr> </thead> <tbody> <tr> <td>2021/3/10</td> <td>Securities & Futures Institute</td> <td>A View on Corporate Governance 3.0 from Prosecutor's Perspective</td> <td>3.0</td> <td rowspan="7">30.0</td> </tr> <tr> <td>2021/3/25</td> <td>Securities & Futures Institute</td> <td>Analysis and Decision-Making Application of Corporate Financial Information</td> <td>3.0</td> </tr> <tr> <td>2021/06/10~2021/06/11</td> <td>Accounting Research and Development Foundation</td> <td>Continuing Training for Accounting Officers of Securities Firms and Stock Exchanges</td> <td>12.0</td> </tr> <tr> <td>2021/8/27</td> <td>Taiwan Corporate Governance Association</td> <td>How to effectively protect business secret.</td> <td>3.0</td> </tr> <tr> <td>2021/9/1</td> <td>Financial Supervisory Commission</td> <td>The 13th Taipei Corporate Governance Forum(morning and afternoon sessions)</td> <td>6.0</td> </tr> <tr> <td>2021/12/28</td> <td>Vision International Management Consulting</td> <td>Prohibition of Insider Trading and Case Study</td> <td>3.0</td> </tr> </tbody> </table>	Time	Organizer	Course Name	Hours	Total Hours	2021/3/10	Securities & Futures Institute	A View on Corporate Governance 3.0 from Prosecutor's Perspective	3.0	30.0	2021/3/25	Securities & Futures Institute	Analysis and Decision-Making Application of Corporate Financial Information	3.0	2021/06/10~2021/06/11	Accounting Research and Development Foundation	Continuing Training for Accounting Officers of Securities Firms and Stock Exchanges	12.0	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3.0	2021/9/1	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum(morning and afternoon sessions)	6.0	2021/12/28	Vision International Management Consulting	Prohibition of Insider Trading and Case Study	3.0	
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5. Does the Company establish communication channel of the stakeholders (including but not limited to shareholders, employees, customers, supplier, etc.), and establish an exclusive zone of the stakeholders in the Company's website, and properly respond the important issues of corporate	✓		The Company has set up a spokesperson, a deputy spokesperson, and a person in charge of stocks and disclosed their contact phone number and email on the company website for stakeholders' inquiries.		No major discrepancy																													

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
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social responsibility concerned by the stakeholders?				
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has commissioned Transfer Agency Service of CTBC Bank to hold shareholders' meetings and other relevant affairs within the Republic of China.	No major discrepancy
7. Information disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has established the website to disclose information on financial operations and corporate governance under "Investors."	No major discrepancy
(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection)	✓		(2) The Company has implemented a spokesperson system and disclosed its operation according to the related regulations. An English language website has also been set up. Information on shareholders' meetings and investor conferences is updated in a timely manner.	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
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<p>and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and declare the annual financial report in 2 months after the accounting year, in addition to making early announcement prior to the period required and report the quarter financial statements for the first, second and third quarters, and the monthly operations?</p>	✓		<p>(3) The Company announces and declares the financial statements early before the specified date. Please refer to the Market Observation Post System (website: https://mops.twse.com.tw/) for the financial statements for the first, second and third quarters, and the monthly operations.</p>	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
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8. Is there any other important information to facilitate a better understanding of the Implementation of Corporate Governance practices (e.g., including but not limited to employee rights, employee wellness, 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	✓		(1) Employee's rights and employee care: The Company offers a variety of employee benefits and has set up an e-mail to respond to employees' opinions.	No major discrepancy
	✓		(2) Investor relations: The Company ensures investors' rights and information transparency by publishing information instantly and explaining corporate finance and business in investor conferences from time to time. The details are as follows: A. The Company has set up the "Investors" page on the Company website to help investors understand corporate finance and business. B. The minutes of the Company's shareholders' meetings were kept in accordance with the Company Act and related laws and regulations and published on the company website.	No major discrepancy
	✓		(3) Supplier relations: The Company requests suppliers to provide raw materials without hazardous substances.	No major discrepancy
	✓		(4) Stakeholders' rights: The Company offers the latest information and communicates through a variety of channels to maintain the legal rights and interests of both the Company and stakeholders.	No major discrepancy
	✓		(5) Advanced studies of directors: The finance department invites lecturers to teach directors on-site from time to time, reports the latest laws and issues associated with finance, tax, and corporate governance in Board's meetings, and requests the CPAs to report ad hoc as needed, so as to improve professional knowledge and further	No major discrepancy

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insurance for directors and supervisors)?			<p>implement corporate governance. Directors' advanced studies in 2021 and as of the printing date of the Annual Report are as follows:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Date</th> <th>Organizer</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Wen-Chih, Lin</td> <td>2021/8/27</td> <td>Taiwan Corporate Governance Association</td> <td>How to effectively protect business secret.</td> <td>3</td> </tr> <tr> <td>2021/12/28</td> <td>Vision International Management Consulting (VIMC)</td> <td>Insider Trading and Case Study</td> <td>3</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Fang-Chu, Liao</td> <td>2021/8/27</td> <td>Taiwan Corporate Governance Association</td> <td>How to effectively protect business secret.</td> <td>3</td> </tr> <tr> <td>2021/12/28</td> <td>Vision International Management Consulting (VIMC)</td> <td>Insider Trading and Case Study</td> <td>3</td> </tr> <tr> <td>Director</td> <td>Chih-Cheng, Liao</td> <td>2021/8/27</td> <td>Taiwan Corporate Governance Association</td> <td>How to effectively protect business secret.</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Date	Organizer	Course	Hours	Chairman	Wen-Chih, Lin	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3	2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3	Director	Fang-Chu, Liao	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3	2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3	Director	Chih-Cheng, Liao	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3	
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			Title	Name	Date	Organizer	Course	Hours
			Director	Chih-Cheng, Liao	2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3
			Independent Director	Kun-Hsien, Chang	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3
					2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3
			Independent Director	Ai-Chi, Hsu	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3
					2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3
			Independent Director	Jing-Huang, Huang	2021/5/10	Taiwan Corporate Governance Association	Analysis of Money Laundering Case and Predicate Crimes (Inside Trading)	3
					2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3

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Independent Director	Chun-An, Li	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3																																
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Independent Director	Jun-Ming, Wu	2021/1/21	Taiwan Stock Exchange Corporation	Seminar on the Functions of Independent Directors in Primary Listed Companies	3																																
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Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
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			report, and monitor immediately. The Company has also enhanced employees' awareness of such risks to ensure corporate sustainable development. The implementation of risk management was reported to the Board of Directors on December 28, 2021 and disclosed on the company website. For other information, please refer to VII. Review of Financial Conditions, Operating Results, and Risk Management.	
	✓		(7) Implementation of customer policies: The Company continues to offer customers products with stable quality, maintain a long-term relationship with customers, and promote customers' corporate social responsibility.	No major discrepancy
	✓		(8) Purchase of liability insurance for the directors of the Company: The Company has purchased liability insurance for directors and managerial officers and re-evaluates the coverage every year.	No major discrepancy
	✓		(9) The Company handles material inside information in accordance with the Procedures for Handling Material Inside Information. Material information is published in accordance with the scope and methods prescribed in Paragraphs 5 and 6, Article 157-1 of the Securities and Exchange Act and the definition and regulations of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. To prevent insider trading, people who know material inside information of the Company shall trade securities of the Company in accordance with	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			Article 157-1 of the Securities and Exchange Act. The Company also informs all directors, managerial officers and employees of avoidance of violations or insider trading in a timely manner.	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved (exempt if no evaluation is carried out).	✓		In order to improve governance performance, the following improvements were made in 2021: (1) The Company formulated the "Risk Management Policies and Procedures," set up a risk management task force, and disclosed the scope, organization, and implementation of risk management for the year on the company website.	No major discrepancy
	✓		(2) The Company amended the "Corporate Governance Best Practice Principles," stipulating that the appointment, evaluation, and remuneration of internal auditors shall be reported by the internal audit officer to the Chairman for approval and disclosed on the company website.	No major discrepancy
	✓		(3) The Chinese version of interim financial statements for the year was adopted by the Board of Directors seven days prior to the given time limit of announcement and announced within one day upon adoption.	No major discrepancy
	✓		(4) The English version of interim financial statements for the year was announced within two months after the given time limit of announcement of the Chinese version.	No major discrepancy
	✓		(5) The annual report for the year's shareholders' meeting was uploaded sixteen days prior to the meeting date.	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
	✓		(6) The specific management objectives and implementation of the Board diversification policy were disclosed on the company website.	No major discrepancy
	✓		(7) The policy, system, standard, and structure of directors' and managerial officers' remuneration and performance evaluation reviewed by the Salary and Remuneration Committee on a regular basis were disclosed on the company website.	No major discrepancy
	✓		(8) The performance of the Ethical Corporate Management Task Force reported to the Board for the year and the meeting date were disclosed on the company website.	No major discrepancy
	✓		(9) Water consumption and the total weight of waste in 2019 and 2020 were disclosed on the company website.	No major discrepancy

(4) Composition, responsibility and operation of the Salary and Remuneration Committee

A. Composition of the Salary and Remuneration Committee

To improve corporate governance and the system of remunerations paid to directors and managerial officers, the Company has established the Salary and Remuneration Committee with the resolution of the Board of Directors on December 27, 2011 in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Salary and Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and has stipulated the articles of association of Salary and Remuneration Committee. Members of the Salary and Remuneration Committee shall include two independent directors of the Company and those appointed by the Board of Directors by resolution. The total number of the members shall not be less than three. An independent director shall be elected as a convener and a chairperson of meetings to represent the Salary and Remuneration Committee. Currently, the Salary and Remuneration Committee is composed of three independent directors, and Independent Director Ai-Chi, Hsu acts as the convener.

B. Responsibility of the Salary and Remuneration Committee

The Salary and Remuneration Committee shall exercise the care of a good administrator, faithfully fulfill the following functions and power, and submit the suggestion to the Board of Directors for discussion:

- (A) Establish and periodically review the performance evaluation and policies, system, standards, and structure of the remunerations for directors and managers.
- (B) Periodically evaluate and establish remunerations and benefits for directors and managers.
- (C) Convene at least two meetings every year, and may convene meetings as needed.

C. Information on the members of the Salary and Remuneration Committee

Title	Criteria Name	Professional Qualification and Experience (Note 1)	Compliance with Independence (Note 2)	Number of concurrent positions as directors as other companies
Independent Director (Convener)	Ai-Chi, Hsu	<p>Work experience as a lecturer in the finance-related departments of public and private universities and colleges.</p> <p>Worked as the director and associate professor of the Department of Finance, National Yunlin University of Science and Technology.</p> <p>No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>An Independent director, complying with independence, including but not limited to the natural person, spouse or relative within the second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	-
Independent Director	Kun-Hsien, Chang	<p>Work experience in finance and accounting.</p> <p>Worked as the manager of Douliu Branch and Zhongxiao Road Branch of First Commercial Bank, and the senior associate manager and director of Taichung Regional Center.</p> <p>No circumstance stated in the subparagraphs of Article 30 of the Company Act.</p>	<p>An Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.</p>	-

Title	Criteria Name	Professional Qualification and Experience (Note 1)	Compliance with Independence (Note 2)	Number of concurrent positions as directors as other companies
Independent Director	Jun-Ming, Wu	Work experience in commerce, finance, accounting, and operational judgment required capacity. Worked as the vice president at the Underwriting Department of Capital Securities Corp. and senior deputy CEO of Department of Corporate Banking, Capital Securities Corp. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	An Independent director, complying with independence, including but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not holding any company shares; not a director, supervisor or employee of the company with specific relation to the Company; not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in the recent 2 years.	2

Note1: Professional Qualification and Experience: Describe the professional qualification and experience of the individual director and supervisor. If the director is a member of the Audit Committee with expertise in accounting or finance, describe the accounting or financial background and work experience of the director. Additionally, explain any circumstances in the subparagraphs of Article 30 of the Company Act, when applicable.

Note2: The compliance of independence for independent directors includes but not limited to the natural-person, spouse or relative within second degree of kinship is a director, supervisor, or employee of the Company or affiliated enterprise. Not the natural-person, spouse and relative of second degree kinship (or under other's name) who holds the shares of the Company and with certain weight; Not a director, supervisor or employee of the company with specific relation to the Company (refer to Refer to Article 3, Item 1, Paragraph 5~8 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Not a professional that provides commercial, legal, financial, accounting, or consultation services to the Company or to any affiliated company for any remuneration in recent 2 years.

D. Information on the operations of the Salary and Remuneration Committee

(A) The Salary and Remuneration Committee of the Company comprises of 3 members.

(B) The term of service for members of the current Salary and Remuneration Committee is from June 12, 2019 to June 11, 2022. In 2021, the Salary and Remuneration Committee convened 3 meetings. The qualifications and attendance of members of the Salary and Remuneration Committee are as follows:

Title	Name	Time of Actual Attendance	Time of Actual Attendance by Proxy	Ratio of Actual Attendance (%)	Remark
Independent Director	Ai-Chi, Hsu	3	0	100	-
Independent Director	Kun-Hsien, Chang	3	0	100	-
Independent Director	Jun-Ming, Wu	3	0	100	-

The operation of the Salary and Remuneration Committee in 2021 and as of the printing date of the Annual Report:

Salary and Remuneration Committee	Agenda	Resolution	Action Taken
2021.02.26 4th session 6th time	Distribution of employee remuneration and director remuneration for 2020	Unanimously passed upon chair's request	Unanimously passed by the Board
2021.08.11 4th session 7th time	1. Distribution of director remuneration for 2020 2. Distribution of executive performance bonuses	Unanimously passed upon chair's request	Unanimously passed by the Board
2021.12.28 4th session 8th time	1. Distribution of employee remuneration for managers for 2020 2. Distribution of executive performance bonuses and year-end bonuses for 2021	Unanimously passed upon chair's request	Unanimously passed by the Board
2022.02.25 4th session 9th time	Distribution of employee remuneration and director remuneration for 2021	Unanimously passed upon chair's request	Unanimously passed by the Board

Other matters to be recorded:

1. If the Board of Directors chooses not to adopt or revise recommendations proposed by the Salary and Remuneration Committee, the date and session of the Board meeting, the proposal, resolutions of the Board, and the Company's responses to the Salary and Remuneration Committee's recommendations shall be specified (where the remuneration approved by the Board meeting is better than that recommended by Salary and Remuneration Committee, the gap and the reason for the approval shall be specified):
None.
2. Where resolutions of the Salary and Remuneration Committee include a dissenting or qualified opinion which is on record or stated in a written statement, the date and session of the meeting, the proposal, opinions from every member, and responses to such opinions shall be specified: None.

(5) Implementation of sustainable development, and discrepancies in the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, and reasons for such discrepancies:

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company establish the governance framework for promoting sustainable development and an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development, which is authorized by the Board of the Directors for handling and supervised by the Board of the Directors?	✓		<p>To fulfill corporate social responsibility, the Company established the Corporate Governance & Sustainable Development Committee in 2019, eight members of the committee, with the Chairman serving as the convener. Consisting of three directors and five independent directors, the Corporate Governance & Sustainable Development Committee is responsible for promoting economic, social, and environmental balance and sustainable development. Main responsibilities are as follows:</p> <p>A. Formulate the company's sustainable development and operation related systems and coordinate with the revision of relevant norms.</p> <p>B. Supervise the company's sustainable development policy direction and promotion plan, and regularly track the implementation progress.</p> <p>C. Regularly evaluate the implementation results of the company's sustainable development plan, and report the annual implementation results to the board of directors every year</p> <p>D. Other matters that the committee should be instructed by the resolution of the board of directors.</p> <p>The department meets once a year and reports to the board of directors on the implementation results of the current year and the implementation plan for the next year on December 28, 2021.</p> <p>Moreover, the Company established the SMP Department (Sustainable Manufacture Performance) in Fujian Sunshine Footwear Co., Ltd., which scope of responsibility and function includes lean production, environmental</p>	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons											
	Yes	No	Summary												
			engineering and human resource, with a specialist dedicated to each section and reporting to the departmental supervisor.												
<p>2. Does the Company conduct risk assessment on the environmental, social and corporate governance agenda related to corporate operation according to the principles of materiality (Note), in addition to establishing relevant risk management policies or strategies?</p> <p>Note: Materiality refers to environmental, social, and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.</p>	✓		<p>1. The Company conducts risk assessment on the material issues based on the principles of materiality for sustainable development and, based on the risks identified, establishes relevant risk management policies or strategies as follows:</p> <table border="1"> <thead> <tr> <th>Material Issue</th> <th>Risk Assessment Item</th> <th>Risk Management Policies or Strategies</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Environmental</td> <td>1. Energy management</td> <td>The Company is constantly improving energy efficiency and reducing carbon emissions by installing solar panels and ground source heat pumps, fully closed condensate recovery systems, and LED lights</td> </tr> <tr> <td>2. Waste control</td> <td>The Company's factories strive to reduce waste by selling leftover materials, recycling and remanufacturing waste materials during production, or training employees to meet local laws and regulations.</td> </tr> <tr> <td>Social</td> <td>1. Conflict minerals</td> <td>The Company takes social and environmental responsibilities. It has conflict minerals management policies in place and sources materials from companies that share common values. Specific measures include auditing suppliers and asking suppliers to conduct investigations of places of origin and due diligence, so as to ensure that the materials do not contain conflict minerals</td> </tr> </tbody> </table>	Material Issue	Risk Assessment Item	Risk Management Policies or Strategies	Environmental	1. Energy management	The Company is constantly improving energy efficiency and reducing carbon emissions by installing solar panels and ground source heat pumps, fully closed condensate recovery systems, and LED lights	2. Waste control	The Company's factories strive to reduce waste by selling leftover materials, recycling and remanufacturing waste materials during production, or training employees to meet local laws and regulations.	Social	1. Conflict minerals	The Company takes social and environmental responsibilities. It has conflict minerals management policies in place and sources materials from companies that share common values. Specific measures include auditing suppliers and asking suppliers to conduct investigations of places of origin and due diligence, so as to ensure that the materials do not contain conflict minerals	No major discrepancy
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<p>3. Environmental issues</p> <p>(1) Does the Company establish applicable environmental management system according to the industry characteristics?</p>	✓		<p>(1) The Company complies with the relevant environment, safety and health law, regulations and other rules in all countries and region. The Company also complies with the provisions of brand clients regarding improved environment, safety and health management. Moreover, the Company promotes environmental protection and energy-saving programs in zero plastics, waste recycling, water-based chemicals, waste water recycling, and replacement of clean energy, with continuous efforts in promoting safe, healthy and sustainable environment. With regards to environmental engineering, the Company is committed to mitigation measures in energy consumption, waste gas, wastewater, and wastes. The waste water discharge</p>	No major discrepancy									

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(2) Does the Company commit to upgrading the utilization of resources and use of recycled materials with low environmental impact?	✓		<p>by the production bases of the Company are conforming to the discharge standards required by the local government.</p> <p>(2) The Company continues to implement energy management and recycling and improve the utilization of resources. In 2021, the Company's main production bases generated 784,747KG of non-hazardous waste and 58,538KG of hazardous waste and spent NT\$4,809,000 on environmental protection.</p> <p>Major energy-saving projects are as follows:</p> <p>A. Hubei Sunsmile Footwear Co., Ltd. and Sunbow Enterprises Co., Ltd. implemented solar power generation construction to reduce fuel consumption and environmental pollution generated from traditional power generation. A geosystem was installed in the soil layer underground. Heat exchangers were buried to exchange heat with soil and rocks and further achieve refrigeration and heating with support of little energy. This saved 20%~50% of energy generated by traditional coal-fired boilers and saved 10%~30% of energy generated by traditional cooling devices.</p> <p>B. The original steam condensate recovery system was changed into a fully closed system, which will improve the recovering temperature and usage rate of steam, and thereby to condensate and to save boilers' fuel consumption.</p> <p>C. Traditional fluorescent lamps were replaced with LED lights to reduce 778,420 kWh in 2021.</p>	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons				
	Yes	No	Summary					
(3) Does the Company evaluate the potential risk and opportunities of climate change on enterprises now and in the future, in addition to taking response actions to climate related issues?	✓		<p>D. Water saving was the priority, followed by water efficiency. The specific approaches included the use of energy-saving faucets, awareness promotion, and the reuse of recycled domestic wastewater in irrigation and flushing toilets.</p> <p>E. The Company reduced volatile organic compounds that could harm employees' health and the environment, such as oily adhesives, treatments and cleaners.</p>	No major discrepancy				
			<p>(3)</p> <table border="1"> <thead> <tr> <th>Risk Identification</th> <th>Dimension</th> <th>Consideration of Risk Dimension</th> <th>Action Taken</th> </tr> </thead> <tbody> <tr> <td>Laws and regulations</td> <td>Greenhouse gas inventory declaration Greenhouse gas emission cap control</td> <td>Carbon payment, increase of operational costs Limited capacity expansion</td> <td>Reduction in greenhouse gas emissions Utilization of environmental and sustainable raw materials Low-carbon production and energy use Improvement in use and efficiency of existing resources</td> </tr> </tbody> </table>		Risk Identification	Dimension	Consideration of Risk Dimension	Action Taken
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Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons												
	Yes	No	Summary													
(4) Has the Company compiled the greenhouse gas emission, water consumption and total waste weight in the last two years, in addition to formulating policies on energy-saving, carbon	✓		<table border="1"> <thead> <tr> <th>Risk Identification</th> <th>Dimension</th> <th>Consideration of Risk Dimension</th> <th>Action Taken</th> </tr> </thead> <tbody> <tr> <td>Climate disasters</td> <td>Production interruption or reduction caused by wind, flood, draught, and extreme weather</td> <td>Impact on capacity Declined revenue and property loss</td> <td>Increase in employees' awareness of disaster prevention Purchase of disaster prevention equipment Purchase of property insurance</td> </tr> <tr> <td>Other factors</td> <td>Stakeholders' request for greenhouse gas emission cap control</td> <td>A negative corporate image due to failure to meet the stakeholders' request</td> <td>Green production</td> </tr> </tbody> </table>	Risk Identification	Dimension	Consideration of Risk Dimension	Action Taken	Climate disasters	Production interruption or reduction caused by wind, flood, draught, and extreme weather	Impact on capacity Declined revenue and property loss	Increase in employees' awareness of disaster prevention Purchase of disaster prevention equipment Purchase of property insurance	Other factors	Stakeholders' request for greenhouse gas emission cap control	A negative corporate image due to failure to meet the stakeholders' request	Green production	No major discrepancy
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Other factors	Stakeholders' request for greenhouse gas emission cap control	A negative corporate image due to failure to meet the stakeholders' request	Green production													
<p>(4) The Company took the following measures to reduce the impact on global warming:</p> <p>A. The Group HQ and each production base set up a multi-party video-conferencing system to reduce the frequency of business trips.</p> <p>B. Dormitories and shuttle buses were arranged at each production base to reduce fuel consumption and exhaust generated from commutes.</p> <p>C. Separate production bases were set up nearby, and raw materials were</p>																

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
reduction, greenhouse gas emission, reduction of water consumption, or otherwaste management?			<p>transported by company cars to separate plants for processing to reduce energy consumption generated from commutes.</p> <p>D. Each production base strove for landscaping in addition to implementing energy conservation and carbon reduction in operation.</p> <p>E. Each production base continued to improve the use of water, electricity, oil and gas by reducing the use of air conditioning through the ventilation system between workshops and paying attention to air conditioning temperatures in operating sites and offices at any time, so as to achieve the goal of energy conservation and carbon reduction.</p>	
<p>4. Social issues</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Does the Company develop and implement reasonable employee welfare measures (including salary, leave, and other benefits) in addition to reflecting the managerial</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has established related policies and procedures in compliance with local labor regulations and the International Bill of Human Rights and treated all employees equally and with respect to protect their legal rights and interests.</p> <p>(2) A. To protect employees' rights and interests and smooth communication, the Company has set up the "Investors" section on the company website. If no or invalid response is received from supervisors regarding any complaints or recommendations during service, all employees may be assured of proper handling by leaving a message on the website, complaint in person, or sending an e-mail.</p>	<p>No major discrepancy</p> <p>No major discrepancy</p>

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>performance or outcome appropriately on employee salary?</p> <p>(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	✓		<p>B. The Company has provided employees with multiple welfare policies. Apart from the regulatory labor insurance, health insurance, pension funds appropriated and parental leave, the Company also distributes gift vouchers for three major holidays, employee group insurance as well as other welfare measures that contribute to labor-management harmony.</p> <p>(3) The Company offers employees health examinations on a regular basis to improve the awareness of their health conditions. In the operating environment, all new employees are required to receive safety and health training; those operating special machines and equipment are required to receive special safety training. In special workplaces, employees shall wear personal protective equipment correctly. In the operating environment which may generate dust or organic solvent steam, employees shall wear a mask. In a noisy environment, employees shall wear earplugs. Other preventive measures taken in production bases included the installation of speed bumps, ventilation systems, silencers, and mechanical safety devices.</p> <p>A. Unit or person in charge of environmental, health, and safety management: The occupational health management department monitors the warnings and notices of occupational diseases and hazards regularly or from time to time, and examines whether warning signs are clean and legible at least every six months. If warning signs are found damaged, deformed, or faded, they shall be repaired or replaced immediately. Each workshop shall identify occupational diseases and hazards based on the requirements of the Warning Signs</p>	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<p>for Occupational Hazards in the Workplace (GBZ158) and report warning signs required for the operation to the authority in charge of occupational health management; after reviewing and approving the warning signs reported by each workshop, the authority in charge of occupational health management will purchase the qualified warning signs to ensure the implementation of the warning and notification system.</p> <p>B. Safety and health management systems and measures:</p> <p>(A) Occupational health promotion education and training system</p> <p>The occupational health management department shall work with the employee training department to ask for opinions on occupational health training according to laws and regulations and needs of positions, make and implement the occupational health training plan, and ensure the provision of training resources. The department shall also keep records of training and create training files, classify training, and evaluate the results of training for future improvement.</p> <p>(B) Maintenance and inspection system for occupational disease and hazard protective facilities</p> <p>a. The occupational health management department shall examine the occupational disease and hazard protective facilities once a month; departments of use shall examine the protective facilities every week; workers on duty shall record</p>	

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<p>the operation of the facilities every day.</p> <p>b. The occupational health management department shall work with the equipment management department to make and implement the maintenance plan for occupational disease and hazard protective facilities based on the needs of departments, frequently examine the daily use, maintenance, and repair of the protective facilities, and keep related records.</p> <p>c. The equipment management department is responsible to repair the occupational disease and hazard protective facilities. When finding any malfunction, departments of use shall cut off the power and report to the equipment management department immediately. They are not allowed to repair the facilities or proceed with production without permission.</p> <p>d. After the occupational disease and hazard protective facilities are maintained/repared, the maintenance/repair department shall clean up the site and confirm that the facilities are up to scratch before handing them over to the departments of use with both parties' signatures affixed.</p> <p>e. The occupational disease and hazard protective facilities at each workshop or department shall be maintained by a designated person, and a related record shall be kept daily.</p>	

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(4) Does the Company provide its employees with career development and training sessions?	✓		(4) The Company currently offers in-service training to employees and gradually builds career planning.	No major discrepancy
(5) Does the Company establish any consumer protection policies and appealing procedures for the health and safety of customers, in accordance with the laws and international standards governing products, services, customer privacy, marketing, and labeling?	✓		(5) The Company provides major customers reports on product quality and production progress on a regular basis, maintains smooth communication with customers, and accepts customers' audits. The business department is responsible to accept or reject customer complaints and report such complaints to the quality assurance department or related units until they are solved. The Company has strictly complied with the Restricted Substances List (RSL) provided by customers. The Company tests a raw material/material before purchasing it to avoid any restricted substances contained in the raw material/material. When any restricted substances are found in the test, the Company will stop purchasing such a raw material/material. Using such a raw material/material in production is prohibited to keep production free from materials that may cause damage to human bodies or the environment. In addition to confidentiality agreements provided by customers, the Company alerts related researchers to the importance of confidentiality of customers' intelligent property rights on a regular basis. The Company has been a member of SATRA, the most authoritative British organization in the footwear industry, and its certified laboratory. SATRA studies and tests shoes in accordance with international standards. To ensure	No major discrepancy

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(6) Does the Company establish supplier management policy to request suppliers for the relevant regulations in environmental production, occupational safety and health or human rights for labor, as well as the implementation status?	✓		<p>the quality of raw materials, the Company samples materials based on SATRA standards to examine whether colors, textures, and specifications meet the standards. To assure the Company's product quality, finished shoes go through the pull test and the wash test to verify the pressure which finished shoes can endure. The Company has insisted on implementing the ISO quality standards and has passed the ISO9001:2008 certification. Aiming to meet customers' needs, the Company has introduced the PDCA cycle (Plan, Do, Check, and Adjust) to ensure quality and legal compliance.</p> <p>(6) The Company follows up material supply on a regular basis and conduct annual supplier evaluation and hold environmental protection and occupational safety and health training from time to time. In case the supplier violates the corporate social responsibility and environment but fails to make improvement upon notification, the Company reserves the right to terminate or cancel the contract at any time.</p>	No major discrepancy
5. Does the Company refer to the standards or guidelines for preparing international standard reports for the preparation of Corporate Social Responsibility Report		✓	The Company performs conditions of corporate social responsibility in accordance with the competent authority and relevant laws and regulations. The Company also sets up the "Corporate Social Responsibility" webpage on the company website to disclose information on the actual implementations on the company website and the Market Observation Post System (MOPS).	The Company has not prepared the Corporate Social Responsibility Report and will prepare it in the future, depending on the

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
and other reports disclosing non-financial information of the Company? Has the aforementioned report acquired validation or opinion of guarantee from third certification body?				company development requirement and regulations.
6. If the Company has established its own corporate social responsibility best practice principles according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please state the difference: The Company has established the Corporate Social Responsibility Best Practice Principles and the Corporate Committee for Sustainable Development according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies to contribute to environmental protection, social services, welfare, consumer rights, human rights, safety and health, and other social responsibilities.				
7. Other important information helpful in understanding CSR operation: Upholding the spirit of taking from society, giving back to society, the Company has actively participated in charitable activities to promote local education and social welfare with the Group's materials and human resources. The Company has established the Charitable Trust Fulgent Sun Group International Charity Fund to provide assistance for schools and groups in Yunlin through donation from time to time and to subsidize social activities organized by other production bases. In 2021, the Group donated NT\$7,356,185 to the following: (1) Tuition and miscellaneous expenses, after-class counseling fees, and activity expenses of the economically disadvantaged children. (2) Breakfasts, meals during summer and winter vacations, and nutrition offered to the disadvantaged children in remote and general areas in Yunlin County. (3) World Peace Society, Community of Societies - sponsorship for philanthropic performances and breakfasts to the disadvantaged children. (4) World Vision Taiwan - sponsorship for the economically disadvantaged school children in Yunlin. (5) Fujian Sunshine Footwear Co., Ltd. sponsored scholarship for Yang-En University and Liming Vocational University to help the schools improve schooling conditions and inspire faculty and students with enthusiasm for work and study. (6) Fujian Sunshine Footwear Co., Ltd. (China) donated disaster relief to the Luojiang District Shuanyang Education Promotion Association to subsidize the local education funds.				

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(7) Fulgent Sun Footwear Co., Ltd. (Vietnam) donated funds to Hung Yen Province for COVID-19 vaccines and the medical and pandemic prevention foundation.				
(8) NGOC HUNG Footwear Co., Ltd. (Vietnam) donated funds to the local Government for pandemic prevention and purchase of COVID-19 vaccines.				
(9) Eversun Footwear Co. Ltd. (Vietnam) donated funds to Ha Nam province for purchase of COVID-19 vaccines.				
(10) Sunbow Enterprises Co., Ltd. (Cambodia) subsidized local government with the purchase of COVID-19 vaccines.				

