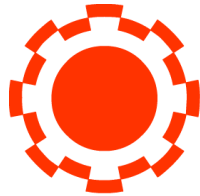


Stock Code: 9802



Fulgent Sun International (Holding) Co., Ltd.

Annual Report 2023



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 16, 2024

I. 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, Uglan 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

Wisesquare Enterprise Limited TEL: (886)5-551-4619
Address: 15/F., BOC Group Life Assurance Tower, 136 Des Voeux Road Central, 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 Taiwan

Laya Chemical Engineering Co., Ltd. (Note) TEL: (886)5-551-4619
Address: No.76, Section 3, Yunke Road, Douliu City, Yunlin County, Taiwan
Note : It has been registered from Limited Company to Company Limited by Shares on January 30, 2024.

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, Vietnam

Sunglory Footwear Co., Ltd. TEL: (84)226-396-7188
Address: Dong Phong Industrial Cluster, Dong Quan Commune, Dong Hung District, Thai Binh Province, Vietnam.

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 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

Lin Wen Chih Sunzeal Enterprises Co., Ltd. TEL: (885)01-2998391
Address: 21km, National Highway 44, Kompong Speu Province, Cambodia

Subsidiary in Indonesia

PT. SUN BRIGHT LESTARI TEL: (021)300-50-238
Address: Singakerta (Jalan Raya Indramayu - Cirebon), Tegal Watu 018, Kelurahan Dukuhjati, Kecamatan Krangkeng, Kabupaten Indramayu 45284, Indonesia

II. 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 CityWebsite: <https://www.ctbcbank.com>**III. 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 Mei-Lan, Liu

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>**IV. Name of Overseas Securities Exchange and Inquiry of Overseas Securities: N/A****V. Company Website: <http://www.fulgentsun.com>****VI. 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 Group
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 Group Chief Executive Officer, Fulgent Sun Group
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 Group Spokesperson、Finance Supervisor and CGO, Fulgent Sun Group
Independent Director	Jin-Huang, Huang	ROC	Ph.D. in Mechanical Engineering, Northwestern University Director of Department of Mechanical, Feng Chia University 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, Chair Professor, Feng Chia University
Independent Director	Chun-An, Li	ROC	Ph.D. in Business Administration, National Chengchi University Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology Certified Public Accountant of Chun-An, Li Accounting Firm Director and Honorary Professor of Department of Finance, National Yunlin University of Science and Technology

Title	Name	Nationality	Education and Work Experience
Independent Director	Chun-Ming, Wu	ROC	Bachelor of Accounting, Soochow University Senior Vice President of Corporate Financing, Capital Securities Corp. President, Zhanteng Venture Capital Consulting Co., Ltd. President, Query Investment Co., Ltd.
Independent Director	Shu-Ching, Chou	ROC	PhD in Business Administration, National Sun Yat-Sen University MBA Pennsylvania State University Bachelor of Accounting, National Chengchi University Director of Department of Finance, National Yunlin University of Science and Technology
Independent Director	Hui-Ying, Wang	ROC	Supplementary Open Junior College for Business Administration, National Cheng Kung University Manager of Kaohsiung Branch and Luzhu Branch, Senior assistant manager and director of Kaohsiung Regional Center, senior assistant and director of Tainan Regional Center, First Commercial Bank

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

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

Deputy Spokesperson: Chien-Chao, Hung
Title: CFO
TEL: (886)5-551-4619
E-mail: service@fulgentsun.com

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

Name: Chih-Cheng, Liao
Title: Executive Vice President

TEL: (886)5-551-4619
E-mail: service@fulgentsun.com

Fulgent Sun International (Holding) Co., Ltd.

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I. Report to the Shareholders

Dear shareholders, we hereby present the report on the summary of the 2023 annual operating performance and future outlook as follows:

1. Operating results of previous year

Fulgent Sun Group's 2023 operating revenue amounted to NT\$16.89 billion, gross profit amounted to NT\$3.20 billion, operating profit amounted to NT\$1.81 billion, net income before tax amounted to NT\$2.04 billion, net income attributable to the parent company amounted to NT\$1.50 billion, and net earnings per share amounted to NT\$7.87. Fulgent Sun, despite the impact of many negative factors and multiple challenges worldwide, has managed to achieve the second-best financial performance since the year of 1995. Review and analyze the detailed operating information further indicating that the gross profit margin, operating profit rate, and net income rate attributable to the parent company for the year of 2023 were 18.91%, 10.69%, and 8.86%, respectively; also, in terms of the 2023 output value ratios, Vietnam, Cambodia, and China were 49.87%, 25.38%, and 24.75%, respectively; in terms of the revenue ratio from the sales generated in the following regions (brand customer designated destinations), Greater Europe was 48.27% and Greater America was 36.59%; also, Europe and America remained the main markets for outdoor sports and leisure products. In addition, regarding information related to OEM brands, there are more than 50 OEM customers on the list currently, of which the top three customers account for more than 30% of the sales, the top ten customers account for nearly 80% of the sales, and the top 20 customers are accounted for more than 90% of the sales. In summary, Fulgent Sun Group has substantively demonstrated many operational and management synergies such as diversified distribution of factories, dispersed global sales regions coverage, and optimized product portfolio.

2. Summary of this year's business plan and future company development strategy

In prospect of the global industrial and economic situation in 2024, although major economies will not experience soaring interest rates continuously, but many countries remain in an environment encountering with a high interest rate. The global industrial and economic situation is expected to experience many uncertainties and to face a coexistence of opportunities and threats. However, the mid-term and long-term growth trend of the outdoor sports and leisure industry remains intact worldwide while the mankind is driven by the pursuit of a better life. Therefore, the main business plan and material business strategies for 2024 are summarized as follows: "Continue to expand the Group's production capacity and diversify and decentralize production base," "accelerate the enhancement of core technologies and intensify the integration and upgrade of manufacturing processes," "actively upgrade software and hardware equipment and move towards an intelligent production model," "profoundly cultivate existing OEM brand customers and actively develop high-quality potential customers," and then "optimize Corporate Governance, enhance investor relations, fulfill corporate social responsibility, and pursue sustainable excellence, quality, and efficiency."

The Group will continue to implement the production capacity expansion plan and accelerate the flexible deployment of diversified factories in order to create a more pragmatic, beneficial, and flexible space, and to create quantitative and qualitative improvement and refinement. The Group's latest production base is constructed in Indonesia with the construction of Chihua Plant officially launched in 2024.

The Group continues to develop various shoemaking technologies. Most of the factories of the Group are GORE-TEX certified with comprehensive top-grade waterproof and breathable outdoor functional shoes production capabilities equipped; also, multiple project teams are in place internally responsible for new technology research and development, automation and semi-automation machine development, glue chemical research and development, big data artificial intelligence integrated analysis, etc. The Group will continue to refine various core technologies and capabilities, increase the percentage of automated production and advance development of new shoes, enhance and improve the production efficiency of each factory, and quickly and rigorously deploy so to exercise the synergy of operation and management.

The management team will continue to promote the replacement, integration, and upgrade of various software and hardware production equipment, enhance the information security protection and management mechanism, and forcefully promote integration and optimization of production lines in each factory. The Group will also enhance promoting the industry-university cooperation projects with various departments of each university, utilizing diversified external resources to improve the Company's innovation energy and to enhance the Company's R&D momentum. Furthermore, the Group plans to cultivate ethical and intelligent talents in various fields through the long-standing internal training system in order to root the foundation for sustainable development.

The Company will strive to develop partnerships with well-known international brand customers actively, to develop mass production capabilities and expand the scale of production and sales further through the concerted efforts of the management team taking as a whole. Under the circumstance, the Company will be able to substantively take advantage of the multiple competitive advantages such as diversified orders and flexible production capacity deployment.

3. Affected by the external competitive environment, regulatory environment and overall business environment

In retrospect since the incorporation of the Group in 1995, after experiencing many times of international financial system risks, such as: the Asian financial crisis in 1998, the global financial crisis in 2008, the European debt crisis in 2012, the Sino-US trade war in 2018, the outbreak of the new coronavirus pneumonia (COVID-19) pandemic in early 2020; also, many geopolitical impacts since the year of 2022, added with sharp rising inflation pressures that have affected consumption power, the Company has been able to respond pragmatically and precisely to each external change and challenge every time, and has managed to

turn crises around through the joint efforts of the management team and the employees taking as a whole. The Group's operating revenue has officially reached the mark of NT\$10 billion since the year of 2017; also, the operating revenue had hit a record high in 2022. Although the Group has faced a big challenge in business operation in 2023 due to the impact of global economy; however, in terms of operating revenue, the Group has successfully presented the second-best financial performance results in the recent years. Earnings per share (EPS) has also exceeded NT\$5 for eight consecutive years, indicating that the Group's operating situation has become more stable.

The Group has realized the importance of pursuing profit growth since the day officially become a listed company in October 2012; also, understands that the pursuit of profit is not the only mission of the Company. Therefore, the Group has been committed to supporting the United Nations' "Sustainable Development Goals (SDGs)" for years. Therefore, the core mission and primary intention and obligation of the Company's management team is to promote and improve a healthy life and well-being, to fulfill corporate social responsibilities, and to pursue sustainable operations, that is, creating the cycle of excellence through participating in fulfilling corporate social responsibilities. In addition, sale is everything, but corporate governance is the foundation. The management team is committed to the substantiation of corporate governance. The Group has performed excellently in previous corporate governance evaluations carried out by the Taiwan Stock Exchange (on the top-20% list).

In prospect, the management team will adhere to the core values of "sincerity, speed, quality, and innovation," uphold the spiritual essence of "morality, wisdom, diligence, and long-term cultivation," pursue "excellent leadership, high quality and efficiency," and focus on developing the industry in-depth continuously. The Group aims to further enhance competitive advantages based on the existing operating foundation, various capital investments, and soft power, thereby increasing added value, fulfilling corporate social responsibilities, pursuing sustainable operations, enhancing the operational functions of the board of directors, reinforcing and improving compliance with various laws and regulations, comprehensively improving the efficiency of corporate governance, striving to treat shareholders' equity equally, committing to safeguarding the equity of all the Company's stakeholders, striving to create corporate value and protect the rights of all stakeholders, and sharing the Company's operating results with all shareholders and all employees. The Group strives to fulfill responsibility and make effort for the realization of sustainable development and common prosperity.

Once again, we would like to thank all shareholders for their support and encouragement, and sincerely wish all shareholders peace, joy, health, and happiness!

Sincerely,

Chairman Wen-Chih, Lin

II. Company Profile

1. Date of Incorporation: 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	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 was 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 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 agent for sporting goods in Taiwan. In September, Laya Outdoor Products Limited was established in Hong Kong; in January 2011, Laya Outdoor Products Limited 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.
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 public in Taiwan Stock Exchange in October.

Year	Important Chronicle
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 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 in “Taiwan 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 to the “MSCI Taiwan Small Cap Index.”
2020	In April, Fulgent Sun International (Holding) Co., Ltd was awarded the Top 6%~20% Enterprises in the Six Corporate Governance Appraisal by TWSE.
2020	In July, Fulgent Sun International (Holding) Co., Ltd was reviewed by Taiwan Index Plus Corporation and included in “Taiwan 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 Appraisal by TWSE.
2021	In August, Eversun Footwear Co., was established in Vietnam, OEM production of sportswear and outdoor footwear.
2021	In October, Fulgent Sun International (Holding) Co., Ltd was reviewed by Taiwan Index Plus Corporation and included in “TAIEX+ Small/Mid-Cap Alpha Momentum 50 Index.”
2021	In December, PT. SUN BRIGHT LESTARI was established in Indonesia to produce and sell shoes.
2022	In April, Fulgent Sun International (Holding) Co., Ltd was awarded the Top 6%~20% Enterprises in the Eighth Corporate Governance Appraisal by TWSE.
2022	In August, Laya Chemical Engineering Co., Ltd. was established in Taiwan to produce and sell shoes material.
2023	In February, Lin Wen Chih Sunzeal Enterprises Co., Ltd was established in Cambodia to produce and sell shoes..
2023	In April, Fulgent Sun International (Holding) Co., Ltd was awarded the Top 6%~20% Enterprises in the Ninth Corporate Governance Appraisal by TWSE.
2023	In May, Sunglory Footwear Co., Ltd. was established in Vietnam, OEM production of sportswear and outdoor footwear.
2023	In October, Wisersquare Enterprise Limited was established in Hong Kong .
2024	In January, Laya Chemical Engineering Co., Ltd. has been registered from Limited Company to Company Limited by Shares.