(6) Implementation of Ethical Corporate Management, Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and Reasons for Such Discrepancies:

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
1. Formulating policies and plans for ethical corporate management				
(1) Has the Company clearly indicated policies and activities related to ethical corporate management in its bylaws and external documents, and are the Company's directors and management actively fulfilling their commitment to corporate policies?	✓		(1) The Company has established the Ethical Corporate Management Best Practice Principles, which stipulate that the Company's directors, managerial officers and employees shall implement ethical corporate management.	No major discrepancies
(2) Has the Company established an evaluation mechanism for risks associated with unethical conducts and regularly analyzes and evaluates business activities subject to higher risk of unethical conducts within the scope of business? Has the Company developed measures for preventing unethical conducts, which at least	✓		(2) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the prohibition of unethical conduct; the Company's Codes of Ethical Conduct also stipulate the avoidance of personal interests, fair trade, legal compliance, and reporting of illegal or unethical conduct. Any violations are subject to the punishments prescribed in the personnel regulations.	No major discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>covers the preventive measures under the items prescribed in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"</p> <p>(3) Has the Company stipulates operation procedures, conduct guide, disciplinary and grievance system for violation for preventing unethical conducts, in addition to implementing execution and regularly review and revise the aforementioned solution?</p>	✓		<p>(3) To strengthen the implementation of ethical corporate management, the Company's Ethical Corporate Management Best Practice Principles clearly stipulate that operating activities with higher risks of involving in unethical conduct, including offering or acceptance of bribes, illegal political donations, improper charitable donations or sponsorship, offering or acceptance of unreasonable presents or hospitality, or other improper benefits, shall be prevented.</p>	No major discrepancies
<p>2. Implementing ethical corporate management</p> <p>(1) Has the Company evaluated ethical records of its counterpart? Does the contract signed by the Company and</p>	✓		<p>(1) The Company's employees avoid commercial dealings with unethical suppliers, customers, or other trading partners. Once unethical conduct is identified, the Company will immediately</p>	No major discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>its trading counterpart clearly provide terms on ethical conduct?</p> <p>(2) Has the Company established a full-time (part-time) unit directly under the supervision of the Board, which is devoted to promoting corporate ethical business, and routinely (at least once a year) reporting the ethical management policies and solutions for preventing unethical conducts as well as the implementation to the Board?</p>	✓		<p>suspend all dealings and blacklist the said suppliers, customers, or other trading partners.</p> <p>(2) The Company has the “Ethical Corporate Management Task Force” set up under the Corporate Governance & Sustainable Development Committee. Based on the tasks and responsibilities of each department, this full-time dedicated unit is responsible for helping the Board and management in formulating and supervising the ethical corporate management policies and prevention programs in order to ensure the implementation of the Ethical Corporate Management Best Practice Principles.</p> <p>On December 28, 2021, the Ethical Corporate Management Task Force reported to the Board on the implementation of ethical corporate management for 2021:</p> <p>A. Training</p> <p>New employees of the Company are required to take the training on the Ethical Corporate Management Best Practice Principles. Employees are also assigned to attend seminars organized by the competent authorities from time to time and later share relevant information with other employees in order</p>	No major discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<p>to manage and prevent unethical conduct across the organization.</p> <p>B. Awareness promotion The Company upholds the spirit of “morality, wisdom, diligence, long-term cultivation,” based on which the Ethical Corporate Management Task Force promotes ethical corporate management policies and prevention programs. The concepts of integrity and business sustainability are constantly being instilled in all employees, urging employees to conduct business in an ethical manner without prejudice to the stakeholders’ interests.</p> <p>C. Grievance system and protection of whistle-blowers The Company encourages people inside and outside the organization to report unethical conduct or misconduct. Employees, shareholders, stakeholders, and people outside the organization can communicate with the Company through the “Stakeholder” section on the company website. The Company keeps the identities of whistle-blowers and the contents of grievances absolutely confidential and allows anonymous</p>	

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(3) Has the Company established policies preventing conflict of interest, provided proper channels of appeal, and enforced these policies and opened channels accordingly?	✓		<p>reporting.</p> <p>When finding or being informed of any unethical conduct by employees, the Company will take immediate action to clarify the relevant facts. If such conduct is verified to have violated relevant laws and regulations or the internal ethical corporate management policies and regulations, the Company will ask the employees to stop such conduct immediately and take disciplinary actions as appropriate. Whenever necessary, the Company will resort to legal action to claim damages and protect its reputation and rights and interests.</p> <p>In 2021, there was neither grievance nor unethical conduct reported.</p> <p>(3) When the Company's employees discover, when performing business, any conflict of interests, the conflict has to be reported to an immediate supervisor, who shall provide appropriate guidance.</p>	No major discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?	✓		(4) The Company's audit unit leads the self-examination of internal controls, reviews the implementation, and evaluates the need for adjustment every year; the audit unit implements the internal controls based on the annual audit plan and reports the operation of audits to the Board of Directors on a regular basis.	No major discrepancies
(5) Does the Company regularly organize internal and external training on ethical corporate management?	✓		(5) The Company has promoted the awareness of ethical corporate management to employees in executive meetings and weekly meetings so that employees fully comprehend the idea and regulations.	No major discrepancies
3. Operation of whistle-blowing mechanisms in the Company (1) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and	✓		(1) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the whistle-blowing and grievance systems. Employees may report by the Company's e-mail. In case of material violations or damage to the Company, the Company shall make a report immediately and inform independent directors	No major discrepancies

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>dedicated individual for the case being exposed by the whistle-blower?</p> <p>(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?</p> <p>(3) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?</p>	<p>✓</p> <p>✓</p>		<p>or the Audit Committee in writing.</p> <p>(2) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate that the identity of a whistle-blower and the case reported shall be kept confidential.</p> <p>(3) The Company's Ethical Corporate Management Best Practice Principles clearly stipulate the whistle-blowing system and confidentiality to protect whistle-blowers from inappropriate disciplinary action.</p>	<p>No major discrepancies</p> <p>No major discrepancies</p>
<p>4. Strengthening information disclosure</p> <p>(1) Has the Company disclosed the content of its best practices on ethical corporate management and the effectiveness of its activities on its official website or the Market Observation Post System (MOPS)?</p>	<p>✓</p>		<p>(1) In pursuit of information transparency, the Company has disclosed information on corporate finance, business, and governance on the company website. The Ethical Corporate Management Best Practice Principles and the Codes of Ethical Conduct have been published on the company website. All employees are required to comply with these Principles and Codes. A person has been designated to publish company information on the MOPS and the</p>	<p>No major discrepancies</p>

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			company website on a regular basis to provide investors correct and complete information.	
<p>5. Where the Company has stipulated its own best practices on ethical corporate management according to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the prescribed best practices and actual activities taken by the Company:</p> <p>The Company has established the Ethical Corporate Management Best Practice Principles and the Codes of Ethical Conduct to implement ethical corporate management and prevent unethical conduct.</p>				
<p>6. Any important information useful for understanding the state of ethical corporate management:</p> <p>The Company always has dealings with counterparts in good faith and promotes its ethical corporate management to both counterparts and employees at any time.</p>				

- (7) The method of query in case the Company formulate corporate governance principles and related regulations is describe below:

Upholding the philosophy of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” the Company has established (amended) the “Corporate Governance Best Practice Principles,” “Regulations Governing the Performance Evaluation of Board of Directors,” “Corporate Social Responsibility Best Practice Principles,” “Audit Committee Charter,” “Salary and Remuneration Committee Charter,” “Rules of Procedure for Board of Directors Meetings,” “Rules of Procedure for Shareholders' Meetings,” “Procedures for Handling Material Inside Information,” “Codes of Ethical Conduct,” “Ethical Corporate Management Best Practice Principles,” “Procedures for Trading with Group Companies, Specific Companies, and Related Parties,” “Standard Operating Procedures for Handling Director Requirement,” and “Corporate Governance and Sustainable Development Committee Charter” to implement corporate governance; the aforesaid regulations have been made available on the company website and the Market Observation Post System (MOPS) for access by relevant personnel.

- (8) Other Important Information for Better Understanding of Implementation of Corporate Governance:

A. Corporate Governance Best Practice Principles

- (A) Immediate disclosure of important information.
- (B) Good communication between the Board of Directors and the management.
- (C) A certain percentage of independent directors.
- (D) Establishment of the Audit Committee, which ensures the independence and fairness of the CPAs.
- (E) Establishment of the Salary and Remuneration Committee, which strengthens corporate governance and consolidates remunerations paid to directors and managerial officers.
- (F) Voting of proposals one by one in Board’s meetings for fully implementing the exercise of shareholders’ rights.
- (G) Compliance with the Codes of Ethical Conduct, ethical corporate management, and internal audits.

B. To facilitate the understanding of and compliance with the Procedures for Handling Material Inside Information among employees, managerial officers, and directors, the Company has included these Procedures in the internal control system, so as to reduce risks of insider trading.

C. The Company and persons in charge of financial information transparency have obtained the following certificates designated by the regulator:

Name of Certification	Certification Issuer	Number of Persons
Senior Examination for Certified Public Accountants	Examination Yuan	2
General Examination for Bookkeepers	Examination Yuan	4

Name of Certification	Certification Issuer	Number of Persons
Stock Affairs Specialist	Securities and Futures Institute	5
Basic Proficiency Test for Corporate Internal Control	Securities and Futures Institute	5

D. The following is the training situation of managerial officers in 2021 and up to the printing date of the Annual Report:

Title	Name	Date	Organizer	Course	Hours
Group President	Fang-Chu, Liao	2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3
		2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3
Executive Vice President	Chih-Cheng, Liao	2021/3/10	Securities & Futures Institute	A View on Corporate Governance 3.0 from Prosecutor's Perspective	3
		2021/3/25	Securities & Futures Institute	Analysis and Decision-Making Application of Corporate Financial Information	3
		2021/6/10-2021/6/11	Accounting Research and Development Foundation	Continuing Training for Accounting Officers of Securities Firms and Stock Exchanges	12
		2021/8/27	Taiwan Corporate Governance Association	How to effectively protect business secret.	3
		2021/9/1	Financial Supervisory Commission	13th Taipei Corporate Governance Forum (morning and afternoon sessions)	6
		2021/12/28	Vision International Management Consulting (VIMC)	Insider Trading and Case Study	3

Title	Name	Date	Organizer	Course	Hours
Executive Vice President	Wen-Guang, Lin	2021/11/26-2021/11/30	Institute of Internal Auditors-Chinese Taiwan	Pre-Office Training Seminar for New Corporate Internal Auditors	18
Group Controller	Chien-Chao, Hong	2022/1/20-2022/1/21	Accounting Research and Development Foundation	Continuing Training for Accounting Officers of Securities Firms and Stock Exchanges	12
Group Audit Associate Manager	Chia-Jung, Shen	2021/8/25	Institute of Internal Auditors-Chinese Taiwan	Method and Practice of Risk-Oriented Internal Auditing	6
		2021/11/4	Institute of Internal Auditors-Chinese Taiwan	“Corporate Prepared Financial Statements” Policy Analysis and Key Internal Auditing Practice	6

(9) Implementation of Internal Control System

A. Statement of Internal Control System

Fulgent Sun International (Holding) Co., Ltd.

Statement of Internal Control System

Date: February 25, 2022

The Statement of Internal Control System is issued based on the self-assessment of the Company for 2021:

1. The Company acknowledges that the establishment, implementation and conservation of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has constructed such system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
2. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
3. The Company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to "the Regulations" for the aforementioned categories.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid items of determination for internal control system.
5. Based on the above assessment results, the Company determined that the Company's internal control system on December 31, 2021 (covering monitoring and management of its subsidiaries) has been effectively designed and implemented and sufficient to ensure that the objectives below are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance of applicable rules, laws, regulations and bylaws.
6. This Statement will form an integral part of the Annual Report and the Prospectus of the Company. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.
7. The Statement has been approved by the Board of Directors on February 25, 2022. Among eight directors present, no director raised any objection. All of them agreed with the contents of this statement and made this statement.

Fulgent Sun International (Holding) Co., Ltd.

Chairman: Wen-Chih, Lin

President: Fang-Chu, Liao

B. Any CPA commissioned to conduct a project review of the internal control system shall disclose the CPA's evaluation report: N/A.

(10) Lawful punishment inflicted on the company, and/or disciplinary action taken by the Company against its employees for violating the internal control system, material faults and improvements in the most recent year and as of the printing date of the Annual Report: In 2021, there was no lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating the internal control system.

(11) Important resolutions made in/by the shareholders' meeting and the Board's meetings in the most recent year and as of the printing date of the Annual Report:

A. Important resolutions approved in the shareholders' meeting on August 27, 2021 and their implementation:

(A) Adoption of 2020 consolidated financial statements and business report.

Implementation: The consolidated financial statements and business report for 2020 were adopted, with consolidated revenue of NT\$11,345,641 thousand, profit after tax of NT\$895,514 thousand, and earnings per share at NT\$5.06.

(B) Adoption of distribution of 2020 earnings.

Implementation: Cash dividends in the amount of NT\$389,623 thousand (earnings per share at NT\$2.10) were allocated in the first half of 2020, with the ex-dividend date set on April 8, 2021. The cash dividends in the amount of NT\$315,410 thousand were allocated in the second half of the year (earnings per share at NT\$1.70). The dividends were paid in full on November 11, 2021. The total cash dividends were NT\$3.80 per share, which was resolved and adopted by the Shareholders' Meeting.

(C) Passing of the amendments to the "Procedures for the Acquisition or Disposal of Assets."

Implementation: The amendments to the "Procedures for the Acquisition or Disposal of Assets." were published on the company website on August 27, 2021 and took effect thereon.

(D) Passing of the amendments to the "Rules of Procedure for Shareholders' Meetings."

Implementation: The amendments to the "Rules of Procedure for Shareholders' Meetings" were published on the company website on August 27, 2021 and took effect thereon.

(E) Passing of the amendments to the "Procedure for Director Election."

Implementation: The amendments to the "Procedure for Director Election" were published on the company website on August 27, 2021 and took effect thereon.

B. Important resolutions approved in the Board meeting on February 26, 2021:

(A) The Company's 2021 business plan.

(B) The Company's 2020 statement of internal control system.

(C) The Company's 2020 employee remuneration and director remuneration.

(D) The Company's 2020 consolidated financial statements.

(E) New regulations for different forms of financing in accordance with the amendments to the "Frequently Asked Questions about the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" published by the FSC on May 27, 2020.

- (F) The Company’s 2020 business report.
 - (G) The Company’s 2020 earnings distribution.
 - (H) The amendments to the Company’s “Rules of Procedures for Shareholders’ Meetings.”
 - (I) Amendment of the Company’s documentation for internal control – “Computer Cycle”
 - (J) The Company’s 2021 CPA independence assessment.
 - (K) The period, location, and matters in relation to the Company’s acceptance of shareholder proposals.
 - (L) The date and agenda of the Company’s 2021 shareholders’ meeting.
- C. Important resolutions approved in the Board meeting on May 6, 2021:
- (A) The Company’s consolidated financial statements for the first quarter of 2021.
 - (B) New regulations for different forms of financing in accordance with the amendments to the “Frequently Asked Questions about the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” published by the FSC on May 27, 2020.
 - (C) Full authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (D) The Company’s plan to sign an agreement with IBF Securities with regards to the issuance of common stock for cash and the 5th issuance of domestic unsecured convertible bonds in the Republic of China in 2020.
- D. Important resolutions approved in the Board meeting on August 11, 2021:
- (A) The Company’s consolidated financial statements for the second quarter of 2021
 - (B) New regulations for different forms of financing in accordance with the amendments to the “Frequently Asked Questions about the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” published by the FSC on May 27, 2020.
 - (C) Full authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (D) Distribution of 2020 director remuneration
 - (E) Distribution of executive performance bonuses.
 - (F) Setting the date and venue of the Company’s 2021 shareholders’ meeting.
 - (G) Appointment of Chief Accountant.
 - (H) Appointment of deputy spokesperson.
 - (I) Adjustment of the dedicated person in charge of inside material information.
- E. Important resolutions approved in the Board meeting on November 5, 2021:
- (A) The Company’s consolidated financial statements for the third quarter of 2021.
 - (B) New regulations for different forms of financing in accordance with the amendments to the “Frequently Asked Questions about the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” published by the FSC on May 27, 2020.
 - (C) Amendments to the proposition of “Authorization Chart.”
 - (D) Changed the person in custody of the company chop of the dedicated authorized signatory for Making of Endorsements/Guarantees.

- F. Important resolutions approved in the Board meeting on December 28, 2021:
- (A) The Company’s audit plan for 2022.
 - (B) The Company’s budget for 2022.
 - (C) Distribution of 2020 employee remuneration for executives.
 - (D) Distribution of 2021 performance bonuses and year-end bonuses for executives.
 - (E) The Company’s business report and distribution of earnings for the first half of 2021.
 - (F) Amendments to the Company’s “Articles of Incorporation.”
 - (G) Replacement of CPAs for 2021 in line with the internal adjustment of the accounting firm.
 - (H) Proposal of performance appraisal of the external institution of the Board of Directors.
 - (I) Amendment to the Company’s “Corporate Governance Best-Practice Principles.”
 - (J) Amendments to the Company’s “Corporate Social Responsibility Best Practice.”
- G. Important resolutions approved in the Board meeting on February 25, 2022:
- (A) The Company’s business plan for 2022.
 - (B) The Company’s statement of internal control system in 2021.
 - (C) Distribution of 2021 employee remuneration and director remuneration.
 - (D) The Company’s consolidated financial statements for 2021.
 - (E) New regulations for different forms of financing in accordance with the amendments to the “Frequently Asked Questions about the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” published by the FSC on May 27, 2020.
 - (F) The Company’s 2021 business report.
 - (G) The Company’s distribution of earnings for 2021.
 - (H) Full authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (I) Assessment of the Company’s CPA independence for 2022.
 - (J) Amendments to the Company’s “Articles of Incorporation.”
 - (K) Amendments to the “Procedures for the Acquisition or Disposal of Assets.”
 - (L) Matters related to the re-election of the Company’s directors (including independent directors).
 - (M) The period, location, nomination of candidates for the directors (including independent directors) and related matters of shareholders’ proposal accepted by the Company.
 - (N) Passing and review of the list of candidates for the directors (including independent directors) nominated by the Board of the Directors.
 - (O) Lifting non-compete clause of newly appointed directors and their representatives.
 - (P) Setting the date and agenda of the Company’s 2022 shareholders’ meeting.
- H. Important resolutions approved in the Board meeting on April 14, 2022:
- (A) Change place and agenda of the Company’s 2022 shareholders’ meeting.

- (12) Record or written statement of directors or supervisors holding different opinions on important resolutions approved by the Board of Directors in the most recent year and as of the printing date of the Annual Report: None.
- (13) Resignation or dismissal of the Company's chairman, president, heads of accounting, finance, internal audit head, corporate governance head, and R&D in the most recent year and as of the printing date of the Annual Report:

April 15, 2022

Title	Name	Date Appointed	Date Separated	Reason for Resignation or Dismissal
Group CFO	Chen-Hsiang, Fan	2011/06/01	2021/8/31	Personal career plan

5. Information on Certified Public Accountants' Fees

Unit: NT\$1,000

Accounting Firm	CPA	Audit Period	Audit Fee	Non-audit Fee	Total	Remark
PwC Taiwan	Hua-Ling, Liang	2021.1.1~2021.12.31	4,450	1,770 (Note)	6,220	Note: 1. Transfer Pricing Report \$1,070 thousand 2. Tax Compliance Audit \$700 thousand
	Yu-Chuan, Wang	2021.1.1~2021.12.31				

- (1) When the Company has changed the accounting firm, and in that particular fiscal year, the audit fee paid was less than that in the preceding fiscal year, the Company shall disclose the decreased amount and reason: None.
- (2) When the audit fee decreases by 10% or greater than that in the previous fiscal year, the Company shall disclose the decreased amount, ratio, and reason: None.

6. Information on Replacement of Certified Public Accountants:

- (1) About former Certified Public Accountant

Date of Replacement	Passed by the Board of the Directors on December 28, 2020.		
Reason and Explanation for Replacement	Due to the internal adjustment of the CPA firm, the Company's predecessor CPAs Shu-Hua, Huang and Yu-Chuan, Wang have been replaced by CPA Hua-Ling, Liang and Yu-Chuan, Wang in the first quarter of 2021.		
Explanation of the termination or rejection of appointment for the client or CPA.	Counterparty		
	Situation	CPA	Client
	Automatic termination of appointment	N/A	N/A
	Suspension of accepting (continuing) appointment	N/A	N/A
The audit report opinion and reason for attesting with unqualified opinion in the recent two years	None		
Different opinions from the issuer	Yes		Accounting Principles of Practice
			Disclosure of Financial Statements
			Scope or Procedures of Audit
			Others
	None	V	
	Description		
Other matters of disclosure (the disclosure subject to the paragraph 1-4 and 1-7 of Item 6, Article 10 of the Principles)	None		

(2) About Successive CPA

Name of Firm	Pricewaterhouse Coopers (PwC) Taiwan
Name of CPAs	Hua-Ling, Liang and Yu-Chuan, Wang
Date of Appointment	Passed by the Board of Directors on December 28, 2020
Before the successive CPA is appointed, if it inquired such accountant about the accounting treatment method of specific transactions or the applicable accounting principles and his / her possible opinion on the financial report, it shall disclose the matters it inquired about and the result thereof.	N/A
The successive CPA's written opinion in connection with the discrepancy of opinion between it and the former CPA	N/A

(3) The predecessor CPA's Written response to the matters referred to in Article 10.6(1) and Article 10.6(2).(iii) of the Principles: None

- 7. Chairman, President, or Managerial Officer in Charge of Finance or Accounting Having, in the Most Recent Year, Held a Position at the Accounting Firm of CPAs or at an Affiliated Company: None.**
- 8. Equity Transfer or Changes in Equity Pledge of Directors, Supervisors, Managerial Officers, or Shareholders Holding Greater than 10% of the Company's Shares in the Most recent Year and as of the Printing Date of the Annual Report**

(1) Changes in shareholding of directors, supervisors, managerial officers and major shareholders:

March 29, 2022; Unit: Share

Title	Name	2021		As of Book Closure Date	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Chairman	Wen-Chih, Lin (Note 1)	843,000	-	11,000	-
Director and Group President	Fang-Chu, Liao (Note1)	375,000	-	-	-
Director and Executive Vice President	Chih-Cheng, Liao	-	-	-	-
Independent Director	Kun-Hsien, Chang	-	-	-	-
Independent Director	Ai-Chi, Hsu	-	-	-	-

Title	Name	2021		As of Book Closure Date	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Independent Director	Jing-Huang, Huang	-	-	-	-
Independent Director	Chun-An, Li	-	-	-	-
Independent Director	Jun-Ming, Wu	-	-	-	-
Executive Vice President	Wen-Kuang, Lin	-	-	-	-
Group Controller	Chien-Chao, Hung (Note 2)	-	-	-	-
Group CFO	Chen-Hsiang, Fan (Note 3)	-	(7,000)	-	-
Group Audit Manager	Chia-Jung, Shen	-	-	-	-
Sales Vice President	Ming- Hsien, Chen	-	-	-	-
Production Vice President in China	Xu-Ming, Huang (Note 4)	-	-	-	-

Note 1: Directly or indirectly held by individuals and foreign financial holding company.

Note 2: Chien-Chao Hung, was appointed as Group Controller upon the Board of Directors' resolution on August 11, 2021, and took office on September 1, 2021.

Note 3: Group CFO Chen-Hsiang, Fan left office on August 31, 2021.

Note 4: Shares directly held by Xu-Ming, Huang through the custodial account used by CTBC Bank.

(2) Information on equity transfer: The Company's directors, managerial officers, and shareholders with a shareholding ratio of 10% or more did not engage in equity transfer.

(3) Information on equity pledge: The Company did not engage in equity pledge with a related party.

9. Relationship between Top Ten Shareholders who Is a Related Party, Spouse or Second Degree of Kinship

March 29, 2022; Unit: Share, %

Name	Shares Held Personally		Shares Currently Held by Spouse and Minor		Total Shares Held in the Name of Others		Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Remark
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note 1) Representative: Wen-Chih, Lin	24,060,151	12.92	23,480,801 (Note 2)	12.61	-	-	Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Wen-Chih, Lin	Same as representative	-
							Xue-Qing, Lin	Within second degree of kinship	-
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank (Note 1) Representative: Fang-Chu, Liao	21,682,465	11.65	28,401,192 (Note 3)	15.25	-	-	Custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Wen-Chih, Lin	Spouse	-
							Xue-Qing, Lin	Within second degree of kinship	-
Fubon Life Insurance Co., Ltd.	14,892,964	8.00	-	-	-	-	-	-	-
Jun-Zhong, Zheng	4,651,000	2.50	-	-	-	-	-	-	-
Wen-Chih, Lin	4,341,041	2.33	23,480,801 (Note 2)	12.61	24,060,151	12.92	Custodial account (MEINDL INT'L CO., LTD.) used by CTBC	Spouse	-
							Custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	Same as representative	-
							Xue-Qing, Lin	Within second degree of kinship	-

Name	Shares Held Personally		Shares Currently Held by Spouse and Minor		Total Shares Held in the Name of Others		Title or Name and Relationship of Top Ten Shareholders who Are Related Parties, Spouses, or Relatives within the Second Degree of Kinship		Remark
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
Custodial Account Held through Man-Sang, Yu Used by CTBC Bank	3,891,469	2.09	-	-	-	-	-	-	-
Xue-Qing, Lin	3,566,787	1.92	-	-	-	-	Custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	Within second degree of kinship	-
							Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank	Within second degree of kinship	-
							Wen-Chih, Lin	Within second degree of kinship	-
Custodial Account (Yong Yang International) Used by CTBC Bank	3,112,772	1.67	-	-	-	-	-	-	-
Custodial Account (ASG INT'L CO., LTD.) Used by CTBC Bank	2,835,161	1.52	-	-	-	-	-	-	-
Xiu-Mei, Xu	2,826,000	1.52	-	-	-	-	-	-	-

Note 1: Shares are held indirectly through Wen-Chih, Lin and Fang-Chu, Liao.

Note 2: Personal shares held by the spouse Fang-Chu, Liao and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.

Note 3: Shares are indirectly held through spouse Wen-Chih, Lin and the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

10. Number of Shares Held by the Company, Its Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Undertakings in the Same Invested Companies, and the Consolidated Shareholding Ratio

December 31, 2021; Unit: Thousand shares, %

Reinvested Company (Note 1)	Investments of the Company		Investments of Directors, Supervisors, Managers and Directly or Indirectly Controlled Businesses		Total Investments	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Capital Concord Enterprises Limited	1,733,000	100%	-	-	1,733,000	100%
Fujian Sunshine Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
Hubei Sunsmile Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
Sunny Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
Fulgent Sun Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
Fujian Laya Outdoor Products Co., Ltd. (Note 2)	-	-	-	-	-	100%
Laya Outdoor Products Co., Ltd.	-	-	10,618	100%	10,618	100%
Lin Wen Chih Sunbow Enterprises Co., Ltd.(Note 2)	-	-	-	-	-	100%
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. (Note 2)	-	-	-	-	-	91.27%
Lin Wen Chih Sunlit Enterprises Co., Ltd. (Note 2)	-	-	-	-	-	100%
NGOC HUNG Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
Eversun Footwear Co., Ltd. (Note 2)	-	-	-	-	-	100%
PT. SUN BRIGHT LESTARI (Note 2)	-	-	-	-	-	100%

Note 1: Investments are accounted for using the equity method.

Note 2: No shares are issued.

IV. Fundraising Status

1. Capital and Shares

(1) Source of share capital

A. Formation of share capital

Unit: Thousand shares; NT\$1,000

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Others
2009.11	10	150	1,500	150	1,500	150 shares of incorporation	-	-
2009.12	10	58,651	586,509	58,651	586,509	Issuance of 58,501 shares for acquisition of Capital Concord Enterprises Limited	The consideration of the shares is the net value of Capital Concord Enterprises Limited Hong Kong	-
2011.03	69.04	100,000	1,000,000	78,651	786,509	Issuance of 20,000 shares for acquisition of BVI	The consideration of the shares is the net value of BVI.	-
2011.08	62	120,000	1,200,000	86,516	865,159	Issuance of 7,865 shares for capital increase by cash	-	-
2011.08	10	120,000	1,200,000	95,168	951,675	Issuance of 8,652 shares for capital increase by retained earning	-	-
2012.07	10	120,000	1,200,000	104,684	1,046,843	Issuance of 9,516 shares for capital increase by retained earning	-	-
2012.10	10	200,000	2,000,000	104,684	1,046,843	Increase in authorized capital	-	-
2012.10	25	200,000	2,000,000	118,642	1,186,423	Issuance of 13,958 shares for capital increase by cash	-	Note 1
2014.03	0	200,000	2,000,000	119,842	1,198,423	Issuance of 1,200 restricted employee shares	-	Note 2
2014.09	10	200,000	2,000,000	127,088	1,270,880	Cancellation of 24 restricted employee shares; conversion of domestic corporate bonds into 7,270 ordinary shares	-	Note 3
2014.12	10	200,000	2,000,000	129,343	1,293,433	Cancellation of 20 restricted employee shares; conversion of domestic corporate bonds into 2,275 ordinary shares	-	Note 4

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Others
2015.03	10	200,000	2,000,000	130,875	1,308,747	Cancellation of 88 restricted employee shares; conversion of domestic corporate bonds into 1,620 ordinary shares	-	Note 5
2015.06	10	200,000	2,000,000	132,542	1,325,420	Conversion of domestic corporate bonds into 1,667 ordinary shares	-	Note 6
2015.09	10	200,000	2,000,000	132,957	1,329,574	Cancellation of 31 restricted employee shares; conversion of domestic corporate bonds into 446 ordinary shares	-	Note 7
2015.12	10	200,000	2,000,000	132,698	1,326,983	Cancellation of 511 treasury stocks; cancellation of 6 restricted employee shares; conversion of domestic corporate bonds into 258 ordinary shares	-	Note 8
2016.03	10	200,000	2,000,000	132,891	1,328,911	Cancellation of 9 restricted employee shares; conversion of domestic corporate bonds into 202 ordinary shares	-	Note 9
2016.06	10	200,000	2,000,000	133,365	1,333,654	Cancellation of 2 restricted employee shares; conversion of domestic corporate bonds into 476 ordinary shares	-	Note 10
2016.08	43	200,000	2,000,000	137,365	1,373,654	Issuance of 4,000 shares for capital increase by cash	-	Note 11
2016.09	10	200,000	2,000,000	137,471	1,374,718	Conversion of domestic corporate bonds into 106 ordinary shares	-	Note 12

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Others
2016.12	10	200,000	2,000,000	138,095	1,380,954	Cancellation of 6 restricted employee shares; conversion of domestic corporate bonds into 630 ordinary shares	-	Note 13
2017.03	10	200,000	2,000,000	138,455	1,384,555	Conversion of domestic corporate bonds into 364 ordinary shares; cancellation of 4 restricted employee shares	-	Note 14
2017.06	10	200,000	2,000,000	143,492	1,434,929	Conversion of domestic corporate bonds into 5,038 ordinary shares	-	Note 15
2017.09	10	200,000	2,000,000	146,108	1,461,081	Conversion of domestic corporate bonds into 2,615 ordinary shares	-	Note 16
2017.12	10	200,000	2,000,000	146,197	1,461,973	Conversion of domestic corporate bonds into 89 ordinary shares	-	Note 17
2018.03	10	200,000	2,000,000	146,255	1,462,550	Conversion of domestic corporate bonds into 58 ordinary shares	-	Note 18
2018.06	10	200,000	2,000,000	146,274	1,462,735	Conversion of domestic corporate bonds into 19 ordinary shares	-	Note 19
2019.01	10	200,000	2,000,000	152,274	1,522,735	Issuance of 6,000 shares for capital increase by cash	-	Note 20
2019.03	10	200,000	2,000,000	158,992	1,589,915	Conversion of domestic corporate bonds into 6,718 ordinary shares	-	Note 21
2019.06	10	200,000	2,000,000	162,225	1,622,246	Conversion of domestic corporate bonds into 3,233 ordinary shares	-	Note 22
2019.09	10	200,000	2,000,000	171,339	1,713,395	Conversion of domestic corporate bonds into 9,115 ordinary shares	-	Note 23
2019.12	10	200,000	2,000,000	174,757	1,747,566	Conversion of domestic corporate bonds into 3,417 ordinary shares	-	Note 24

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Capital Increased by Assets Other than Cash	Others
2020.03	10	200,000	2,000,000	175,111	1,751,113	Conversion of domestic corporate bonds into 354 ordinary shares	-	Note 25
2020.06	10	300,000	3,000,000	175,162	1,751,620	Conversion of domestic corporate bonds into 51 ordinary shares	-	Note 26
2020.09	10	300,000	3,000,000	176,185	1,761,846	Conversion of domestic corporate bonds into 1,023 ordinary shares	-	Note 27
2020.10	10	300,000	3,000,000	186,185	1,861,846	Issuance of 10,000 shares for capital increase by cash	-	Note 28
2020.12	10	300,000	3,000,000	186,195	1,861,950	Conversion of domestic corporate bonds into 10 ordinary shares	-	Note 29

Note 1: Approved by Jin-Guan-Zheng-Fa-Zi No. 1010039431 dated September 13, 2012.

Note 2: Approved by Jin-Guan-Zheng-Fa-Zi No. 1020025982 dated July 4, 2013.

Note 3: Cancellation of restricted employee shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1030021486 dated October 16, 2014.

Conversion of domestic corporate bonds into ordinary shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1030020911 dated October 8, 2014.

Note 4: Cancellation of restricted employee shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1040000619 dated January 14, 2015.

Conversion of domestic corporate bonds into ordinary shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1040000350 dated January 9, 2015.

Note 5: Cancellation of restricted employee shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1040006969 dated April 17, 2015.

Conversion of domestic corporate bonds into ordinary shares: Approved by Tai-Zheng-Shang-Er-Zi No. 1040006071 dated April 8, 2015.

Note 6: Conversion of domestic corporate bonds into ordinary shares: Approved by Tai-Zheng-Shang-Er-Zi No. 10400134821 dated July 9, 2015.

Note 7: Cancellation of restricted employee shares: Approved by Tai-Zheng-Shang-Er-Zi No. 10400209671 dated October 14, 2015.

Conversion of domestic corporate bonds into ordinary shares: Approved by Tai-Zheng-Shang-Er-Zi No. 10400206061 dated October 7, 2015.

Note 8: Cancellation of treasury stocks: Approved by Tai-Zheng-Shang-Er-Zi No. 10400235951 dated November 18, 2015.

Cancellation of restricted employee shares: Approved by Taiwan Stock Exchange Corporation on January 8, 2016.

Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 6, 2016.

Note 9: Cancellation of restricted employee shares: Approved by Taiwan Stock Exchange Corporation on April 12, 2016.

Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 7, 2016.

Note 10: Cancellation of restricted employee shares: Approved by Taiwan Stock Exchange Corporation on July 7, 2016.

- Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 1, 2016.
- Note 11: Approved by Jin-Guan-Zheng-Fa-Zi No. 1050009991 dated April 12, 2016.
- Note 12: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 4, 2016.
- Note 13: Cancellation of restricted employee shares: Approved by Taiwan Stock Exchange Corporation on January 13, 2017.
- Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 6, 2017.
- First conversion of the third domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on December 30, 2016.
- Note 14: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 6, 2017.
- Cancellation of restricted employee shares: Approved by Taiwan Stock Exchange Corporation on April 14, 2017.
- Note 15: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 7, 2017.
- Note 16: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 6, 2017.
- Note 17: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 5, 2018.
- Note 18: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 12, 2018.
- Note 19: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 5, 2018.
- Note 20: Approved by Jin-Guan-Zheng-Fa-Zi No. 1070332916 dated September 7, 2018.
- Note 21: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 8, 2019.
- Note 22: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 2, 2019.
- Note 23: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 8, 2019.
- Note 24: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 7, 2020.
- Note 25: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 8, 2020.
- Note 26: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 8, 2020.
- Note 27: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 8, 2020.
- Note 28: Approved by Jin-Guan-Zheng-Fa-Zi No. 1090345473 dated June 9, 2020.
- Note 29: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 7, 2021.

B. Type of shares

As of March 29, 2022; Unit: Thousand shares

Type of Shares	Approved Share Capital				Remark
	Outstanding Shares	Treasury Shares	Unissued Shares	Total	
Ordinary Shares	185,535	660	113,805	300,000	-

(2) Shareholder structure

As of March 29, 2022

Shareholder Structure	Government Agencies	Financial Institutions	Other Corporations	Foreign Institutions and Natural Persons	Individuals	Treasury Shares	Mainland China Investments	Total
Quantity								
Number of Persons	-	14	65	112	5,376	1	2	5,570
Number of Shares	-	22,435,158	12,224,423	72,455,719	78,291,823	660,000	127,915	186,195,038
Shareholding Ratio (%)	-	12.05%	6.57%	38.91%	42.05%	0.35%	0.07%	100.00%

(3) Dispersion of equity ownership

As of March 29, 2022; Unit: Share, %, NT\$10/share

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1~999	1,351	196,523	0.11%
1,000~5,000	3,042	5,807,619	3.12%
5,001~10,000	459	3,480,927	1.87%
10,001~15,000	184	2,316,687	1.24%
15,001~20,000	102	1,830,880	0.98%
20,001~30,000	116	2,960,446	1.59%
30,001~40,000	41	1,416,415	0.76%
40,001~50,000	48	2,206,856	1.19%
50,001~100,000	76	5,523,880	2.97%
100,001~200,000	49	6,871,478	3.69%
200,001~400,000	41	11,872,000	6.38%
400,001~600,000	15	7,099,024	3.81%
600,001~800,000	9	5,903,069	3.17%
800,001~1,000,000	4	3,779,279	2.03%
More than 1,000,001	33	124,929,955	67.09%
Total	5,570	186,195,038	100.00%

(4) List of major shareholders: name of top ten shareholders or those with shareholding ratio of 5% or more, number of shares held, and shareholding ratio

March 29, 2022; Unit: Share, %

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note)	24,060,151	12.92
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank (Note)	21,682,465	11.65
Fubon Life Insurance Co., Ltd.	14,892,964	8.00
Jun-Zhong, Zheng	4,651,000	2.50
Wen-Chih, Lin	4,341,041	2.33

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Custodial Account Held through Man-Sang , Yu Used by CTBC Bank	3,891,469	2.09
Xue-Qing, Lin	3,566,787	1.92
Custodial Account (Yong Yang International) Used by CTBC Bank	3,112,772	1.67
Custodial Account (ASG INT'L CO., LTD.) Used by CTBC Bank	2,835,161	1.52
Xiu-Mei, Xu	2,826,000	1.52
Total	85,859,810	46.12

Note : Shares are held indirectly through Wen-Chih, Lin and Fang-Chu, Liao.

- (5) Market price per share, net value per share, earnings per share, dividends per share, and related information over the past two years

Item		Year		As of March 31, 2022	
		2020	2021		
Market Price per Share	Highest	154.50	139.50	124.50	
	Lowest	63.50	80.20	96.30	
	Average	110.51	105.38	111.04	
Net Value per Share	Before Distribution	45.67	48.64	-	
	After Distribution	43.97	45.64(Note)	-	
Earnings per Share	Weighted Average Shares (in Thousands)		177,369	185,535	-
	Earnings per Share	Before Adjustment	5.06	6.39	-
		After Adjustment	5.06	6.39	-
Dividends per Share	Cash Dividends		3.80	4.23(Note)	-
	Stock Dividends	-	-	-	-
		-	-	-	-
	Accumulated Undistributed Dividends		1.70	3.00	-
Return on Investment	Price/Earnings Ratio		21.84	16.49	-
	Price/Dividend Ratio		29.08	24.91(Note)	-
	Cash Dividend Yield		3.44%	4.01%(Note)	-

Note: Dividends for the second half of 2021 as resolved by the Board of Directors on February 25, 2022 are included.

(6) Dividend policy and its implementation

A. Dividend policy stipulated in the Articles of Incorporation

According to Article 34.1 of the Company's Articles of Incorporation, the Company shall distribute dividends as follows: According to the Company Act of Cayman Islands and the Articles of Incorporation, the Company may distribute dividends of shares issued or other dividends based on the distribution of earnings resolved by the Board of Directors and in the shareholders' meeting unless rights attached to shares are otherwise stipulated; the Company may pay such dividends or other dividends using legally available funds. As the industry is deeply affected by the consumer market and economy, it is impossible to distinguish the Company's growth stage; thus, at the end of the accounting period, the Board of Directors shall draw up a proposal for the distribution of earnings as follows: (i) The Company shall first set aside net income for offsets, and shall set aside 10% of the remainder for legal capital reserve until the accumulated legal capital reserve is equivalent to the Company's total capital; (ii) the Company shall appropriate special capital reserve according to the regulations of publicly listed companies or the regulator's requirements; (iii) the Company may appropriate up to 3% of the remainder for directors' remuneration and up to 3% of the remainder for bonuses of employees of the Company and its affiliated companies; (iv) the Company may distribute the remainder to shareholders in the form of cash or stock dividends, in a combination of cash and stock dividends, or in the form of bonuses (the representative shareholder will pay the unissued shares for distribution using the remainder; such shares will be recognized paid and distributed to shareholders according to the shareholding ratio) according to the Company Act of Cayman Islands and the regulations of publicly listed companies after considering financial, business, and operational factors. The dividends distributed to shareholders shall not be less than 20% of the remainder after deducting the preceding two items; in particular, cash dividends shall not be less than 20% of all dividends in the year. Cash dividends are distributed to a round number. A sum of cash dividends less than NT\$1 shall be recognized as other revenue. When the Company distributes earnings in the form of stock in accordance with this article, it shall be subject to a supermajority resolution in the shareholders' meeting; for the distribution of cash dividends, it shall be resolved by the Board of Directors.

According to Article 34.1.1 of the Articles of Incorporation, the Company may distribute earnings after the end of each semi-fiscal year. The earnings distribution proposal for the first half of the year, together with the business report and financial statements, shall be submitted to the Audit Committee for review and then to the Board of Directors for a resolution. When the Company distributes earnings in accordance with the provisions of the preceding paragraph, it shall first withdraw taxes to make up for previous years' losses first, and shall then set aside legal reserve unless legal reserve has reached the Company's paid-in capital. When the Company distributes earnings in the form of stock in accordance with this article, it shall be subject to a supermajority resolution in the shareholders' meeting; for the distribution of cash dividends, it shall be resolved by the Board of Directors. Such earnings to be distributed by the Company shall be based on the financial statements audited or reviewed by the CPAs.

B. Proposed distribution of dividend at the shareholders' meeting:

Unit: NT\$

Period	Date of Approval	Date of Distribution	Cash Dividends/ Share	Total Earnings Distributed
1st Half of 2021	December 28, 2021	April 15, 2022	1.23	228,208,097
2nd Half of 2021	February 25, 2022	(Note)	3.00	556,605,114

Note: The date of distribution shall be determined by the Chairman authorized by the Board of Directors and will be announced separately.

- (7) Effect of stock dividend distribution proposed at the shareholders' meeting on the Company's business performance and earnings per share: Not applicable.
- (8) Remuneration to employees and directors and supervisors: (The Company has no supervisor)
- A. Percentage or scope of remuneration to employees, directors and supervisors specified in the Company's Articles of Incorporation: Please refer to (6) A. Dividend policy stipulated in the Articles of Incorporation.
- B. The basis for estimating the amount of employees, directors, and supervisors' remuneration, for calculating the number of shares to be distributed as employees' remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:
- (A) In case of major changes in the amount of distribution resolved by the Board of Directors at the end of a year, the annual expense estimated shall be adjusted according to such changes. In case of changes in the amount at the date of resolution at the shareholders' meeting, the amount shall be adjusted in the year of resolution according to the changes in accounting estimates.
- (B) If the shareholders' meeting resolves to distribute employees' bonuses in the form of stock, the number of share bonuses is determined based on the amount of bonuses divided by the stock market value; the stock market value is determined based on the closing price a day prior to the shareholders' meeting (after considering the impact of ex-dividend and ex-rights).
- C. Status of remuneration distribution as approved by the Board of Directors:
- (A) Remuneration distributed to employees, directors, and supervisors in the form of cash or stock:
On February 25, 2022, the Board of Directors proposed distributing NT\$10,000,000 to employees and directors for 2021, respectively, which were the same as the estimates in the financial statements for 2021.
- (B) Ratio of employees' remuneration in the form of stock to the sum of net profit in the consolidated financial statements and total employees' remuneration: Not applicable.
- D. Actual distribution of remuneration for employees, directors, and supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized remuneration for employees, directors, and supervisors, the sum, cause, and treatment of the discrepancy shall be described:

On February 26, 2021, the shareholder's meeting resolved to distribute NT\$10,000,000 to employees and directors for 2020, respectively. Employees' remuneration and directors' remuneration distributed based on the resolution at the shareholders' meeting were the same as the amounts recognized in the financial statements for 2020.

(9) Repurchase of the Company's shares:

No repurchase of the company's share in the most recent fiscal year and as of the printing date of the Annual Report.

2. Issuance of Corporate Bonds

(1) Outstanding or pending corporate bonds

Type of Corporate Bond	5th Unsecured Convertible Corporate Bonds within the Republic of China
Date of Issuance (Placement)	August 17, 2020
Par Value	NT\$100,000
Place of Issuance and Transaction	Taipei Exchange
Issuing Price	NT\$106,550
Sum	NT\$500,000,000
Interest	Coupon rate: 0%
Term	3 years, mature on August 17, 2023
Guarantor	Not applicable
Trustee	Trust Department, Taipei Fubon Commercial Bank Co., Ltd.
Underwriter	IBF Securities
Certified Attorney	Attorney Yo-Liang Chen, Jheding International Law Offices
Certified Public Accountant	PwC Taiwan CPAs Shu-Hua, Hung and Yu-Chuan, Wang
Repayment Method	The corporate bonds shall be redeemed by cash at the face value upon maturity except they are converted into ordinary shares of the Company according to Article 14 of these Regulations, put according to Article 23 of these Regulations, recalled in advance according to Article 22 of these Regulations, or repurchased for cancellation by the securities dealer.
Unredeemed Capital	NT\$500,000,000 (as of April 15, 2022)
Provisions for Redemption or Advance Payoff	According to Article 22 of the Regulations Governing Issuance and Conversion of Corporate Bonds, from the day following 3 months after issuance to the 40th day prior to maturity, if (1) the closing price of the Company's ordinary shares exceeds the conversion price of the Company's convertible corporate bonds by 30%, the Company may redeem the bonds within 30 business days after the above period, or (2) if the balance of convertible corporate bonds outstanding is less than 10% of the original total face value, the Company may redeem the bonds by cash at any time after the above period.
Limiting Provisions	None
Name of Credit Rating Agency, Rating Date and Corporate Bond Ratings	Not applicable

Type of Corporate Bond		5th Unsecured Convertible Corporate Bonds within the Republic of China
Other Rights	Amount of Common Shares Already Converted (Swapped or Warranted) and Overseas Depository Receipts or Other Securities as of the Printing Date of the Annual Report	As of April 15, 2022, no convertible corporate bonds were converted into ordinary shares.
	Issuance and Conversion (Swap or Subscription) Methods	Please refer to the Company's Regulations Governing the Issuance and Conversion of the 5th Unsecured Convertible Corporate Bonds within the Republic of China.
Effects That the Measures for Issuance and Conversion, Trade, or Warrants May Have on the Potential Dilution of Equity and Current Shareholders' Equity.		Currently, 186,195,000 shares have been issued at the conversion price of NT\$104.7 per share. A total of 5,000 copies were unconverted as of April 15, 2022. If the balance of the convertible corporate bonds outstanding is converted into ordinary shares in full, 4,776,000 shares will increase with a dilution ratio of 2.56%, showing a limited effect on current shareholders' equity.
Name of the Commissioned Custodian of Exchangeable Underlying		None

(2) Information on convertible bonds

Unit: NT\$

Type of Corporate Bond		5th Unsecured Convertible Corporate Bonds within the Republic of China	
		Year	As of April 15, 2022
Market Price	Highest	2021 132.00	130.80
	Lowest	112.00	115.00
	Average	124.56	124.50
Conservation Price		2021.01.01~03.10:109.90 2021.03.11~10.17:107.80(Note 1) 2021.10.18~12.31 : 105.80(Note 1)	2022.01.01~03.20 : 105.80 2022.03.21~04.15 : 104.70 (Note 1)
Conversion Price at the Date of Issuance (Placement) and During Issuance		Issued on August 17, 2020, with the conversion price of NT\$112.0 at the time of issuance.	
Method For Exercising Conversion Obligations		Issuance of new shares	

Note : The conversion price was adjusted due to ex-dividends.

- 3. Preferred Stocks: None.**
- 4. Overseas Depository Receipts: None.**
- 5. Employee Stock Warrants: None.**
- 6. New Restricted Employee Shares: None.**
- 7. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.**
- 8. Implementation of Fund Application Plans: The Company has no uncompleted public issue or private placement of securities or corporate bonds, or such issues and placements that were completed in the most recent three fiscal years but have not yet fully yielded the planned benefits.**

V. Operational Highlights

1. Business Activities

(1) Scope of business

A. Main content of the business

The Company mainly specializes in the OEM production, sale, and distribution of shoes.

B. Proportion of business of main product (service) items

Unit: NT\$1,000, %

Main Product	2020		2021	
	Amount	%	Amount	%
Shoes	11,241,355	99.08	15,442,578	99.35
Others (Note)	104,286	0.92	101,683	0.65
Total	11,345,641	100.00	15,544,261	100.00

Note: Others include the agent sale of shoe materials, garment, and sports/leisure outdoor supplies.

C. Current product (service) items

The Company produces products suitable for jogging, hiking, mountain climbing, and sports activities.

D. New products (services) to be developed

The Company's product development team serves more than 50 world-renowned brands. Our shoe materials combine customers' design concept and are functional, such as water-proof, breathable, anti-slip, wear-resistant, and conductive and heat storage. Our development department develops outsoles and finds the best structure to offer high value-added shoes that meet various consumers' needs. Our functional shoes, such as GORE-TEX shoes, anti-slip boots, conductive work shoes, heat storage shoes, and iron work shoes, have delivered outstanding results, and the products developed with our customers have been awarded the best outdoor shoes in Europe.

The Company will keep track of changes in the shoe market, continue to learn and innovate, and develop a variety of recycled, reusable shoe materials as well as maintain good relationship with suppliers, so as to offer new products every year in the future. The Company's product development team has set up the technology research and development task force, the automated and semi-automated machine development task force, and the sole research and development task force to continuously improve the Company's competitiveness in the footwear industry.

(2) Industry status

The footwear industry is labor intensive. The global shoe manufacturing center has gone through many transfers with the cost of manufacture. The shoe manufacturing center has shifted from Italy and Spain to Japan, Taiwan, and South Korea in 1980s. In 1990s, the global OEM center for sports shoes has shifted to China, Indonesia, and Vietnam. Starting from 1996, China has become the world's largest producer and exporter of footwear products. Taiwanese manufacturers have transformed themselves into a design and development center of shoe types and materials and a raw material/material procurement center that produces high value-added shoe types and supports overseas production. As of today, Asian

countries, including China, Vietnam, India, Indonesia, and Thailand, provide more than 90% of global footwear products, making them the main production center of the footwear industry.

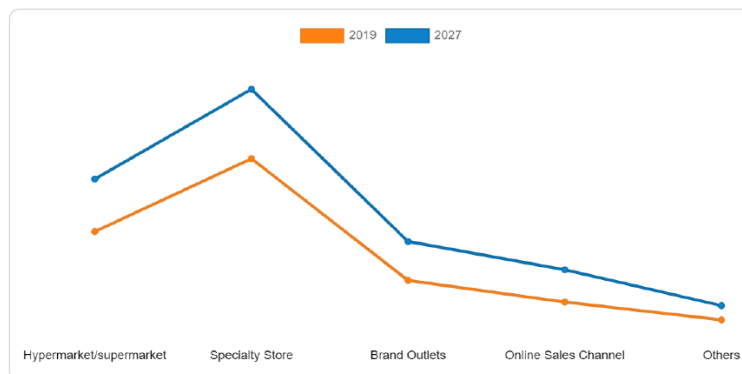
On the contrary, taking advantage of international trends and branding capacity, European and American shoe manufacturers focus on product design and development and commission Chinese manufacturers to produce shoes as OEMs and sell the shoes through their marketing network. European and American shoe manufacturers prioritize brand management and focus on value addition and marketing, so as to control the market and economic benefits.

A. Current situation and development

(A) Overview of global shoe market

Shoes are one of the necessities in livelihood, whose consumption quantity and amount show an upward growing trend as the population grows as well as fluctuates with the global fashion trends and macroeconomic environment. According to Statista, the total consumption for the global shoe market is estimated to reach US\$488.2 billion by 2022, with a growth rate of 7.65% in the global shoe market between 2022 and 2025.

Additionally according to the global shoe report released by Transparency Market Research, the primary shoe consumer market is divided into five regions, including North America, Latin America, Middle East and Africa, Asia Pacific, and Europe. Asia Pacific becomes the main consumer market, due to the consumption capacity boosted by urbanization and the influence from fashion trends in Europe and America. Moreover, advantage of vast population in China and India contribute to the accessing portal for brand shoe industries. With regards to marketing channel, apart from the existing physical store channel, the rise of e-commerce also changes the consumer habits for shopping. It is estimated that the online sales compound annual growth rate for shoes will reach 8.3% between 2020 and 2027.



Source: Allied Market Research (Foot Wear Market by Type: Global Opportunity Analysis and Industry Forecast, 2020-2027)

(B) Development of the shoe market in China

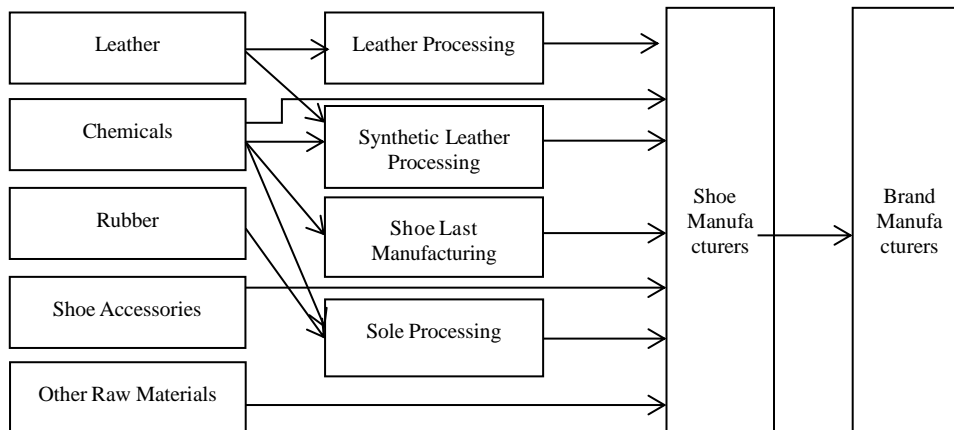
As mentioned above, China has become the world's largest shoe manufacturer. With the increase in the population and average income per person, the consumer market in China has expanded rapidly over the past few years. The changing population structure and increasing disposable income per person mean the increase in spending power of Chinese consumers, which promotes the development of the retail industry; this has turned export-oriented economy into consumer-oriented economy and increased the footwear consumption and demand for high-end shoes. According to Euromonitor's market survey, by 2024,

the scale is expected to reach RMB563.2 billion, as shown in the table below.

The shoe manufacturers in China are currently concentrated in the following four areas: (1) Guangzhou and Dongguan, which produce mid-end and high-end sports shoes and outdoor shoes; (2) Wenzhou and Taizhou, which produce affordable shoes; (3) Chongqing and Chengdu, which produce women's shoes; (4) Fujian, Quanzhou, and Jinjiang, which produce sports shoes. In recent years, demand for sports shoes, outdoor shoes, trendy shoes, and affordable shoes have increased. Many shoe manufacturers have started to improve their capacity for technological innovation and apply flexible manufacturing technology and 3D design to personalized products. This will promote the development of trendy, quality, and affordable shoes in China. As the footwear industry is cost-sensitive, the production base is located at places with low cost instead of major consumer markets. Currently, Chinese shoe manufacturers have encountered difficulties, such as increases in wages under the Labor Contract Law, rental, and living standards, resulting in less room for profit. In view of this, Chinese shoe manufacturers have moved their production lines to countries with advantageous labor cost, local government's support, and preferential duty, such as Vietnam, Indonesia, Cambodia, and India.

B. Correlation between upstream, midstream and downstream industries

As an OEM supplier of professional shoes, the Company's upstream industries supply raw materials (e.g., rubber and leather), chemicals (e.g., adipic acid), and accessories (e.g., shoelaces). Midstream industries, such as OEMs and ODMs, make products and deliver them to downstream industries, such as brand manufacturers, for sale. The correlation between upstream, midstream, and downstream industries is as follows:



Correlation between Upstream, Midstream and Downstream

Source: Industrial Development Bureau, Ministry of Economic Affairs

C. Various product trends

(A) Green industry and production of environmentally friendly technology

For global shoe manufacturers, the most important issue is how to use materials and make shoes in line with the concept of environmental protection. Many countries have started to legislate against new environmental issues. Recycling and reuse of industrial waste and restriction against production

and use of chemicals are also included in legislation. To comply with regulations pertaining to environmental protection, shoe manufacturers must take countermeasures to develop new technologies and skills, such as using new or more expensive materials for chemicals. The Company will reconfigure the manufacturing process to meet the limit of solvents, especially sole bonding and synthetic coating. Surface treatment technology will improve the performance of adhesives, further solving surface bonding issues.

(B) Application of high performance shoe materials

In addition to environmentally-friendly shoe materials that comply with regulations pertaining to environmental protection, the shoe market also requires high-performance materials to meet consumers' requirements for quality, comfort, and health care. Genetic engineering will make animals more consistent and predictable. With the development of bioengineering, authentic artificial leather may be developed. It is expected that synthetic materials will increasingly replace natural leather. At present, the focus of leather development is to make greater use of leather materials and to facilitate closer cooperation between tanneries and shoe manufacturers.

(C) Development of product aiming at intelligent shoe type

As living standards continue to increase, the demand for quality and functionality of shoes continues to increase. As high-tech products of new generation, smart shoes provide basic protection, safety, and comfort. The world's sports population has increased year by year. People exercise more in the early morning and at night, leading to the increasing demand for safety shoes. The global footwear industry is actively seeking breakthroughs in improving nighttime identification of shoes to increase safety. It is necessary to establish a technology that develops efficient, safe and smart shoes.

According to the research of KingNet, a national online hospital, in an environment below 5°C, it can easily cause skin frostbite if there is no thermal measure. For cold region activists and diabetics who are not sensitive to temperature, the development of temperature-controlled smart shoes is very important. In addition, the introduction of a comfortable structure and functional materials improves the comfort, safety, and competitiveness of smart shoes, making sporting goods and consumers' life closely connected.

(D) Process aiming at fully automated progress

With the increasing efficiency and scale of the footwear industry, shoe manufacturers have introduced advanced technologies and scaled production lines. Due to the increasingly intense competition worldwide, manufacturers are urged to integrate all aspects of production operations and various resources, so as to increase their competitiveness. As the labor-intensive footwear industry encounters increasing labor cost and decreasing human resources, automation in the manufacturing process has become of great importance. Robotic arms and automation control systems are applied to highly repetitive, action-critical processes to stabilize the quality of shoes, improve productivity and production management, and reduce cost of manufacture.

D. Competitive situations

The brand shoes produced by the Company are world-renowned brands with high technology and added value. The Company remains competitive by

working with world-renowned brands to develop and produce shoes. The Company maintains its competitiveness thanks to the following:

- (A) The Company has extended production lines of renowned sports shoes and functional outdoor shoes.
- (B) Different from the “mass production fewer types” and “popularity” of sports shoes, the “less production more types” and “functionality” of outdoor shoes remain the Company’s niches in the stable growth of production and sales for many years. The Company distinguishes itself by mobility, flexibility, innovation, and speed.
- (C) With the vertically integrated business model, the Company responds to customers' requirements quickly and immediately develops a diversity of products with a small quantity.

The Company believes that, although the footwear market competition continues to be intense, the production advantages and business strategy will enable the Company to stand out in the industry.

(3) Overview of technologies and research and development

A. Research and development (R&D) expenses in the most recent fiscal year and as of the printing date of the Annual Report.

Unit: NT\$1,000

Year	2020	2021
Item		
R&D Expenses	166,560	198,382
Consolidated Net Revenue	11,345,641	15,544,261
Ratio of R&D Expenses to Consolidated Net Revenue (%)	1.47	1.28

B. Successfully developed technologies or products

The important results of the Company's research and development of this year are as follows:

Process	Technology	Description
Modern Process Technology	Vulcanization canvas rubber automated production line	Converse vulcanization shoe automatic bia cutting. Automatic machinery feed, automatic cutting, and efficiency upgrade.
	Automatic matching printer	For large area of material printing, automatic printing along the trip, saving labor and improving efficiency.
	3D Air Aurora Equipment	Applicable on the large rubber sole, buffing-free, automatic buffing craft using plasma, dust-free and environmentally friendly.
	Automatic leather typesetting machine	Automatic photography identification, AI logistics algorithm typesetting, improving efficiency.
	Automatic leather vibrating-knife cutter	Visual identification, automatic leather cutting, improved efficiency.
	Multi-color thread computerized stitching machine	Three needles and 3 colors in the order of sewing, consecutive and no need to replace thread. Highly efficiency and labor saving.
	Use second pin to assist with the computerized machine	The edge and holes of the suede computer machine, compared with the traditional pin that could easily detach after seaming the side due to the different hardness if the traditional ping. The use of a second pin will control the binding for excellent sewing effect and stable quality.

Process	Technology	Description
	Seamless Press Machine	Even pressure in 360 degrees, stable adhesion.
	Four-station cold/hot vacuum suction molding machine	The vacuum suction molding machine hot-melts with 3D patterns, keeping the properties of the materials without deformation, maintaining better softness.
	Automatic elastic band cutter	Ultrasound is adopted to complete the automatic pressing & cutting of elastic band. The procedures are consolidated to upgrade efficiency.
Product Craft	0.5mm hot-melt 3D adhesion	Light, fashion shoe style, anti-wearable and green.
	Heel 3D press	Reduce production procedures, foot pattern, powerful packaging, and protecting the ankle.
	GORE-TEX New Material R&D	For professional hunting and fishing waterproof series of shoes, which waterproof/cold-resistance/permeability are greatly improved.
	Automatic tongue-label transfer + scanning in one	Reduce procedures, boost efficiency and save labor
	Snowboard No-Slip Pad	Function: Self-adhesive on the snowboard to assist with snowboarding.
Sole Craft	Glitter Vulcanization Strips	Glitters are added to brighten the appearance of strips and add aesthetics of shoes.
	Luminous Rubber	Rubber absorbs light in daytime while the luminous light at night can maintain long-lasting luminance. The use of such rubber on the sole can enhance the security of the fans of night runners.
	Recycled particles of vulcanization strips	The recycled wastes materials are used to prepare the particles of recycled use in rubber to reduce wastes and protect the environment.
	Ultra-clinical EVA foam	The use of NITROLITE EVA can make the material lighter, more flexible, odorless, and eco-friendly.
	EVA Insole with ESS and Seaming	This craft enhances support. The appearance of the seam effectively protects EVA from scratch and tear. The outsole with excessive sole can be replaced for extension of shoes' life span.
	3D Laser	The 3D laser etching on the heel of large sole and surrounding area relies on the rotation of the model and setup of laser energy, thereby meeting the non-plane laser craft.
	Rubber automation injection	Use automatic tray injection machine to produce large rubber sole with massive production. The automatic tray will automatically start the mold at fixed place. Employees only need to feed at fixed place to reduce employee demand and fatigue, thereby boosting efficiency and product quality.
	Rubber automation Roughing	Fixed large sole. Sucking, roughing, and vacuum cleaning all completed automatically through one machine. Applicable to large soles with slight curves on the side wall. Employees only need to feed materials by batch. Compared with traditional manual polishing, the efficiency of automatic polisher is substantially increased.
	Twin screw extruder craft	Rubber processing becomes simpler and effectively improves the quality to save labor costs.
	Outsole flocking	Post-processing procedures effectively boost the anti-slippery function of shoes, providing better visual effect on the outside.
Material	Poly Urethane Foaming Material	Low cost, soft, non-cracking, highly scalable, no need for polishing Weight advantage: (foaming materials only half the weight of rubber materials) Eco-friendly advantage: (foaming material 100% recyclable, water splitting)

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

A. Short-term business development plans

(A) Continuous expanding the Group's capacity and diversify production centers

As outdoor sports activities grow popular worldwide and industry trends remain growing, the Company will continue to expand its capacity in areas outside China in 2021. Most of our factories have been GORE-TEX certified with success, which creates more flexible room for the new orders and marketing in the coming year, thereby upgrading and improving quality and quantity. In 2021, revenue in China and outside China accounted for 30% and 70%, respectively; the percentage of the production capacity outside China increased from 60% in 2018, 66% in 2019, to 70% in 2020 and then to 70% in 2021. The Company will continue expanding its production centers in various countries to ensure the sound and solid business operations.

(B) Strengthening core technologies and accelerating upgrade for better business management

The Company has been in the footwear industry for 27 years old and over the years has accumulated shoe-making technologies. Fujian Sunshine Footwear Co., Ltd., Fulgent Sun Footwear Co., Ltd., Hubei Sunsmile Footwear Co., Ltd., Lin Wen Chih Sunbow Enterprises Co., Ltd., and NGOC HUNG Footwear Co., Ltd. have been GORE-TEX certified with a capacity for producing waterproof outdoor shoes. The Company has been a member of SATRA, HIGG, ISO, and others. Our products have long been recognized by customers and consumers. The Group's development team has set up the technology research and development task force, the automated and semi-automated machine development task force, the sole research and development task force, and the big data and artificial intelligence analytics task force, which are responsible for continuously improving core technologies, accelerating automated production and shoe development, and improving productivity, in order to bring in better business management across the Group.

B. Long-term business development plans

(A) Continuing software/hardware equipment upgrade and moving toward smart production

The Company launches replacement and gradual upgrade for all hardware/software while consolidating and optimizing production lines. The Company continuously works with the academia to improve the capacity for innovation and research and development. School platforms have been built to recruit and develop talent in each field. With continuous improvements in hardware and software, the Company aims to move toward smart production through human-machine collaboration, further building smart plants that feature adaption, efficiency, and human factors engineering.

(B) Consolidating the relationship with existing clients and developing potentially good clients

The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from world-renowned brands. Our products are sold across Europe, America, and Asia. Upholding the core values of integrity, innovation, speed, and quality and the spirit of ethics, intelligence, diligence, and sustainability, the Company will continue to develop new shoes with world-renowned brands and reinforce strategic cooperation under the principle of reciprocity and dependence.

(C) Improving corporate governance and investor relations, fulfilling corporate social responsibility, and pursuing sustainable and innovative growth

By fulfilling its objectives in corporate social responsibility, the Company pursues the power to improve the society and creates cycles of excellent performance through the involvement in corporate social responsibility. The Company has strived to implement corporate governance. Performance is a top priority, while corporate governance is fundamental. In addition to emphasizing the development of business, the management will continuously improve regulations pertaining to corporate governance in a stricter manner to ensure the rights and interests of stakeholders. The Company will pay close attention to issues and trends such as ESG at home and abroad and make practical adjustments; the Company will also improve the implementation of its corporate social responsibility and advance corporate governance and internal controls, so as to create value for all stakeholders and protect their rights and share operating results with all shareholders.

2. Market, Production, and Sales

(1) Market analysis

A. Sales (providing) regions of the main products (services)

Unit: NT\$1,000, %

Year		2020		2021	
		Amount	Percentage	Amount	Percentage
Domestic Sales (Note)		654,778	5.77	644,878	4.15
Export	Asia	855,981	7.55	825,993	5.31
	America	4,145,501	36.54	6,356,999	40.90
	Europe	5,505,054	48.52	7,495,826	48.22
	Africa	58,255	0.51	88,403	0.57
	Australia	126,072	1.11	132,162	0.85
	Sub-Total	10,690,863	94.23	14,899,383	95.85
Total		11,345,641	100.00	15,544,261	100.00

Note: Domestic sales refer to sales in China.

B. Market share

Major customers, such as The North Face, DKL, Meindl, Salewa, La Sportiva, Vans, UNDER ARMOUR, MERRELL and Timberland are the leading brands of outdoor shoes. In 2021, the total output of shoes made by the Company was approximately 25,266,000. The Company produces a wide array of shoes and as one of the few shoes manufacturers that have skills to produce a wide array of shoes, the Company maintains a certain percentage of market shares among the shoe manufacturers worldwide.

C. Supply and demand and growth of the future market

According to Statista's estimation, the annual growth rate of global footwear output is 10%, and the global output is expected to reach US\$416 billion between 2018 and 2023 with stable and positive growth. At present, major shoe manufacturers in the world are China, India, Vietnam, Brazil, and Indonesia. Having a large population, China and India provide a wealth of human resources in the footwear industry and also have huge demand for shoes; with foreign investments and economies of scale, China and India remain the world's top shoe manufacturers.

As global demand for shoes and production technology continue to grow, the global footwear output is expected to increase year by year.

D. Competitive niches

(A) A wealth of production lines, market diversification, and low idle rate

The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from world-renowned brands, and we serve as OEM for more than 50 brands. Our products are sold across Europe, America, and Asia. Orders are evenly distributed throughout the year.

(B) Economies of scale and control of production process

Our customers are Chinese and international brands of sports shoes and outdoor shoes. Compared with regional brands, they have higher requirements for the quantity, delivery, and quality of products. Having been in the industry for more than a decade, the Company has production bases in China, Vietnam, and Cambodia. In 2021, the Company produced 25,266,000 shoes. Our manufacturing process has been approved by ISO 9001, GB/T 19001, SATRA, GORE-TEX and SURROUND. Based on the policy of lean production, the Company reduces inventories to improve productivity in line with the international standards.

(C) Customers of the group OEM being the first brands at home and abroad

Our customers are the leading brands of sports shoes and outdoor shoes in terms of market share and technology, making our sports shoes and outdoor shoes competitive and grow significantly. This further reinforces the Company' strength among OEMs in the footwear industry.

(D) The Group's cost-competitive advantage

As the footwear industry is labor intensive, labor cost is one of the important aspects in the cost structure. The production bases of the Company are located in China and Vietnam, which have a wealth of human resources and low labor cost. In view of increasing wages in China and Vietnam in recent years, the Company established Lin Wen Chih Sunbow Enterprises Co., Ltd. in Cambodia, which has a wealth of human resources and low labor cost, in 2013 to reduce cost of manufacture.