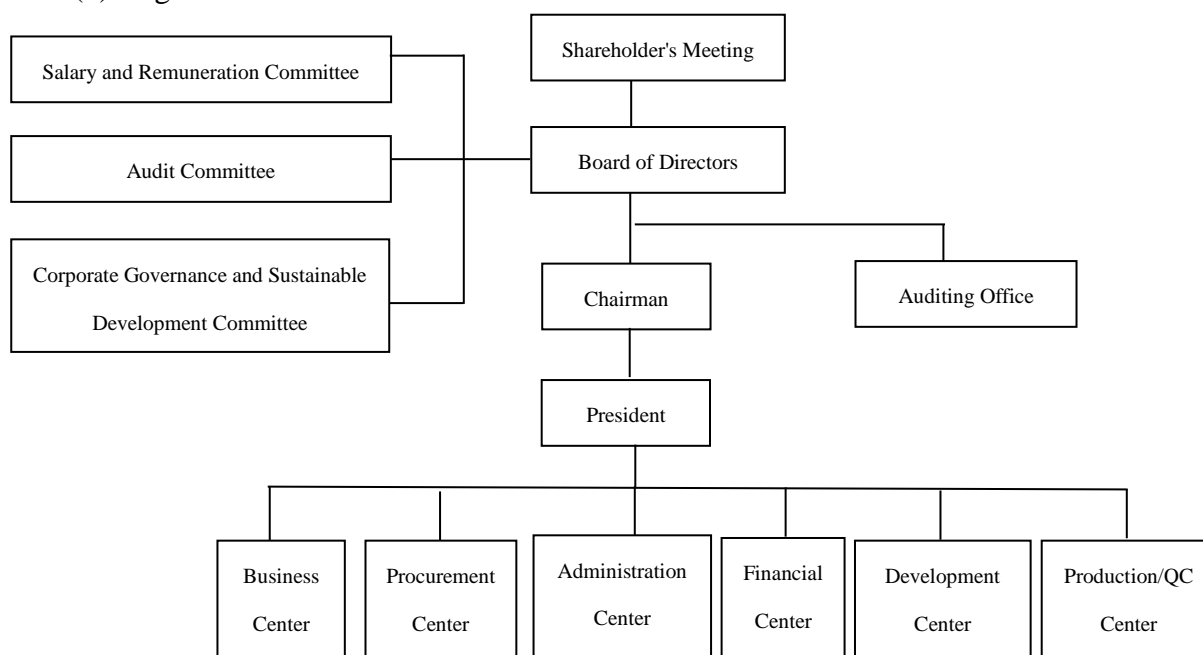
3. Group Structure: Please refer to page 194, (1) Organizational chart of affiliated companies.

4. Risk Management: Please refer to pages 191~193, 6. Risk Management.

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 Governance and Sustainable Development Committee	<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, 2024; 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/ 69	2022/5/27	3 Years	2009/11/24	4,341	2.33	4,341	2.27	23,511 (Note 1)	12.31	24,120 (Note 1)	12.63	Bachelor of Chemical Engineering, Feng Chia University President, Fulgent Sun International (Holding) Co., Ltd.	CSO, Fulgent Sun Group 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, Lin Wen Chih Sunbow Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunstone Enterprises Co., Ltd. Chairman, Lin Wen Chih Sunlit Enterprises Co., Ltd. Chairman, NGOC HUNG Footwear Co., Ltd. Chairman, Eversun Footwear Co., Ltd. Chairman, PT. SUN BRIGHT LESTARI Chairman, Laya Chemical Engineering Co., Ltd. Chairman, Lin Wen Chih Sunzeal Enterprises Co., Ltd. Chairman, Sunlory Footwear Co., Ltd. Chairman, Wisersquare Enterprise Limited	President	Fang-Chu, Liao	Spouse	Note 3
Director	ROC	Fang-Chu, Liao	F/ 67	2022/5/27	3 Years	2013/6/21	1,798	0.97	1,798	0.94	28,461 (Note 2)	14.90	21,712 (Note 2)	11.37	Bachelor of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd.	President, Fulgent Sun Group CEO, Fulgent Sun Group 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 Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Director, PT. SUN BRIGHT LESTARI Supervisor, Laya Chemical Engineering Co., Ltd. Director, Lin Wen Chih Sunzeal Enterprises Co., Ltd. Director, Wisersquare Enterprise Limited	Chairman	Wen-Chih, Lin	Spouse	Note 3
																Executive Vice President	Wen-Kuang, Lin (Note 4)	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/ 51	2022/5/27	3 Years	2016/6/15	326	0.18	326	0.17	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager of Sales, First Commercial Bank	Spokesperson, Fulgent Sun Group Executive Vice President, Fulgent Sun Group Finance Supervisor, Fulgent Sun Group CGO, Fulgent Sun Group 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 Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Director, Lin Wen Chih Sunzeal Enterprises Co., Ltd.	-	-	-	-
Independent Director	ROC	Jin-Huang, Huang	M/64	2022/5/27	3 years	2019/6/12	-	-	-	-	-	-	-	-	PhD in Mechanical Engineering, Northwestern University Master in Mechanical Engineering, University of New Mexico Bachelor 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, and Director of Office of Industry-Academia Cooperation, and Feng Chia University	Chair 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, ALFORMER INDUSTRIAL CO., LTD.	-	-	-	-
Independent Director	ROC	Chun-An, Li	M/71	2022/5/27	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 Dean of College of Finance and Banking, National Kaohsiung University of Science and Technology Certified Public Accountant of Chun-An, Li Accounting Firm	Director and Honorary 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	Chun-Ming, Wu	M/66	2022/5/27	3 years	2019/6/12	-	-	-	-	-	-	-	-	Bachelor of Accounting, Soochow University Senior Vice President of Corporate Financing, Capital Securities Corp. President, Zhanteng Venture Capital Consulting Co., Ltd. President, Query Investment Co., Ltd.	Director, E-Elements Technology Co., Ltd Independent Director, Tecstar Technology Co., Ltd. Independent Director, Lian Hong Art. Co., Ltd.	-	-	-	-
Independent Director	ROC	Hui-Ying, Wang	F/69	2022/5/27	3 Years	2022/5/27	-	-	-	-	-	-	-	-	Supplementary Open Junior College for Business Administration, National Cheng Kung University Manager of Kaohsiung Branch and Luzhu Branch, Senior assistant manager and director of Kaohsiung Regional Center, senior assistant and director of Tainan Regional Center, First Commercial Bank	None	-	-	-	-
Independent Director	ROC	Shu-Ching, Chou	F/57	2022/5/27	3 Years	2022/5/27	-	-	-	-	-	-	-	-	PhD in Business Administration, National Sun Yat-Sen University MBA Pennsylvania State University Bachelor of Accounting, National Chengchi University Director of Doctoral Program in Industrial Management, National Yunlin University of Science and Technology Director of Department of Finance, National Yunlin University of Science and Technology	Professor, Department of Finance, National Yunlin University of Science and Technology	-	-	-	-

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.

Note 4: Wen-Kuang, Lin retired on April 28, 2023.

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, and 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, finance, accounting, 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, finance, accounting, corporate operations, and operational judgment required capacity. Worked as the Group Vice President of Sales. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	-	-
Chih-Cheng, Liao	Work experience in commerce, finance, accounting, and operational judgment required capacity. Worked as the Assistant Manager of Sales, First Commercial Bank. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	-	-
Jin-Huang, Huang	Work experience as lecturer in corporate operations 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 Chair Professor, Feng Chia University. No circumstance stated in the subparagraphs of Article 30 of the Company Act.	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.	3

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
Chun-An, Li	<p>Work experience as lecturer in the business, finance, and accounting 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.</p> <p>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: None.</p>	-
Chun-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., President, Zhanteng Venture Capital Consulting Co., Ltd. and President, Query Investment 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: None.</p>	2

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
Hui-Ying, Wang	<p>Work experience in finance and accounting.</p> <p>Worked as the manager of Kaohsiung Branch and Luzhu Branch, Senior assistant manager and director of Kaohsiung Regional Center, senior assistant and director of Tainan Regional Center, First Commercial Bank.</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: None.</p>	-
Shu-Ching, Chou	<p>Work experience as lecturer in the finance related departments of public and private universities and colleges.</p> <p>Worked as the director and 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>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: None.</p>	-

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 Association, 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, 3 of the Board members are female. Apart from the female members, the directors competent in operation management and decision-making include Wen- Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Jin-Huang, Huang, Chun-An, Li, and Chun-Ming, Wu; the directors competent in finance and accounting include Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Hui-Ying, Wang, Shu-Ching, Chou, Chun-An, Li and Chun-Ming, Wu and the directors competent in banking and security affairs include Hui-Ying, Wang, Chih-Cheng, Liao, and Chun-Ming, Wu.
 - c. The ratio of directors as concurrent employees of the Company is 3/8 and the ratio of independent is 5/8. Female director ratio is 3/8, 2 independent directors have seniority of term under 3 years, 3 independent directors have seniority of term between 3~6 years, 3 directors aged under 65 years, 4 directors aged between 65~69 years, and 1 aged over 70 years.
 - d. Specific management goals: Fulgent Sun values the gender equality in the composition of Board of Directors members. The female director ratio is targeted as 33% or more and two female directors were added to the sixth Board of Directors, meeting a ratio of 38%.
 - 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: The independence directors all comply with the independence requirements in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act, including but not limited to the director, spouse, and relative within 2nd degree kinship who has not served as the director, supervisor or employer of Fulgent Sun or affiliated enterprise; Director Fang-Chu, Liao and the Chairman are spouses.
- a. Specific Management Objectives: The Company values the independence and gender equality for the composition of Board of Directors members. The independence director ratio is targeted at over 50%. Two independent directors were added to the 5th Board of Directors and currently the ratio of independent directors account for 63% of total director seats.

(2) Information on President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

As of March 29, 2024; Unit: Thousand Shares, %

Title	Nationality or County 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	0.94	28,461 (Note 1)	14.90	21,712 (Note 1)	11.37	Bachelor of International Trade, Chinese Culture University Vice President of Sales, Fulgent Sun International (Holding) Co., Ltd.	CEO, Fulgent Sun Group 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 Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Director, PT. SUN BRIGHT LESTARI Supervisor, Laya Chemical Engineering Co., Ltd. Director, Lin Wen Chih Sunzeal Enterprises Co., Ltd. Director, Wisesquare Enterprise Limited	Chairman	Wen-Chih, Lin	Spouse	Note 2
Group Executive Vice President	ROC	Chih-Cheng, Liao	M	2011/5/16	326	0.17	-	-	-	-	Master in Finance, National Yunlin University of Science and Technology Assistant Manager of Sales, First Commercial Bank	Spokesperson, Fulgent Sun Group Finance Supervisor, Fulgent Sun Group CGO, Fulgent Sun Group 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 Enterprises Co., Ltd. Director, NGOC HUNG Footwear Co., Ltd. Director, Lin Wen Chih Sunzeal Enterprises Co., Ltd.	-	-	-	-
Group Executive Vice President	ROC	Wen-Kuang, Lin	M	2018/12/12	-	-	-	-	-	-	Master of Arts, Institute of Labor Relations, National Zhongzheng University	None	Chairman	Wen-Chih, Lin	Within second degree of kinship	Note 3
													President	Fang-Chu, Liao,	Within second degree of kinship	

Title	Nationality or County 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 Executive Vice President	ROC	Ming-Hsien, Chen	M	2015/8/1	104	0.05	-	-	-	-	Master of Engineering Design and its Management of University of Huddersfield Vice President of Sales Development, Fulgent Sun International (Holding) Co., Ltd.	Supervisor, Sunny Footwear Co., Ltd. Supervisor, Hubei Sunsmile Footwear Co., Ltd. Supervisor, Fujian Laya Outdoor Products Co., Ltd.	-	-	-	Note 4
Group CFO	ROC	Chien-Chao, Hung	M	2021/9/1	2	-	-	-	-	-	Bachelor of Accounting, Feng Chia University Group Controller of Accounting Department, Fulgent Sun Group.	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	-	-	-	-
Group Production Executive Vice President	RPC	Xu-Ming, Huang	M	2013/9/1	-	-	-	-	-	-	Qingliu No.2 High School in Sanming City, Fujian Province Production Vice President in China, Fulgent Sun International (Holding) Co., Ltd	None	-	-	-	Note 5
Group Development Vice President	RPC	Hua-Jun, Peng	M	2023/7/1	-	-	-	-	-	-	Bachelor of International Trade, Hunan Agricultural University Executive Associate, Fujian Sunshine Footwear Co., Ltd.	None	-	-	-	Note 6
Production Vice President in Southeast Asia	ROC	Wen-Yao, Chang	F	2022/12/1	-	-	-	-	-	-	Master of business administration of University of Northumbria at Newcastle Vice President, Green Shoes Vietnam Enterprise LTD	None	-	-	-	Note 7

Note1: 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 2: 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.