E. Favorable and unfavorable factors of the development prospect and the corresponding measures

(A) Favorable factors of the development prospect

a. Rise of China and other emerging markets

In recent years, China, India, and Russia have shown rapid economic development and increasing population and income. In the example of China, and according to the statistics provided by National Bureau of Statistics of the People's Republic of China, the growth rate of GDP was 8.1% in 2021. With the economic recovery in Europe and America and the increasingly growing economy of China and other emerging markets, future consumption is expected to grow. According to the "Opinions on Accelerating the Development of the Sports Industry and Promoting Sports Consumption<2021-2025>" published by the State Council of the People's Republic of China in August, 2021, the total scale of China's sports industry by 2025 will exceed 5 trillion RMB, contributing greatly to the sustainable development of the economy and society.

b. Increasing awareness and population of sports activities worldwide

In recent years, people's consumption patterns and ideas have changed with improved living standards. More and more people have started to value sports activities and tourism. The increasing awareness of sports activities worldwide further promotes the expansion of the global sports industry. Demand for fitness and entertainment, competitive sports watching, and sporting goods is growing. In the U.S., the sports industry accounts for 3% to 7% of its GDP. Recently, the annual output value is close to US\$450 billion to US\$500 billion. Industries featuring fitness and entertainment are ranked top 3 in terms of output value in the U.S. The output value of the sports industry in other countries, such as the U.K., France, Germany, and Japan, also accounts for 1% to 3% of GDP. The output value of the sports industry in Switzerland even accounts for 3.37% of its GDP. The sports industry has also become the main growth point of the national economy in major Western countries.

c. Government support for the sports industry

In recent years, governments of various countries have formulated relevant support policies for the sports industry. The U.S., the U.K., Japan, Spain, and Russia have provided athletes and professional groups or companies building sports facilities with considerable tax preferences. China has gradually become the world's leading consumer of shoes, according to the "Opinions on Accelerating the Development of the Sports Industry and Promoting Sports Consumption<2021-2025>" published by the State Council of the People's Republic of China in August 2021, the total scale of China's sports industry will exceed 5 trillion RMB by 2025. China expects to drive the economy through the sports industry by continuously improving the scale and quality of the sports industry and increasing sports spending.

(B) Unfavorable factors of the development prospect

a. Continuous increase in labor cost

In the labor-intensive footwear industry, the Company requires a lot of human resources during production. In recent years, the increase in wages has caused the significant increase in cost of manufacture, especially for coastal cities in China; in addition, as China enforces the Labor Contract Law, labor cost, along with wages, has increased significantly, such as benefits and pensions, therefore offsetting revenue and profit.

Response measures:

- (a) The Company has gradually moved production bases to places with low labor cost. For example, the Company has expanded the production line and capacity of factory in Vietnam and factory in Cambodia with lower labor costs, and implemented lean production to improve productivity and reduced cost of manufacture.
- (b) Fujian Sunshine Footwear Co., Ltd. and Sunny Footwear Co., Ltd. with higher labor cost have undertaken to produce mid-end and high-end, value-added shoes with higher prices and increase the unit prices, so as to maintain a certain percentage of gross margin and profit with increases in labor cost and cost of manufacture.
- (c) The Company has modified its manufacturing process by introducing semi-automated machines, such as Orile, high-frequency hot cutting machines, RB hot press, 360 degree UV machines, automatic weighing machines, EVA automatic grinding machines, roughing robots, gluing

robots, applying robots, and outsole rubber spraying robots, to reduce labor cost and cost of manufacture.

(d)The Company pursues the agency of world-renowned brands of sports shoes and clothes using its existing resources and advantages, which drives revenue and profit and reinforces the growth and diversity of the Company's future operation.

(e)The Company implements the policy of lean production to reduce unnecessary waste of raw materials during production and integrate production points on the production line, so as to align productivity and reduce unnecessary work-in-process inventories. The Company also arranges or adjusts workers at production points appropriately to reduce waste of human resources. The aforementioned measures can improve the Company's productivity and reduce cost of manufacture.

b. Intensive competition and fast elimination in the footwear industry

With the expansion of sporting goods, competition has become increasingly intense. In addition to world-renowned brands, Chinese sporting goods manufacturers have emerged in recent years, offering a variety of new products in line with consumers' ever-changing preferences. A manufacturer only can produce hundreds of or thousands of shoe types. If manufacturers fail to respond immediately to market changes or develop leading products, they are highly likely to be eliminated.

Response measures:

(a)The Company increases the number and type of high-end, high value-added brand shoes and develops world-renowned brands at home and abroad to maintain its market share and reduce the significant influence of a single brand on the Company's operation.

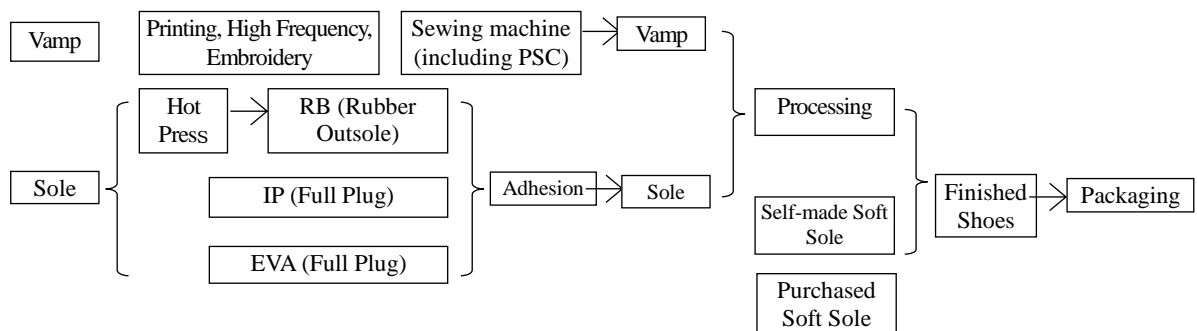
(b)With improved manufacturing process and production technology and innovation, the Company adjusts the manufacturing process quickly according to customers' requirements. The Company also adopts the policy of lean production to improve productivity and reduce waste, offering the output sufficient for new customers and existing orders.

(2) Major uses and production process of main products

A. Major uses of main products

Main Product	Main Functions and Uses
Shoes	Mountain climbing, snow walking, medical correction, jogging, hiking, and other casual activities

B. Production processes of main products



(3) Supply of main raw materials

Main Raw Material	Main Source of Supply	Ratio of Main Raw Material to Total Purchases (%)	Supply Condition
Textiles and Foam	Europe and Asia	22.79	Stable
Sole Materials and Semi-finished Products	Asia	21.12	Stable
Leather and Leatherette	Europe and Asia	16.64	Stable
Shoelaces, Eyelets, and Accessories	Asia	9.66	Stable

Note: Data for 2021.

(4) List of major customers

A. List of vendors that accounted for more than 10% of total purchases within any one of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ratio:

The Company's vendors disperse. There was no vendor that accounted for more than 10% of total purchases within any one of the last two years.

B. List of customers that accounted for more than 10% of total sales within any one of the last two years, their purchase amount and ratio, and reasons for changes in this amount and ration:

Unit: NT\$1,000

No.	2020				2021			
	Customer	Amount	Ratio of Sales to Net Sales through the Year (%)	Relationship with the Issuer	Customer	Amount	Ratio of Sales to Net Sales through the Year (%)	Relationship with the Issuer
1	A	2,630,162	23.18	None	A	2,655,241	17.08	None
2	C	1,156,757	10.20	None	B	2,266,820	14.58	None
3	B	1,143,930	10.08	None	-	-	-	-
	Others	6,414,792	56.54	-	Others	10,622,200	68.34	-
	Net Sales	11,345,641	100.00	-	Net Sales	15,544,261	100.00	-

Explanation for any changes:

The Company's major customers are world-renowned brands. In recent years, the Company has actively developed more outdoor brands in addition to maintaining cooperation with existing European and American brands. Except for few customers that changed their needs or strategies, the Company has maintained good cooperation with most customers. The changes in customers are described as follows:

(A) Customer A: The products produced by the Company are widely recognized in the market. The Company also maintains excellent cooperation with the Customer and is highly trusted by the customer. Revenue increased compared with last year.

(B) Customer B: The relationship with the customer is stable and cooperation is excellent. The Company is highly trusted by the customer and revenue increased compared with last year.

(C) Customer C: The relationship with the customer is stable and normal. Due to the increase in total revenue this year, its sales accounted for less than 10%.

(5) Production in the last two years

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

Main Product \ Year	2020			2021		
	Capacity	Yield	Value	Capacity	Yield	Value
Shoes	22,000	20,384	8,945,267	28,000	25,266	12,507,376
Others (Note)	-	-	72,673	-	-	76,339
Total	22,000	20,384	9,017,940	28,000	25,266	12,583,715

Note: Other refers to the agent sale of shoe materials, garment and sports/leisure outdoor supplies (For unpaired semi-finished products, quantity is not listed and only amount listed).

(6) Production in the last two years

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

Main Product \ Year	2020				2021			
	Domestic Sales (Note 2)		Export		Domestic Sales (Note 2)		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Shoes	1,015	587,891	18,595	10,653,464	1,229	612,920	24,471	14,829,658
Others (Note1)	-	66,887	-	37,399	-	31,958	-	69,725
Total	1,015	654,778	18,595	10,690,863	1,229	644,878	24,471	14,899,383

Note 1: Other refers to the agent sale of shoe materials, garment and sports/leisure outdoor supplies (For unpaired semi-finished products, quantity is not listed and only amount listed).

Note 2: Domestic sales refer to the sales in mainland China.

3. Human Resources

The number of employees, average service age, average age and academic distribution ratio in the last two years and as of the annual report date:

Unit: Person, year

Year		2020	2021	As of March 31, 2022
Number of Employees	Management	529	558	630
	Production Line	22,417	30,037	30,908
	General Employees	4,240	5,179	5,227
	Total	27,186	35,774	36,765
Average Age		33.95	34.18	34.56
Average Year of Services		3.53	3.37	3.10
Education Ratio	PhD	-	-	-
	Master	19	19	21
	Bachelor or Equivalent	555	742	805
	Senior High School	10,292	13,990	14,711
	Below Senior High School	16,320	21,023	21,228

4. Disbursements for Environmental Protection

For losses incurred from environmental pollution (including compensation and environmental protection audit results violating environmental protection should be listed with the date of discipline, discipline number, violation of provision and clauses, violation of regulation content, and content of discipline), in addition to disclose the estimated amount and response measures for current and in the future possibly. Failure make reasonable evaluation should explain the factors that could not be reasonably estimated: None.

5. Labor Relations

(1) Employee benefits, continuing education, training, retirement system and its implementation, agreements between the employer and employees, and protection of employees' rights and interests:

A. Employee benefits

- (A) The Company develops and promotes employees in a timely manner.
- (B) Employees have annual leaves every year.
- (C) Employees' performance is evaluated and awarded every year.
- (D) During employment, employees are eligible to annual health examinations.
- (E) Employees with outstanding performance in production are awarded.
- (F) The Company pays social insurance for employees according to local laws and regulations on a regular basis.
- (G) Dormitories, sports venues, and cultural activity centers are built inside the production base to provide employees a comfortable and pleasant environment for both work and life.

B. Continuing education and training

The Company offers new employees orientation on plant regulations, safety rules, environmental protection, and 5S (Sort, Set In Order, Shine, Standardize, Sustain) twice every week. Training programs on skills and safety management are also provided for existing employees and supervisors. Personal development plans are also made to improve employees' overall competency on a regular basis. Lecturers from consulting firms and professors are also engaged to teach supervisors and employees lean production; in addition, internal or external training courses are also provided for full-time employees as needed. The Company also assigns supervisors to participate in training courses on a regular basis to improve their personal quality and work skills. Results of training in 2021 are as follows:

Course	Number of Sessions	Number of Trainees	Total Hours
H-five Training (Managerial Level)	2	62	496.0
New Employee Orientation (Plant Regulations, 5S, HSE, and 3-level Safety Education)	12	913	3,652.0
Head Office's New Employee Orientation (Corporate Cultures and Products)	35	157	78.5
General Administration Office Internal Training	183	1,052	7,883.0
Total	232	2,184	12,109.5

C. Retirement system and its implementation

For the subsidiary of the Company in China, and according to the laws thereof, a monthly amount will be set aside and forwarded to the local bureau of labor and social security to pay for five funds related to employee retirement and insurance. Once an employee reaches the legal age of retirement, he/she may apply to the bureau of labor and social security for retirement pension. The Company also refers to local government regulations to provide retirement benefits for employees who reach the legal age of retirement.

The subsidiaries of the Company registered as subsidiaries according to the law of Vietnam. According to relevant laws of Vietnam, the Company has set aside 20.0% of an employee's base pay monthly and forwarded it to the local bureau of labor and social security to pay for social security, medical insurance, and unemployment insurance. Once an employee reaches the legal age of retirement, he/she may apply to the bureau of labor and social security for retirement pension.

Capital Concord Enterprises Limited Taiwan Branch (HK) is a branch of Capital Concord Enterprises Limited established in Taiwan. The Company has set up the retirement system according to the Labor Standards Act and appropriated 6% of an employee's monthly wage to the employee's personal pension account.

D. Agreements between the employer and employees, and protection of employees' rights and interests

The Company always values the rights and interests of employees and communicates with employees at any time to achieve people-oriented management. Employees are welcome to give feedback in meetings or by E-mail or mail at any time to facilitate labor communication. The Company maintains good labor communication and takes measures according to related laws and regulations. Since incorporation, the Company has not been punished by the regulator in charge of labor.

E. Protective measures for work environment and employees' personal safety

The Company provides employees health examinations on a regular basis to improve their awareness of health status. In the operating environment, all new employees are required to receive safety and health training; those operating special machines and equipment are required to receive special safety training. In special workplaces, employees shall wear personal protective equipment correctly. In the operating environment which may generate dust or organic solvent steam, employees shall wear a mask. In a noisy environment, employees shall wear earplugs. Other preventive measures taken in production bases included the installation of speed bumps, ventilation systems, silencers, and mechanical safety devices.

(A) Unit or person in charge of environmental, health, and safety management:

The occupational health management department monitors the warnings and notices of occupational diseases and hazards regularly or from time to time, and examines whether warning signs are clean and legible every six months. If warning signs are found damaged, deformed, or faded, they should be repaired or replaced immediately. Each workshop shall identify occupational diseases and hazards based on the requirements of the Warning Signs for Occupational Hazards in the Workplace (GBZ158) and report warning signs required for the operation to the authority in charge of occupational health management; after reviewing and approving the warning signs reported by each workshop, the authority in charge of occupational health management will purchase the qualified warning signs to ensure the implementation of the warning and notification system.

(B) Safety and health management systems and measures:

a. Occupational health training system

The occupational health management department shall work with the employee training department to ask for opinions on occupational health training according to laws and regulations and needs of positions, make and implement the occupational health training plan, and ensure the provision of training resources. The department shall also keep records of training and create training files, classify training, and evaluate the results of training for future improvement.

b. Maintenance system for occupational disease and hazard protective facilities

- (a) The occupational health management department shall examine the occupational disease and hazard protective facilities every month; departments of use shall examine the protective facilities every week; workers on duty shall record the operation of the facilities every day.
- (b) The occupational health management department shall work with the equipment management department to make and implement the maintenance plan for occupational disease and hazard protective facilities based on the needs of departments, frequently examine the daily use, maintenance, and repair of the protective facilities, and keep related records.
- (c) The equipment management department is responsible to repair the occupational disease and hazard protective facilities. When finding any malfunction, departments of use shall cut off the power and report to the equipment management department immediately. They are not allowed to repair the facilities or proceed with production without permission.

- (d) After the occupational disease and hazard protective facilities are repaired, the repair department shall clean up the site and confirm that the facilities are up to scratch before handing them over to the departments of use with both parties' signatures affixed.
 - (e) The occupational disease and hazard protective facilities at each workshop or department shall be maintained by a designated person, and a related record shall be kept every day.
- (2) For losses arising from labor disputes in the most recent year and as of the printing date of the Annual Report (including labor inspection results in violation of Labor Standard Acts, which should describe the date of discipline, discipline number, provisions violated, regulation violated, and content of discipline), disclose the estimated amount and response measures likely to occur now and in the future. If such estimation could not be reasonably made, state the facts that prevent reasonable estimation: None.

6. Information Security Management

(1) The framework of information security risk is described below:

- A. The Company has set up the IT department to be in charge of drafting information development strategies and information security policies, managing and improving information systems, and keeping abreast of changes in the information environment. The Company conducts security tests, information security surveys and consultations, and social engineering and information security incident drills on a regular basis to strengthen the employees' awareness of information security crises and the information security personnel's response, so as to prevent in advance and detect information security incidents in the first time and stop them from spreading. In 2021, there was no incidence of material information security risk that affected the Company's operation.
- B. The IT department convenes meetings on unscheduled basis to review the implementation. The risk management team reports to the Board of Directors each year for implementation and review.

To keep information security risks under control, the Company has drafted the information security policies as follows:

- (a) Control for Information Security Check
Prevent the enterprise information system from being invaded by foreign viruses or hackers to maintain the Company's normal business operation or rights and interests.
- (b) System Recovery Plan and Test Schedule Control
Ensure that the enterprise information system can be restored to normal business operations in the shortest time when it is damaged by force majeure events or human factors
- (c) File and Equipment Security Control
Prevent files and data from being invaded by computer viruses to maintain the security of files and data and computer equipment.
- (d) Program and Data Access Control
Define the authority and scope of users' access to system programs and data to prevent improper access to system utilities, tools, and commands.

Specific management programs are described separately as follows:

- (a) Control for Information Security Check
 - ① The Company's mail server is equipped with a firewall and anti-virus software to block foreign intrusions.
 - ② Contractors inspect the emails received and sent on the server on a regular basis and report any abnormal situations to supervisors in charge of handling.
 - ③ The IT department utilizes equipment to control and monitor online conduct and check the internet status and prevent unauthorized access.
 - ④ The IT department regularly checks and evaluates the possible security vulnerability of the internet and takes protective actions accordingly
- (b) System Recovery Plan and Test Schedule Control
 - ① The Company drafts the system recovery policies and makes amendments regularly.
 - ② The Company backs up systems regularly and designates the personnel to keep the backup files.

- ③ The Computer systems and designs are equipped with appropriate preventive measures to reduce the chance of improper damage.
- (c) File and Equipment Security Control
 - ① IT personnel carry out file backups in daily operations according to the file and equipment security control regulations.
 - ② IT personnel carry out the periodic inspection, repair, and maintenance of computer equipment and peripherals, fire safety equipment, and support equipment.
 - ③ IT personnel come at the reasons for any abnormal situations in the system, improve them, and keep them on file.
 - ④ Access to the computer room should be controlled
 - ⑤ IT personnel update the version of anti-virus software and scan the computer hard disks on a regular basis.
- (d) Program and Data Access Control
 - ① The access and use of program files should be controlled according to account authority.
 - ② Important system utilities, tools, and commands should be restricted to access and query according to account authority.
 - ③ Users of general application systems have no access to system utilities, tools, and commands apart from running the application system.
 - ④ The access and use of program files are kept in traceable records.
 - ⑤ Supervisors in charge review relevant records on a regular basis.
 - ⑥ Passwords should not be displayed on the computer screen, nor can they be printed on any report without being garbled.

The 2021 implementations are described below:

- (a) New employees will need to take basic email and information system related training before issuing an account number to assure the integration of information security concepts into daily operations
- (b) In 2021, six internal training and sharing sessions were conducted as well as information security education in other departments. The training content includes overall system security, information security, videoconference software operation, email, and training for website anti-phishing security, security label scanning system training, totaling 507.5 hours and 385 people. There was no information security incident that was hazardous to the group in 2021.
- (c) The daily remote backup of ERP data is conducted, with weekly disaster recovery drills to assure the normal recovery of remote backup data.
- (d) The continuous investment in establishing cloud desktops reduces the potential of computer viruses, prevents disclosure of internal data, and improves overall security.
- (e) The Group ensures “ESET Antivirus System” for the entire group every February; a New firewall is purchased for the new plant to assure internet connection and user security.

- (2) For losses, possible influence and response measures due to materials information security incidents in the 1 and content of discipline), disclose the estimated amount and response measures likely to occur now and in the future, in the most recent year and as of the printing date of the Annual Report If such estimation could not be reasonably made, state the facts that prevent reasonable estimation: None.

7. Important Contracts

Existing important contracts of the Group at main places of operation are as follows:

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Provision
Medium-term Loan Contract	CTBC Bank - Taiwan Branch	2021/07/30~2022/07/31	Line of credit NT\$100,000,000	None
Short-term Loan Contract	CTBC Bank - Taiwan Branch	2021/07/30~2022/07/31	Line of credit NT\$550,000,000 (NT\$15 million performance guarantee amount included)	Combined with USD
Short-term Loan Contract	Taipei Fubon Bank - Taiwan Branch	2021/11/25~2022/04/28	Line of credit NT\$200,000,000	Combined with USD & VND under NTD 400 million
Short-term Loan Contract	First Commercial Bank - Taiwan Branch	2021/04/29~2022/04/28	Line of credit NT\$300,000,000	None
Short-term Loan Contract	Bank of Taiwan - Taiwan Branch	2021/05/06~2022/05/05	Line of credit NT\$150,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2021/07/14~2022/07/13	Line of credit NT\$300,000,000	None
Short-term Loan Contract	KGI Bank - Taiwan Branch	2021/07/14~2022/07/13	Line of credit NT\$200,000,000	Real estate pledged
Short-term Loan Contract	HSBC Bank - Taiwan Branch	2021/05/21~2022/05/20	Line of credit NT\$270,000,000	Combined with US\$12 million
Short-term Loan Contract	Cathay United Bank - Taiwan Branch	2021/06/30~2022/06/29	Line of credit NT\$150,000,000	None
Short-term Loan Contract	Citibank - Taiwan Branch	2021/12/09~2022/12/08	Line of credit NT\$300,000,000	Combined with US\$44million
Short-term Loan Contract	Mega Bills - Taiwan Branch	2021/09/11~2022/09/10	Line of credit NT\$200,000,000	None
Bills of Exchange Contract	CTBC Bank - Capital Concord Enterprises Limited (HK)	2021/07/30~2022/07/31	Line of credit US\$5,000,000	None
Bills of Exchange Contract	Taipei Fubon Bank - Capital Concord Enterprises Limited (HK)	2021/04/29~2022/04/28	Line of credit US\$3,000,000	None
Bills of Exchange Contract	First Commercial Bank - Capital Concord Enterprises Limited (HK)	2021/06/22~2022/06/30	Line of credit US\$8,000,000	None
Bills of Exchange Contract	Cathay United Bank - Concord Enterprises Limited (HK)	2021/06/30~2022/06/30	Line of credit US\$3,000,000	None
Short-term Loan Contract	First Commercial Bank - Concord Enterprises Limited (HK)	2021/09/16~2022/09/17	Line of credit US\$45,000,000	None
Short-term Loan Contract	CTBC Bank - Concord Enterprises Limited (HK)	2021/07/30~2022/07/31	Line of credit US\$3,000,000	Combined with NTD short-term loans

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Provision
Short-term Loan Contract	Taipei Fubon Bank - Concord Enterprises Limited (HK)	2021/11/25~2022/04/28	Line of credit US\$5,000,000	Combined with NTD & VND under NTD 400 million
Short-term Loan Contract	Citibank - Concord Enterprises Limited (HK)	2021/12/09~2022/12/08	Line of credit US\$44,000,000	Combined with NTD
Short-term Loan Contract	HSBC Bank - Concord Enterprises Limited (HK)	2021/05/21~2022/05/20	Line of credit US\$12,000,000	Combined with NTD
Short-term Loan Contract	Cathay United Bank - Concord Enterprises Limited (HK)	2021/11/30~2022/06/30	Line of credit US\$8,000,000	None
Short-term Loan Contract	KGI Bank - Concord Enterprises Limited (HK)	2021/07/13~2022/07/14	Line of credit US\$20,000,000	None
Short-term Loan Contract	Taipei Fubon Bank – Fulgent Sun Footwear (VN)	2021/11/25~2022/04/28	Line of credit US\$5,000,000	Combined with NTD & VND under NTD 400 million

VI. Financial Highlights

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

(1) Condensed balance sheets

Unit: NT\$1,000

Item \ Year		Financial Information for the Most Recent Five Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		4,673,674	5,603,994	6,269,517	7,046,740	8,895,917
Property, Plant and Equipment		4,319,269	4,930,269	5,727,356	5,920,768	7,320,208
Intangible Assets		18,581	16,970	16,242	13,637	11,468
Other Assets		405,757	572,435	976,052	1,368,912	1,373,073
Total Assets		9,417,281	11,123,668	12,989,167	14,350,057	17,600,666
Current Liabilities	Before Distribution	2,835,410	3,374,578	4,098,166	4,650,984	7,769,488
	After Distribution	3,434,964	3,962,756	5,061,225	4,966,394	8,326,093 (Note 2)
Non-current Liabilities		338,238	1,211,474	617,291	1,183,756	788,702
Total Liabilities	Before Distribution	3,173,648	4,586,052	4,715,457	5,834,740	8,558,190
	After Distribution	3,773,202	5,174,230	5,678,516	6,150,150	9,114,795 (Note 2)
Equity Attributable to Owners of Parent Company		6,199,873	6,499,340	8,229,220	8,473,574	9,024,867
Share Capital		1,461,973	1,528,621	1,747,566	1,861,950	1,861,950
Capital Surplus		3,336,445	3,377,120	4,459,672	5,256,344	5,256,344
Retained Earnings	Before Distribution	1,880,413	2,014,140	2,705,157	2,250,050	2,891,598
	After Distribution	1,280,859	1,425,962	1,742,098	1,934,640	2,334,993 (Note 2)
Other Equity		(446,134)	(420,541)	(683,175)	(837,187)	(927,442)
Treasury Stocks		(32,824)	-	-	(57,583)	(57,583)
Non-controlling Interests		43,760	38,276	44,490	41,743	17,609
Total Equity	Before Distribution	6,243,633	6,537,616	8,273,710	8,515,317	9,042,476
	After Distribution	5,644,079	5,949,438	7,310,651	8,199,907	8,485,871 (Note 2)

Note 1: Financial information above has been audited by the CPAs.

Note 2: Dividends for the second half of 2021 as resolved by the Board of Directors on February 25, 2022 are included.

(2) Condensed statements of comprehensive income

Unit: NT\$1,000

Year Item	Financial Information for the Most Recent Five Years (Note)				
	2017	2018	2019	2020	2021
Operating Revenue	10,388,151	10,070,151	12,842,525	11,345,641	15,544,261
Gross Profit from Operations	2,055,143	1,813,019	2,528,606	2,382,004	2,803,621
Operating Income	1,130,850	834,388	1,456,975	1,273,087	1,469,910
Non-operating Income and Expenses	(111,027)	95,434	55,194	(224,101)	(80,332)
Income before Tax	1,019,823	929,822	1,512,169	1,048,986	1,389,578
Income from Continuing Operations	796,003	737,286	1,276,511	895,514	1,184,671
Net Income (Loss)	796,003	737,286	1,276,511	895,514	1,184,671
Other Comprehensive Income (Income after Tax)	(203,185)	26,246	(264,473)	(154,698)	(91,331)
Total Comprehensive Income	592,818	763,532	1,012,038	740,816	1,093,340
Net Income Attributable to Owners of Parent Company	803,113	743,001	1,279,195	897,575	1,185,166
Net Income Attributable to Non-controlling Interests	(7,110)	(5,715)	(2,684)	(2,061)	(495)
Total Comprehensive Income Attributable to Owners of Parent Company	601,347	769,016	1,016,560	743,563	1,094,911
Total Comprehensive Income Attributable to Non-controlling Interests	(8,529)	(5,484)	(4,522)	(2,747)	(1,571)
Earnings per Share (NT\$)	5.65	5.1	7.81	5.06	6.39

Note: Financial information above by year has been audited by the CPAs.

(3) Names of CPAs and audit opinion for the most recent five years

Year	CPA	Accounting Firm	Audit Opinion
2017	Shu-Hua, Hung and Yu-Chuan, Wang	PwC Taiwan	Unqualified
2018	Shu-Hua, Hung and Yu-Chuan, Wang	PwC Taiwan	Unqualified
2019	Shu-Hua, Hung and Yu-Chuan, Wang	PwC Taiwan	Unqualified
2020	Shu-Hua, Hung and Yu-Chuan, Wang	PwC Taiwan	Unqualified
2021	Hua-Ling, Liang and Yu-Chuan, Wang	PwC Taiwan	Unqualified

2. Financial Analysis for the Most Recent Five Years

Item (Note 2) \ Year		Financial Information for the Most Recent Five Years (Note 1)				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt-asset Ratio	33.70	41.23	36.30	40.66	48.62
	Ratio of Long-term Capital to Property, Plant and Equipment	152.38	157.17	155.24	163.81	134.30
Solvency (%)	Current Ratio	164.83	166.07	152.98	151.51	114.5
	Quick Ratio	108.74	108.54	98.17	90.04	62.00
	Interest Coverage Ratio	6,713.21	4,160.71	4,447.81	4,303.68	4,671.88
Operating Ability	Average Collection Days	6.36	5.01	5.73	4.92	5.51
	Inventory Turnover Rate (Times)	57	73	64	74	66.24
	Payables Turnover Rate (Times)	4.92	4.66	4.94	3.55	3.75
	Average Days for Sale	10.04	8.61	8.58	5.86	6.10
	Property, Plant and Equipment Turnover Rate (Times)	74	78	74	103	97
	Total Asset Turnover Rate (Times)	2.42	2.18	2.41	1.95	2.35
	Average Collection Days	1.12	0.98	1.07	0.83	0.97

Year		Financial Information for the Most Recent Five Years (Note 1)				
		2017	2018	2019	2020	2021
Item (Note 2)						
Profitability	Return on Assets (%)	8.75	7.36	10.82	6.70	7.57
	Return on Equity (%)	13.33	11.54	17.24	10.67	13.49
	Ratio of Income before Tax to Paid-in Capital (%)	69.76	63.57	86.53	56.34	74.63
	Net Profit Margin (%)	7.66	7.32	9.94	7.89	7.62
	Earnings per Share (NT\$)	5.65	5.10	7.81	5.06	6.39
Cash Flow	Cash Flow Ratio (%)	33.78	25.86	41.56	29.78	7.81
	Cash Flow Adequacy Ratio (%)	70.62	72.56	75.38	66.36	43.68
	Cash Flow Reinvestment Ratio (%)	5.50	2.58	9.87	3.42	(0.77)
Leverage	Operating Leverage	1.95	2.32	2.17	2.09	2.23
	Financial Leverage	1.01	1.03	1.02	1.02	1.02

The reasons why the financial ratios have changed more than 20% in the last two years are as follows:

1. Current ratio and quick ratio: Due to the increase in current borrowings and current portion of bonds payable of 2021.
2. Return on equity, ratio of income before tax to paid-in capital and earnings per share: Due to the steady expansion of production capacity in 2021 and the increasing improvement of production efficiency, coupled with many synergies such as the appropriate adjustment of brand customers and optimization of product portfolios, under effective cost control, operating profits and pre-tax net profits have increased significantly, affecting overall profit.
3. Cash flow ratio, Cash Flow Adequacy Ratio and cash flow reinvestment ratio: The increase in sales led to higher accounts receivable. In addition, due to the abundant orders and the accelerated production of the production line, the inventory increased. In summary, the net cash inflow from operating activities decreased than last year.

Note 1: Financial information above has been audited by the CPAs.

Note 2: The calculation formulas are as follows:

1. Financial structure

(1) Debt-asset Ratio = Total Liabilities / Total Assets.

(2) Ratio of Long-term Capital to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities.

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.

(3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.

3. Operating ability

(1) Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) Turnover Rate = Net Sales / Average Receivables (including Accounts Receivable and Notes Receivable Arising from Operations) for Each Period.

(2) Average Collection Days = 365 / Receivables Turnover Rate.

(3) Inventory Turnover Rate = Cost of Sales / Average Inventory.

(4) Payables (including Accounts Payable and Notes Payable Arising from Operations) Turnover Rate = Net Sales / Average Payables (including Accounts Payable and Notes Payable Arising from Operations) for Each Period.

(5) Average Days for Sale = 365 / Inventory Turnover Rate.

(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Property, Plant and Equipment.

(7) Total Asset Turnover Rate = Net Sales / Average Total Assets.

4. Profitability

(1) Return on Assets = [Net Income + Interest Expenses (1- Tax Rate)] / Average Total Assets.

(2) Return on Equity = Net Income / Average Total Equity.

(3) Net Profit Margin = Net Income / Net Sales.

(4) Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock) / Weighted Average Number of Shares Issued.

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.

(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Additions + Cash Dividends) for the Most Recent Five Years.

(3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Non-current Assets + Working Capital).

6. Leverage

(1) Operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income.

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses).

3. Audit Committee's Review Report for the Most Recent Year

Audit Committee's Review Report

In the Company's Business Report, Consolidated Financial Statements, and Proposal for Distribution of Earnings for 2021, the Consolidated Financial Statements have been audited by CPAs Hua-Ling, Liang, and Yu-Chuan, Wang of PwC Taiwan, with an unqualified report issued.

The aforesaid Business Report, Consolidated Financial Statements, and Proposal for Distribution of Earnings have been reviewed by the Audit Committee with no discrepancy found. A review report is presented herein.

To
Shareholders' Meeting in 2022
Fulgent Sun International (Holding) Co., Ltd

Convener of the Audit Committee: Kun-Hsien, Chang
Date: February 25, 2022

4.Financial Statements for the Most Recent Year

Independent Auditor's Report

To the Board of Fulgent Sun International (Holding) Co., Ltd.:

Opinion

We have audited the consolidated balance sheets of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of the year ended December 31, 2021, and 2020, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis of Opinion

We have conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section below. We are independent of the Group in accordance with the Norms of Professional Ethics for Certified Public Accountants in 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, 2021. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on those matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021, are stated as follows:

Sales Revenue Recognition

Description

Please refer to the consolidated financial statements (Note 4 (29)) for the accounting policy on sales revenue. The revenue of the Group the year ended December 31, 2021, was NT\$15,544,261 thousand.

The Group is engaged in the production and sale of sports and leisure outdoor shoes. The sales income is mainly generated from exporting business. In terms of the trading conditions of sales revenue, control over the goods is transferred when the exporting goods are delivered to the forwarders designated by the customers.

The Group had 39% sale growth achieved in the years ended December 31, 2021. The sales revenue recognition date for exporting business will impact the financial statements significantly and involves manual control; therefore, we believe that the correctness of income recognition is one of this year's key audit matters.

Corresponding Audit Procedures

Our audit procedures for the specific aspects described in the key audit matter above are summarized as follows:

1. We understood and evaluated the operating procedures and internal controls for the sale of goods, so as to evaluate the effectiveness of management's control over the recognition of sales revenue.
2. We examined the income recognition of exporting business and checked the supporting documents and invoices within to ensure the correctness of the sales.
3. We examined the significant export sales return and check the sales return documents (credit memos) within to confirm the accuracy of income recognition of exporting business.

Allowance for Inventory Valuation Losses

Description

Please refer to the consolidated financial statements for the accounting policy on inventory evaluation (Note 4(12)), the uncertainty of accounting estimates and assumptions on inventory evaluation (Note 5(2)), and the description of the allowance for inventory valuation losses (Note 6(4)). As of December 31, 2021, the inventory balance of the Group was NT\$3,897,515 thousand, and the allowance for inventory valuation losses was NT\$77,935 thousand.

The total inventory amount of the Group increased by 41% in 2021 and measures inventories that are aged over a certain period of time and individually identified with impairment at the lower of cost or net realizable value. The net realizable value used in the evaluation of such inventories often involves subjective judgment. Considering that the Group's allowance for inventory valuation losses has a significant impact on the financial statements, we classify the allowance for inventory valuation losses as one of this year's key audit matters.

Corresponding Audit Procedures

Our audit procedures for the specific aspects described in the key audit matter above are summarized as follows:

1. We understood and evaluated the reasonableness of the Group's subsequent inventory evaluation and provision of obsolescence losses.
2. We reviewed the Group's annual inventory plans and participated in the annual inventory checks to assess the effectiveness of management's differentiation and control over obsolete inventory.
3. We obtained the inventory aging report and checked it against the relevant supporting documents of the inventory change date, and verified whether the aging range of the inventory was correctly classified and consistent with the accounting policy.
4. We obtained the net realizable value report of various inventories to verify whether the calculation logic was used consistently; we also tested the reference data of the estimated net realizable value of the inventory, including checking the supporting documents such as sales prices and purchase prices, and recalculated and evaluated the rationality of the allowance for inventory valuation losses.

Responsibilities of the 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 applicable IFRS, IAS, IFRIC, and SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management deems necessary to enable the preparation of the consolidated financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group as a going concern, disclosing, as applicable, matters related to the going concern, and using the going concern basis of accounting unless management either intends to liquidate or to suspend the business of the Group if there are no other practical options.

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

Auditor's 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 auditor's report. Reasonable assurance means a high degree of assurance, but it is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

When conducting the audit work per the auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism. We also:

1. Identified and assessed the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures in response to the risks, and obtained evidence sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understood the internal control related to the audit in order to design the appropriate audit procedures in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by management.
4. Concluded, based on the audit evidence obtained, whether management's use of the going concern basis of accounting was appropriate and whether there were significant uncertainties in the events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions were based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated statements, including related notes, and whether the consolidated statements represented the underlying transactions and events in a matter that achieved fair presentation.
6. Obtained sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group, and for expressing an opinion on the audit of the Group.

We communicated with those in charge of 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 identified during our audit).

We provided those in charge of governance a statement that we have complied with relevant ethical requirements for independence under the Norms of Professional Ethics for Certified Public Accountants in the Republic of China. We also communicated with them regarding all relationships and other matters (including relevant protection measures) that could reasonably be thought to bear on our independence.

From the matters communicated with those in charge of governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and were therefore the key audit matters. We described these matters in our auditor's 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 Hua-Ling, Liang and Yu-Chuan, Wang.

PricewaterhouseCoopers

Taipei, Taiwan
Republic of China

February 25, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,114,952	7	\$ 1,567,828	11
1170	Accounts receivable, net	6(3)	3,335,859	19	2,270,550	16
1200	Other receivables		212,600	1	184,911	1
130X	Inventories	6(4)	3,897,515	22	2,730,221	19
1410	Prepayments		181,074	1	128,846	1
1470	Other current assets	6(7) and 8	153,917	1	164,384	1
11XX	Total current assets		<u>8,895,917</u>	<u>51</u>	<u>7,046,740</u>	<u>49</u>
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	7,607	-	9,289	-
1600	Property, plant and equipment	6(5) and 8	7,320,208	41	5,920,768	41
1755	Right-of-use assets	6(6)	1,168,839	7	946,346	7
1780	Intangible assets		11,468	-	13,637	-
1840	Deferred tax assets	6(24)	58,378	-	69,738	1
1900	Other non-current assets	6(7) and 8	138,249	1	343,539	2
15XX	Total non-current assets		<u>8,704,749</u>	<u>49</u>	<u>7,303,317</u>	<u>51</u>
1XXX	Total assets		<u>\$ 17,600,666</u>	<u>100</u>	<u>\$ 14,350,057</u>	<u>100</u>

(Continued)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

Liabilities & Shareholders' Equity	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2100	Current borrowings	6(8) and 8	\$ 3,122,600	18	\$ 1,322,960	9
2130	Current contract liabilities	6(18)	76,092	-	52,618	1
2170	Accounts payable		2,512,476	14	1,666,662	12
2200	Other payables	6(9)	1,374,273	8	1,391,483	10
2230	Current tax liabilities		158,029	1	160,141	1
2280	Current lease liabilities		14,704	-	40,864	-
2320	Current portion of other long-term liabilities	6(10)	489,956	3	-	-
2399	Other current liabilities - others		21,358	-	16,256	-
21XX	Total current liabilities		<u>7,769,488</u>	<u>44</u>	<u>4,650,984</u>	<u>33</u>
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(2)	700	-	250	-
2530	Bonds payable	6(10)	-	-	483,820	3
2540	Long-term loans	6(11)	100,000	1	-	-
2570	Deferred tax liabilities	6(24)	1,595	-	786	-
2580	Non-current lease liabilities		477,801	3	486,855	3
2600	Other non-current liabilities	6(12)	208,606	1	212,045	2
25XX	Total non-current liabilities		<u>788,702</u>	<u>5</u>	<u>1,183,756</u>	<u>8</u>
2XXX	Total liabilities		<u>8,558,190</u>	<u>49</u>	<u>5,834,740</u>	<u>41</u>
Equity attributable to the owners of the parent company						
Share capital						
3110	Ordinary share	6(15)	1,861,950	10	1,861,950	13
Capital surplus						
3200	Capital surplus	6(16)	5,256,344	30	5,256,344	36
Retained earnings						
3310	Legal reserve	6(17)	684,352	4	601,681	4
3320	Special reserve		975,266	5	852,629	6
3350	Unappropriated retained earnings		1,231,980	7	795,740	6
Other equity						
3400	Other equity interest		(927,442)	(5)	(837,187)	(6)
3500	Treasury shares	6(15)	(57,583)	-	(57,583)	-
31XX	Total equity attributable to owners of parent company		<u>9,024,867</u>	<u>51</u>	<u>8,473,574</u>	<u>59</u>
36XX	Non-controlling interests		<u>17,609</u>	<u>-</u>	<u>41,743</u>	<u>-</u>
3XXX	Total equity		<u>9,042,476</u>	<u>51</u>	<u>8,515,317</u>	<u>59</u>
Significant Contingent Liabilities and Unrecognized Contractual Commitments						
3X2X	Liabilities and total equity		<u>\$ 17,600,666</u>	<u>100</u>	<u>\$ 14,350,057</u>	<u>100</u>

The notes set out below form an integral part of the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
 Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
 Consolidated Statements of Comprehensive Income
 For the Years Ended December 31, 2021 and 2020
 (Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Notes	2021		2020		
		Amount	%	Amount	%	
4000	Operating revenue	6(18)	\$ 15,544,261	100	\$ 11,345,641	100
5000	Operating costs	6(4)	(12,740,640)	(82)	(8,963,637)	(79)
5950	Gross profit from operations		<u>2,803,621</u>	<u>18</u>	<u>2,382,004</u>	<u>21</u>
	Operating expenses	6(23)				
6100	Selling expenses		(311,978)	(2)	(196,991)	(2)
6200	Administrative expenses		(823,351)	(6)	(745,366)	(7)
6300	Research and development expenses		(198,382)	(1)	(166,560)	(1)
6000	Total operating expenses		(1,333,711)	(9)	(1,108,917)	(10)
6900	Net operating income		<u>1,469,910</u>	<u>9</u>	<u>1,273,087</u>	<u>11</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	9,466	-	9,727	-
7010	Other income	6(20)	87,069	1	64,486	-
7020	Other gains and losses	6(21)	(146,473)	(1)	(273,360)	(2)
7050	Finance costs	6(22)	(30,394)	-	(24,954)	-
7000	Total non-operating income and expenses		(80,332)	-	(224,101)	(2)
7900	Profit from continuing operations before tax		<u>1,389,578</u>	<u>9</u>	<u>1,048,986</u>	<u>9</u>
7950	Tax expenses	6(24)	(204,907)	(1)	(153,472)	(1)
8200	Profit		<u>\$ 1,184,671</u>	<u>8</u>	<u>\$ 895,514</u>	<u>8</u>
	Other comprehensive income, net					
	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation		(\$ 91,331)	(1)	(\$ 154,698)	(1)
8300	Other comprehensive income, net		<u>(\$ 91,331)</u>	<u>(1)</u>	<u>(\$ 154,698)</u>	<u>(1)</u>
8500	Total comprehensive income		<u>\$ 1,093,340</u>	<u>7</u>	<u>\$ 740,816</u>	<u>7</u>
	Profit attributed to:					
8610	Owners of the parent company		<u>\$ 1,185,166</u>	<u>8</u>	<u>\$ 897,575</u>	<u>8</u>
8620	Non-controlling interests		<u>(\$ 495)</u>	<u>-</u>	<u>(\$ 2,061)</u>	<u>-</u>
	Comprehensive income attributable to:					
8710	Owners of the parent company		<u>\$ 1,094,911</u>	<u>7</u>	<u>\$ 743,563</u>	<u>7</u>
8720	Non-controlling interests		<u>(\$ 1,571)</u>	<u>-</u>	<u>(\$ 2,747)</u>	<u>-</u>
	Basic earnings per share	6(25)				
9750	Total basic earnings per share		<u>\$ 6.39</u>		<u>\$ 5.06</u>	
	Diluted earnings per share					
9850	Total diluted earnings per share		<u>\$ 6.26</u>		<u>\$ 5.00</u>	

The notes set out below form an integral part of the consolidated financial statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
 Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
 Consolidated Statements of Changes in Equity
 For the Years Ended December 31, 2021 and 2020
 (Expressed in thousands of New Taiwan dollars)

	Notes	Equity Attributed to Owners of Parent							Non-controlling Interests	Total Equity	
		Ordinary share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Treasury shares			Total
Balance, January 1, 2020		\$ 1,747,566	\$ 4,459,672	\$ 421,155	\$ 420,541	\$ 1,863,461	(\$ 683,175)	\$ -	\$ 8,229,220	\$ 44,490	\$ 8,273,710
Profit for the year		-	-	-	-	897,575	-	-	897,575	(2,061)	895,514
Other comprehensive income		-	-	-	-	-	(154,012)	-	(154,012)	(686)	(154,698)
Total comprehensive income		-	-	-	-	897,575	(154,012)	-	743,563	(2,747)	740,816
Distribution of earnings for 2019	6(17)										
Legal reserve appropriated		-	-	127,920	-	(127,920)	-	-	-	-	-
Special reserve appropriated		-	-	-	262,634	(262,634)	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(963,059)	-	-	(963,059)	-	(963,059)
Distribution of earnings for the six-month period ended June 30, 2020	6(17)										
Legal reserve appropriated		-	-	52,606	-	(52,606)	-	-	-	-	-
Special reserve appropriated		-	-	-	169,454	(169,454)	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(389,623)	-	-	(389,623)	-	(389,623)
Issue of shares	6(14) (15) (16)	100,000	692,844	-	-	-	-	-	792,844	-	792,844
Due to recognition of equity component of convertible bonds issued	6(16)	-	48,201	-	-	-	-	-	48,201	-	48,201
Conversion of convertible bonds	6(10) (15) (16) (26)	14,384	55,627	-	-	-	-	-	70,011	-	70,011
Purchase of treasury shares	6(15)	-	-	-	-	-	-	(57,583)	(57,583)	-	(57,583)
Balance, December 31, 2020		\$ 1,861,950	\$ 5,256,344	\$ 601,681	\$ 852,629	\$ 795,740	(\$ 837,187)	(\$ 57,583)	\$ 8,473,574	\$ 41,743	\$ 8,515,317
Balance, January 1, 2021		\$ 1,861,950	\$ 5,256,344	\$ 601,681	\$ 852,629	\$ 795,740	(\$ 837,187)	(\$ 57,583)	\$ 8,473,574	\$ 41,743	\$ 8,515,317
Profit for the year		-	-	-	-	1,185,166	-	-	1,185,166	(495)	1,184,671
Other comprehensive income		-	-	-	-	-	(90,255)	-	(90,255)	(1,076)	(91,331)
Total comprehensive income		-	-	-	-	1,185,166	(90,255)	-	1,094,911	(1,571)	1,093,340
Distribution of earnings for the six-month period ended December 31, 2020	6(17)										
Legal reserve appropriated		-	-	37,151	-	(37,151)	-	-	-	-	-
Reversal of special reserve		-	-	-	(15,442)	15,442	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(315,410)	-	-	(315,410)	-	(315,410)
Distribution of earnings for the six-month period ended June 30, 2021	6(17)										
Legal reserve appropriated		-	-	45,520	-	(45,520)	-	-	-	-	-
Special reserve appropriated		-	-	-	138,079	(138,079)	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(228,208)	-	-	(228,208)	-	(228,208)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(22,563)	(22,563)
Balance, December 31, 2021		\$ 1,861,950	\$ 5,256,344	\$ 684,352	\$ 975,266	\$ 1,231,980	(\$ 927,442)	(\$ 57,583)	\$ 9,024,867	\$ 17,609	\$ 9,042,476

The notes set out below form an integral part of the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
For the Year ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 1,389,578	\$ 1,048,986
Adjustments			
Profit and loss			
Adjustments to reconcile profit or loss	6(2) (21)		
Net gain on financial assets or liabilities at fair value through profit or loss		2,132	(4,785)
Depreciation expense	6(5) (6)	767,257	699,969
	(23)		
Amortization expense	6(23)	18,591	33,104
Expected credit losses (gain)	12(2)	23,960	(3,770)
Loss on disposal of property, plant, and equipment	6(21)	2,853	8,041
Interest income	6(19)	(9,466)	(9,727)
Interest expenses	6(22)	30,394	24,954
Share-based payment	6(14)	-	45,570
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		(1,209,543)	(40,922)
Other receivables		(29,660)	33,762
Inventories		(1,259,325)	(703,443)
Prepayments		(54,485)	(31,257)
Other current assets		(24,481)	(15,083)
Changes in operating liabilities			
Contract liabilities		76,950	26,354
Accounts payable		873,741	298,638
Other payables		175,756	108,690
Other current liabilities		5,392	4,010
Other non-current liabilities		(3,081)	(3,037)
Cash flows generated from operating		776,563	1,520,054
Interest received		9,220	9,588
Interest paid		(18,696)	(17,967)
Income tax paid		(160,581)	(126,413)
Net cash flows from operating activities		606,506	1,385,262

(Continuing)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows
For the Year ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 10,404)	(\$ 23,865)
Acquisition of property, plant and equipment	6(26)	(2,000,647)	(1,240,894)
Proceeds from disposal of property, plant and equipment		6,700	4,044
Acquisition of use-of-right assets	6(6)	(268,734)	(1,428)
Acquisition of intangible assets		(1,140)	(1,180)
(Increase) decrease in other non-current assets		(48,708)	3,523
(Increase) decrease in refundable deposits		(6,166)	1,805
Net cash flows used in investing activities		(2,329,099)	(1,257,995)
<u>Cash flows from financing activities</u>			
Increase (Decrease) in short-term loans	6(27)	1,857,924	(272,559)
Proceeds from long-term debt	6(27)	100,532	-
Payments of lease liabilities	6(6) (27)	(45,869)	(61,461)
Proceeds from issuing convertible bonds	6(27)	-	532,744
Cash dividends paid	6(17) (27)	(705,033)	(963,059)
Proceeds from issuing shares	6(14)	-	750,000
Payments to acquire treasury shares	6(15)	-	(57,583)
Changes in non-controlling interests		(22,563)	-
Net cash flows generated from (used in) financing activities		1,184,991	(71,918)
Effects of exchange rate changes		84,726	139,005
(Decrease) increase in cash and cash equivalents		(452,876)	194,354
Cash and cash equivalents at beginning of the year		1,567,828	1,373,474
Cash and cash equivalents at end of the year		\$ 1,114,952	\$ 1,567,828

The notes set out below form an integral part of the consolidated financial statements

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars, Unless otherwise specified)

1. Company History

Fulgent Sun International (Holding) Co., Ltd. (the “Company”) was established in November 2009 in British Cayman Islands. The office is located at No. 76, Section 3, Yunlin Road, Douliu City, Yunlin County. The main business activities of the Company and its subsidiaries (the “Group”) are the production and sale of sports and leisure outdoor footwear.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

The consolidated financial statements were approved by the Board of Directors and published on February 25, 2022.

3. Application of the New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Set by the IASB</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)
Note : Earlier application from January 1, 2021 is allowed by FSC..	

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Set by the IASB</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts— cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date Set by the IASB</u>
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
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance Statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

Financial assets and liabilities at fair value through profit or loss

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealised gains or losses on transactions between

companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investing company	Name of Subsidiary	Business nature	Shareholding ratio		Remark
			December 31, 2021	December 31, 2020	
The Company	Capital Concord Enterprises Limited	Holding company; Sports Leisure	100	100	
	(Capital Concord Enterprises Limited H.K.)	Outdoor Footwear Production and Sales			
Capital Concord Enterprises Limited H.K.	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya Co., Ltd.)	Distribution Agent and Import and Export Trade	100	100	
Capital Concord Enterprises Limited H.K.	Laya Max Trading Co., Ltd. (Taiwan Laya)	Distribution Agent and Import and Export Trade	-	100	Note 1
Capital Concord Enterprises Limited H.K.	Hong Kong Laya Outdoor Products (Hong Kong Laya)	Holding Company	100	100	Note 2
Capital Concord Enterprises Limited H.K.	Fujian Sunshine Footwear Co., Ltd. (Sunshine)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Sunny Footwear Co., Ltd. (Sunny)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Hubei Sunsmile Footwear Co., Ltd. (Sunsmile)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Sports Leisure Outdoor Footwear Production	100	100	

Name of Investing company	Name of Subsidiary	Business nature	Shareholding ratio		Remark
			December 31, 2021	December 31, 2020	
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunbow Enterprises Co., Ltd. (Sunbow)	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. (Sunstone)	Processing and Sale of Clothing	91.27	91.27	
Capital Concord Enterprises Limited H.K.	NGOC HUNG Footwear Co., Ltd. (NGOC HUNG)	Sports Leisure Outdoor Footwear Production	100	100	
Capital Concord Enterprises Limited H.K.	Eversun Footwear Co., Ltd. (Eversun)	Sports Leisure Outdoor Footwear Production	100	-	Note 3
Capital Concord Enterprises Limited H.K.	PT. SUN BRIGHT LESTARI	Sports Leisure Outdoor Footwear Production and Sales	100	-	Note 4
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd. (Sunlit)	Land lease	100	100	Note 5
Hong Kong Laya Outdoor Products	Fujian La Sportiva Co., Ltd. (La Sportiva)	Distribution Agent and Import and Export Trade	-	60	Note 6

Note 1: The liquidation process was completed in December 2021.

Note 2: In the process of liquidation.

Note 3: The Group obtained the control of Eversun in August 2021, and has included it in the consolidated financial statements since the date of obtaining the control.

Note 4: The Group had established PT. SUN BRIGHT LESTARI in Indonesia in 2021, and has included it in the consolidated financial statements since then.

Note 5: A total of 51% of the equity is registered in the name of a related party who is a Cambodian in response to the local law and regulations. The Group has already taken relevant preservation measures.

Note 6: The liquidation process was completed in May 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustment for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

The functional currencies of the Group's subsidiaries in the Republic of China, the People's Republic of China, and Southeast Asia are NTD, RMB, VND, IDR, and USD. The consolidated financial statements are presented using "New Taiwan dollars(NTD)" as the reporting currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising on re-translation at the balance sheet date are recognised in profit or loss.

- (C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
 - (D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other income and expenses – net' or 'other gains and losses'.
- B. Translation of foreign operations
- The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- (A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - (B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - (C) All resulting exchange differences are recognised in other comprehensive income.
- (5) Classification of current and non-current items
- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (A) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (B) Assets held mainly for trading purposes;
 - (C) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- The Group classifies assets that do not meet any of the above criteria as non-current assets.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (A) Liabilities that are expected to be settled within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- The Group classifies liabilities that do not meet any of the above criteria as non-current liabilities.
- (6) Cash and cash equivalents
- Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (A) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (B) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. Accounts receivable and notes receivable refer to short-term accounts receivable and notes receivable without interest accrued; because the effect of discounting is insignificant, the Group has it measured by the original invoice amount.

(10) Impairment of financial asset

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost (including forward-looking information) , at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

- A. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
- C. Property, plant, and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant, and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2~50 years
Machinery and equipment	3~20 years
Transport equipment	3~11 years
Office equipment	2~15 years
Other equipment	2~21 years

(14) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (A) Fixed payments, less any lease incentives receivable;
- (B) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(A) The amount of the initial measurement of lease liability;

(B) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 15 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and note payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded conversion options, call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

- B. The host contracts of bonds are initially recognised at the residual value of total issue price less the amount of ‘financial assets or financial liabilities at fair value through profit or loss’ as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of circulation using the effective interest method.
- C. The conversion right embedded in the convertible corporate bonds payable issued by the Group is in line with the definition of equity. When it is originally recognized, it is recognized and booked in the “capital surplus - stock options” for the issuance amount net of the aforementioned “financial assets or liabilities at fair value through profit or loss” and “net corporate bonds payable.” Also, it will not be re-measured in the future.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

When the holders of corporate bonds can execute the right of puts within the next year, the corporate bonds payable should be classified as current liabilities. The corporate bonds payable that are without the right of put exercised after the deadline for exercising the right of puts should be reversed to non-current liabilities.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pension

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees’ bonuses and directors’ remuneration

Employees’ bonuses and directors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. When the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. When such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Recognition of revenue

A. Product sales

(A) The Group is engaged in the production and sale of sports and leisure outdoor shoes. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(B) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial components

The Group has contracts signed with customers to have the promised commodity or service delivered and the payment made within one year or shorter; therefore, the Group has not adjusted the transaction price to reflect the time value of money.

(30) Government grants

Government grants will be recognized at fair value when it can be reasonably assured that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the government grant will be recognized in profit and loss on a systematic basis during the period when the related expenses are incurred. Government grants related to property, plant, and equipment are recognized as non-current liabilities and are recognized in profit and loss on a straight-line basis based on the estimated useful lives of the relevant assets.

(31) Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 10,062	4,906
Checking deposit & demand deposits	784,622	1,117,222
Time deposits	<u>320,268</u>	<u>445,700</u>
Total	<u>\$ 1,114,952</u>	<u>1,567,828</u>

- A. The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to diversify credit risk; therefore, the default is almost unlikely.
- B. The Group classifies time deposits with an original maturity of more than 3 months and not meeting short-term cash commitments as financial assets at amortized cost and presents them under "other current assets". The amounts as of December 31, 2021 and 2020 were NT\$87,092 and NT\$43,617 respectively.
- C. For restricted bank deposits of the Group, refer to Note 6(7).

(2) Financial assets (liabilities) at fair value through profit or loss

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Listed company stock	<u>\$ 7,607</u>	<u>\$ 9,289</u>

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Financial liabilities mandatorily measured at fair value through profit or loss		
- Convertible corporate bond redemption and sale rights	<u>(\$ 700)</u>	<u>(\$ 250)</u>

- A. The convertible corporate bonds the Group held the right to redeem and sell in the year ended December 31, 2021 and 2020, with recognized loss and gains, were NT\$450 and NT\$122 respectively.
- B. The shares of listed companies the Group held in the year ended December 31, 2021 and 2020, with recognized loss and gains, were NT\$1,682 and NT\$4,663 respectively.
- C. The Group has not pledged any financial assets at fair value through profit or loss.

(3) Accounts receivable, net

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 3,363,009	\$ 2,275,370
Less: Allowance for impairment	(27,150)	(4,820)
	<u>\$ 3,335,859</u>	<u>\$ 2,270,550</u>

A. The age analysis of accounts receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ 3,079,004	\$ 2,209,713
Overdue 0 to 90 days	261,485	55,215
Overdue 91 to 180 days	5,577	3,632
Overdue 181 to 365 days	896	3,650
Over 365 days past due	16,047	3,160
Total	<u>\$ 3,363,009</u>	<u>\$ 2,275,370</u>

The above information is based on the number of overdue days for the aging analysis.

B. The balances of accounts receivable as of December 31, 2021 and 2020 were generated by the customer contracts. The balance of accounts receivable from the customer contracts as of January 1, 2020 was NT\$2,329,423.

C. The amount of the maximum credit risk of the Group's accounts receivables as of December 31, 2021 and 2020, regardless of the collateral or other credit enhancements held, was the book value of each type of accounts receivables.

D. For relevant credit risk information, refer to Note 12(2).

(4) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for inventory market decline and obsolescence</u>	<u>Carrying amounts</u>
Merchandise inventory	\$ 1,521	\$ -	\$ 1,521
Raw material	904,972	(37,119)	867,853
Work in process	1,181,198	(19,550)	1,161,648
Finished goods	1,129,632	(21,266)	1,108,366
Inventory in-transit	758,127	-	758,127
Total	<u>\$ 3,975,450</u>	<u>(\$ 77,935)</u>	<u>\$ 3,897,515</u>

December 31, 2020			
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 9,152	(\$ 2,192)	\$ 6,960
Raw material	503,558	(38,320)	465,238
Work in process	673,418	(11,234)	662,184
Finished goods	1,086,168	(42,178)	1,043,990
Inventory in-transit	551,849	-	551,849
Total	\$ 2,824,145	(\$ 93,924)	\$ 2,730,221

The cost of inventories recognized by the Group as expenses in the current period is as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cost of inventories sold	\$ 12,758,872	\$ 8,954,895
Inventory (gain from price recovery) valuation losses	(15,989)	9,253
Inventory scrap loss	6,606	2,957
Stock gain	(8,848)	(3,421)
Recognized as expenses	(1,990)	(3,053)
Effect of exchange rate changes	1,989	3,006
	\$ 12,740,640	\$ 8,963,637

The Group recognized a reduction in the cost of goods sold due to a rebound in the net realizable value of inventory that had been listed as loss of price for the year ended December 31, 2021.

(5) Property, plant, and equipment

		2021				
Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 283,615	\$ -	\$ -	\$ 6,759	(\$ 8,044)	\$ 282,330
Buildings	4,051,113	184,252	(10,392)	301,187	(56,260)	4,469,900
Machinery equipment	3,304,171	719,289	(61,143)	73,935	(40,900)	3,995,352
Transportation equipment	76,776	14,091	(4,218)	-	(896)	85,753
Office equipment	41,854	5,735	(852)	125	(489)	46,373
Others	1,441,162	287,794	(59,861)	50,325	(26,681)	1,692,739
Construction in progress and to-be-inspected equipment	396,630	805,606	-	(216,805)	(10,162)	975,269
	<u>\$ 9,595,321</u>	<u>\$ 2,016,767</u>	<u>(\$ 136,466)</u>	<u>\$ 215,526</u>	<u>(\$ 143,432)</u>	<u>\$ 11,547,716</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 1,152,227)	(\$ 182,143)	\$ 8,042	\$ -	\$ 8,804	(\$ 1,317,524)
Machinery equipment	(1,462,164)	(281,753)	54,093	-	12,632	(1,677,192)
Transportation equipment	(51,290)	(8,193)	4,221	-	528	(54,734)
Office equipment	(34,655)	(3,389)	850	-	366	(36,828)
Others	(974,217)	(244,760)	59,707	-	18,040	(1,141,230)
	<u>(\$ 3,674,553)</u>	<u>(\$ 720,238)</u>	<u>\$ 126,913</u>	<u>\$ -</u>	<u>\$ 40,370</u>	<u>(\$ 4,227,508)</u>
	<u>\$ 5,920,768</u>					<u>\$ 7,320,208</u>

2020

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 294,826	\$ 620	\$ -	\$ 3,051	(\$ 14,882)	\$ 283,615
Buildings	3,536,434	165,147	(19,323)	462,477	(93,622)	4,051,113
Machinery equipment	3,066,318	332,159	(128,073)	82,938	(49,171)	3,304,171
Transportation equipment	98,181	14,908	(4,241)	(30,018)	(2,054)	76,776
Office equipment	41,732	3,213	(4,740)	240	1,409	41,854
Others	1,315,524	168,784	(104,593)	44,490	16,957	1,441,162
Construction in progress and to-be-inspected equipment	630,715	318,491	-	(529,789)	(22,787)	396,630
	<u>\$ 8,983,730</u>	<u>\$ 1,003,322</u>	<u>(\$ 260,970)</u>	<u>\$ 33,389</u>	<u>(\$ 164,150)</u>	<u>\$ 9,595,321</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 1,002,398)	(\$ 170,4295)	\$ 15,681	\$ -	\$ 4,919	(\$ 1,152,227)
Machinery equipment	(1,328,739)	(252,006)	121,908	-	(3,327)	(1,462,164)
Transportation equipment	(59,332)	(7,500)	4,241	10,394	9,073	(51,290)
Office equipment	(35,106)	(3,184)	4,720	-	(1,085)	(34,655)
Others	(830,799)	(223,347)	102,335	(10,394)	(12,012)	(974,217)
	<u>(\$ 3,256,374)</u>	<u>(\$ 656,466)</u>	<u>\$ 248,885</u>	<u>\$ -</u>	<u>(\$ 10,598)</u>	<u>(\$ 3,674,553)</u>
	<u>\$ 5,727,356</u>					<u>\$ 5,920,768</u>

For property, plant, and equipment provided by the Group as collateral as of December 31, 2021 and 2020, refer to Note 8.

(6) Lease arrangements - Lessee

- A. The Group's leased assets include land, buildings, and official vehicles. The lease contract usually lasts from 1 to 50 years. The lease contract is negotiated individually and contains various terms and conditions. There are no restrictions except that the leased assets may not be used as loan guarantees.
- B. The carrying amount of the right-of-use assets and the depreciation expense recognized were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Carrying amount	Carrying amount
Land	\$ 837,416	\$ 595,584
Buildings	331,279	350,762
Transportation Equipment (official vehicles)	144	-
	<u>\$ 1,168,839</u>	<u>\$ 946,346</u>

	<u>Year Ended</u>	<u>Year Ended</u>
	December 31, 2021	December 31, 2020
	Depreciation expense	Depreciation expense
Land	\$ 24,322	\$ 22,851
Buildings	22,610	20,613
Transportation Equipment (official vehicles)	87	39
	<u>\$ 47,019</u>	<u>\$ 43,503</u>

- C. The Group's right-of-use assets increased NT\$280,169 and NT\$280,243 in year ended December 31, 2021 and 2020 respectively.
- D. The profit and loss item related to the lease contract is as follows:

	<u>Year Ended</u>	<u>Year Ended</u>
	December 31, 2021	December 31, 2020
<u>Items affecting profit and loss:</u>		
Interest expense on lease liability	\$ 4,818	\$ 4,483
Cost relates to short-term lease contract	11,120	1,739

- E. The Group's cash flows used in leases totaled NT\$56,989 and NT\$64,628 in year ended December 31, 2021 and 2020 respectively.

(7) Other current assets and other non-current assets

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current:		
Financial assets at amortized cost - Restricted bank deposits	\$ 1,725	\$ 39,106
Financial assets at amortized cost - Time deposits	87,092	43,617
Others	65,100	81,661
Total	<u>\$ 153,917</u>	<u>\$ 164,384</u>

Item	December 31, 2021	December 31, 2020
Non-current:		
Prepaid land and equipment	\$ 72,811	\$ 328,604
Refundable deposits	8,965	2,884
Others	56,473	12,051
Total	\$ 138,249	\$ 343,539

Note: For other current assets and other non-current assets provided by the Group as collateral as of December 31, 2021 and 2020, refer to Note 8.

(8) Current Borrowings

Loan Type	December 31, 2021	Interest rate range	Collateral
Credit loans	\$ 3,122,600	0.530%~0.741%	Note
Loan Type	December 31, 2020	Interest rate range	Collateral
Credit loans	\$ 1,322,960	0.597%~0.736%	Note

Note: For property, plant, and equipment provided by the Group as collateral, refer to Note 8.

(9) Other payables

	December 31, 2021	December 31, 2020
Accrued salaries	\$ 654,264	\$ 523,900
Payables on equipment	313,476	337,623
Dividends	228,208	389,623
Others	178,325	140,337
	\$ 1,374,273	\$ 1,391,483

(10) Bonds payable

	December 31, 2021	December 31, 2020
Domestic fifth unsecured convertible corporate bonds	\$ 500,000	\$ 500,000
Less: Discount on corporate bonds payable	(10,044)	(16,180)
Subtotal	489,956	483,820
Less: Current bonds payable (Current portion of other long-term liabilities)	(489,956)	-
Total	\$ -	\$ 483,820

A. The fourth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on August 6, 2018, were as follows:

(A) The conditions for issuing the fourth unsecured convertible corporate bonds of the Company were as follows:

- a. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible corporate bonds in Taiwan, totaling NT\$1,000,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible corporate bond matures, it will be repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on October 2, 2018.