Note 3: Wen-Kuang, Lin retired on April 28, 2023.

Note 4: Ming-Hsien, Chen was promoted to group executive vice president on July 1, 2023.

Note 5: Xu-Ming, Huang was promoted to group production executive vice president on July 1, 2023.

Note 6: Hua-Jun, Peng was promoted to group development vice president on July 1, 2023.

Note 7: Wen-Yao, Chang resigned on June 1, 2023 due to personal career planning.

3. Remuneration for directors, supervisors, general manager and vice general manager in the most recent year

(1) Remuneration of general directors and independent directors

Unit: NT\$ Thousand; %

Title	Name	Compensations to Directors								Total Remuneration (A+B+C+D) and as a percentage of Net Profit after Tax		Remunerations Paid to Concurrent Employees						Total remuneration (A, B, C, D, E, F, and G) and as a percentage of Net Profit after Tax		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	
												Cash Amount	Stock Amount	Cash Amount	Stock Amount					
Director	Wen-Chih, Lin																			
	Fang-Chu, Liao	-	-	-	-	-	12,700	-	-	-	25,346	-	135	-	-	10,500	-			
	Chih-Cheng, Liao																			
Independent Director	Jin-Huang, Huang									-	20,180									
	Chun-An, Li										1.35									
	Chun-Ming, Wu	-	-	-	-	-	7,300	-	180	-	-	-	-	-	-	-	-			
	Hui-Ying, Wang																			
	Shu-Ching, Chou																			

1. Please describe the independent director's remuneration payment policy, system, standards and structure, and describe the relationship with the amount of remuneration according to the responsibilities, risks, investment time and other factors:

In addition to considering director performance evaluation, the remuneration of independent directors of the Company is also based on Article 34.1 of the Company's Articles of Association. The remuneration committee reviews the degree of participation and contribution value of each director in the Company's operations, and the remuneration is based on the responsibilities, risks, and reasonableness of the directors. The remuneration link shall be submitted to the board of directors for resolution after the resolution of the remuneration committee.

2. In addition to the disclosure in the above table, the remuneration received by the directors of the Company for providing services (such as serving as consultants who are not employees) to all companies listed in the financial report in the most recent year: 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	-	-	-	-
NT\$1,000,000 ~ NT\$2,000,000 (excluded)	-	Jin-Huang, Huang, Chun-An, Li, Chun-Ming, Wu, Hui-Ying, Wang, and Shu-Ching, Chou	-	Jin-Huang, Huang, Chun-An, Li, Chun-Ming, Wu, Hui-Ying, Wang, and Shu-Ching, Chou
NT\$2,000,000 ~ NT\$3,500,000 (excluded)	-	Chih-Cheng, Liao	-	-
NT\$3,500,000 ~ NT\$5,000,000 (excluded)	-	Fang-Chu, Liao	-	Chih-Cheng, Liao
NT\$5,000,000~ NT\$10,000,000 (excluded)	-	Wen-Chih, Lin	-	-
NT\$10,000,000~ NT\$15,000,000 (excluded)	-	-	-	-
NT\$15,000,000~ NT\$30,000,000 (excluded)	-	-	-	Wen-Chih, Lin and Fang-Chu, Liao
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: In this year, there is no actual payment of pension, which would be the allocation of pension.

Note 2: The amount of director's remuneration distributed by the Company's board meeting on February 26, 2024.

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\$ Thousand; %

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Employees' Remuneration (D) (Note 2)				Total Remuneration (A+B+C+D) and as a percentage of Net Profit after Tax		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 CSO	Wen-Chih, Lin	-	24,152	-	416	-	18,035	-	-	14,998	-	-	57,601	3.85	None
Group President	Fang-Chu, Liao														
Group Executive Vice President	Chih-Cheng, Liao														
Group Executive Vice President (Note 3)	Wen-Kuang, Lin														
Group Executive Vice President (Note 6)	Ming-Hsien, Chen														
Group Production Executive Vice President (Note 7)	Xu-Ming, Huang														
Production Vice President in Southeast Asia (Note 4)	Wen-Yao, Chang														
Group Development Vice President (Note 5)	Hua-Jun, Peng														
Group CFO	Chien-Chao, Hung														

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\$1,000,00	-	Wen-Kuang, Lin (Note 3)
NT\$1,000,00 (included) – NT\$2,000,000 (Excluded)	-	Chih-Cheng, Liao, and Wen-Yao, Chang (Note 4)
NT\$2,000,00 (included) – NT\$3,500,000(Excluded)	-	Chien-Chao, Hung, and Hua-Jun, Peng (Note 5)
NT\$3,500,00 (included) – NT\$5,000,000(Excluded)	-	-
NT\$5,000,00 (included) – NT\$10,000,000 (Excluded)	-	Ming-Hsien, Chen (Note 6), and Xu-Ming, Huang (Note 7)
NT\$10,000,00 (included) – NT\$15,000,000(Excluded)	-	-
NT\$15,000,00 (included) – NT\$30,000,000(Excluded)	-	Wen-Chih, Lin, and Fang-Chu, Liao
NT\$30,000,00 (included) – NT\$50,000,000(Excluded)	-	-
NT\$50,000,00 (included) – NT\$100,000,000 (Excluded)	-	-
More than NT\$100,000,000	-	-
Total	-	9

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

Note 2: The directors' 2023 remuneration has been approved by the Board of Directors on February 26, 2024.

Note 3: Wen-Kuang, Lin retired on April 28, 2023.

Note 4: Wen-Yao, Chang resigned on June 1, 2023 due to personal career planning.

Note 5: Hua-Jun, Peng was promoted to group development vice president on July 1, 2023.

Note 6: Ming-Hsien, Chen was promoted to group executive vice president on July 1, 2023.

Note 7: Xu-Ming, Huang was promoted to group production executive vice president on July 1, 2023.

Note 8: 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) Managers receiving distributed employee remuneration and the distribution status

Unit: NT\$ Thousand; %

Item	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Manager	Group CSO	Wen-Chih, Lin	-	14,998	14,998	1.00
	Group President	Fang-Chu, Liao				
	Group Vice President	Chih-Cheng, Liao				
	Group Vice President	Ming-Hsien, Chen (Note 1)				
	Group Vice President	Xu-Ming, Huang (Note 2)				
	Group CFO	Chien-Chao, Hung				

Note 1: Ming-Hsien, Chen was promoted to group executive vice president on July 1, 2023.

Note 2: Xu-Ming, Huang was promoted to group production executive vice president on July 1, 2023.

- (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\$ Thousand; %

Title	2022(Note)				2023			
	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	-	59,765	-	1.76	-	56,161	-	3.75
President and Vice presidents	-	44,993	-	1.32	-	57,601	-	3.85

Note: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

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

(A) Policies and standards for remuneration of directors and managerial officers:

It is stipulated in Article 32 of the Company's Articles of Association that the remuneration to directors is determined by the board of directors with reference to the industry standards and must be paid regardless of the Company's profits or losses resulted. However, the Company has set up a Remuneration Committee that is composed of independent directors to serve. The Remuneration Committee is responsible for formulating and reviewing the policies, systems, standards, and structures intended for performance evaluation and remuneration of directors and managerial officers regularly. The board of directors also formulates the remuneration of board directors and managerial officers by regularly evaluates and refers to the payment standards of the industry. The remuneration to directors is formulated by referring to the performance evaluation results (including the grasp of the Company's goals and tasks, awareness of directors' responsibilities, participation in company operations, internal relationship management and communication, and director's professionalism and continuing education). The remuneration to managerial officers refers to the factors such as professional title, rank, academic achievement (experience), professional abilities, and responsibilities. Bonuses are awarded based on managerial officers' performance evaluations, including financial indicators (company revenue, net income before tax, net income achievement rate, etc.) and refers to professional abilities (financial accounting, operation management, industry knowledge, decision-making ability, etc.).

(B) The procedure for determining remuneration and its correlation with operating performance and future risks:

The remuneration of the President and Vice President includes salary, bonus, and employee incentives; also, it is determined based on the position held, responsibilities assumed, and contribution made to the Company, as well as by referring to the industry standards.

The Company has the remuneration of directors and managerial officers evaluated regularly in accordance with the "Rules for Performance Evaluation of Board of Directors" and the Company's Articles of Association. The remuneration of directors and senior managers shall be reviewed in a timely manner based on their participation in the Company's operations and the value of their contribution, and shall be regularly

evaluated and reviewed by the Remuneration Committee and the board of directors every year; also, it is necessary to review the remuneration system at any time by referring to the Company's overall operating performance and future industry risks and development trends, as well as depending on the actual operating conditions and relevant laws. It is also important to minimize the possibility and correlation of future risks in order to have the Company's sustainable operations and risk control balanced out. The actual amount of remuneration paid to directors and managerial officers shall be reviewed by the Remuneration Committee and resolved by the board of directors.

4. Implementation of Corporate Governance

(1) The Board's Operation

A total of six meetings of the Board of Directors were held in 2023. 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	6	0	100	-
Director	Fang-Chu, Liao	6	0	100	-
Director	Chih-Cheng, Liao	6	0	100	-
Independent Director	Jin-Huang, Huang	6	0	100	-
Independent Director	Chun-An, Li	5	0	83	-
Independent Director	Chun-Ming, Wu	6	0	100	-
Independent Director	Shu-Ching, Chou	6	0	100	-
Independent Director	Hui-Ying, Wang	6	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

The company has established an audit committee, and Article 14-3 of the Securities and Exchange Act does not apply. Please refer to the operation of the audit committee.

(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. The director execution of avoiding agenda with conflict of interest should describe the name of the director, content of agenda, reason for avoiding conflict of interest and the participation in voting: The Company does not have circumstance where director should avoid agenda with conflict of interest.

3. Execution of the Board of Directors evaluation:

For more information on the results of the Board of Directors evaluation for 2023, 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	The evaluation period is the performance evaluation from December of the previous year to November of the current year.	Board of directors	The method of evaluation adopted is the internal self-evaluation of the board of directors.	The measurement items of the performance evaluation of the board of directors include the following five aspects; 1. The degree of engagement in the Company's operations 2. Improve the quality of decision-making of the board of directors 3. Composition and structure of the board of directors 4. Election and continuing education of directors 5. Internal control
Once a year	The evaluation period is the performance evaluation from December of the previous year to November of the current year.	Each board member	The method of evaluation is self-evaluation by directors.	The measurement items for performance evaluation of directors include the following six aspects; 1. Maturity of the Company's goals and tasks 2. Understanding of responsibilities of directors 3. The degree of engagement in the Company's operations 4. Internal relationship management and communication 5. Election and continuing education of directors 6. Internal control
Once a year	The evaluation period is the performance evaluation from December of the previous year to November of the current year.	Each functional committee	The evaluation method is self-evaluation by the chairpersons of the functional committees.	The measurement items for the performance evaluation of each functional committee include the following five aspects; 1. The degree of engagement in the Company's operations 2. Understanding of responsibilities of functional committees 3. Improvement of the decision-making quality of functional committees 4. Composition of functional committees and selection of members 5. Internal control
Once every three years	The 2021 external board effectiveness evaluation period is Jan. 1, 2019 to Dec. 31, 2021	All board members	The method of evaluation adopted evaluates the appointing party's board governance effectiveness through procedures such as reviewing the questionnaires filled out by the Company, interviewing board members on site, and verifying necessary documents and files.	Take reference to the Corporate Governance Best-Practice Principles and related research documents and legal guidelines, it includes: the composition and structure of the board of directors, the selection and appointment of directors and continuing education, the degree of engagement of the board of directors in the Company's operations, the improvement of the quality of decision-making of the board of directors, internal control, environment, society and the corporate governance and value creation to assess board governance effectiveness.