- b. The convertible corporate bondholder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bondholder are the same as those of the original common stock.
 - c. The conversion price of the convertible corporate bond is set at NT\$54.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
 - d. Within 40 days before the convertible corporate bond is issued 2 full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
 - e. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than 10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
 - f. As per the conversion method, all of the Company's recovered (including purchased from the Securities Merchants Business Offices), repaid or converted convertible corporate bond will be revoked, no longer be sold or issued, and the attached conversion rights will be revoked accordingly.
- (B) As of October 6, 2020, the convertible corporate bond of NT\$100,000 was fully converted to 19,257 thousand shares of common stock and delisted on October 14, 2020. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the Company distributes cash dividends on the common stock, the Company should adjust the conversion price of this bond based on the ratio of current price per share on the ex-dividend date according to the prescribed formula.
- (C) When issuing the convertible corporate bond, the Company will, in accordance with the International Accounting Standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the “capital surplus - stock options.” The other is the right to buy back and sell back. According to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economic characteristics and risk is not closely related, so it is separated and list as the net account of “financial assets or financial liabilities at fair value through profit or loss.” The effective interest rate of the principal contract obligation after separation is 1.066%.
- B. The fifth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on April 30, 2020, were as follows:
- (A) The conditions for issuing the fifth unsecured convertible corporate bonds of the Company were as follows:

- a. With the approval of the competent authority, the Company raised and issued the 5th unsecured convertible corporate bonds in Taiwan, totaling NT\$500,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from August 17, 2020 to August 17, 2023. When the convertible corporate bond matures, it will be repaid in cash at the face value of the bond. The convertible corporate bond was listed at Gre Tai Securities Market Exchange on August 17, 2020.
 - b. The convertible corporate bondholder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bondholder are the same as those of the original common stock.
 - c. The conversion price of the convertible corporate bond is set at NT\$112 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
 - d. Within 40 days before the convertible corporate bond is issued 2 full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
 - e. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than 10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
 - f. As per the conversion method, all of the Company's recovered (including purchased from the Securities Merchants Business Offices), repaid or converted convertible corporate bond will be revoked, no longer be sold or issued, and the attached conversion rights will be revoked accordingly.
- (B) As of December 31, 2021, the convertible corporate bond of NT\$500,000 was not yet converted to the common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the Company distributes cash dividends on the common stock, the Company should adjust the conversion price of this bond based on the ratio of current price per share on the ex-dividend date according to the prescribed formula. At present, the conversion price for the convertible corporate bond is NT\$105.8 per share.
- (C) When issuing the convertible corporate bond, the Company will, in accordance with the International Accounting Standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the "capital surplus - stock options." The balance on December 31, 2021 was NT\$48,201. The other is the right to buy back and sell back. According to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economic characteristics and risk is not closely related, so it is separated and list as the net account of "financial assets or financial liabilities at fair value through profit or loss." The effective interest rate of the principal contract obligation after separation is 1.066%.

(11) Long-term loans

<u>Loan Type</u>	<u>Loan period and repayment method</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Credit loan	Monthly interest payment from June 7, 2021 to June 7, 2023; principal can be repaid at any time	0.7413%	None	\$ 100,000

The Group had no long-term loans as of December 31, 2020.

(12) Other non-current liabilities

<u>Item</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current:		
Deferred government grant income	\$ 117,240	\$ 120,529
Other non-current liabilities - Other	91,366	91,516
Total	<u>\$ 208,606</u>	<u>\$ 212,045</u>

(13) Pension

- A. Since July 1, 2005, the Group's subsidiary Capital Concord Enterprises Limited H.K., Taiwan Branch, and Taiwan Laya have set up a defined retirement scheme according to the "Labor Pension Act," which is applicable to employees of this nationality. The Group has paid the labor pension to 6% of the monthly salary of the labor pension system applicable to the employee's choice of the "Labor Pension Act," the personal accounts of the Bureau of Labor Insurance, and the payment of employees' pensions are collected on the basis of the pensions of employees' personal pensions and the amount of accumulated income or by a pension. As of the year ended December 31, 2021 and 2020, the pensions recognized by the Group in accordance with the above regulations were NT\$6,882 and NT\$6,492 respectively.
- B. In accordance with the regulations of the People's Republic of China, the Group's second-tier subsidiaries in China set aside the pension (on May 1, 2019, the rate of pension insurance in all provinces and cities in China was reduced to 16%) monthly at 16%~20% of the total local staff's salaries (Sunny and Sunshine: 16%~18%; Sunsmile: 16%~19%; Fujian Laya and La Sportiva: 16%~20%). Each employee's pension is managed and arranged by the government, and the Group is solely obliged to set aside ~36~ the pension. As of the year ended December 31, 2020 and 2019, the pensions recognized by the Group's second-tier subsidiaries in China in accordance with the above regulations were NT\$87,865 and NT\$29,078 respectively. The decrease in pension expenses in 2020 was due to the preferential reduction and exemption policies implemented in Mainland China due to the outbreak of severe pandemic (COVID-19).
- C. The Group's subsidiaries, Fulgent Sun Footwear (Vietnam), NGOC HUNG Footwear (Vietnam) and Eversun Footwear (Vietnam) are subject to the relevant local regulations. According to the local government regulations, the pension fund for employees' retirement pension is payable monthly at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. As of the year ended December 31, 2020 and 2019, the pensions recognized by the Group in accordance with the above regulations were NT\$193,029 and NT\$117,296 respectively.

(14) Share-based payment

- A. The Group's share-based payment agreements for the year ended December 31, 2020 were as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Quantity (thousand shares)</u>	<u>Contract period</u>	<u>Vesting Conditions</u>
Share issuance reserved for employee subscription	2020.08.04	1,500 units	-	Vested immediately

- B. The Group uses the Black-Scholes model to estimate the fair value of the stock options in its share-based payments on the grant date. The relevant information is as follows:

<u>Type of Agreement</u>	<u>Grant date</u>	<u>Share price</u>	<u>Exercise price</u>	<u>Expected Volatility (Note)</u>	<u>Expected Duration</u>	<u>Expected dividends</u>	<u>Risk-free Interest Rate</u>	<u>Fair value per unit</u>
Equity offering to employees	2020.08.04	\$105	\$75	52.58%	0.15 year	-	0.24%	\$30.38

Note: Expected volatility refers to the volatility of stock prices in a period of time in the future, and is estimated based on the standard deviation of stock returns in a specific period.

- C. Expenses arising from share-based payments were as follows:

	<u>Year Ended December 31,2021</u>	<u>Year Ended December 31,2020</u>
Equity settlement	<u>\$ -</u>	<u>\$ 45,570</u>

(15) Share capital

- A. On December 31, 2021, the Company's rated capital was NT\$3,000,000, divided into 300 million shares; the paid-in-capital was NT\$1,861,950, with the denomination of NT\$10 per share.

The adjustment made to the Company's outstanding common stock shares at the beginning and end of the period is as follows:

	<u>2021</u>	<u>Unit: Thousand shares 2020</u>
January 1	185,535	174,757
Cash capital increase	-	10,000
Conversion of convertible corporate bonds	-	1,438
Redemption of shares	-	(660)
December 31	<u>185,535</u>	<u>185,535</u>

- B. On April 30, 2020, the Company adopted a cash capital increase plan by the Board of Directors, which issued 10,000 thousand common stock with cash capital increase and declared to the FSC on June 9, 2020; the issue price was NT\$75 per share, the base date of capital increase was October 5, 2020, and the amount raised was NT\$750,000. The payments for shares were fully received on October 5, 2020.

C. Treasury stock

(A) Reason for buyback and number of treasury stocks bought back:

		December 31, 2021	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583

		December 31, 2020	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583

(B) According to the Securities and Exchange Act, the number of shares bought back under shall not exceed 10% of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back shall not exceed the amount of retained earnings plus premium on capital stock plus realized capital surplus.

(C) According to the Securities and Exchange Act, treasury stocks held by the Company shall not be pledged; before the transfer, the shareholder's rights shall not be enjoyed.

(D) According to the Securities and Exchange Act, the shares bought back by the Company shall be transferred to employees within 5 years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and amendment registration shall be processed for cancellation. Where the buyback is required to maintain the company's credit and shareholders' rights and interests, amendment registration for cancellation shall be effected within six months from the date of buyback.

(16) Capital surplus

A. According to the Company Act, the excess of the income from the issuance of shares in excess of the coupon amount and the capital surplus of the received gift shall, in addition to being used to make up for the loss, be issued to new shares or cash in proportion to the original shares of the shareholders when the Company has no accumulated losses. In accordance with the relevant provisions of the Securities and Exchange Act, the above capital surplus is limited to 10% of the total amount of paid-in-capital. The Company shall not use the capital surplus to make good its capital loss unless the surplus reserve is insufficient to make good such loss.

B. The changes in capital surplus were as follows:

		2021			
		Issue Premium	Stock Options	Others	Total
January 1 and December 31		\$ 5,207,597	\$ 48,201	\$ 546	\$ 5,256,344

		2020			
		Issue Premium	Stock Options	Others	Total
January 1		\$ 4,457,016	\$ 2,110	\$ 546	\$ 4,459,672
Cash capital increase		692,844	-	-	692,844
Due to recognition of equity component of convertible bonds issued		-	48,201	-	48,201
Convertible corporate bonds converted to common stocks		57,737	(2,110)	-	55,627
December 31		\$ 5,207,597	\$ 48,201	\$ 546	\$ 5,256,344

(17) Retained earnings

- A. In the shareholders' meeting held on June 12, 2020, the Company passed a resolution to amend the Articles of Incorporation, stipulating that the Company may, at the end of each semi-fiscal year, distribute earnings in the form of stock dividends upon supermajority resolution in the shareholders' meeting or in the form of cash dividends upon the Board of Directors' resolution. In accordance with the amended Articles of Incorporation, the Company shall (1) first make up the loss over the years, set aside a legal surplus reserve at 10% of the remaining earnings until the accumulated legal surplus reserve equals the Company's paid-in-capital; (2) set aside a special surplus reserve in accordance with the rules of the public offering company or at the request of the competent authority; and (3) may set aside less than 3% of the remaining earnings as directors' remuneration and less than 3% of the remaining profits as bonuses to the employees of the Company and subsidiaries.
- B. When the Company's earnings are distributed, dividends distributed to shareholders should not be less than the balance of the remaining earnings net of 20% of the amounts in the preceding (1) (2), wherein the cash dividend issued should not be less than 20% of the dividends.
- C. In accordance with the Articles of Incorporation, the Company shall not distribute dividends or assign dividends or other assignments in respect of the realized or unrealized benefits of the Company, the premium account for the issuance of shares, or other payments permitted by the Cayman Company Act; provided that the legal surplus reserve is more than 25% of paid-in-capital, only the legal surplus reserve shall be accumulated as the above allocation and shall be limited to the portion of the legal surplus reserve in excess of 25% of the paid-in-capital.
- D. (A) When the Company distributes earnings, it should make special surplus reserve accumulated in respect of the debit balance of other equity on the balance sheet date in accordance with the provisions of the laws. When the debit balance of subsequent other equity is reversed, the amount reversed may be included in the earnings available for distribution.
- (B) Upon the first application of the IFRSs, a special surplus reserve set aside in letter No. 1010012865 issued by the FSC on April 6, 2012 is to be reversed when the Company subsequently uses, disposes of or reclassifies the related assets.
- E. The appropriations of earnings for 2019 which have been resolved in the shareholders' meeting on June 12, 2020 respectively, were as follows:

	2019	
	Amount	Dividends per share (NT\$)
Legal surplus reserve	\$ 127,920	
Special surplus reserve	\$ 262,634	
Cash dividends	\$ 963,059	\$ 5.5

Regarding the dividends per share on the distribution of earnings for the year ended December 31, 2019, the Company converted the convertible corporate bonds and did not transfer the redeemed treasury stocks to employees, the Board of Directors resolved on June 12, 2020 to authorize the Chairman to adjust the dividend rate to NT\$5.52 respectively.

- F. The appropriations of earnings for 2020 which have been resolved in the shareholders' meeting on August 27, 2021 respectively, were as follows:

	For the second half year of	For the first half year of
	2020	2020
Board resolution date	February 26, 2021	December 28, 2020
Legal surplus reserve	\$ 37,151	\$ 52,606
Special surplus reserve	(\$ 15,442)	\$ 169,454
Cash dividends	\$ 315,410	\$ 389,623
Dividends per share (NT\$)	\$ 1.70	\$ 2.10

- G. The appropriations of interim earnings for the first half year of 2021 which have been resolved by the Board of Directors on December 28, 2021 respectively, were as follows:

	<u>For the first half year of 2021</u>	
Legal surplus reserve	\$	45,520
Special surplus reserve	\$	138,079
Cash dividends	\$	228,208
Dividends per share (NT\$)	\$	1.23

In accordance with the FSC Letter No.1010012865 dated April 6, 2012, for the net deduction to other shareholders' equity, the special surplus reserve of the same amount that is set aside from profit or loss and undistributed earnings should not be distributed; however, the Company has set aside special surplus reserve upon the first application of the IFRSs, and should therefore set aside a special surplus reserve to make up the difference between the amount already set aside and the net deduction to other shareholders' equity.

Before the record date of the appropriations of interim earnings for the first half year of 2021, if the number of outstanding shares is affected by the conversion of convertible corporate bonds, the issuance of restricted stock for employees, or other factors, resulting in a change in shareholders' dividends and a need for modification, it should be reported to the Board of Directors, which should authorize the Chairman to act at his/her own discretion.

For more information on the distribution of earnings proposed by the Board of Directors and resolved in the shareholders' meeting, refer to the "Market Observation Post System" of Taiwan Stock Exchange Corporation.

(18) Operating revenue

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Revenue from Contracts with Customers	\$ 15,544,261	\$ 11,345,641

A. Breakdown of customer contract income

The income of the Group originates from the transfer of goods at a certain point. Income can be broken down according to the type of business. For relevant information, refer to Note 14(2).

B. Contract liabilities

The contract liabilities related to customer contract income recognized by the Group were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liability			
- Sales revenue received in advance	\$ 76,092	\$ 52,618	\$ 28,538

Opening contract liabilities - income recognized in the current period:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Opening contract liabilities - income recognized in the current period		
- Sales revenue received in advance	\$ 51,733	\$ 27,506

(19) Interest revenue

	Year Ended December 31, 2021	Year Ended December 31, 2020
Interest on bank deposits	\$ 9,466	\$ 9,727

(20) Other revenue

	Year Ended December 31, 2021	Year Ended December 31, 2020
Government grant	\$ 44,015	\$ 12,890
Other revenue - others	43,054	51,596
	<u>\$ 87,069</u>	<u>\$ 64,486</u>

(21) Other gains and losses

	Year Ended December 31, 2021	Year Ended December 31, 2020
Losses on disposal of property, plant, and equipment	(\$ 2,853)	(\$ 8,041)
Foreign exchange loss	(113,113)	(250,516)
Gain on financial assets and liabilities measured at fair value through profit and loss	(2,132)	4,785
Other losses	(28,375)	(19,588)
	<u>(\$ 146,473)</u>	<u>(\$ 273,360)</u>

(22) Financial costs

	Year Ended December 31, 2021	Year Ended December 31, 2020
Bank borrowing	\$ 19,440	\$ 17,821
Convertible bonds	6,136	2,650
Lease liabilities	4,818	4,483
	<u>\$ 30,394</u>	<u>\$ 24,954</u>

(23) Expenses expressed by Nature

	Year Ended December 31, 2021	Year Ended December 31, 2020
Employee benefits		
Salary	\$ 4,695,289	\$ 3,602,599
Labor and health insurance	181,064	107,222
Pension	287,776	152,866
Others	87,463	72,812
	<u>5,251,592</u>	<u>3,935,499</u>
Depreciation	767,257	699,969
Amortization	18,591	33,104
	<u>\$ 6,037,440</u>	<u>\$ 4,668,572</u>

- A. According to the Articles of Incorporation, the Company may allocate a surplus not exceeding 3% of the remaining surplus as the directors' remuneration and 3% of the remaining profits as employees' bonuses for the employees of the Company and subsidiaries.

- B. The employee bonus estimates of the Company in the year ended December 31, 2021 and 2020 were both NT\$10,000, and the director remuneration estimates were both NT\$10,000. The above amounts were accounted for as operating expenses. The above employees' bonuses and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as net income as of the current period after consideration of the legal surplus reserve.

The employees' bonuses and directors' remuneration for the year ended December 31, 2020 approved by the Board of Directors are consistent with those recognized in the financial statements for the year ended December 31, 2020.

Information on employees' bonuses and directors' remuneration approved by the Board of Directors is available on the MOPS.

(24) Income tax

A. Income tax expenses

(A) Components of income tax expenses:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Current income tax:		
Income tax on current income	\$ 193,710	\$ 182,644
Overestimated income tax in prior periods	(972)	(13,259)
Total current income tax	<u>192,738</u>	<u>169,385</u>
Deferred income tax:		
Generation and reversal of temporary differences	12,169	(15,913)
Total deferred income tax	<u>12,169</u>	<u>(15,913)</u>
Income tax expenses	<u>\$ 204,907</u>	<u>\$ 153,472</u>

(B) Relationship between income tax expenses and accounting profit:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Income tax on income before income tax at statutory tax rate (Note)	\$ 211,726	\$ 218,089
Income tax effect of items removed according to law	10,103	11,957
Tax-free income under the Income Tax Act	(15,470)	(74,529)
Overestimated income tax in previous periods	(972)	(13,259)
Income tax effect of unrecognized deferred income tax assets and liabilities	(480)	11,214
Income tax expenses	<u>\$ 204,907</u>	<u>\$ 153,472</u>

Note: The statutory tax rate is calculated based on the applicable tax rate of the country where the income is generated.

- B. The amount of deferred income tax assets or liabilities arising from temporary differences and tax losses were as follows:

Year Ended December 31, 2021			
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets:			
Allowance for inventory market decline and obsolescence	\$ 7,681	\$ 732	\$ 8,413
Loss deduction	6,142	(2,507)	3,635
Deferred income after tax	24,722	(4,909)	19,813
Others	31,193	(4,676)	26,517
Subtotal	<u>\$ 69,738</u>	<u>(\$ 11,360)</u>	<u>\$ 58,378</u>
- Deferred income tax liabilities:			
Others	(\$ 786)	(\$ 809)	(\$ 1,595)
Subtotal	<u>(\$ 786)</u>	<u>(\$ 809)</u>	<u>(\$ 1,595)</u>

Year Ended December 31, 2020			
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets:			
Allowance for inventory market decline and obsolescence	\$ 12,795	(\$ 5,114)	\$ 7,681
Loss deduction	2,997	3,145	6,142
Deferred income after tax	27,188	(2,466)	24,722
Others	12,040	19,153	31,193
Subtotal	<u>\$ 55,020</u>	<u>\$ 14,718</u>	<u>\$ 69,738</u>
- Deferred income tax liabilities:			
Others	(\$ 1,981)	\$ 1,195	(\$ 786)
Subtotal	<u>(\$ 1,981)</u>	<u>\$ 1,195</u>	<u>(\$ 786)</u>

Note: The effect of tax rate changes is included.

- C. The Company did not recognize deferred income tax liabilities for taxable temporary differences related to the investments of certain subsidiaries. The temporary differences of unrecognized deferred income tax liabilities as of December 31, 2021 and 2020 were NT\$3,250,561 and NT\$2,642,829 respectively.
- D. The profit-seeking enterprise income tax returns of Capital Concord Enterprises Limited (H.K.), Taiwan Branch and Laya Max Trading Co., Ltd. for the year ended December 31, 2019 have been approved by the tax authorities.

(25) Earnings per share

Year Ended December 31, 2021			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to owners of the parent company	\$ 1,185,166	185,535	\$ 6.39
<u>Diluted earnings per share</u>			
Net income attributable to owners of the parent company	1,185,166	185,535	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	6,136	4,726	
Employee bonus	-	191	
Net income attributable to owners of the parent company & effect of potential ordinary shares	\$ 1,191,302	190,452	\$ 6.26
Year Ended December 31, 2020			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income attributable to owners of the parent company	\$ 897,575	177,369	\$ 5.06
<u>Diluted earnings per share</u>			
Net income attributable to owners of the parent company	897,575	177,369	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	2,649	2,386	
Employee bonus	-	136	
Net income attributable to owners of the parent company & effect of potential ordinary shares	\$ 900,224	179,891	\$ 5.00

(26) Supplementary information on cash flows

A. Investing activities with partial cash payments:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Additions to property, plant and equipment	\$ 2,232,293	\$ 1,036,711
Less: Prepayments for land and equipment, beginning of period	(328,604)	(57,686)
Add: Prepayments for land and equipment, end of period	72,811	328,604
Add: Payables on equipment, beginning of period	337,623	270,888
Less: Payables on equipment, end of period	(313,476)	(337,623)
Cash paid	<u>\$ 2,000,647</u>	<u>\$ 1,240,894</u>

B. Financing activities that do not affect cash flows:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Share capital converted from convertible corporate bonds	<u>\$ -</u>	<u>\$ 14,384</u>

(27) Changes in liabilities from financing activities

	<u>Long and short term loans</u>	<u>Lease liabilities</u>	<u>Other Payables- Dividends</u>	<u>Total Liabilities from Financing Activities</u>
January 1, 2021	\$ 1,322,960	\$ 527,719	\$ 389,623	\$ 2,240,302
Changes in cash flow from financing	1,958,456	(45,869)	(705,033)	1,207,554
Other non-cash changes	-	16,253	543,618	559,871
Effects of exchange rate changes	(58,816)	(5,598)	-	(64,414)
December 31, 2021	<u>\$ 3,222,600</u>	<u>\$ 492,505</u>	<u>\$ 228,208</u>	<u>\$ 3,943,313</u>
	<u>Long and short term loans and short-term</u>	<u>Lease liabilities</u>	<u>Convertible corporate bonds (note)</u>	<u>Total Liabilities from Financing Activities</u>
January 1, 2020	\$ 1,669,050	\$ 362,261	\$ 69,780	\$ 2,101,091
Changes in cash flow from financing	(272,559)	(61,461)	532,744	198,724
Other non-cash changes	-	248,655	(118,704)	129,951
Effects of exchange rate changes	(73,531)	(21,736)	-	(95,267)
December 31, 2020	<u>\$ 1,322,960</u>	<u>\$ 527,719</u>	<u>\$ 483,820</u>	<u>\$ 2,334,499</u>

Note: The portion due within one year is included.

7. Related party transactions

Key management compensation

	Year Ended December 31, 2021	Year Ended December 31, 2020
Short-term employee benefits	\$ 75,693	\$ 44,493
Share-based payment	-	12,334
Total	<u>\$ 75,693</u>	<u>\$ 56,827</u>

8. Pledged Assets

Assets	Book amount		Collateral
	December 31, 2021	December 31, 2020	
Land	\$ 98,958	\$ 101,818	Short-term loans
Buildings	145,619	154,051	Short-term loans
Financial assets at amortized cost (recognized in other current assets and other non-current assets)	5,352	40,850	Performance bond and performance guarantee of the power supply agreement
Refundable deposits (recognized in other non-current assets)	8,965	2,884	Land lease deposits and others
	<u>\$ 258,894</u>	<u>\$ 299,603</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Commitments

A. Capital expenditures contracted but not yet incurred:

	Total contract price	
	December 31, 2021	December 31, 2020
Property, plant and equipment	<u>\$ 1,254,836</u>	<u>\$ 1,158,583</u>

	Outstanding amount	
	December 31, 2021	December 31, 2020
Property, plant and equipment	<u>\$ 337,532</u>	<u>\$ 630,024</u>

B. Outstanding letters of credit:

	December 31, 2021	December 31, 2020
Outstanding letters of Credit	<u>\$ -</u>	<u>\$ 35,485</u>

10. Significant Disaster Losses

None.

11. Significant Events after the End of the Reporting Period

None.

12. Others

A. Capital management

Based on the characteristics of the current industry and the future development of the Company, and considering factors such as changes in the external environment, the Group plans for the working capital, research and development expenses, and dividends needed in the future to ensure that the Group can continue to operate, provide feedback to shareholders, take into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholders' value in the long run. In order to maintain or adjust the capital structure, the Group may adjust the dividend amount paid to shareholders, issue new shares, return cash to shareholders, or buy back shares of the Group. The Group monitors funds by reviewing the asset-liability ratio periodically. The Group's capital is the "total equity" shown in the balance sheet, which is also equal to the "total assets less the total liabilities." The Group's asset-liability ratio as of December 31, 2021 and 2020 is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	\$ 8,558,190	\$ 5,834,740
Total assets	\$ 17,600,666	\$ 14,350,057
Debt ratio	48.62%	40.66%

B. Financial instruments

(A) Categories of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	7,607	9,289
	\$ 7,607	\$ 9,289
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	\$ 1,114,952	\$ 1,567,828
Accounts receivable	3,335,859	2,270,550
Other receivables	212,600	184,911
Financial assets at amortized cost - current	88,817	82,723
Refundable deposits	8,965	2,884
Financial assets at amortized cost - non-current	3,627	1,744
	\$ 4,764,820	\$ 4,110,640

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial Liabilities</u>		
Financial liabilities at fair value through profit and loss		
Financial liabilities designated as measured at fair value through profit or loss	\$ 700	\$ 250
Financial liabilities measured at amortized cost		
Short-term loans	\$ 3,122,600	\$ 1,322,960
Accounts payable	2,512,476	1,666,662
Other payables	1,374,273	1,391,483
Long-term loans	100,000	-
Corporate bond payable (current and non-current)	489,956	483,820
	<u>\$ 7,599,305</u>	<u>\$ 4,864,925</u>
Lease liabilities (current and non-current)	<u>\$ 492,505</u>	<u>\$ 527,719</u>

(B) Risk management policies

- a. The Group's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to minimize the relevant financial risks, the Group strives to identify, assess, and avoid market uncertainties, so as to minimize the potential adverse effects on the financial performance of the Company.
- b. The Group's important financial activities are reviewed by the Board of Directors and the Audit Committee according to relevant regulations and the internal control system. During the implementation of the financial plan, the Group must comply with the relevant financial operations procedures in relation to the overall financial risk management and segregation of duties.

(C) Nature and degree of significant financial risks

a. Market risk

Exchange rate risk

- (a) The Group is a multinational operation and is exposed to exchange rate risk arising from transactions with different functional currencies by the Company and its subsidiaries, which are mainly the USD and RMB, and partially the Vietnamese Dong. The relevant exchange rate risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.
- (b) To avoid the decrease in foreign currency assets and future fluctuations in cash flows caused by exchange rate movements, the Group uses derivative financial instruments to hedge the exchange rate risk. This kind of derivative financial instrument can be used to assist the Group in reducing but not entirely eliminating the impact of foreign currency exchange rate movements.
- (c) The Group's business involves the use of various non-functional currencies (the Company and some subsidiaries' functional currency is NTD, whereas some subsidiaries' functional currencies are RMB, USD, and VND); as a consequence, it is subject to exchange rates fluctuation. Assets and liabilities that are denominated in foreign currencies and significantly affected by the exchange rates fluctuation and market risk were as follows:

		December 31, 2021					
		Sensitivity Analysis					
(Foreign currency: Functional currency)	Foreign currency (in thousand)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : RMB	\$ 15,300	6.3565	\$ 423,501	5%	\$ 21,175	\$	-
RMB : USD	55,792	0.1573	242,951	5%	12,148		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : RMB	\$ 497	6.3565	\$ 13,764	5%	\$ 688	\$	-
NTD : USD	1,382,491	0.1573	1,382,491	5%	69,125		-
		December 31, 2020					
		Sensitivity Analysis					
(Foreign currency: Functional currency)	Foreign currency (in thousand)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : RMB	\$ 13,649	6.5295	\$ 388,726	5%	\$ 19,436	\$	-
RMB : USD	55,307	0.1532	241,236	5%	12,062		-
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : RMB	\$ 289	6.5295	\$ 8,220	5%	\$ 411	\$	-
NTD : USD	1,049,304	0.0351	1,049,304	5%	52,465		-

- (d) The Group's monetary items were significantly impacted by the exchange rate changes, and the total exchange gains and (losses) (including realized and unrealized) for the year ended December 31, 2021 and 2020 were NT\$(113,113) and NT\$(250,516) respectively.

Price risk

- (a) The Group's equity instruments exposed to price risk are financial assets at fair value through profit or loss. To manage the price risk of investment in equity instruments, the Group diversifies its portfolio based on the limits set by the Group.
- (b) The Group's investments in equity instruments comprise domestic publicly quoted entities, and the prices of these equity instruments are affected by uncertainties in the future value of the investment targets. If the prices of these equity instruments were 5% higher or lower, with all other variables held constant, the Group's net income for the year ended December 31, 2021 and 2020 from gains or losses on equity instruments mandatorily measured at fair value through profit or loss would have increased or decreased NT\$380 and NT\$464 respectively.

Cash flow and fair value interest rate risk

- (a) The Group's interest rate risk arises primarily from the short-term loans, short-term notes payable, and long-term loans issued at floating rates, which exposes the Group to the cash flow interest rate risk. In the year ended December 31, 2021 and 2020, the Group's loans issued at floating rates were mainly denominated in NTD and USD.
- (b) The Group's loans are measured at amortized cost and re-priced based on the contractual interest rates, which expose the Group to the risk of changes in future market interest rates.
- (c) If the loan interest rate increased or decreased 0.1%, with all other variables held constant, net income for the year ended December 31, 2021 and 2020 would have decreased or increased NT\$2,578 and NT\$1,058 respectively, due to the changes in interest expenses caused by the loans issued at floating rates.

b. Credit risk

- (a) The Group's credit risk is primarily attributable to the Group's financial loss from customers' or financial instruments' counterparties' failure to fulfill contractual obligations. The main reason is that the counterparties are unable to settle the accounts receivable per payment terms.
- (b) The Group has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. The internal risk control is evaluated by considering its financial situation, past experience and other factors to assess the credit quality of customers. The limits of individual risks are formulated by the Board of Directors based on internal or external ratings, and the utilization of credit line is regularly monitored. The main credit risks come from cash and cash equivalents, derivative financial instruments, deposits at banks and financial institutions, as well as credit risks from customers, including uncollected accounts receivable. For banks and financial institutions, only institutions with good credit ratings will be accepted as trading partners.
- (c) The Group adopts the IFRS 9 to provide the following assumptions whether the credit risk of financial instruments has increased significantly since their initial recognition: When the contract payments are overdue for more than 30 days according to the agreed payment terms, the credit risk is increased significantly since the financial assets are initially recognized.

- (d) When the investment target for the independent credit rating has been lower for two grades, the Group will determine that the credit risk of the investment target is increased significantly.
- (e) Based on the internally specified accounting policies of the Group, it is deemed as a breach of contract when the contractual payments are overdue for more than 365 days in accordance with stipulated payment terms.
- (f) The Group has classified customers' accounts receivable on the characteristics of customers' ratings and adopts a simplified approach to estimate expected credit losses based on the reserve matrix.
- (g) After recourse procedures, the Group writes off the recoverable financial assets that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor's rights. The group had no creditors' rights that had been written off but still could be recourse as of December 31, 2021 and 2020.
- (h) The Group adjusts the loss rate established on the history of certain periods and current information for prospective considerations to estimate the loss allowance for accounts receivable. The reserve matrixes as of December 31, 2021 and 2020 were as follows:

December 31, 2021	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 3,079,004	\$ -
Overdue 0 to 90 days	3.46%	261,485	9,042
Overdue 91 to 180 days	26.36%	5,577	1,470
Overdue 181 to 365 days	65.96%	896	591
Over 365 days past due	100.00%	16,047	16,047
Total		\$ 3,363,009	\$ 27,150

December 31, 2021	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 2,209,713	\$ -
Overdue 0 to 90 days	0.85%	55,215	471
Overdue 91 to 180 days	5.95%	3,632	216
Overdue 181 to 365 days	26.66%	3,650	973
Over 365 days past due	100.00%	3,160	3,160
Total		\$ 2,275,370	\$ 4,820

- (i) Changes in the loss allowance for accounts receivables using the simplified approach are stated as follows:

	2021	
	Accounts receivable	
January 1	\$	4,820
Reversal of impairment loss		23,960
Uncollectable amount written-off	(1,263)
Effect of exchange rate changes	(367)
December 31	\$	27,150

	2020	
	Accounts receivable	
January 1	\$	8,715
Reversal of impairment loss	(3,770)
Effect of exchange rate changes	(125)
December 31	\$	4,820

c. Liquidity risk

- (a) The cash flow forecast is performed by each operating entity of the Group and compiled by the Group's treasury. The Group's treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- (b) The Group's treasury invests surplus cash in interest-bearing demand deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasts.
- (c) As of December 31, 2021 and 2020, the Group had unused borrowing facilities of NT\$2,626,520 and NT\$3,776,320 respectively.
- (d) The following table is the Group's non-derivative financial liabilities, classified according to the relevant maturity date; the non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; the derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date; the amounts of contractual cash flows disclosed in the following table are the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2021	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Short-term loans	\$ 2,890,122	\$ 236,332	\$ -	\$ -	\$ -
Accounts payable	2,512,476	-	-	-	-
Other payables	1,359,934	14,339	-	-	-
Long-term loans	-	-	101,062	-	-
Corporate bonds payable	-	500,000	-	-	-
Lease liabilities	9,718	9,651	17,289	70,704	421,261

December 31, 2020	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Short-term loans	\$ 1,143,613	\$ 180,888	\$ -	\$ -	\$ -
Accounts payable	1,666,662	-	-	-	-
Other payables	1,342,832	48,651	-	-	-
Corporate bonds payable	-	-	500,000	-	-
Lease liabilities	13,864	14,165	19,110	57,289	455,181

C. Fair value information

- a. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Direct or indirect observable input value of assets or liabilities, except for quotations in Level 1. The fair value of derivatives invested by the Group is at this level.

Level 3: Unobservable inputs value of assets or liabilities. Convertible corporate bonds invested by the Group are included in Level 3.