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 2023 and independent director attends as follows:

Title	Name	Time of Actual Attendance	Time of Actual Attendance by Proxy	Rate of Actual Attendance (%)	Remark
Independent Director	Chun-An, Li	5	0	100	-
Independent Director	Chun-Ming, Wu	5	0	100	-
Independent Director	Jin-Huang, Huang	5	0	100	-
Independent Director	Shu-Ching, Chou	5	0	100	-
Independent Director	Hui-Ying, Wang	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 from 2023 to the publication date of the annual report:

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
2023.02.23 5th Session 4th Time	Case: The Company's 2022 statement of internal control system.	V	-
	Case: The Company's 2022 consolidated financial statements.	V	-
	Case: The Company's 2022 business report.	V	-
	Case: The Company's 2022 earnings distribution.	V	-
	Case: The Company's 2023 CPAs independence assessment.	V	-
	Case: Amendments of partial clauses to the Company's "Articles of Association".	V	-
	Results of Audit Committee resolution (February 23, 2023): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2023.05.05 5th Session 5th Time	Case: The Company's consolidated financial statements for the first quarter of 2023.	-	-
	Case: Amendments to the "Authorization Chart".	-	-
	Case: Amendments to some provisions of the Company's "Rules of Procedure for Shareholders Meetings".	-	-

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
	Case: Amendments to some articles of the Company's "Public Information Website Reporting Operation".	-	-
	Case: Amendments to some articles of the Company's "Seal & Stamp Management Operations".	-	-
	Case: Amendments to some articles of the Company's "Related Party Transaction Management Operations".	-	-
	Case: Amendments to some articles of the Company's "Prevention of Insider Trading Management Operations".	-	-
	Results of Audit Committee resolution (May 5, 2023): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2023.08.18 5th Session 6th Time	Case: The Company's consolidated financial statements for the second quarter of 2023.	V	-
	Results of Audit Committee resolution (August 18, 2023): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2023.11.06 5th Session 7th Time	Case: The Company's consolidated financial statements for the third quarter of 2023.	-	-
	Case: The Company's audit plan for 2024.	V	-
	Case: Amendments to the "Authorization Chart".	-	-
	Results of Audit Committee resolution (November 6, 2023): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2023.12.28 5th Session 8th Time	Case: The Company's business report and distribution of earnings for the first half of 2023.	V	-
	Case: The reappointment of the CPAs in line with the internal organizational adjustment of the accounting firm.	V	-
	Case: Amendments to some clauses of the "Corporate Governance Best-Practice Principles" of the Company.	V	-
	Results of Audit Committee resolution (December 28, 2023): All members of the Committee agreed to adopt the proposal. The Company's treatment of the Audit Committee's opinions: All directors present agreed.		
2024.02.26 5th Session 9th Time	Case: The Company's 2023 statement of internal control system.	V	-
	Case: The Company's 2023 consolidated financial statements.	V	-
	Case: The Company's 2023 business report.	V	-
	Case: The Company's 2023 earnings distribution.	V	-
	Case: The Company's 2024 CPAs independence assessment and competency assessment.	V	-
	Results of Audit Committee resolution (February 26, 2024): 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
(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

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
(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
3. Composition and responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(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. 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 Association, 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.	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>B. The Company set up eight directors for the 6th Board of Directors. Three of the Board members are female. Apart from the female members, the directors competent in operation management and decision-making include Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Jin-Huang, Huang, Chun-An, Li and Chun-Ming, Wu; the directors competent in finance and accounting include Wen-Chih, Lin, Fang-Chu, Liao, Chih-Cheng, Liao, Hui-Ying, Wang, Shu-Ching, Chou, Chun-An, Li and Chun-Ming, Wu and the directors competent in banking and security affairs include Chih-Cheng, Liao, Chun-Ming, Wu and Hui-Ying, Wang.</p> <p>C. The ratio of directors as concurrent employees of the Company is 3/8 and the ratio of independent is 5/8. Female director ratio is 3/8, 2 independent directors have seniority of term under 3 years, 3 independent directors have seniority of term between 3~6 years, 3 directors aged under 65 years, 4 directors aged between 65~69 years, and 1 aged over 70 years.</p> <p>D. Specific management goals: Fulgent Sun values the independence of the Board members and gender equality, 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 and two female directors were added to the 6th Board of Directors, meeting a ratio of 38%.</p>	

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 voluntarily establish other functional committees in addition to the Salary and Remuneration Committee and the Audit Committee?	✓		<p>E. The 6th session of the Board of Directors sets out the diversification policy for the composition of its members and exposes it on the Company website.</p> <p>F. Implementation of diversification in the Sixth Board's members:</p> <table border="1"> <thead> <tr> <th rowspan="3">Diversification Criteria Director</th> <th colspan="5">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>V</td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Fang-Chu, Liao</td> <td>ROC</td> <td>F</td> <td>V</td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Chih-Cheng, Liao</td> <td>ROC</td> <td>M</td> <td>V</td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Jin-Huang, Huang</td> <td>ROC</td> <td>M</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Chun-An, Li</td> <td>ROC</td> <td>M</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Chun-Ming, Wu</td> <td>ROC</td> <td>M</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Hui-Ying, Wang</td> <td>ROC</td> <td>F</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Shu-Ching, Chou</td> <td>ROC</td> <td>F</td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td>V</td> <td>V</td> </tr> </tbody> </table> <p>(2) In addition to setting up the Salary and Remuneration Committee and the Audit Committee, the Company also sets up the Corporate Governance and Sustainable Development Committee. The Corporate Governance and Sustainable Development Committee 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 Governance and Sustainable Development Committee. The Audit Committee held one meeting in 2023. The attendance of independent director is as follow:</p>	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	V	V						V	V	V	V	V	V	V	Fang-Chu, Liao	ROC	F	V	V						V	V	V	V	V	V	V	Chih-Cheng, Liao	ROC	M	V	V				V		V	V	V	V	V	V	V	Jin-Huang, Huang	ROC	M		V				V			V		V		V	V	Chun-An, Li	ROC	M			V			V			V	V	V		V	V	Chun-Ming, Wu	ROC	M		V				V	V	V		V	V		V	V	Hui-Ying, Wang	ROC	F		V			V	V		V	V	V	V		V	V	Shu-Ching, Chou	ROC	F		V			V					V			V	V	No major discrepancy
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																																																																																																																																																														
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(3) Does the Company establish guidelines for evaluating the Board of Director performance and the method of 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>(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 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, 2023, and no improvement was</p>			
			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	Jin-Huang, Huang		1	0	100
			Independent Director	Chun-An, Li		1	0	100
			Independent Director	Chun-Ming, Wu		1	0	100
			Independent Director	Hui-Ying, Wang		1	0	100
Independent Director	Shu-Ching, Chou	1	0	100				
No major discrepancy								

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	Yes	No	Summary	
(4) Does the Company regularly evaluate the independence of CPAs?	✓		<p>required. For more information, visit the Company website (Investors - Corporate Information - Board of Directors - Board Performance Assessment)</p> <p>(4) According to the “Corporate Governance Best-Practice Principles,” the Audit Committee and the Board of Directors shall regularly refer to the audit quality indicators (AQIs) to evaluate the independence, competence and professionalism of certified accountants every year, 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 adoption.</p> <p>Note: Standards for CPA Independence Evaluation</p>	No major discrepancy

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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 the Board's 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>The Company adopted the resolution by the Board of Directors to appoint Group 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.</p> <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 provided to the members of the Board of Directors during office and with periodic update.</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) The independent directors meet with internal auditing executive or CPA separately to understand the needs of corporate financial services and assist with arrangement of relevant meetings, pursuant to the "Corporate Governance Best-Practice Principles."</p>	No major discrepancy

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			<p>(4) To assist independent director and directors with drafting the annual training plans and arrangement of courses based on the industrial characteristics of the Company and the directors' experience and background.</p> <p>B. To assist the Board of Directors and shareholders' meeting procedures and resolution of regulatory compliance:</p> <p>(1) To report to the Board of Directors, independent director, audit committee or supervisor on the Company's corporate 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) Assist and remind the directors of the regulations to be complied during the implementation of operation or official resolution reached by the Board of the Directors, in addition to proposing suggestions before the Board of the Directors violates the law during resolution.</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 Association are amended or directors are re-elected.</p>	

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			<p>(2) The continuous education of the head of corporate governance in 2023 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>2023/5/30</td> <td>Taiwan Corporate Governance Association</td> <td>Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective</td> <td>3.0</td> <td rowspan="4">15.0</td> </tr> <tr> <td>2023/7/4</td> <td>Taiwan Stock Exchange Corporation</td> <td>The 2023 Cathay Pacific Sustainable Finance and Climate Change Summit Forum</td> <td>6.0</td> </tr> <tr> <td>2023/9/18</td> <td>Taipei Foundation Of Finance</td> <td>Corporate Governance -Low Carbon Transformation Path Planning - Carbon Rights and Carbon Pricing</td> <td>3.0</td> </tr> <tr> <td>2023/12/28</td> <td>Taiwan Corporate Governance Association</td> <td>The practice and development of corporate governance and legal compliance</td> <td>3.0</td> </tr> </tbody> </table>	Time	Organizer	Course Name	Hours	Total Hours	2023/5/30	Taiwan Corporate Governance Association	Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective	3.0	15.0	2023/7/4	Taiwan Stock Exchange Corporation	The 2023 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6.0	2023/9/18	Taipei Foundation Of Finance	Corporate Governance -Low Carbon Transformation Path Planning - Carbon Rights and Carbon Pricing	3.0	2023/12/28	Taiwan Corporate Governance Association	The practice and development of corporate governance and legal compliance	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 social responsibility concerned by the stakeholders?	✓		The Company has set up a spokesperson, a deputy spokesperson, and a person in charge of stocks, with the contact phone number and email disclosed on the company website for establishing the communication channel with the stakeholders.	No major discrepancy
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 other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(1) The Company has established the website to disclose information on financial operations and corporate governance under "Investors."	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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(2) Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(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
(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	✓		(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.	No major discrepancy
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	✓		(1) Employee's rights and employee care: The Company offers a variety of employee benefits and has set up an e-mail as the channel for employees to fully respond with opinions. (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: 1. The Company has set up the "Investors" page on the Company website to help investors understand corporate finance and business.	No Major discrepancies

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supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>2. The minutes of the Company's shareholders' meetings are kept in accordance with the Company Act and related laws and regulations and published on the Company website</p> <p>(3) Supplier relations: The Company requests suppliers to provide raw materials without hazardous substances.</p> <p>(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.</p> <p>(5) Continuous education for 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 implement corporate governance.</p> <p>Continuous education for directors in 2023, as of the printing date of the Annual Report, is described below:</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>2023/5/30</td> <td>Taiwan Corporate Governance Association</td> <td>Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective</td> <td>3</td> </tr> <tr> <td>2023/12/28</td> <td>Taiwan Corporate Governance Association</td> <td>The practice and development of corporate governance and legal compliance</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Date	Organizer	Course	Hours	Chairman	Wen-Chih, Lin	2023/5/30	Taiwan Corporate Governance Association	Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective	3	2023/12/28	Taiwan Corporate Governance Association	The practice and development of corporate governance and legal compliance	3	
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		2023/12/28	Taiwan Corporate Governance Association	The practice and development of corporate governance and legal compliance	3																																											

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>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 the 2023 operations to the Board of Directors on December 28, 2023 and disclosed on the Company website. For other information, please refer to VII. Review of Financial Conditions, Operating Results, and Risk Management.</p> <p>(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.</p> <p>(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.</p> <p>(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 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.</p>	

Evaluation Item	Implementation Status			Discrepancies in the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
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).	✓		<p>In order to improve governance performance, the following improvements were made in 2023:</p> <p>(1) The specific management objectives and implementation of the Board diversification policy were disclosed on the Company website</p> <p>(2) Added seats for female directors. The number of director seat for the Board of Directors reaches one third of each gender in 2023.</p> <p>(3) The Company develops the succession plan for members of Board of Directors and key managers, in addition to disclosing such operations tatus on the Company website.</p> <p>(4) The ESG report of current year is prepared in accordance with the GRI Standards released by the Global Reporting Initiative before the end of September and uploaded to the Market Observation Post System (MOPS) and the Company website.</p> <p>(5) The English version of ESG Report for the current year is published on the Market Observation Post System (MOPS) and company website.</p>	No Major discrepantie

(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 Jin-Huang, Huang 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	Chun-Ming, Wu	<p>Work experience in commerce, finance, accounting, and operational judgment 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., President, Zhanteng Venture Capital Consulting Co., Ltd. and President, Query Investment 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: None.</p>	2
Independent Director (Convener)	Jin-Huang, Huang	<p>Work experience as lecturer in corporate operations related departments of public and private universities and colleges.</p> <p>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 Chair Professor, Feng Chia University</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: None.</p>	2
Independent Director	Chun-An, Li	<p>Work experience as lecturer in the business, finance, and accounting 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.</p> <p>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.</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: None.</p>	-

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.