- b. Financial instruments not measured at fair value

- (a) The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, short-term notes payable, notes payable, accounts payable, and other payables are a reasonable approximation of their fair values (except those stated in the following table). The interest rate of long-term loans (including those overdue within one year or one operating cycle) is close to the market interest rate; therefore, the carrying amount should be a reasonable basis for estimating fair value:

	<u>December 31, 2021</u>	
	<u>Book Amount</u>	<u>Level 3 fair value</u>
Bonds payable	<u>\$ 489,956</u>	<u>\$ 490,627</u>

	<u>December 31, 2020</u>	
	<u>Book Amount</u>	<u>Level 3 fair value</u>
Bonds payable	<u>\$ 483,820</u>	<u>\$ 487,857</u>

- (b) The methods and assumptions used to estimate fair value were as follows: Convertible bonds payable: The coupon rate of convertible corporate bonds issued by the Group is similar to the market rate, so the fair value is measured at the discounted value of expected cash flows, which is equivalent to the carrying amount.
- c. The Group categorizes financial and non-financial instruments measured at fair value on the basis of the nature, characteristics, risks, and fair value of the assets and liabilities. The related information is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	<u>\$ 7,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,607</u>
Liabilities				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Redemption right of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 700)</u>	<u>(\$ 700)</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	<u>\$ 9,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,289</u>
Liabilities				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Redemption right of convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 250)</u>	<u>(\$ 250)</u>

- d. The methods and assumptions the Group used to measure fair value were as below:
- For the Level 1 instruments which the Group uses market quoted prices as their fair values and which are listed stocks by characteristics, their closing prices are used as market quoted prices.
 - The cash flow expected to be received by the corporate bonds payable according to the underlying assets are measured by the discounted present value of the market interest rate at the balance sheet date.
- e. There was no transfer between Level 1 and Level 2 between the year ended December 1, 2021 and 2020.
- f. The following table shows the changes in Level 3 in the year ended December 31, 2021 and 2020:

	2021	2020
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	(\$ 250)	\$ 28
Gains or losses recognized in profit or loss (Note)	(450)	122
Current conversion	-	(150)
Current issuance	-	(250)
December 31	(\$ 700)	(\$ 250)

Note: Recognized in other gains and losses.

- g. Evaluation process regarding fair value Level 3 is conducted by the Group's treasury, by which the independence of fair value of financial instruments is verified through use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g., calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.
- h. Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	Fair Value as of December 31, 2021	Evaluation Technique	Significant Unobservable Inputs	Interval (Weighted Average)	Relation between Inputs and Fair Value
Hybrid instruments:					
Redemption right of corporate bonds	(\$ 700)	Binomial tree evaluation model	Volatility	39.17%	The higher the volatility, the higher the fair value.

	Fair Value as of December 31, 2020	Evaluation Technique	Significant Unobservable Inputs	Interval (Weighted Average)	Relation between Inputs and Fair Value
Hybrid instruments:					
Redemption right of corporate bonds	(\$ 250)	Binomial tree evaluation model	Volatility	51.07%	The higher the volatility, the higher the fair value.

- i. The evaluation models and parameters chosen by the Group after careful evaluation may lead to different results when different evaluation models or parameters are used. For financial assets and liabilities classified as Level 3, if the evaluation parameters change, the impact on current profits and losses were as follows:

				December 31, 2021	
				Recognized in Profit and Loss	
				Favorable change	Unfavorable change
	Inputs value	Changes			
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 100	(\$ 300)	
				December 31, 2021	
				Recognized in profit and loss	
				Favorable change	Unfavorable change
	Inputs value	Changes			
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 150	(\$ 250)	

D. Other matters

The Group has taken countermeasures for business and continued to manage related matters since the outbreak of the COVID-19 pandemic in 2020; also, has the pandemic effect on business operation taken into consideration. The “return to work day” for workers in China during the Chinese New Year holiday in 2020 was rescheduled to February and early March in 2020, respectively, in response to the anti-pandemic policy of local competent authority. The Group in response to the anti-pandemic measures of local government in Vietnam and Cambodia and under the precondition of protecting employee’s health had the factory operation suspended temporarily in early May, June, and July (2021Q2). The staff of the Group have striven continuously to maintain a balance among complying with high anti-pandemic demand, the livelihood of employees, and fulfilling the needs of brand customers simultaneously. Therefore, although the Q2 operation was severely disrupted by the development of the pandemic, the Group had managed to maintain basic profitability.

The high demand for mass production, accelerated expansion of production capacity, substantial improvement in production efficiency, and proper control of the Group’s operating funds in 2021 had helped the Group not only resume the standard production, sales, and operation scale but also achieve a substantial growth. The production capacity of the factories in China, Vietnam, and Cambodia accounted for 31.1%, 50.0%, and 18.90% in 2021, respectively. In terms of sales areas (destinations designated by brand customers), the European market remained high at 48.2%; also, the American market had grown from 36.5% to 40.9% due to the mass production initiated for new customers and additional purchase orders. The Group’s sale had grown by 37.0% from the same period last year, in which, the annual growth rate in US dollars was as high as 44.5%. Such success

in business operation was made possible thanks to the Group's efforts in recent years to substantiate stable expansion of production capacity, diversification of production bases, optimization of product combination, etc. The Group will continue to develop new customers, and strengthen the business model of soliciting more brand customers and arranging flexible production. New brands will be introduced for mass production in the coming year.

The severe impact of the COVID-19 pandemic on production in 2021 was much greater than that in 2020. Although the pandemic impacted the area where the Group located first, the Group had acted preemptively with the Group's production capacity expanded; furthermore, had various software and hardware planned, deployed, and upgraded. In the prospect of 2022, the operating scale will continue to grow significantly. Therefore, the management will continue to improve production efficiency and actively invest in the advanced development of new footwear in order to base on the current success to continue enhancing the Group's comprehensive competitive advantages. The Group's having the operations temporarily suspended is concluded to be without a significant impact on the Group's finance and business.

13. Supplementary Disclosures

A. Information on significant transactions

- (A) Loans to Others: Refer to Appendix 1.
- (B) Provision of Endorsements and Guarantees to Others: Refer to Appendix 2.
- (C) Holding of Marketable Securities (Not Including Subsidiaries, Associates, and Joint Ventures): Refer to Appendix 3.
- (D) Accumulated Acquisition or Disposal of the Same Securities Reaching NT\$300 Million or 20% of Paid-in Capital or More: None.
- (E) Acquisition of Real Estate Reaching NT\$300 Million or 20% of Paid-in Capital or More: None.
- (F) Disposal of Real Estate Reaching NT\$300 Million or 20% of Paid-in Capital or More: None.
- (G) Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More: Refer to Appendix 4.
- (H) Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More: Refer to Appendix 5.
- (I) Derivatives transactions: None.
- (J) Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof: Refer to Appendix 6.

B. Information on reinvested business

Information on Invested Companies (Not Including Investee Companies in Mainland China): Refer to Appendix 7.

C. Information on investments in China A. Basic

- (A) Information: Refer to Appendix 8.
- (B) Significant Transactions with Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area: Refer to Note 13(1).

D. Information on major shareholders Information on Major Shareholders:

Refer to Appendix 9.

14. Segment Information

A. General information

The principal business of the Company and subsidiaries is the production and sale of sports and leisure outdoor shoes. The Group's Board of Directors is the operating decision maker, which allocates resources and assesses the performance of the Group as a whole. The Group's management has identified the operating segments based on the reports reviewed by the Board of Directors that are used to make decisions. The Group's organization, the basis of department segmentation, and principles for measuring segment information for the period were not significantly changed.

B. Segment information

The financial information of reportable segments provided for the chief operating decision maker is as follows:

	Year Ended December 31, 2021			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 15,478,924	\$ 65,337	\$ -	\$ 15,544,261
Inter-segment revenue	11,336,249	1,405,441	1,833	12,743,523
Total revenue	<u>\$ 26,815,173</u>	<u>\$ 1,470,778</u>	<u>\$ 1,833</u>	<u>\$ 28,287,784</u>
Segment profit (loss)	<u>\$ 1,332,157</u>	<u>\$ 72,007</u>	<u>(\$ 16,616)</u>	<u>\$ 1,387,548</u>

	Year Ended December 31, 2020			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 11,295,290	\$ 50,310	\$ 41	\$ 11,345,641
Inter-segment revenue	7,680,439	1,185,220	1,289	8,866,948
Total revenue	<u>\$ 18,975,729</u>	<u>\$ 1,235,530</u>	<u>\$ 1,330</u>	<u>\$ 20,212,589</u>
Segment profit (loss)	<u>\$ 1,046,150</u>	<u>\$ 32,200</u>	<u>(\$ 49,594)</u>	<u>\$ 1,028,756</u>

C. Reconciliation of segment revenue and profit or loss

(A) The total adjusted revenue for the current period is reconciled with the total revenue of the continuing operations as follows:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Revenue after adjustment from reportable operating segments	\$ 28,285,951	\$ 20,211,259
Revenue after adjustment from other operating segments	<u>1,833</u>	<u>1,330</u>
Total revenue from operating segments	28,287,784	20,212,589
Elimination of inter-segment revenue	<u>(12,743,523)</u>	<u>(8,866,948)</u>
Total consolidated operating revenue	<u>\$ 15,544,261</u>	<u>\$ 11,345,641</u>

(B) Net operating income after adjustment in the period and income before tax from continuing operations is reconciled below:

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Income before tax after adjustment from reportable operating segments	\$ 1,404,164	\$ 1,078,350
Income before tax after adjustment from other operating segments	<u>(16,616)</u>	<u>(49,594)</u>
Total income after tax from operating segments	1,387,548	1,028,756
Elimination of inter-segment revenue	<u>2,030</u>	<u>20,230</u>
Income before tax from continuing operations	<u>\$ 1,389,578</u>	<u>\$ 1,048,986</u>

D. Product and service information

The principal business of the Company is the production and sale of sports and leisure outdoor shoes. Since the segment's operating revenue, operating income, and identifiable assets used the account for more than 90% of total operating revenue, total operating income, and total assets, the segment is classified as a single industry.

E. Information by area

The Company's revenue by area is calculated based on the continent of sale. Non-current assets are classified according to the country of origin, including property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets and excluding financial products and deferred income tax assets.

	<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Domestic (Note)	\$ 644,878	\$ 1,581,429	\$ 654,778	\$ 1,481,820
Asia	825,993	7,057,335	855,981	5,742,470
America	6,356,999	-	4,145,501	-
Europe	7,495,826	-	5,505,054	-
Africa	88,403	-	58,255	-
Australia	132,162	-	126,072	-
Total	<u>\$ 15,544,261</u>	<u>\$ 8,638,764</u>	<u>\$ 11,345,641</u>	<u>\$ 7,224,290</u>

Note: Domestic sales refer to sales in China.

F. Information on key accounts

The information on the Company's key accounts in the year ended December 31, 2021 and 2020 were as follows:

	<u>Year Ended December 31, 2021</u>		<u>Year Ended December 31, 2020</u>		
	<u>Income</u>	<u>Department</u>	<u>Income</u>	<u>Department</u>	
A	\$ 2,655,241	Production and sale of shoes	A	\$ 2,630,162	Production and sale of shoes
B	<u>2,266,820</u>	Production and sale of shoes	B	1,156,757	Production and sale of shoes
	<u>\$ 4,922,061</u>		C	<u>1,143,930</u>	Production and sale of shoes
				<u>\$ 4,930,849</u>	

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Loans to others

For the Year Ended December 31, 2021

Appendix 1

Unit NTD thousand

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance (Note 4)	Amount Actually Drawn	Interest rate	Nature of loan	Transaction Amounts	Reason for short- term financing	Allowance for bad debt	Collateral		Financing Limits for each borrowing company(Note 2)	Financing company's total financing Amount Limits(Note 3)	Note	
													Item	Value				
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	\$ 441,587	\$ 433,263	\$ 433,263	1.80%	Short-term financing	\$ -	Operating capital	\$ -	-	None	\$ -	\$ 732,655	\$ 915,819	Notes 4 and 5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

Note 3: Loaning funds to others, provided that such financing amount shall not exceed 50 percent of the lender's net worth.

Note 4: In Q4 2021, the exchange rates for assets and profit or loss were USD: NTD=27.68 and USD:NTD=27.9983, respectively.

Note 5: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Provision of Endorsements and Guarantees to Others

For the Year Ended December 31, 2021

Unit: NT\$ Thousand

Appendix 2

No. (Note 1)	Endorser/ Guarantor	Company Name	Relation (Note 2)	Party Being Endorsed/Guaranteed		Outstanding Endorsement/ Guarantee Amount	Amount Actually Drawn	Amount of Endorsements /Guarantees Secured with Collateral	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Asset Value of the Endorser/ Guarantor Company (%)	Ceiling on Total Amount of Endorsements/ Guarantees Provided (Note 4)	Provision of Endorsements/ Guarantees by Parent Company to Subsidiary	Provision of Endorsements/ Guarantees by Subsidiary to Parent Company	Provision of Endorsements/ Guarantees to the Party in Mainland China	Note
				Limit on Endorsements/ Guarantees Provided for a Single Party (Note 3)	Maximum Outstanding Endorsement/ Guarantee Amount for the Period									
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	\$ 5,842,770	\$ 139,000	\$ 138,400	\$ -	\$ -	1.53%	\$ 7,790,360	Y	N	N	Note 5 & 6

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company and subsidiaries are as follows:

(1) For the issuer, fill in "0".

(2) Investee companies are numbered in order starting from "1."

Note 2: The relationship between the endorser/guarantor and the party endorsed/guaranteed is classified into the following seven categories (mark the category number only):

(1) A company with which the Company conducts business.

(2) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.

(3) A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.

(4) Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.

(5) A company fulfilling its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The limit of endorsements/guarantees provided for a single party is 60% of the net worth of Capital Concord Enterprise Limited.

Note 4: The maximum amount available for endorsements/guarantees is 80% of the net worth of Capital Concord Enterprise Limited

Note 5: The joint guarantor of the endorsement/guarantee is Wen-Chih, Lin.

Note 6: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD:NTD = 27.9983, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Holding of Marketable Securities (Not Including Subsidiaries, Associates, and Joint Ventures)

December 31, 2021

Appendix 3

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	At ending			Unit NTD thousand (Unless Otherwise Specified)	
				Number of Shares	Book value	Ratio of Shareholding	Fair value	Note
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN) Co., Ltd.	None	Financial Assets at Fair Value through Profit or Loss - Non-current	196,315	\$ 7,607	0.61	\$ 7,607	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative marketable securities within the scope of IFRS 9: Financial Instruments.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

for the Year Ended December 31, 2021

Appendix 4

Unit: NT\$ Thousand

(Unless otherwise specified)

Purchaser/Seller	Name of the Counterparty	Relationship with the Counterparty	Purchase/Sale	Transactions			Trade conditions different from general transactions and the reasons		Accounts and notes receivable (payable)		Remarks
				Amount	Percentage of Total Purchases (Sales)	Credit term	Unit price	Credit range	Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	\$ 2,604,480	0.20	180 days after purchase	Note 1	Note 1	(\$ 1,559,010)	(0.62)	Note 2 & 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	397,943	0.03	180 days after purchase	Note 1	Note 1	(202,502)	(0.08)	Note 2 & 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	532,933	0.04	180 days after purchase	Note 1	Note 1	(335,384)	(0.13)	Note 2 & 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	965,865	0.08	90 days after purchase	Note 1	Note 1	(525,801)	(0.21)	Note 2 & 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	3,133,267	0.25	120 days after purchase	Note 1	Note 1	(393,134)	(0.16)	Note 2 & 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	Purchase	2,288,858	0.18	120 days after invoices issued	Note 1	Note 1	(77,281)	(0.03)	Note 2 & 3
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd.	Subsidiary	Purchase	862,474	0.07	120 days after invoices issued	Note 1	Note 1	-	-	Note 2 & 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(1,153,091)	(0.07)	135 days after shipment	Note 1	Note 1	-	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Sister company	Sale	(439,029)	(0.03)	90 days after shipment	Note 1	Note 1	130,386	0.04	Note 2 & 3
Capital Concord Enterprises Limited H.K. (Taiwan Branch)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(268,526)	(0.02)	135 days after shipment	Note 1	Note 1	100,746	0.03	Note 2 & 3

Note 1: Sales transactions between the Group and related parties are valued based on reasonable profits; thus, selling prices to related parties and those to non-related parties are incomparable. In terms of payment terms, there was no significant difference between related parties and non-related parties.

Note 2: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD: NTD=27.9983, respectively.

Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

December 31, 2021

Appendix 5

Unit: NT\$ Thousand

(Unless otherwise specified)

Creditor	Name of the Counterparty	Relationship with the Counterparty	Accounts Receivable	Turnover rate	Overdue Receivable		Amount Collected Subsequent to the Reporting Period (Note 1)	Allowance for Bad Debt	Note
			Balance from Related Party		Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,559,010	1.78	\$ -	-	\$ 514,128	\$ -	Note 2 & 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	335,384	1.68	-	-	120,169	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	525,801	2.03	-	-	174,038	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	224,498	-	-	-	-	-	Note 2, 3, & 5
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	202,502	2.64	-	-	168,513	-	Note 2 & 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	433,263	-	-	-	-	-	Note 2, 3, & 4
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Capital Concord Enterprises Limited	Parent company	393,134	17.37	-	-	210,760	-	Note 2 & 3
NGOC Hung Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	Sister company	541,958	-	-	-	2,787	-	Note 2, 3, & 5
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Sister company	130,386	4.08	-	-	35,486	-	Note 2 & 3
Capital Concord Enterprises Limited H.K. (Taiwan Branch)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Parent company	100,746	3.53	-	-	45,034	-	Note 2 & 3

Note 1: The subsequent collections represent collections from the balance sheet date to February 25, 2022.

Note 2: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD: NTD=27.9983, respectively.

Note 3: Offset in consolidated statements.

Note 4: This amount is a loaning of funds in its nature; therefore, the turnover rate will not be calculated.

Note 5: This amount is an "other receivables" in its nature; therefore, the turnover rate will not be calculated.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

For the Year Ended December 31, 2021

Appendix 6

Unit: NT\$ Thousand

(Unless otherwise specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of Consolidated Total Revenues or Total Assets (Note 3)
				General Ledger Account	Amount (Note 5)	Trade terms	
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	\$ 1,559,010	Note 4	8.86%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	202,502	Note 4	1.15%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	335,384	Note 4	1.91%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	525,801	Note 4	2.99%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts payable	393,134	Note 4	2.23%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Other payables	224,498	Note 4	1.28%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	433,263	Note 4	2.46%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	1,153,091	Note 4	7.42%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	2,604,480	Note 4	16.76%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	397,943	Note 4	2.56%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	532,933	Note 4	3.43%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	965,865	Note 4	6.21%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	3,133,267	Note 4	20.16%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	2,288,858	Note 4	14.72%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd.	1	Purchase	862,474	Note 4	5.55%
2	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	439,029	Note 4	2.82%
3	Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	268,526	Note 4	1.73%
4	NGOC Hung Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	3	Other receivables	541,958	Note 4	3.08%

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:

(1) The parent company is numbered "0."

(2) The subsidiaries are numbered in order starting from "1."

Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively. For example, if the transaction between the parent company and a subsidiary has been disclosed by the parent company, it need not be disclosed by the subsidiary.)

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Inter-subsidiary.

Note 3: Regarding the percentage of the transaction amount to consolidated total revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items, and on interim accumulated amount to consolidated total revenues for profit or loss items.

Note 4: Agreed on by both parties based on market conditions.

Note 5: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD: NTD = 27.9983, respectively.

Note 6: The disclosure standard is more than \$150 million for the transaction amount.

Note 7: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Information on Investee Companies (Not Including Investee Companies in Mainland China)

For the Year Ended December 31, 2021

Unit: NT\$ Thousand

(Unless otherwise specified)

Appendix 7

Investee Company	Investor Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2)		Shares Held as of year ended		Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note	
				End of Period	End of Last Year	Number of Shares (Note 1)	Ratio				Book value (Note 3)
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Production and sale of sports and outdoor shoes	\$ 6,585,827	\$ 6,585,827	1,733,000,000	100	\$ 9,737,950	\$ 1,200,200	\$ 1,200,200	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	1,518,038	1,518,038	-	100	2,651,575	382,633	382,633	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Cambodia	Processing and Sale of Clothing	427,675	427,675	-	91.27	184,090	(3,827)	(3,493)	Subsidiaries
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,761,845	1,378,493	-	100	2,020,023	204,800	204,800	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,342,187	1,271,442	-	100	1,327,233	72,354	72,354	Subsidiaries
Capital Concord Enterprises Limited	Eversun Footwear Co., Ltd	Vietnam	Sports Leisure Outdoor Footwear Production	302,388	-	-	100	282,428	(12,516)	(12,516)	Subsidiaries
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	7,017	40,449	10,618,000	100	579	(1,697)	(1,697)	Subsidiaries (Note 4)
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	-	12,395	-	-	-	(2,040)	(2,095)	Subsidiaries (Note 5)
Capital Concord Enterprises Limited	PT. SUN BRIGHT LESTARI	Indonesia	Sports Leisure Outdoor Footwear Production and Sale	23,726	-	-	100	23,760	-	-	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	184,611	-	100	173,616	936	936	Subsidiaries

Note 1: The companies with "-" in the blank had no shares issued.

Note 2: The historical exchange rate was adopted.

Note 3: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD: NTD = 27.9983, respectively.

Note 4: It is in the process of liquidation.

Note 5: The liquidation was completed in December 2021.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Subsidiaries Information on Investments in Mainland China

For the Year Ended December 31, 2021

Appendix 8

Unit: NT\$ Thousand

(Unless otherwise specified)

Investee Company in China	Main Businesses	Paid-in Capital (Note 3)	Investment Method (Note 2)	Accumulated Amount Remitted from Taiwan to Mainland China, as of Beginning of Period (Note 5)	Amount of Investment Remitted or Recovered in Current Period (Note 5)		Amount Remitted from Taiwan to Mainland China, as of End of Period (Note 5)	Net Income (Loss) of the Investee in Current Period	Ownership Held by the Company	Investment Income (Loss) Recognized in Current Period (Notes 4 and 6)	Book Value of Investments in Mainland China, as of End of Period (Note 4)	Accumulated Amount of Investment Income Remitted Back to Taiwan, as of End of Period	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 1,070	100	\$ 8,276	\$ 2,087,414	\$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	22,266	100	22,256	1,830,639	-	
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	9,449	100	9,449	366,371	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution Agent and Import and Export Trade	40,656	2	-	-	-	-	61,853	100	58,587	135,771	-	
Fulgent Sun International (Holding) Co., Ltd.	Distribution Agent and Import and Export Trade	-	2	-	-	-	-	(404)	-	(243)	-	-	Note 7

Note 1: Fujian Sunshine Footwear Co., Ltd. had merged Hang Cheng Company and Yue Chen Company with the approval of the local competent authority on May 17, 2011. The initial investment amount included the original investment of US\$4,000 thousand (equivalent to NT\$120,000 thousand) in Hang Cheng Company and Yue Chen Company.

Note 2: Investment methods are classified into the following three categories (fill in the category number):

- (1) Investment in Mainland China companies by remittance through a third region;
- (2) Investment in Mainland China companies through a company established in a third region; or
- (3) Investment in Mainland China companies through an existing investee company in a third region.

Note 3: The historical exchange rate was adopted.

Note 4: In Q4 2021, the exchange rates for assets and profit or loss were USD:NTD=27.68 and USD: NTD = 27.9983, respectively.

Note 5: The Company was established on the Cayman Islands, which is not subject to the limits on the principle limit in the "Principles for Conducting Investment or Technical Cooperation" of the Ministry of Economic Affairs. The Group has re-funded the investment in the amount of NT\$2,605,976 thousand through re-investment in Hong Kong.

Note 6: Investment income (loss) recognized in current period is based on the financial statements audited by the parent company's CPAs.

Note 7: The liquidation was completed in May 2021.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries

Information on Major Shareholders

December 31, 2021

Appendix 9

Name of Major Shareholder	Shares	
	Number of shares	Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	24,049,151	12.91
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	21,682,465	11.64
Fubon Life Insurance Co., Ltd	14,892,964	7.99

Note: If the company applies to Taiwan Depository & Clearing Corporation for the information in the table, an explanation of the following may be made in the note:

- (1) The table lists the shareholders holding more than 5% of the company's ordinary shares and preference shares delivered in non-physical form (including treasury shares) as of the last business day of the end of each quarter, as calculated by Taiwan Depository & Clearing Corporation. The share capital recorded in the company's financial statements and the company's shares delivered in non-physical form may vary due to different calculation bases.
- (2) If shareholders have their shares in trust of the bank, a trustee's investment account should be indicated individually; for the declaration of an insider's equity exceeding 10% of the company's total equity in accordance with the Securities and Exchange Act, shareholding includes the shares held by a shareholder plus the shares in trust and with the right to decide on their use. For information on the declaration of an insider's equity, please refer to the Market Observation Post System.

5. Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Year: N/A.

6. Impact on the Company's Financial Status Due to Financial Difficulties Experienced by the Company and Its Affiliated Companies in the Most Recent Year and as of the Printing Date of the Annual Report: None.

7. Other Supplements

(1) Evaluation basis and ground for balance sheet valuation accounts

No.	Balance Sheet Valuation	Evaluation Basis	Evaluation Ground
1	Allowance loss	The Company's receivables are provided for the assessment and listing of bad debts, the collection of individual item (by customer) assessment and aging analysis method are adopted, in line with the provisions of the IFRS9, to be applicable as of January 1, 2018.	<ol style="list-style-type: none"> 1. Individual item (by customer) assessment: The objective evidence of derogation (as follows) is presented <ol style="list-style-type: none"> (1) There has been a significant financial difficulty by the debtor. (2) There has been a breach of contract by the debtor. (3) Deterioration of the debtor's repayment situation. (4) There is a high possibility that the debtor may fail or carry out financial restructuring. 2. Aging analysis: Taking into account historical, realistic and future (forward-looking) information, determine the expected credit loss rate for each account age range according to the following procedure. <ol style="list-style-type: none"> (1) The preparation matrix, based on the average annual loss rate of account age in the last year, plus a forward-looking adjustment of 1 standard deviations in the recent annual historical loss rate. (2) The above ratios are reassessed annually.
2	Allowance for inventory obsolescence loss	Age of inventory	<ol style="list-style-type: none"> 1. Raw materials: For aging within 12 months, allowance for inventory obsolescence loss is not appropriated; for aging over 12 months, 100% is appropriated as obsolescence loss. 2. Semi-finished products and finished products: Allowance for inventory obsolescence loss is measured at lower of cost or net realizable value item by item. 3. Inventories: For aging within 24 months, allowance for inventory obsolescence loss is not appropriated; for aging over 24 months, 100% is appropriated as obsolescence loss.

No.	Balance Sheet Valuation	Evaluation Basis	Evaluation Ground
3	Allowance for inventory obsolescence loss	Lower of cost or net realizable value	<ol style="list-style-type: none"> 1. Comparison basis: Inventories are compared item by item; however, similar or relevant items may be compared within the same type. 2. Raw materials: The net realizable value is the unit price of latest purchase. 3. Work-in-process products: The net realizable value is “the estimated selling price” in the ordinary course of business less “the estimated costs of completion” and “the estimated costs” necessary to make the sale. 4. Semi-finished products and finished products: The net realizable value is the unit price of the last sale less relevant changes in costs necessary to make the sale. 5. Cost is evaluated by the weighted average method.
4	Financial assets and liabilities	Fair value	<ol style="list-style-type: none"> 1. Financial assets measured at fair value through gains and losses: The shares of listed companies held by the Company are valued based on the closing price from securities trading; impairment on balance sheet date shall be evaluated according to Section 59 of IAS39. 2. Derivatives: Derivatives are valued based on the fair value provided by the bank. 3. Convertible corporate bonds: Convertible corporate bonds are valued based on the appraisal report issued by the actuary and the Binary Tree model after fluctuations in stock prices and the risk-free interest rate are taken into account.

VII. Review of Financial Conditions, Operating Results, and Risk Management

1. Financial Conditions

Unit: NT\$1,000

Item \ Year	2020	2021	Difference	
			Amount	%
Current Assets	7,046,740	8,895,917	1,849,177	26.24
Property, Plant and Equipment	5,920,768	7,320,208	1,399,440	23.64
Intangible Assets	13,637	11,468	(2,169)	(15.91)
Other Assets	1,368,912	1,373,073	4,161	0.30
Total Assets	14,350,057	17,600,666	3,250,609	22.65
Current Liabilities	4,650,984	7,769,488	3,118,504	67.05
Non-current Liabilities	1,183,756	788,702	(395,054)	(33.37)
Total Liabilities	5,834,740	8,558,190	2,723,450	46.68
Share Capital	1,861,950	1,861,950	-	-
Capital Surplus	5,256,344	5,256,344	-	-
Retained Earnings	2,250,050	2,891,598	641,548	28.51
Other Equity	(837,187)	(927,442)	(90,255)	(10.78)
Treasury shares	(57,583)	(57,583)	-	-
Non-controlling Interests	41,743	17,609	(24,134)	(57.82)
Total Equity	8,515,317	9,042,476	527,159	6.19

(1) The above table is compiled based on the data of the Company's consolidated financial statements.

(2) Description of analysis on ratio change (change ratio for two periods exceeds 20% while the amount changed reaches NT\$10,000,000):

A. Current assets: The increase was mainly due to an increase in accounts receivable and inventories.

B. Property, plant, and equipment: The increase was mainly due to an increase in machinery and equipment and unfinished works and equipment to be inspected.

C. Total assets: The increase was mainly due to an increase in accounts receivable, inventories, machinery and equipment and unfinished works and equipment to be inspected.

D. Current liabilities: The increase was mainly due to revenue growth, increased working capital requirements, resulting in short-term borrowings and an increase in accounts payable.

E. Non-current liabilities: The decrease was mainly due to long-term liabilities due within one year reclassified to current liabilities.

F. Total liabilities: The increase was mainly due to an increase in short-term borrowings and accounts payable.

G Retained earnings: The increase was mainly due to an increase in net income.

H. Non-controlling interests: The decrease was mainly due to the cancelation of Fujian Sunshine Footwear Co., Ltd.

(3) Reasons for changes in non-current Liabilities in the past two years and future responses:

The increase in current liabilities in the current period was mainly due to the growth of revenue and the increase in working capital demand, which led to an increase in short-term borrowings and accounts payable; the decrease in non-current liabilities in the current period was mainly due to the reclassification of long-term liabilities due within one year to current liabilities; The company will continue to actively increase the transportation volume with customers and renegotiate the price conditions to meet the strong demand in the terminal retail market, so as to speed up the collection of accounts receivable and reduce short-term borrowings.

2. Financial Performance

Unit: NT\$1,000

Item \ Year	2020	2021	Difference	
			Amount	%
Operating Revenue	11,345,641	15,544,261	4,198,620	37.01
Operating Cost	8,963,637	12,740,640	3,777,003	42.14
Gross Profit from Operations	2,382,004	2,803,621	421,617	17.70
Operating Expenses	1,108,917	1,333,711	224,794	20.27
Operating Income	1,273,087	1,469,910	196,823	15.46
Non-operating Income and Expenses	(224,101)	(80,332)	143,769	(64.15)
Income before Tax	1,048,986	1,389,578	340,592	32.47
Income Tax Expense	153,472	204,907	51,435	33.51
Net income	895,514	1,184,671	289,157	32.29
Other Comprehensive Income (Net Income after Tax)	(154,698)	(91,331)	63,367	(40.96)
Total Comprehensive Income	740,816	1,093,340	352,524	47.59
Net Income Attributable to:				
Owners of Parent Company	897,575	1,185,166	287,591	32.04
Non-controlling Interests	(2,061)	(495)	1,566	75.98
Total Comprehensive Income Attributable to:				
Owners of Parent Company	743,563	1,094,911	351,348	47.25
Non-controlling Interests	(2,747)	(1,571)	1,176	42.81

(1) The above table is compiled based on the data of the Company's consolidated financial statements.

(2) Description of analysis on ratio change (change ratio for two periods exceeds 20% while the amount changed reaches NT\$10,000,000):

A. Operating revenue, operating cost and Gross Profit: Mainly due to the increase in customer order demand, continuous optimization of product mix, steady increase in production capacity and continuous improvement in production efficiency, the overall revenue and gross profit increased.

B. Operating expenses: The revenue increase in 2021, resulting in a relative increase in related operating expenses.

C. Non-operating income and expenses: Due to a decrease in exchange gains.

D. Income before tax, income tax expense, and net income: Due to the increase in revenue, the net profit before tax, income tax expense and net profit for the current period increased.

E. Other comprehensive income: Due to the difference in the translation of financial statements of foreign operations.

F. Total comprehensive income: Due to an increase in sales.

(3) Impact of sales volume forecast and the basis for the next year on corporate finance and business, and responses: To keep financial conditions robust, the Company sets the annual shipping goal based on customers' forecast, global market changes, capacity planning, and past performance, pays close attention to market trends, and expands market share as well as develop new customers and improves profit.

3. Cash Flows

(1) Analysis of cash flows for the current year (2021)

Unit: NT\$1,000

Cash Balance at Beginning of Period	Net Cash Flows from Operating Activities	Cash Flows Used	Cash Balance (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,567,828	606,506	1,059,382	1,114,952	-	-
<p>1. Analysis of changes in the cash flow for the recent year:</p> <p>Operating activities: Net cash flows generated from operating activities for the current period was NT\$606,506,000, which were results of revenue collected in cash.</p> <p>Investing activities: Net cash flows used in investing activities for the current period was NT\$2,329,099,000, mainly due to significant capital expenditures on the continuous expansion of plants in Southeast Asia.</p> <p>Financing activities: Net cash flows used in financing activities for the current period was NT\$1,184,991,000, mainly due to the decrease in short-term borrowings (NT\$1,857,924,000), distribution of cash dividends (NT\$705,033,000).</p> <p>2. Remedial measures for cash inadequacy and liquidity analysis: N/A.</p>					

- (2) Improvement plan for inadequate liquidity: The Company expects to maintain profitability for 2022 as operating activities will maintain net cash inflows and respond to required cash outflows from investing and financing activities. There should be no concern of inadequate liquidity.

(3) Analysis of Liquidity for the future year (2022)

Unit: NT\$1,000

Cash Balance at Beginning of Period	Net Cash Flows from Operating Activities	Cash Flows Used	Cash Balance (Inadequacy)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,114,952	1,800,000	1,400,000	1,514,952	-	-
<p>1. Analysis of changes in the cash flow for the future year:</p> <p>Operating activities: Net cash flows generated from operating activities are results of revenue collected in cash.</p> <p>Investing activities and financing activities: For purchasing fixed assets, paying off loans, and distributing dividends.</p> <p>2. Remedial measures for cash inadequacy and liquidity analysis: Not applicable.</p>					

4. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

(1) Use and funding sources of major capital expenditures

The amount of property, plant and equipment acquired in 2020 and 2021 was NT\$1,240,894,000 and NT\$2,000,647,000, respectively. Such capital expenditures were due to the expansion of new production bases. The table below compares the

property, plant, and equipment turnover rate and the total asset turnover rate, showing that the Company's turnover rate remains at a certain level. The increase in capital expenditures did not have adverse impact on the Company's finance and business.