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 From May 27, 2022 to May 26, 2025. In 2023, 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	Chun-Ming, Wu	3	0	100	-
Independent Director	Jin-Huang, Huang	3	0	100	-
Independent Director	Chun-An, Li	3	0	100	-

The operation of the Salary and Remuneration Committee in 2023 and as of the printing date of the Annual Report:			
Salary and Remuneration Committee	Agenda	Resolution	Action Taken
2023.02.23 5th session 3rd Meeting	1. Distribution of employee remuneration and director remuneration for 2022.	Unanimously passed upon chair's request	Unanimously passed by the Board
2023.08.18 5th session 4th Meeting	1. Distribution of director remuneration for 2022 2. Distribution of executive performance bonuses	Unanimously passed upon chair's request	Unanimously passed by the Board
2023.12.28 5th session 5th Meeting	1. Distribution of employee remuneration for managers for 2022 2. Distribution of executive performance bonuses and year-end bonuses for 2023	Unanimously passed upon chair's request	Unanimously passed by the Board
2024.02.26 5th session 6th Meeting	1. Distribution of employee remuneration and director remuneration for 2023	Unanimously passed upon chair's request	Unanimously passed by the Board
<p>Other matters to be recorded:</p> <p>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.</p> <p>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.</p>			

(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>The Company established the “Corporate Governance and Sustainable Development Committee” in 2019 to practice corporate sustainable development and social responsibility. The Committee is formed with 8 members on the board and the chairman serves as the convener, the 8 members are 3 directors and 5 independent directors to lead the working groups of economic, environmental, social, ethical corporate management, risk management. etc., and to be responsible for the review of ESG final decisions and action plans, and the review and approval of related reports (such as sustainability and SASB), aiming to identify the sustainability issues that are crucial to the Company’s operations and that are concerned by stakeholders, formulating responsive strategies and work guidelines, planning and executing annual plans, and tracking implementation results so to ensure that the sustainable development strategy is fully implemented in the Company’s daily operations. The main responsibilities are illustrated as follows:</p> <p>(1)Draft the Company systems related to sustainable development and operation in addition to cooperate with the amendment of relevant regulations.</p> <p>(2)Supervise the Company’s direction and promotion plan for sustainable development policy and regularly follow up the execution progress.</p> <p>(3)Routinely evaluate the execution performance of the Company’s sustainable development plan and report to the Board for annual execution outcome.</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>(4)Other matters resolved by the Board for instruction to the Committee for processing.</p> <p>The Company’s Governance and Sustainable Development Committee holds at least one meeting every year and had reported the current year’s implementation results and next year’s implementation plan to the Board of Directors on December 28, 2023.</p> <p>The board of directors has designated the “Corporate Governance and Sustainable Development Committee” as the highest authority to supervise the review and management of the Company’s ESG action plan; also, the subordinate unit, the corporate governance team, is to summarize the progress regularly and to report to the Corporate Governance and Sustainable Development Committee and the board of directors regularly every year. In terms of communicating material events, key issues are reported and communicated at each board meeting through the corporate governance officer and internal audit mechanism; also, the information disclosure of greenhouse gas inventory and verification is communicated to the board of directors on a quarterly basis.</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 engineering and human resource, with a specialist dedicated to each section and reporting to the departmental supervisor.</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>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: The principle of materiality refers to environmental, social and corporate governance issues that have a significant impact on company investors and other stakeholders.</p>	✓		<p>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>Energy management</td> <td>The Company is constantly improving energy efficiency and reducing greenhouse gas emissions by installing solar panels and ground source heat pumps, fully closed condensate recovery systems, and LED lights</td> </tr> <tr> <td>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 rowspan="2">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> <tr> <td>2. Occupational safety</td> <td>The Company abides by internationally accepted basic human rights, and formulates human rights policies in accordance with local labor-related laws and regulations in hopes of providing employees an equal, safe, and healthy workplace.</td> </tr> </tbody> </table>	Material Issue	Risk Assessment Item	Risk Management Policies or Strategies	Environmental	Energy management	The Company is constantly improving energy efficiency and reducing greenhouse gas emissions by installing solar panels and ground source heat pumps, fully closed condensate recovery systems, and LED lights	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	2. Occupational safety	The Company abides by internationally accepted basic human rights, and formulates human rights policies in accordance with local labor-related laws and regulations in hopes of providing employees an equal, safe, and healthy workplace.	No major discrepancy
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Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons						
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3. Environmental issues										
(1) Does the Company establish applicable environmental management system according to the industry characteristics?	✓		(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 by the production bases of the Company are conforming to the discharge standards required by the local government.	No major discrepancy						
(2) Does the Company commit to upgrading the utilization of resources and use of recycled materials with low environmental impact?	✓		(2) The Company continues to implement energy management and recycling and improve the utilization of resources. In 2023 the Company's main production bases generated 1,083,340 KG of	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>non-hazardous waste and 65,032 KG of hazardous waste and spent NT\$ 2,891 thousand on environmental protection.</p> <p>Major energy-saving projects are as follows:</p> <p>A. Hubei Sunsmile Footwear Co., Ltd., Lin Wen Chih Sunbow Enterprises Co., Ltd., Fujian Sunshine Footwear Co., Ltd., and Taiwan Headquarters 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. The total power generated is 6,541.80 MWh, reducing carbon emission by 4,052.96 Co2/tons, equivalent to 122.82 hectares of afforestation.</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. All factories of the Group will completely replace traditional fluorescent lamps with LED lighting with better energy-saving effect in 2023.</p>	

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				
			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	
(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, greenhouse gas emission, reduction of water consumption, or otherwaste management?	✓		(4) The Company took the following measures to reduce the impact on global warming: A. The Group HQ and each production base set up a multi-party video-conferencing system to reduce the frequency of business trips. B. Dormitories and shuttle buses were arranged at each production base to reduce fuel consumption and exhaust generated from commutes.		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>C. Separate production bases were set up nearby, and raw materials were 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 greenhouse gas emission 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 greenhouse gas emission reduction.</p> <p>F. The information of greenhouse gas emissions, water consumption and total waste weight about the past two years, please refer to the Company's "ESG Report".</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. Social issues				
(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(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.	No major discrepancy
(2) Does the Company develop and implement reasonable employee welfare measures (including salary, leave, and other benefits) in addition to reflecting the managerial performance or outcome appropriately on employee salary?	✓		(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. 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. C. Salaries refer to items such as title, position level, academic (experience), professional abilities and responsibilities, etc. Bonuses are based on performance evaluation items, including financial indicators (company operating revenue, income before tax and net profit margin growth rate, etc.) and references Professional ability (financial accounting, business management, industrial knowledge and decision-making ability, etc.) projects.	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 provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		<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 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</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>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>1. 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 the operation of the facilities every day.</p>	

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<ol style="list-style-type: none"> 2. 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. 3. 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. 4. 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. 5. 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. 	

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?	✓		<p>C. Relevant verifications obtained by the company: Relevant verifications have not yet been obtained.</p> <p>D. In 2023 and as of the publication date of the annual report, the Company had no employee occupational accidents.</p> <p>E. The number of fires, the number of casualties and the ratio of the number of casualties to the total number of employees, and related improvement measures in response to fires: Each of the Company's factories complies with local fire regulations and has installed relevant fire safety devices in accordance with regulations. In 2023 and as of the publication date of the annual report, the Company had no fire incidents.</p> <p>(4) The Company currently offers in-service training to employees and gradually builds career planning.</p>	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?	✓		<p>(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</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	
(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>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.</p> <p>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 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>	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	
5. Does the Company refer to the standards or guidelines for preparing international standard reports for the preparation of sustainable development report and other reports disclosing non-financial information of the Company? Has the aforementioned report acquired validation or opinion of guarantee from third certification body?	✓	✓	<p>1. The Company issues the 2022 ESG report in 2023 and sets up an ESG report section on the Company website. The ESG report is prepared in compliance with the Global Reporting Initiative (GRI) released GRI Standards. The report is prepared in Chinese and English version, with the relevant information disclosed on the Company website and the Market Observation Post System (MOPS).</p> <p>2. The Company's 2022 ESG report has not acquired the opinion of accountability or assurance from third party. °</p>	<p>No major discrepancy</p> <p>The company will acquired validation or opinion of guarantee from third certification body according to the demand.</p>
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 Governance and Sustainable Development Committee 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.				

Evaluation Item	Implementation Status			Discrepancies in the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
<p>7. Other important information helpful in understanding corporat sustainable development operation:</p> <p>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.</p> <p>In 2023, the Group donated NT\$8,803 thousand to the following:</p> <ol style="list-style-type: none"> (1) Financial support for the tuition and miscellaneous expenses, after-school tutoring, and student-related activities expenses of disadvantaged students in Yunlin area so to help them learn freely and grow up happily. (2) Provide breakfast, three meals a day in winter and summer vacation, and nutritional supplements to vulnerable hungry children in remote rural areas and general areas of Yunlin County. (3) Rong Kang Medical Foundation - sponsored the establishment of Taichung Veterans General Hospital GTP Laboratory. (4) Donated the mobile emergency medical vehicle to the Public Health Bureau, Yulin County for emergency rescue in rural areas. (5) Fujian Sunshine Footwear Co., Ltd. (China) donated scholarships to Yang-En University, Lee-Ming University, and Chen Huangxing University; Changcheng Plant donated scholarships to Tengfei Elementary School, Central District Elementary School, and Experimental Elementary School so to help schools improve teaching conditions and stimulate teachers' and students' enthusiasm for work and study. (6) Fulgent Sun Footwear Co., Ltd. (Vietnam) made donations to low-income households in Xing'an Province, donated money for local community activities, participates in sustainable environmental tree planting activities, and gives back to the community. (7) NGOC HUNG Footwear Co., Ltd. (Vietnam) donated money to Huyện Cẩm Giàng Government to build a disability medical center, donated money to local underprivileges, and gave back to the community. (8) Eversun Footwear Co., Ltd. (Vietnam) donated money for local community activities, participated in sustainable environmental tree planting activities, and gave back to the community. (9) Lin Wen Chih Sunbow Enterprises Co., Ltd. (Cambodia) participated in local community activities and gave back to the community. 				

(6) Climate-related information of TWSE/TPEX listed companies

1. Implementation of climate-related information

Projects	Implementations
<p>1. Describe the management's supervision and governance of climate-related risks and opportunities</p>	<ul style="list-style-type: none"> • The Board of Directors of Fulgent Sun International (Holding) Co., Ltd. is the highest authority responsible for formulating climate strategies, approving action plans, and reviewing climate action plan performance results. The Board of Directors regularly reviews the annual climate-related action plans and results every year, and seeks the opinions of external experts and consultants as needed. The implementation progress of relevant action goals will be updated and amended annually in accordance with the instructions of the Board of Directors. • In terms of the authorization for the management of climate-related action, Fulgent Sun's Board of Directors mandated the "Corporate Governance and Sustainable Development Committee" to be responsible for stipulating climate-related policies, risk evaluation, and the promotion and review of energy-saving and carbon-reduction related projects. • The "Corporate Governance and Sustainable Development Committee" sets relevant performance goals every year to ensure that climate strategies can be integrated into the annual operating activities of each department, actively evaluates and controls possible operational risks, and regularly reports performance results to the Board of Directors
<p>2. Describe how the identified climate risks and opportunities affect the Company's business, strategy, and finance (short-term, mid-term, and long-term).</p>	<p>Short-term:</p> <ul style="list-style-type: none"> • Physical risk 1: Immediate (severity of extreme weather events such as typhoons and floods) • Impact target 1: Service/capacity reduction or interruption • Physical risk 2: Immediate (earthquake) • Impact target 2: Service/capacity reduction or interruption <p>Mid-term:</p> <ul style="list-style-type: none"> • Physical risks: Long-term (changes in rainfall patterns and extreme changes in climate patterns) • Impact target: Increase in operating costs

Projects	Implementations
	<p>Long-term:</p> <ul style="list-style-type: none"> • The continuing development of climate change-related policies and actions and the shift to low-carbon, high-efficiency innovative technologies must be with the factors such as potential risks and operational impacts taken into considerations. For example, the increase in the losses caused by climate change will cause the rising risk of climate-related litigation; technological improvements and innovations will affect the competitiveness, production, and distribution costs of some organizations. • Organizations shall develop adaptive capabilities to cope with climate change while facing long-term changes in climate patterns in order to effectively manage climate change-related risks and to seize opportunities. It is necessary to consider owning long-term fixed assets, arranging intensive production, and using low-carbon energy to save energy costs.
<p>3. Describe the impact of extreme climate events and transition actions on finance</p>	<p>The impact of extreme climate events and transition actions on finance</p> <p>A. Capital expenditure: Each factory must gradually retire and replace old equipment and implement an energy-saving management plan to improve equipment efficiency in order to achieve the mission of saving 1% total electricity consumption in each factory.</p> <ul style="list-style-type: none"> • It is necessary to implement centralized production and load control plans in order to improve power saving within the factory and to comply with relevant law and regulations/customers' energy saving and carbon reduction requirements. • The aforementioned purchase/renovation of factory equipment will cause increase in capital expenditure. <p>B. Benefits: After the official introduction of the “Carbon Border Adjustment Mechanism (CBAM) by the EU in 2026, importers must purchase certificates for importing products.</p> <ul style="list-style-type: none"> • The carbon emissions fee is calculated based on the average closing price of the weekly carbon rights auctions of the EU, which will directly drive the carbon emission of sustainable/low-carbon products and related benefits of import and export trade. • The R&D unit strives to respond to the demand trend for sustainable/low-carbon products in the future, which can help increase the selection of low-carbon materials and provide customers with more choices and services. • We know about the low-carbon materials from various manufacturers; therefore, we are able to suggest more suitable low-carbon materials to our customers in order to reduce the use of unsuitable materials, reduce development costs, and increase operating income.

Projects	Implementations
	<p>C. Direct costs: The customers aim to be in line with the 2050 net-zero emission trend; therefore, we are requested by the customers to use renewable energy accounted for a certain percentage of our operating revenue by 2025. Under the circumstance, we must actively search for green energy, find green power manufacturers, evaluate green power prices, and purchase green power quotas required by customers/relevant regulations, which will cause increase in direct costs.</p>
<p>4. Describe how climate risk identification, evaluation, and management processes are integrated into the overall risk management system.</p>	<p>Observe industry sustainability trends in long term, grasping, collecting, and identifying market trends and customer needs through diversified channels, and ensure that the regulatory developments, environmental protection trends, customer opinions, and competitor opinions can be reflected concretely and quickly to the process of identifying, assessing, and managing climate-related risks in manufacturing, industrial safety and environmental protection, R&D, and other core operations, as well as integration of the enterprise risk management mechanism through the job responsibilities of each responsible department.</p> <p>A. The “Corporate Governance and Sustainable Development Committee” regularly tracks the risk status of climate change-related issues every year. The representatives of each group within the Committee regularly implement TCFD projects and report the risk evaluation analysis results to the Committee with relevant mitigation measures adopted accordingly depending on the possibility of occurrence and degree of impact of the climate risk.</p> <p>B. In terms of process, the “Corporate Governance and Sustainable Development Committee” integrates the climate risk evaluation, analysis, and feedback opinions of each group into the existing risk evaluation and management mechanism so to ensure the climate-related issues that are significant to Fulgent Sun are properly evaluated and controlled, and the evaluation results are submitted to the highest representative of the Committee for review, and are reported to the Board of Directors occasionally in order to ensure that climate change-related risks are effectively integrated into Fulgent Sun’s corporate risk management process.</p>
<p>5. If scenario analysis is used to assess resilience to climate change risks, the relevant scenarios, parameters, assumptions, analysis factors, and main financial impacts should be explained.</p>	<p>The Company has not yet conducted climate change risk scenario analysis.</p>

Projects	Implementations
<p>6. If there is a transformation plan in response to climate-related risk management, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transformation risks.</p>	<p>A. Carbon emissions and energy management goals Value the importance of environmental sustainability. All domestic and international factories of Fulgent Sun actively promote various energy and resource management and reduction actions, and gradually develop renewable energy (solar photovoltaics). Start from improving the environment and energy management systems, the Company gradually improve energy efficiency and reduce carbon emissions from the industry, and contribute to make net-zero emissions a success. We comply with the environmental laws and regulations of the countries and regions where we operate, and perfect the management of environmental activities in accordance with the relevant regulations of brand customers. The environmental protection and conservation projects are promoted in each factory to improve the efficiency of resource in use, such as scrap recycling, use of non-toxic chemicals, and water recycling, as well as continuously striving towards a sustainable environment.</p> <p>B. Waste management objectives Implement resource conservation, reduction, and recycling strategies forcefully. Adopt mechanisms such as source reduction, process waste reduction, and terminal recycling and disposal for general and industrial waste generated from production inputs in each factory in order to maximize efficient resource utilization and reduce the generation of waste in the factory. Industrial waste is effectively managed and treated in accordance with its characteristics in order to improve resource reuse efficiency. Qualified waste removal companies are contracted to clean up and transport hazardous waste. The contracted service providers are managed in accordance with the contract specifications with an onsite audit performed, when necessary, at any time to ensure that waste removal meets the requirements of the national regulations at where the Company operates.</p> <p>C. Water resources management objectives The water used in each factory area is mainly tap water that is used as general domestic water. Wastewater is directly discharged into the national/municipal unit sewage treatment pipelines or treated in the factory at where the Company operates. Currently, Fulgent Sun’s wastewater discharge in each production base is in compliance with the emission standards stipulated by local laws and regulations. Regarding the use of water resources, Fulgent Sun bases on the strategy of “cherishing, saving, and reusing” to actively promote employees to save water, and promote various water-saving measures to improve water resource utilization efficiency.</p>

Projects	Implementations																
7. If internal carbon pricing is used as a planning tool, the basis for pricing should be stated.	The Company has not yet implemented carbon pricing currently.																
8. If climate-related goals are set, information such as the relevant activities, greenhouse gas emission scope, planning schedule, annual achievement progress, etc. should be detailed; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, information such as the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs) being redeemed should be detailed.	<table border="1" data-bbox="866 309 2011 612"> <thead> <tr> <th data-bbox="866 309 1503 421" rowspan="2">Work items</th> <th data-bbox="1503 309 1758 347">Parent company</th> <th data-bbox="1758 309 2011 347">Subsidiary</th> </tr> <tr> <th data-bbox="1503 347 1758 421">Expected completion time</th> <th data-bbox="1758 347 2011 421">Expected completion time</th> </tr> </thead> <tbody> <tr> <td data-bbox="866 421 1503 533">Designate the full-time (part-time) units, full-time (part-time) personnel, and their scope of duties</td> <td data-bbox="1503 421 1758 533">November 2025</td> <td data-bbox="1758 421 2011 533">November 2026</td> </tr> <tr> <td data-bbox="866 533 1503 571">Develop an inventory plan</td> <td data-bbox="1503 533 1758 571">December 2025</td> <td data-bbox="1758 533 2011 571">December 2026</td> </tr> <tr> <td data-bbox="866 571 1503 612">Develop an assurance plan</td> <td data-bbox="1503 571 1758 612">December 2027</td> <td data-bbox="1758 571 2011 612">December 2028</td> </tr> </tbody> </table>			Work items	Parent company	Subsidiary	Expected completion time	Expected completion time	Designate the full-time (part-time) units, full-time (part-time) personnel, and their scope of duties	November 2025	November 2026	Develop an inventory plan	December 2025	December 2026	Develop an assurance plan	December 2027	December 2028
Work items	Parent company	Subsidiary															
	Expected completion time	Expected completion time															
Designate the full-time (part-time) units, full-time (part-time) personnel, and their scope of duties	November 2025	November 2026															
Develop an inventory plan	December 2025	December 2026															
Develop an assurance plan	December 2027	December 2028															
9. Greenhouse gas inventory and assurance	The Company is a TWSE/TPEX listed company with a capital of less than NT\$5 billion. The greenhouse gas inventory is to be started in 2025 and the greenhouse gas assurance is scheduled in 2027.																

(7) 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		Summary	Discrepancies in the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No		
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	✓		(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>developed measures for preventing unethical conducts, which at least 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

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
2. Implementing ethical corporate management				
(1) Has the Company evaluated ethical records of its counterpart? Does the contract, signed by the Company and its trading counterpart, clearly provide terms on ethical conduct?	✓		(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 suspend all dealings and blacklist the said suppliers, customers, or other trading partners.	No major discrepancies
(2) Has the Company established a full-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?	✓		(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. On December 28, 2023, the dedicated unit reported to the Board on the implementation of ethical corporate management for 2023:	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>1. Education and Training 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 to manage and prevent unethical conduct across the organization.</p> <p>2. Awareness promotion of ethics 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>3. Grievance system and protection of whistle-blowers The Company encourages people inside and outside the organization to report unethical conduct or misconduct.</p>	

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			<p>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 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 2023, there was neither grievance nor unethical conduct reported.</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?	✓		(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.	No major discrepancies
(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

Evaluation Item	Implementation Status			Discrepancies in the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
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 dedicated individual for the case being exposed by the whistle-blower?	✓		(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 or the Audit Committee in writing.	No major discrepancies
(2) Has the Company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	✓		(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.	No major discrepancies
(3) Has the Company adopted protection against inappropriate disciplinary action for the whistle-blower?	✓		(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.	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>4. Strengthening information disclosure</p> <p>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>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 Company website on a regular basis to provide investors correct and complete information.</p>	No major discrepancies
<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>				

- (8) 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.

- (9) 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's personnel related to 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	1
General Examination for Bookkeepers	Examination Yuan	2
Stock Affairs Specialist	Securities & Futures Institute	3
The Enterprise Internal Control Basic Ability	Securities & Futures Institute	1

D. The following is the continuing education of managerial officers in 2023 and up to the printing date of the Annual Report:

Title	Name	Date	Organizer	Course	Hours
Group President	Fang-Chu, Liao	2023/5/30	Taiwan Corporate Governance Association	Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective	3
		2023/12/28	Taiwan Corporate Governance Association	The practice and development of corporate governance and legal compliance	3
Group Executive Vice President	Chih-Cheng, Liao	2023/5/30	Taiwan Corporate Governance Association	Discussing the evaluation and execution of investment and mergers and acquisitions from a legal perspective	3
		2023/7/4	Taiwan Stock Exchange Corporation	The 2023 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6
		2023/9/18	Taipei Foundation Of Finance	Corporate Governance -Low Carbon Transformation Path Planning - Carbon Rights and Carbon Pricing	3
		2023/11/7	Accounting Research and Development Foundation	Common internal control management nonconformities found in enterprises and case study	3
		2023/11/15	Institute of Internal Auditors	Enhance the enterprise sustainability value and improve the risk management system	3
		2023/12/28	Taiwan Corporate Governance Association	The practice and development of corporate governance and legal compliance	3
Group CFO	Chien-Chao, Hong	2023/10/16-2023/10/17	Accounting Research and Development Foundation	Professional Development of Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	12
Group Audit Manager	Chia-Jung, Shen	2023/5/16	Institute of Internal Auditors	Production cycle practices and key audit matters	6
		2023/10/19	Institute of Internal Auditors	How to adjust internal controls to respond to new ESG standards	6
		2023/12/1	Institute of Internal Auditors	Self-evaluation practice	6

(10) Implementation of Internal Control System

A. Statement of Internal Control System

Fulgent Sun International (Holding) Co., Ltd.