Year	2017	2018	2019	2020	2021
Property, Plant, and Equipment Turnover Ratio	2.42	2.18	2.41	1.95	2.35
Total Asset Turnover Rate	1.12	0.98	1.07	0.83	0.97

(2) Expected potential benefits

The expansion of production bases is expected to increase the Company's capacity and operating scale in line with future orders and urgent order. Future revenue is expected to grow.

5. Reinvestment Policy, Main Causes for Profits or Losses, Improvement Plans for the Most Recent Year and Investment Plans for the Following Year

(1) Reinvestment policy

The Company focuses on its primary business sector and its investment policy is based on investment related to the businesses. The responsible department shall comply with the Investment Cycle under the internal control system and the Procedures for Acquisition or Disposal of Assets; the relevant regulations and procedures have been discussed and approved by the Board of Directors or at a shareholders' meeting.

(2) Main causes for profits or losses and improvement plans for reinvestment for the most recent year

Unit: NT\$1,000, %

Investee	Shareholding Ratio	Investment Profit or Loss in 2021	Main Cause for Profit or Loss	Improvement Plan
Capital Concord Enterprises Limited	100	1,200,200	Good business operation	None
Fujian Sunshine Footwear Co., Ltd.	100	8,276	Good business operation	None
Hubei Sunsmile Footwear Co., Ltd.	100	22,256	Good business operation	None
Sunny Footwear Co., Ltd.	100	9,449	Good business operation	None
Fujian Laya Outdoor Products Co., Ltd.	100	58,587	Good business operation	None
Fujian La Sportiva Co., Ltd.	-	(243)	-	2021 May, liquidation completed
Fulgent Sun Footwear Co., Ltd.	100	204,800	Good business operation	None
NGOC HUNG Footwear Co., Ltd.	100	72,354	Good business operation	None
Laya Max Trading Co., Ltd.	-	(2,095)	-	2021 December, liquidation completed

Investee	Shareholding Ratio	Investment Profit or Loss in 2021	Main Cause for Profit or Loss	Improvement Plan
Laya Outdoor Products Co., Ltd.	100	(1,697)	Investment gain or loss	2022 April, liquidation completed
Lin Wen Chih Sunbow Enterprises Co., Ltd.	100	382,633	Good business operation	None
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	91.27	(3,493)	Loss due to operation under poor economic scale	Reduce fixed costs to reduce losses
Lin Wen Chih Sunlit Enterprises Co., Ltd.	100	936	Good business operation	None
Eversun Footwear Co., Ltd.	100	(12,516)	Initially established, loss due to operation under poor economic scale	None
PT. SUN BRIGHT LESTARI	100	-	Start-up stage not yet in operation.	None

(3) Investment plans for the coming year

In response to the increase in future orders and inadequate capacity, the Company plans to expand stably in areas outside China in 2022 in the hope of creating resilient room for overall profit.

6. Analysis of Risk Management

(1) Impact of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures

A. Interest rate

The Company's financial structure is good with sufficient funds. The interest expense in 2020 and 2021 was NT\$24,954,000 and NT\$30,394,000, respectively, accounting for 0.22% and 0.20% of net operating revenue and 2.38% and 2.19% of net income, respectively. The interest-bearing loan in 2020 and 2021 accounted for 9.22% and 18.31% of total assets, respectively. The interest-bearing loan was for working capital, so the change in interest rates had little impact on the Company.

B. Foreign exchange rate

The functional currencies of the Company's subsidiaries in the Republic of China, People's Republic of China, and Southeast Asia are NTD, CNY, VND, IDR, and USD. The overall fluctuations in foreign exchange rates could reach balance between receivables and payables, achieving the effect of natural hedges.

In the future, the Company will collect information on changes in foreign exchange rates, make cash flow forecasts, and adopt appropriate hedging policy and methods to control supply and demand of foreign currencies. The financial personnel shall maintain the appropriate exchange position based on the future trend of foreign exchange rates in response to the need of operation to reduce the impact of changes in foreign exchange rates on the Company's profit.

C. Inflation

The low employment rate and European debts have eased, creating room for the adoption of the easing policy. Economy can be boosted through measures for quality and sustainable growth.

In summary, in a rapidly changing economic environment, there is no significant influence of inflation or deflation on the Company as of the printing date of the Annual Report. With the increasing awareness of sports activities worldwide, the global sports industry has continued to expand in recent years. Being aware of this trend and the price fluctuations in the shoe market, the Company has adjusted procurement and sale policies resiliently while maintaining good interaction with suppliers and customers; therefore, the Company should be able to respond to the impact of future inflation or deflation.

- (2) Policies, main causes for profits or losses and future response measures with regard to high-risk and high-leverage investments, lending of funds, endorsements/guarantees, and derivatives trading

The Company has established the Procedures for the Acquisition or Disposal of Assets, the Procedures for Making Endorsements/Guarantees, and the Procedures for Lending Funds to others as the basis of operation for the Company and its subsidiaries. As of the printing date of the Annual Report, the Company has not engaged in high-risk and high-leverage investments or derivatives trading except for derivatives trading for the avoidance of changes in foreign exchange rates. Based on the principle of sound and robust operation, the Company will not consider engaging in high-risk and high-leverage investments or derivatives trading in the future. Due to the need of operation, the Company has made endorsements/guarantees and lent funds to subsidiaries in accordance with the Procedures for Lending Funds to Others and the Procedures for Making Endorsements/Guarantees.

- (3) Future research & development projects and corresponding budgets

In addition to developing new models and testing samples, the Company's developers are also responsible to collect market information and analyze product trends. The Company believes that technological innovation and process transformation are the keys to improving the quality and added value of products. Although the existing research and development team is sufficient for current research and development, the Company will improve its quality and quantity considering the rapid change and improved competitiveness in the industry.

- (4) Impact of changes in major policies and laws on corporate finance and business, and response measures

Registered in Cayman Islands, the Company operates in China, Hong Kong, Vietnam, Indonesia, and Cambodia in accordance with important policies and laws at home and abroad. The Company also pays close attention to changes in local policies, laws and markets to respond immediately. As of the printing date of the Annual Report, there is no significant impact of major policies and laws on the Company's finance and business.

- (5) Impact of changes in technology and industry on corporate finance and business, and response measures

The Company specializes in the OEM production for shoe and sells sports shoes and outdoor shoes as an OEM. Our customers are world-renowned brands of outdoor and sporting goods; some of our customers are even leaders in the industry. The Company develops products and controls the market depending on information provided by customers and close cooperation with them. Without these important customers, it will be difficult for the Company to respond immediately to the changes in technology and industry, leading to an adverse impact on the Company's operation; therefore, the Company aims to develop its own brands based on consumers' needs

and market trends while receiving the latest information from customers in response to future changes in the footwear industry.

- (6) Impact of changes in corporate image on corporate risk management, and response measures

Upholding a people-oriented business philosophy, the Company has strived to pursue sustainable development and attach great importance to corporate image and risk control with the corporate cultures of integrity, innovation, speed, and quality. Since incorporation, the Company has always focused on its primary business sector. As of the printing date of the Annual Report, there is no serious impact on the Company's corporate image.

- (7) Expected benefits from and risks relating to merger and acquisition plans

In response to the need of listing in Taiwan, the Group has restructured and integrated resources since the end of 2009. Apart from this, there is no merger or acquisition. The Group has restructured in accordance with local laws and the Company's Articles of Incorporation; there is no adverse impact of risks arising from mergers and acquisitions on the Company's operation.

- (8) Expected benefits from and risks relating to plant expansion plans

With the increasing popularity of sports activities, the Company plans to expand stably in Vietnam and Cambodia in the hope of creating resilient room of favor and thereby accomplishing the overall profit increase.

- (9) Risks relating to and responses to excessive concentration of purchasing sources and customers

A. Risks relating to and responses to excessive concentration of purchasing sources

To avoid the risk of supply (material) shortage, the Company does not purchase raw materials from single or few suppliers; instead, the Company chooses the most suitable suppliers based on the needs, prices, quality, and delivery of products. The Company has maintained good cooperation with suppliers. There is no excessive concentration of purchasing sources.

B. Risks relating to and responses to excessive concentration of customers

The Company's products include sports shoes, outdoor shoes, hiking shoes, casual shoes and functional shoes from greater than 50 renowned brands at home and abroad. Our products are sold across Europe, America, and Asia. There is no excessive concentration of customers. In addition, the Company has strived to develop new customers and the agency of brands. Currently, the Company has received orders from customers around the world and completed the delivery for some new brands.

- (10) Impact of, risks relating to and responses to mass transfers or changes in shareholding of directors, supervisors, or major shareholders with a shareholding ratio of 10% or more

In the most recent year and as of the printing date of the Annual Report, there is no mass transfer or change in shareholding of directors, supervisors, or major shareholders with a shareholding ratio of 10% or more.

- (11) Impact of and risks relating to the changes in ownership

The Company has no significant change in ownership. The Company has set up independent directors to protect the rights and interests of shareholders. The daily operation of the Company depends on professional managers, which should

continuously receive support from shareholders; therefore, the change in ownership should have no significant adverse impact on the Company's operation.

- (12) Litigation or non-litigation cases: litigious or non-litigious proceedings or administrative disputes involving a director, a supervisor, the president, the de facto person in charge, a 10% or greater major shareholder, or an affiliate company of the company with respect to which a judgment has become final and unappeasable, or is still pending, and whose outcome could materially impact shareholders' equity or the prices of the Company's securities

A director, a supervisor, the President, a de facto person in charge, a 10% or greater major shareholder, or an affiliate company of the Company is not involved in any litigious or non-litigious proceedings or administrative disputes.

- (13) Other important matters: None.

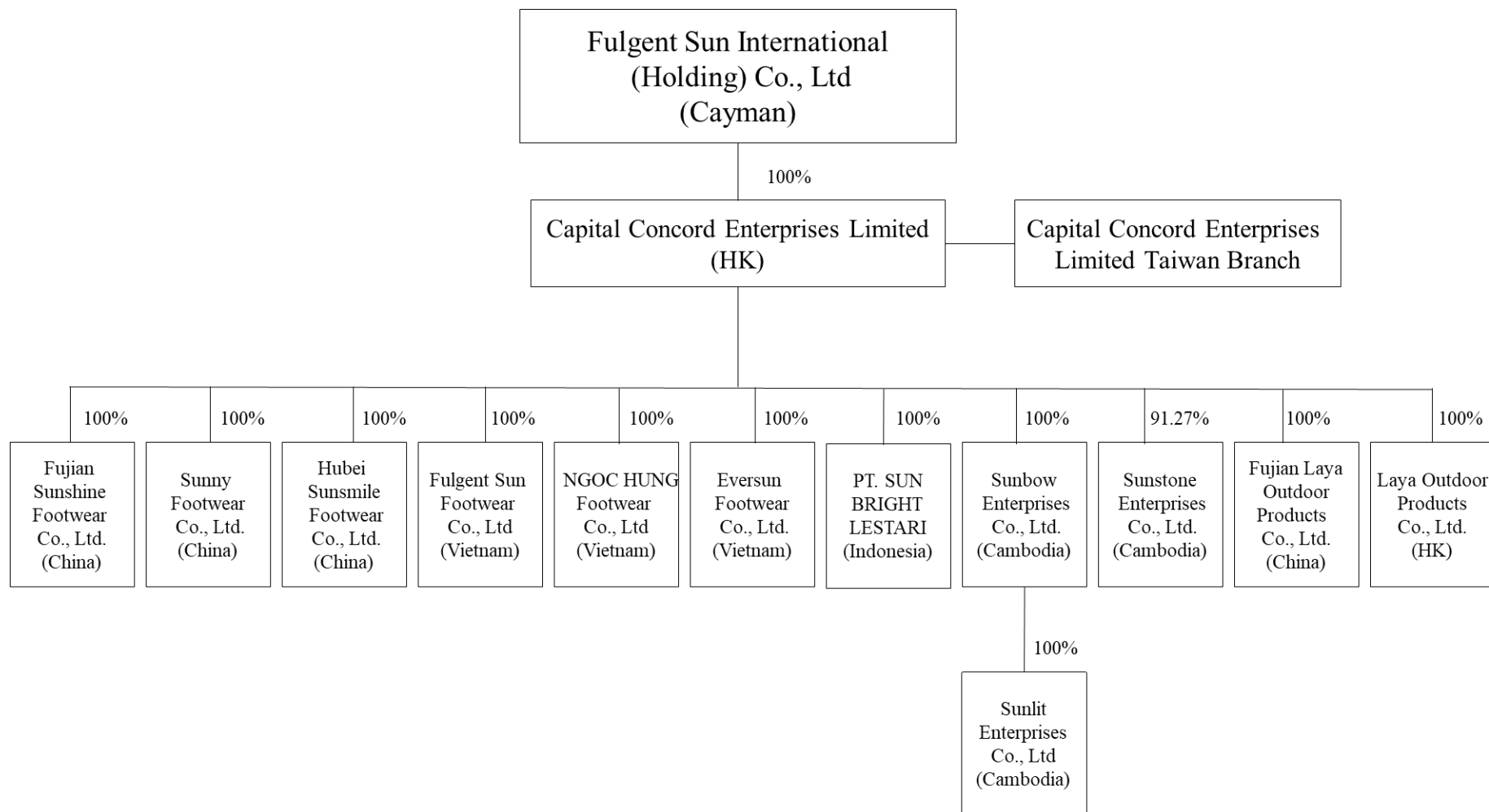
7. Other Important Issues: None.

VIII. Special Notes

1. Affiliated Companies

(1) Organizational chart of affiliated companies

Reference Date: December 31, 2021



(2) Basic information on affiliated companies

December 31, 2021; Unit: NT\$1,000

Name of Company	Date of Establishment	Location	Paid-in Capital	Scope of Business or Product Item
Fulgent Sun International (Holding) Co., Ltd.	2009/11/24	Cayman Islands	1,861,950	Holding company
Capital Concord Enterprises Limited	1994/12/15	Hong Kong	6,585,827	Holding and production and sales of shoes
Fujian Sunshine Footwear Co., Ltd.	1995/3/22	Fujian Province, China	723,826	Production and sales of shoes
Sunny Footwear Co., Ltd.	2005/9/6	Fujian Province, China	130,680	Production and sales of shoes
Hubei Sunsmile Footwear Co., Ltd.	2009/6/2	Hubei Province, China	1,825,033	Production and sales of shoes
Fulgent Sun Footwear Co., Ltd.	2003/1/15	Hanoi Province, Vietnam	1,761,845	Production of shoes
NGOC HUNG Footwear Co., Ltd.	2015/1/26	Hai Duong Province, Vietnam	1,342,187	Production of shoes
Fujian Laya Outdoor Products Co., Ltd.	2009/10/30	Fujian Province, China	40,656	Import/export trading.
Laya Outdoor Products Co., Ltd.	2010/9/6	Hong Kong	7,017	Holding company
Lin Wen Chih Sunbow Enterprises Co., Ltd.	2013/12/16	Kandal, East Cambodia	1,518,038	Production and sales of shoes
Lin Wen Chih Sunstone Enterprises Outdoor Products Co., Ltd.	2013/12/16	Kandal, East Cambodia	427,675	Gourmet processing and selling
Lin Wen Chih Sunlit Enterprises Co., Ltd.	2013/12/16	Kandal, East Cambodia	184,611	Land lease business
Eversun Footwear Co., Ltd.	2021/8/6	Ha Nam Province, Vietnam	302,388	Production of shoes
PT. SUN BRIGHT LESTARI	2021/12/16	Indonesia	23,726	Start-up stage, not in operation yet

(3) Shareholders in common of the company and its affiliated companies with deemed control and subordination: Not applicable.

(4) Overall business scope of affiliated companies:

The Group's main businesses are investment, production and sales of various footwear, and also export trade business such as shoe spare parts. The main business or production items of each affiliated company are detailed in (2) Basic information of each affiliated company.

(5) Director, supervisor and managers of affiliated companies

Shareholding as of March 29, 2022

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
Fulgent Sun International (Holding) Co., Ltd.	Chairman	Wen-Chih, Lin (Note 1)	28,401,192	15.25
	Director/ President	Fang-Chu, Liao (Note 2)	23,480,801	12.61
	Director	Chih-Cheng, Liao	326,185	0.18
	Independent Director	Kun-Hsien, Chang	-	-
	Independent Director	Ai-Chi, Hsu	-	-
	Independent Director	Jing-Huang, Huang	-	-
	Independent Director	Chun-An, Li	-	-
	Independent Director	Jun-Ming, Wu	-	-
Capital Concord Enterprises Limited	Chairman	Wen-Chih, Lin	-	-
	Director	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
Fujian Sunshine Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Supervisor	Hui-Yi Lin	-	-
Sunny Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
	Director	Hui-Yi, Lin	-	-
	Supervisor	Ming-Hsien, Chen	-	-
Hubei Sunsmile Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
	Director	Hui-Yi, Lin	-	-
	Supervisor	Ming-Hsien, Chen	-	-
Fulgent Sun Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Director	Hui-Yi Lin	-	-
	Director	Chih-Cheng, Liao	-	-

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
Fujian Laya Outdoor Products Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/President	Fang-Chu, Liao	-	-
	Director	Hui-Yi, Lin	-	-
	Supervisor	Ming-Hsien, Chen	-	-
Laya Outdoor Products Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director	Hui-Yi, Lin	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
	Director	Li-Yu, Su	-	-
Lin Wen Chih Sunlit Enterprises Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director	Hao-Yi, Lin	-	-
NGOC HUNG Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/President	Fang-Chu, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Director	Hui-Yi Lin	-	-
	Director	Chih-Cheng, Liao	-	-
PT. SUN BRIGHT LESTARI	Chairman	Wen-Chih, Lin	-	-
	Director/President	Fang-Chu, Liao	-	-
	Director	Ji-Ren, Wu	-	-
Eversun Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-

Note 1: Personal shares held by Wen-Chih, Lin and those held indirectly through the custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank.

Note 2: Personal shares held by Fang-Chu, Liao and those held indirectly through the custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank.

(6) Operational highlights of affiliated companies

December 31, 2021; Unit: NT\$1,000

Name of Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (after Tax)
Fulgent Sun International (Holding) Co., Ltd.	1,861,950	9,753,769	728,902	9,024,867	-	(10,239)	1,185,166
Capital Concord Enterprises Limited	6,585,827	18,099,803	8,361,853	9,737,950	14,099,568	559,295	1,200,200
Fujian Sunshine Footwear Co., Ltd.	723,826	2,915,814	813,149	2,102,665	2,953,658	38,019	1,070
Sunny Footwear Co., Ltd.	130,680	600,335	233,964	366,371	568,697	22,533	9,449
Hubei Sunsmile Footwear Co., Ltd.	1,825,033	2,412,427	580,789	1,831,638	1,533,113	21,682	22,266
Fulgent Sun Footwear Co., Ltd.	1,761,845	2,735,392	715,369	2,020,023	2,302,697	232,805	204,800
NGOC HUNG Footwear Co., Ltd.	1,342,187	1,562,126	234,893	1,327,233	893,779	91,151	72,354
Fujian Laya Outdoor Products Co., Ltd.	40,656	922,275	772,508	149,767	1,423,600	93,508	61,853
Laya Max Trading Co., Ltd.(note 1)	-	-	-	-	616	(1,240)	(2,040)
Laya Outdoor Products Co., Ltd.	7,017	519	238	281	-	(81)	(1,697)
Fujian La Sportiva Co., Ltd. (note2)	-	-	-	-	4,714	(396)	(404)
Lin Wen Chih Sunbow Enterprises Co., Ltd.	1,518,038	3,461,299	809,724	2,651,575	3,299,803	380,688	382,633
Sunstone Enterprises Co., Ltd.	427,675	203,974	2,276	201,698	-	(12,026)	(3,827)
Lin Wen Chih Sunlit Enterprises Co., Ltd.	184,611	174,084	468	173,616	1,833	1,305	936
Eversun Footwear Co., Ltd.	302,388	865,095	582,667	282,428	61,937	(9,073)	(12,516)
PT. SUN BRIGHT LESTARI	23,726	318,412	294,652	23,760	-	-	-

Note1: The liquidation was completed in December 2021.

Note2: The liquidation was completed in May 2021.

(7) Consolidated financial statements of affiliated companies: Please refer to Pages 130~194

- 2. Private Placement of Securities in the Most Recent Year and as of the Printing Date of the Annual Report: None.**
- 3. Holding or Disposition of the Company's Shares in the Most Recent Year and as of the Printing Date of the Annual Report: None.**
- 4. Other Necessary Supplements: None.**

IX. Any Events in the Most Recent Year and As of the Printing Date of the Annual Report that Had Significant Impact on Shareholders' Equity or Securities Prices prescribed in Subparagraph 2, Paragraph 2 , Article 36 of the Securities and Exchange Act: None.

X. Any Material Differences from the Rules of the R.O.C. in Relation to the Protection of Shareholders' Equity

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>1. Shareholders' meetings shall be convened within the territory of the Republic of China. If a shareholders' meeting is convened outside the territory of the Republic of China, it shall be resolved by the Board of Directors or permitted by the regulator and then reported to the stock exchange for approval within two days.</p> <p>2. Shareholders who have been continuously holding 3% of the total number of the outstanding shares for a period of one year or longer may request the Board of Directors to convene an extraordinary shareholders' meeting in writing, specifying the proposal and the reason. If the Board of Directors fails to send a notice of an extraordinary shareholders' meeting within 15 days after the request is made, the shareholders may convene the extraordinary shareholders' meeting with the regulator's permission.</p>	<p>1. If shareholders convene shareholders' meetings outside the territory of the Republic of China, Article 14-7 of the Company's Articles of Incorporation only stipulates that shareholders shall obtain the stock exchange approval in advance because the Companies Law of Cayman Islands does not have any special regulation pertaining to the convention of shareholders' meetings, according to the attorney of Cayman Islands. This is discrete from the provision that "it shall be resolved by the Board of Directors or permitted by the regulator and then reported to the stock exchange for approval within two days," as prescribed in the Protection of Shareholders' Equity.</p> <p>2. According to the attorney of Cayman Islands, the Companies Law of Cayman Islands does not hold any special regulation pertaining to the places of shareholders' meetings of exempted companies or shareholders' meetings convened by shareholders; therefore, Article 14-7 of the Company's Articles of Incorporation does not stipulate that shareholders shall report to the regulator for permission before convening extraordinary shareholders' meetings.</p>
<p>For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the</p>	<p>1. In addition to ordinary resolution and supermajority resolution of shareholders' meeting under the law of the Republic of China, Article 1.1 of the Company's Articles of Incorporation also stipulates "Special Resolution" defined in the Companies Law of Cayman Islands. According to the attorney of Cayman Islands, "Special Resolution" shall refer to a resolution passed by shareholders present at the shareholders' meeting (in person or by proxy) who represent two-thirds or more (or a higher percentage as prescribed in the Company's Articles of Incorporation; such a percentage may vary from proposal to proposal) of the total voting rights, provided that the meeting notice has legally specified that the resolution will be passed by special resolution.</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company:</p> <ol style="list-style-type: none"> 1. Enter into, amend or terminate any contract for lease of the company's business in whole, or for entrusted business, for regular joint operation with another party, transfer the whole or any essential part of its business or assets, and accept the transfer of the entirety of a business or asset from another party, in which the transfer has a great bearing on the business operation of the company; 2. Amending the Articles of Incorporation; 3. Where amendments to the Articles of Incorporation will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened; 4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses; 5. Resolutions for corporate dissolution, merger, or demerger; and 6. Conversion of shares. 	<p>With the authorization of the Articles of Incorporation, the special resolution shall be passed in writing with the signatures of all shareholders who have voting rights. To resolve by vote, majority voting shall be calculated based on the number of voting rights which each shareholder represents according to the Company's regulations. Formatters to be passed by supermajority resolution, as prescribed in the Protection of Shareholders' Equity, they shall be passed by supermajority resolution and special resolution, separately, according to the Company's Articles of Incorporation. This discrepancy is due to the law of Cayman Islands. The Company's Articles of Incorporation have included matters to be passed by supermajority resolution, as prescribed in the Protection of Shareholders' Equity, in matters to be passed by supermajority resolution and special resolution, separately.</p> <ol style="list-style-type: none"> 2. According to the Companies Law of Cayman Islands, the following matters shall be passed by special resolution: <ol style="list-style-type: none"> (1) Amending the Articles of Incorporation: <p>According to the law of Cayman Islands, amendments to the Articles of Incorporation shall be passed by special resolution as prescribed in the Companies Law of Cayman Islands; therefore, Article 15.7 of the Company's Articles of Incorporation does not stipulate that amendments to the Articles of Incorporation shall be passed by supermajority resolution, as prescribed in the Protection of Shareholders' Equity. According to Article 9.1 of the Company's Articles of Incorporation, if changes in or amendments to the Company's Articles of Incorporation will cause damage to the priority of any type of shares, such changes or amendments shall be passed by special resolution at the shareholders' meeting attended by shareholders whose shares are damaged according to the Companies Law of Cayman Islands.</p> (2) Corporate dissolution: <p>According to the law of Cayman Islands, if a company fails to pay off its debts due and resolves to dissolve voluntarily, such</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
	<p>dissolution shall be passed by ordinary resolution; however, if a company dissolves for reasons other than the aforesaid one, such dissolution shall be passed by special resolution according to the law of Cayman Islands. Therefore, Article 12.5 of the Company's Articles of Incorporation does not stipulate the threshold for corporate dissolution does not amend the resolution, as prescribed in the Protection of Shareholders' Equity, into supermajority resolutions under the Republic of China Law.</p> <p>(3)Corporate merger: The law of Cayman Islands has a mandatory regulation pertaining to the voting method of corporate mergers defined under the law of Cayman Islands; therefore, Subparagraph (b), Article 12.4 of the Company's Articles of Incorporation stipulates that corporate mergers (other than those defined under the law of Cayman Islands) shall be passed by supermajority resolution.</p>
<ol style="list-style-type: none"> 1 The term of office of a director or supervisor shall not exceed three years, but he/she may be eligible for re-election. 2 In the process of electing directors at a shareholders' meeting, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. 	<p>The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.</p>
<ol style="list-style-type: none"> 1. Supervisors of a company shall be elected by the shareholders' meeting, among them at least one supervisor shall have a domicile within the territory of the Republic of China. 2. The term of office of a supervisor shall not exceed three years, but 	<p>The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>he/she may be eligible for re-election</p> <p>3. In case all supervisors of a company are discharged, the Board of Directors shall, within 60 days, convene a special shareholders' meeting to elect new supervisors.</p> <p>4. Supervisors shall supervise the execution of business operations of the company and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the Board of Directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the Board of Directors, and shall make a report of their findings and opinions at the shareholders' meeting.</p> <p>6. In performing their functional duties under the preceding Paragraph, the supervisors may appoint a certified public accountant or attorney on behalf of the company to conduct the auditing on their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the Board of Directors to express their opinions. In case the Board of Directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith</p>	

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>advise, by notice, to the Board of Directors or the director, as the case may be, to cease such action.</p> <p>8. Supervisor may each exercise the supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.</p>	
<p>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>The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.</p> <p>Regarding the protection of shareholders' rights and interests revised in May 2021, the Board of Directors has proposed to the 2022 shareholders' meeting to delete Article 14.6 of the Articles of Incorporation.</p>
<p>1. The director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company, and if he/she has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from If the said act is implemented by the director himself or herself, or another party, the shareholders' meeting may resolve and consider an earning received from the said act as an earning of the company.</p> <p>2. If the director of a company has, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>3. A managerial officer and a supervisor shall bear, within the</p>	<p>The Company has incorporated related provisions under Protection of Shareholders' Equity into Articles 27.4 and 29.5 of the Articles of Incorporation.</p> <p>According to the attorney of the Cayman Islands, the Companies Law of Cayman Islands has no special regulation pertaining to directors' obligations. Based on the principle of Common Law, a director of the Company (a) has fiduciary duties of loyalty, honesty, and good intention, and (b) is under the obligation of care, diligence, and professionalism. The Company may seek remuneration from a director who violates these obligations. If a director is in breach of an obligation for personal interests, the Company may request such interests from the director.</p> <p>The attorney of Cayman Islands also indicates that, based on the principle of Common Law, a director of the Company represents the Company when performing duties and the director's acts will be deemed the Company's acts. If such acts cause damage to any third party, the Company (rather than the director) shall be responsible for the third party. The third party claiming damages may not request the director to be responsible by referring to the Company's Articles of Incorporation because the third party, who is not a shareholder of the Company, is not entitled to exercise the Company's Articles of Incorporation. When the Company is responsible for the third party due to a director's violation of</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>scope of their duties, the same liabilities as a director of the company when causing damages.</p>	<p>obligations, the Company may seek remuneration from the director for the said loss. In addition, a managerial officer usually does not have fiduciary duties for the Company. Notwithstanding the provision in the Articles of Incorporation, the provision is not enforceable on a managerial officer as the managerial officer is not a party to the Articles of Incorporation. A managerial officer's obligations shall be imposed through contractual agreements. The law of Cayman Islands does not have the concept of supervisors. The Company has no supervisor; instead, the Company has the Audit Committee; therefore, the Company's Articles of Incorporation have no regulation pertaining to supervisors.</p>
<p>When holding a shareholders' meeting, a company shall adopt the writing and electronic transmission as one of the methods for exercising the voting power.</p>	<p>Regarding the protection of shareholders' rights and interests revised in May 2021, the Board of Directors has proposed to the 2022 shareholders' meeting to amend the Articles of Incorporation.</p>
<ol style="list-style-type: none"> 1. A regular shareholders' meeting shall be held at least once every year and convened within six months after the close of each fiscal year. A shareholders' meeting shall be convened by the Board of Directors. 2. A company may explicitly provide in its Articles of Incorporation that its shareholders' meeting can be held by means of 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 promulgate a ruling that authorizes a company, which has no above provision in its Articles of Incorporation, within a certain period of time can hold its shareholders' meeting by means of visual communication network or other promulgated methods. 3. In case a shareholders' meeting is 	<p>Regarding the protection of shareholders' rights and interests revised in March 2022, the Company will amend the Articles of Incorporation before June 30, 2023 as required by the Taiwan Stock Exchange Corporation and have the Board of Directors propose the amendment to the 2023 shareholders' meeting.</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>preceded 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. In case a shareholders' meeting has proceeded via a visual communication network, a company shall be subject to securities-related regulations of the Republic of China, including the prerequisites, procedures, and other compliance matters.</p> <p>5. A company's shareholders' meeting shall be held within the territory of the Republic of China. If a shareholders' meeting is held outside the Republic of China, it shall be reported to the stock exchange for consent within two days after the resolution of the Board of Directors or the competent authority's approval of the shareholders' meeting.</p> <p>6. Shareholders holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company in writing or electronically a proposal for discussion at a regular shareholders' meeting. Unless any of the following circumstances is satisfied, the Board of Directors of the company shall include the proposal submitted by a shareholder in the list of proposals to be discussed at a regular shareholders' meeting: (1) where the subject (the issue) of the said proposal cannot be settled or resolved by a resolution to be adopted at a shareholders' meeting; (2) where the number of shares of the company in the</p>	

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>possession of the shareholder making the said proposal is less than one percent (1%) of the total number of outstanding shares; (3) where the said proposal is submitted on a day beyond the deadline fixed and announced by the company for accepting shareholders' proposals; or (4) where the said proposal contains more than 300 words or more than one matter in a single proposal.</p> <p>7. Any of a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the Board of Directors to call a special shareholders' meeting.</p> <p>8. Shareholders continuously holding 50% or more of the total number of outstanding shares of a company for a period of three months or a longer period of time may convene a special shareholders' meeting. The calculation of the holding period and holding number of shares shall be based on the holding at the time of the share transfer suspension date.</p> <p>9. The following matters shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a shareholders' meeting, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company,</p>	

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>and such website shall be indicated in the above notice:</p> <ul style="list-style-type: none"> (A) Elect or discharge directors and supervisors; (B) Alter the Articles of Incorporation; (C) Reduce capital; (D) Apply for the approval of ceasing its status as a public company; (E) Dissolve, merge, convert shares, or spin-off; (F) Enter into, amend, or terminate any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; (G) Transfer the whole or any essential part of its business or assets; (H) Accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company; (I) Engage in a private placement of equity securities; (J) Approve competing with the company by directors; (K) Distribute surplus profit, in whole or in part, in the form of new shares; and (L) Distribute legal reserve and the following capital reserve by issuing new shares to original shareholders or by cash: income derived from the issuance of new shares at a premium or income from endowments received by the company. 	
<p>1. When holding a shareholders' meeting, a company shall adopt the electronic transmission as one of the methods for exercising the</p>	<p>Regarding the protection of shareholders' rights and interests revised in March 2022, the Company will amend the Articles of Incorporation before June 30, 2023 as required by the Taiwan Stock Exchange</p>

Protection of Shareholders' Equity	The Company's Articles of Incorporation and Reason for Discrepancies
<p>voting power.</p> <p>2. A company whose shareholders may exercise their voting power in writing or by way of electronic transmission in a shareholders' meeting shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p>	<p>Corporation and have the Board of Directors propose the amendment to the 2023 shareholders' meeting.</p>
<p>Where a company convenes a shareholders' meeting, the company shall prepare a manual for shareholders' meeting proceedings and shall disclose such manual together with other information related to the said shareholders' meeting in a public notice to be published 21 days prior to a regular shareholders' meeting or 15 days prior to a special shareholders' meeting. However, in the case of a company with paid-in capital reaching NT\$10 billion or more as of the last day of the most recent fiscal year, or in which the aggregate shareholding percentage of foreign investors and Mainland Chinese investors reached 30% or 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 electronic file 30 days prior to the day on which the regular shareholders' meeting is to be held.</p>	<p>Regarding the protection of shareholders' rights and interests revised in March 2022, the Company will amend the Articles of Incorporation before June 30, 2023, as required by the Taiwan Stock Exchange Corporation, and have the Board of Directors propose the amendment to the 2023 shareholders' meeting.</p>

Fulgent Sun International (Holding) Co., Ltd.

**Wen-Chih, Lin
Chairman**