Statement of Internal Control System

Date: February 26, 2024

The Statement of Internal Control System is issued based on the self-assessment of the Company for 2023:

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, 2023 (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 26, 2024. 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.

(11) 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 2023, 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.

(12) Major 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. Major resolutions approved in the shareholders' meeting on May 30, 2023 and their implementation:

(A) Adoption of 2022 consolidated financial statements and business report.

Implementation: The consolidated financial statements and business report for 2022 were adopted, with consolidated revenue of NT\$24,181,233 thousand, profit after tax of NT\$3,395,550 thousand, and earnings per share at NT\$18.10.

(B) Adoption of distribution of 2022 earnings.

Implementation: Cash dividends in the amount of NT\$227,705 thousand (EPS NT\$1.2) were allocated in the first half of 2022, with the ex-dividend date set on April 19, 2023. The cash dividends in the amount of NT\$1,140,422 thousand were allocated in the second half of 2022 (EPS NT\$6.0). The dividends were paid in full on October 18, 2023. The total cash dividends were NT\$7.2 per share, which was resolved and adopted by the Shareholders' Meeting.

(C) Amendments to the "Rules and Procedures of Shareholders' Meetings"

Implementation: The amendments to the "Rules and Procedures of Shareholders' Meetings." were published on the Company website on June 1st, 2023 and took effect thereon.

(D) Amendments to the "Articles of Association."

Implementation: The amendments to the "Articles of Association" were published on the Company website on June 1st, 2023 and took effect thereon.

B. Major resolutions approved in the Board meeting on February 23, 2023:

(A) The Company's 2023 operating plan

(B) The Company's 2022 statement of internal control system

(C) The Company's 2022 consolidated financial statements.

(D) The Company's 2022 business report.

(E) The Company's 2022 employee remuneration and director remuneration.

(F) 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.

(G) The Company's 2022 earnings distribution.

(H) The Company's 2023 CPAs independence assessment and competency assessment.

(I) The report on the implementation of greenhouse gas inventory

(J) Amendments of partial clauses to the Company's "Articles of Association".

- (K) Authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (L) The period, location, and matters in relation to the Company's acceptance of shareholder proposals
 - (M) Setting the date and agenda of the Company's 2023 shareholders' meeting.
- C. Major resolutions approved in the Board meeting on May 5, 2023:
- (A) The Company's consolidated financial statements for the first quarter of 2023.
 - (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) The report on the implementation of greenhouse gas inventory.
 - (D) Amendments to the personnel in charge of internal material information.
 - (E) Amendments to the "Authorization Chart".
 - (F) Change of Seal Custodian for the Specific Corporate Seal for Endorsement and Guarantee.
 - (G) Amendments to some provisions of the Company's "Rules of Procedure for Shareholders Meetings".
 - (H) Amendments to some articles of the Company's "Public Information Website Reporting Operation".
 - (I) Amendments to some articles of the Company's "Seal & Stamp Management Operations".
 - (J) Amendments to some articles of the Company's "Related Party Transaction Management Operations".
 - (K) Amendments to some articles of the Company's "Prevention of Insider Trading Management Operations".
- D. Major resolutions approved in the Board meeting on August 18, 2023:
- (A) The Company's consolidated financial statements for the second quarter of 2023.
 - (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) Authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (D) Distribution of director remuneration for 2022.
 - (E) Executive performance bonuses
 - (F) Appointment of the chief information security officer and establishment of a dedicated information security unit
- E. Major resolutions approved in the Board meeting on September 25, 2023:
- (A) The Company planned to establish a subsidiary in Hong Kong.
- F. Major resolutions approved in the Board meeting on November 6, 2023:
- (A) The Company's consolidated financial statements for the third quarter of 2023.
 - (B) The Company's audit plan for 2024.
 - (C) Change of Seal Custodian for the Specific Corporate Seal for Endorsement and Guarantee.
 - (D) Amendments to the personnel in charge of internal material information.
 - (E) Amendments to the "Authorization Chart".

- G. Major resolutions approved in the Board meeting on December 28, 2023:
- (A) The Company's budget for 2024.
 - (B) Distribution of 2022 employee remuneration for executives.
 - (C) Distribution of the second half of 2023 performance bonuses and year-end bonuses for executives.
 - (D) The Company's business report and distribution of earnings for the first half of 2023.
 - (E) The reappointment of the CPAs in line with the internal organizational adjustment of the accounting firm.
- (F) Amendments to some clauses of the "Corporate Governance Best-Practice Principles" of the Company.
- H. Major resolutions approved in the Board meeting on February 26, 2024:
- (A) The Company's 2024 business plan
 - (B) The Company's 2023 statement of internal control system.
 - (C) The Company's 2023 consolidated financial statements.
 - (D) The Company's 2023 business report.
 - (E) The Company's 2023 employee remuneration and director remuneration.
 - (F) The Company's 2023 earnings distribution.
 - (G) The Company's 2024 CPAs independence assessment and competency assessment.
 - (H) Authorization of Chairman to decide on the distribution of earnings of subsidiary company - Capital Concord Enterprises Limited.
 - (I) The period, location, and matters in relation to the Company's acceptance of shareholder proposals
 - (J) Setting the date and agenda of the Company's 2024 shareholders' meeting.
- I. Major resolutions approved in the Board meeting on April 16, 2024:
- (A) Amendments of partial clauses to the Company's "Articles of Association"
- (13) Record or written statement of directors or supervisors holding different opinions on Major resolutions approved by the Board of Directors in the most recent year and as of the printing date of the Annual Report: None.
- (14) Resignation or dismissal of the Company's chairman, president, heads of accounting, finance, internal audit head, corporate governance head, and R&D head in the most recent year and as of the printing date of the Annual Report: None.

5. CPA Fees Information

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	CPA's audit period	Audit Fees	Non-audit Fees	Total	Note
PwC Taiwan	Hua-Ling Liang	2023.1.1~ 2023.12.31	4,750	1,850 (Note)	6,600	Note: 1. Transfer pricing report \$1,100 thousand 2. Tax attestation \$750 thousand
	Mei-Lan Liu	2023.1.1~ 2023.12.31				

- 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.
- 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: 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:

Unit: Shares

Title	Name	2023		As of the current year Ends March 29	
		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)	-	-	-	-
Director and Group President	Fang-Chu, Liao (Note 1)	-	-	-	-
Director and Group Executive Vice President	Chih-Cheng, Liao	-	-	-	-
Independent Director	Jin-Huang, Huang	-	-	-	-
Independent Director	Chun-An, Li	-	-	-	-
Independent Director	Chun-Ming, Wu	-	-	-	-
Independent Director	Shu-Ching, Chou	-	-	-	-
Independent Director	Hui-Ying, Wang	-	-	-	-
Group Executive Vice President	Wen-Kuang, Lin (Note 2)	-	-	-	-
Group Executive Vice President	Ming- Hsien, Chen (Note 3)	-	-	-	-
Group CFO	Chien-Chao, Hung	-	-	-	-
Group Audit Manager	Chia-Jung, Shen	-	-	-	-
Group Production Executive Vice President	Xu-Ming, Huang (Note 4)	-	-	-	-

Title	Name	2023		As of the current year Ends March 29	
		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
Group Development Vice President	Hua-Jun, Peng (Note 5)	-	-	-	-
Production Vice President in Southeast Asia	Wen-Yao, Chang (Note 6)	-	-	-	-

Note 1: Held directly or indirectly through its own individuals and overseas companies controlled.

Note 2: Wen-Kuang, Lin retired on April 28, 2023.

Note 3: Ming-Hsien, Chen was promoted to group executive vice president on July 1, 2023.

Note 4: Xu-Ming, Huang was promoted to group production executive vice president on July 1, 2023.

Note 5: Hua-Jun, Peng was promoted to group development vice president on July 1, 2023.

Note 6: Wen-Yao, Chang resigned on June 1, 2023 due to personal career planning.

- (2) Information on equity transfer: None of the Company's directors, managers, or shareholders holding more than 10% of the shares has any equity transfer.
- (3) Information on equity pledging: There is no circumstance in which the counterparty of the equity pledge is a related party.

9. Information on the relationship among the top 10 shareholders, spouses, or relatives within the second degree of kinship

March 29, 2024; Unit: shares; %

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	%	Number of Shares	%	Number of Shares	%	Name	Relationship	
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note 1) Representative: Wen-Chih, Lin	24,120,151	12.63	23,510,801	12.31	-	-	Custodial account (MEINDLINT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Wen-Chih, Lin	Same as representative	-
							Xue-Qing, Lin	Within second degree of kinship	-
Custodial Account (MEINDLINT'L CO., LTD.) Used by CTBC Bank (Note1) Representative: Fang-Chu, Liao	21,712,465	11.37	28,461,192	14.90	-	-	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.	9,500,000	4.97	-	-	-	-	-	-	-
Wen-Chih, Lin	4,341,041	2.27	23,510,801	12.31	24,120,151	12.63	Custodial account (MEINDL INT'L CO., LTD.) used by CTBC Bank	Spouse	-
							Custodial account (LASPORTIVA INT'L CO., LTD.) used by CTBC Bank	Same as representative	-
							Xue-Qing, Lin	Within second degree of kinship	-
Union Bank of Taiwan	4,186,000	2.19	-	-	-	-	-	-	-
Public Service Pension Fund Supervisory Board	3,963,000	2.07	-	-	-	-	-	-	-

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	%	Number of Shares	%	Number of Shares	%	Name	Relationship	
Investment account of Norges Bank managed by Citibank Taiwan	3,612,273	1.89	-	-	-	-	-	-	-
Labor Pension Fund	3,376,000	1.77	-	-	-	-	-	-	-
Xue-Qing, Lin	3,266,787	1.71	-	-	-	-	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	1.63	-	-	-	-	-	-	-

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

Note 2: Shares are indirectly held through spouse Fang-Chu, Liao and 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, 2023; 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
Wisesquare Enterprise Limited	100,000	100	-	-	100,000	100
Fujian Sunshine Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
Hubei Sunsmile Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
Sunny Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
Fujian Laya Outdoor Products Co., Ltd. (Note 2)	-	100	-	-	-	100
Lin Wen Chih Sunbow Enterprises Co., Ltd.(Note 2)	-	100	-	-	-	100
Lin Wen Chih Sunstone Enterprises Co., Ltd. (Note 2)	-	100	-	-	-	100
Lin Wen Chih Sunzeal Enterprises Co., Ltd (Note 2)	-	100	-	-	-	100
Fulgent Sun Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
NGOC HUNG Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
Eversun Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
Sunglory Footwear Co., Ltd. (Note 2)	-	100	-	-	-	100
PT. SUN BRIGHT LESTARI (Note 2)	-	100	-	-	-	100
Laya Chemical Engineering Co., Ltd. (Note 2)	-	100	-	-	-	100
Lin Wen Chih Sunlit Enterprises Co., Ltd. (Note 2)	-	100	-	-	-	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\$ Thousand

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Number of Shares	Amount
2009.11	10	150	1,500	150	1,500	150 thousand shares of incorporation	-	-
2009.12	10	58,651	586,509	58,651	586,509	Issuance of 58,501 thousand 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 thousand 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 thousand shares for capital increase by cash	-	-
2011.08	10	120,000	1,200,000	95,168	951,675	Issuance of 8,652 thousand shares for capital increase by retained earning	-	-
2012.07	10	120,000	1,200,000	104,684	1,046,843	Issuance of 9,516 thousand 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 thousand 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 thousand restricted employee shares	-	Note 2
2014.09	10	200,000	2,000,000	127,088	1,270,880	Cancellation of 24 thousand restricted employee shares; conversion of domestic corporate bonds into 7,270 thousand ordinary shares	-	Note 3
2014.12	10	200,000	2,000,000	129,343	1,293,433	Cancellation of 20 thousand restricted employee shares; conversion of domestic corporate bonds into 2,275 thousand 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	Number of Shares	Amount
2015.03	10	200,000	2,000,000	130,875	1,308,747	Cancellation of 88 thousand restricted employee shares; conversion of domestic corporate bonds into 1,620 thousand 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 thousand ordinary shares	-	Note 6
2015.09	10	200,000	2,000,000	132,957	1,329,574	Cancellation of 31 thousand restricted employee shares; conversion of domestic corporate bonds into 446 thousand ordinary shares	-	Note 7
2015.12	10	200,000	2,000,000	132,698	1,326,983	Cancellation of 511 thousand treasury stocks; cancellation of 6 restricted employee shares; conversion of domestic corporate bonds into 258 thousand ordinary shares	-	Note 8
2016.03	10	200,000	2,000,000	132,891	1,328,911	Cancellation of 9 thousand restricted employee shares; conversion of domestic corporate bonds into 202 thousand ordinary shares	-	Note 9
2016.06	10	200,000	2,000,000	133,365	1,333,654	Cancellation of 2 thousand restricted employee shares; conversion of domestic corporate bonds into 476 thousand ordinary shares	-	Note 10
2016.08	43	200,000	2,000,000	137,365	1,373,654	Issuance of 4,000 thousand 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 thousand 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	Number of Shares	Amount
2016.12	10	200,000	2,000,000	138,095	1,380,954	Cancellation of 6 thousand restricted employee shares; conversion of domestic corporate bonds into 630 thousand ordinary shares	-	Note 13
2017.03	10	200,000	2,000,000	138,455	1,384,555	Conversion of domestic corporate bonds into 364 thousand ordinary shares; cancellation of 4 restricted thousand 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 thousand 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 thousand ordinary shares	-	Note 16
2017.12	10	200,000	2,000,000	146,197	1,461,973	Conversion of domestic corporate bonds into 89 thousand ordinary shares	-	Note 17
2018.03	10	200,000	2,000,000	146,255	1,462,550	Conversion of domestic corporate bonds into 58 thousand ordinary shares	-	Note 18
2018.06	10	200,000	2,000,000	146,274	1,462,735	Conversion of domestic corporate bonds into 19 thousand ordinary shares	-	Note 19
2019.01	38.5	200,000	2,000,000	152,274	1,522,735	Issuance of 6,000 thousand 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 thousand 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 thousand ordinary shares	-	Note 22

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Number of Shares	Amount
2019.09	10	200,000	2,000,000	171,339	1,713,395	Conversion of domestic corporate bonds into 9,115 thousand 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 thousand ordinary shares	-	Note 24
2020.03	10	200,000	2,000,000	175,111	1,751,113	Conversion of domestic corporate bonds into 354 thousand ordinary shares	-	Note 25
2020.06	10	300,000	3,000,000	175,162	1,751,620	Conversion of domestic corporate bonds into 51 thousand 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 thousand ordinary shares	-	Note 27
2020.10	75	300,000	3,000,000	186,185	1,861,846	Issuance of 10,000 thousand 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 thousand ordinary shares	-	Note 29
2022.06	10	300,000	3,000,000	189,363	1,893,631	Conversion of domestic corporate bonds into 3,168 thousand ordinary shares	-	Note30
2022.09	10	300,000	3,000,000	190,032	1,900,323	Conversion of domestic corporate bonds into 669 thousand ordinary shares	-	Note31
2022.12	10	300,000	3,000,000	190,724	1,907,235	Conversion of domestic corporate bonds into 691 thousand ordinary shares	-	Note32
2023.03	10	300,000	3,000,000	190,730	1,907,303	Conversion of domestic corporate bonds into 7 thousand ordinary shares	-	Note33

Date	Issue Price (NT\$)	Approved Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Share Capital	Number of Shares	Amount
2023.06	10	300,000	3,000,000	190,809	1,908,087	Conversion of domestic corporate bonds into 78 thousand ordinary shares	-	Note34
2023.09	10	300,000	3,000,000	190,990	1,909,899	Conversion of domestic corporate bonds into 181 thousand ordinary shares	-	Note35

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.
- Note 30: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 12, 2022.
- Note 31: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 11, 2022.
- Note 32: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on January 12, 2023.
- Note 33: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on April 10, 2023.
- Note 34: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on July 10, 2023.
- Note 35: Conversion of domestic corporate bonds into ordinary shares: Approved by Taiwan Stock Exchange Corporation on October 12, 2023.

B. Type of shares

As of March 29, 2024; Unit: Thousand shares

Type of Shares	Approved Share Capital				Remark
	Outstanding Shares	Treasury Shares	Unissued Shares	Total	
Ordinary Shares	190,990	660	109,010	300,000	-

C. Information about the Bundle Notification System: None.

(2) Shareholder structure

As of March 29, 2024

Shareholder Structure	Government Agencies	Financial Institutions	Other Corporations	Foreign Institutions and Natural Persons	Individuals	Treasury Shares	Mainland China Investments	Total
Quantity								
Number of Persons	-	23	59	150	9,732	1	1	9,966
Number of Shares (Shares)	-	25,317,000	16,403,432	79,179,886	69,399,304	660,000	30,250	190,989,872
Shareholding Ratio (%)	-	13.26	8.59	41.44	36.34	0.35	0.02	100.00

(3) Dispersion of equity ownership

As of March 29, 2024; Unit: Shares; %

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Ratio
1~999	3,246	632,325	0.33
1,000~5,000	5,282	10,149,614	5.31
5,001~10,000	593	4,511,625	2.36
10,001~15,000	215	2,757,303	1.44
15,001~20,000	145	2,627,937	1.38
20,001~30,000	126	3,155,161	1.65
30,001~40,000	72	2,538,573	1.33
40,001~50,000	43	1,956,593	1.02
50,001~100,000	101	7,239,429	3.79
100,001~200,000	49	6,821,398	3.57
200,001~400,000	30	8,454,192	4.43
400,001~600,000	17	8,324,139	4.36
600,001~800,000	10	6,895,397	3.61
800,001~1,000,000	5	4,590,068	2.40
More than 1,000,001	32	120,336,118	63.02
Total	9,966	190,989,872	100.00

Dispersion of special shares: None.

(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, 2024; Unit: Shares; %

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank (Note1)	24,120,151	12.63
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank (Note1)	21,712,465	11.37
Fubon Life Insurance Co., Ltd.	9,500,000	4.97
Wen-Chih, Lin	4,341,041	2.27
Union Bank of Taiwan.	4,186,000	2.19
Public Service Pension Fund Supervisory Board	3,963,000	2.07

Name of Major Shareholder	Number of Shares Held	Shareholding Ratio
Investment account of Norges Bank managed by Citibank Taiwan	3,612,273	1.89
Labor Pension Fund	3,376,000	1.77
Xue-Qing, Lin	3,266,787	1.71
Custodial Account (Yong Yang International) Used by CTBC Bank	3,112,772	1.63
Total	81,190,489	42.50

Note 1: 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	2022 (Note1)	2023	As of the current year Ends April 16
		Market Price per Share	Highest		205.00
Lowest			96.30	111.50	106.50
Average			148.70	130.82	123.89
Net Value per Share	Before Distribution		66.60	65.00	-
	After Distribution		60.60	62.00(Note2)	-
Earnings per Share	Weighted Average Shares (in Thousands)		187,616	190,193	-
	Earnings per Share	Before Adjustment	18.10	7.87	-
		After Adjustment	18.10	7.87	-
Dividends per Share	Cash Dividends		7.20	5.00(Note2)	-
	Stock Dividends	Retained Shares Distribution	-	-	-
		Capital Reserve Shares Distribution	-	-	-
	Accumulated Undistributed Dividends		6.00	3.00	-
Return on Investment	Price/Earnings Ratio		8.22	16.62	-
	Price/Dividend Ratio		20.65	26.16(Note2)	-
	Cash Dividend Yield		4.84%	3.82%(Note2)	-

Note1: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

Note2: Dividends for the second half of 2023 as resolved by the Board of Directors on February 26, 2024 are included.

(6) Dividend Policy and Its Implementation

A. Dividend policy stipulated in the Company's Articles of Association

According to Article 34.1 of the Company's Articles of Association, the Company shall distribute dividends as follows: Subject to the Statute and this Article and except as otherwise provided by the rights attached to any Shares, the Company may declare dividends following the Board's recommendation in a distribution plan approved by the Board, with the sanction of Ordinary Resolution, resolve to pay Dividends and other distributions on Shares in issue and authorise

payment of the Dividends or other distributions out of the funds of the Company lawfully available therefor. The company may appropriate up to 3% of the Earnings before taxes as compensation to the Directors and additional, 0.1% to 3% of the remaining profits as employee compensation to the employees of the Company and Subsidiaries. However, the Company's accumulated losses, it shall have been covered.

Considering that the Company is in an industry greatly affected by consumer market and business circle and cannot identify its development circle, after the close of a fiscal year, the Board shall provide the distribution plan according to the following requirements: the Company (i) after its losses have been offset and at the time of allocating surplus profits, may first set aside 10% of such profits as statutory reserve until the statutory reserve amounts to the authorized capital, (ii) may appropriate a portion of such profits as special reserve required by Applicable Public Company Rules or government authorities, and (iii) having considered the financial, business and operational factors, any remaining profits which may be distributed as Dividends by cash or by applying such sum in paying up in full unissued Shares for allotment and distribution credited as fully paid-up pro rata to the Members or any combination of both, or bonuses according to the Statute and Applicable Public Company Rules; provided, however, that the Dividends payable to the Members hereunder shall not be less than 20% of the balance of the profits after deduction of the amount set out in sub-clauses (i) and (ii), among which, cash dividends shall not be less than 20% of the total Dividends declared. The distribution of Dividends by cash will be rounded down to New Taiwan dollars. The sum of aforesaid rounded-down amounts which are less than one New Taiwan dollars (NT\$1.00) will be recognized as other non-operational income of the Company. In the event that the Company distributes its profits pursuant to this Article in the form of new Shares to be issued by the Company, it shall be approved by the Supermajority Resolution; if such profits are distributed in the form of cash, it shall be approved by the Board.

Pursuant to the provision specified in Article 34.1.1 of the Company's Articles of Association, Subject to the Statute and this Article, the Company may declare dividends at the end of each half fiscal year. The business reports, the financial statements and the proposal for distribution of profits for the half fiscal year shall be submitted to the Board for a resolution after being audited by the Audit Committee. When distributing profits pursuant to this Article, the Company shall pay all relevant taxes, offset losses and set aside the statutory reserve; if such statutory reserve reaches the Company's paid-in capital, this provision shall not apply. In the event that the Company distributes its profits pursuant to this Article in the form of new Shares to be issued by the Company, it shall be approved by the Supermajority Resolution; if such profits are distributed in the form of cash, it shall be approved by the Board. When the Company distributes its profits pursuant to this Article, such profit distribution shall be based on financial statements audited or reviewed by the certified public accountant.

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 2023	December 28, 2023	April 18, 2024	2.00	380,659,744
2nd Half of 2023	February 26, 2024	(Note)	3.00	570,989,616

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 Association: Please refer to (6) A. Dividend policy stipulated in the Articles of Association.
- 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 26, 2024, the Board of Directors proposed distributing NT\$20,000,000 to employees and directors for 2023, respectively, which were the same as the estimates in the financial statements for 2023.
- (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 23, 2023, the shareholder's meeting resolved to distribute NT\$20,000,000 to employees and directors for 2022, 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 2022.
- (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: None.**
- 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\$ Thousand ; %

Main Product	2022		2023	
	Amount	%	Amount	%
Shoes	24,051,872	99.47	16,810,759	99.51
Others (Note)	129,361	0.53	82,467	0.49
Total	24,181,233	100.00	16,893,226	100.00

Note: Others include the sale of shoe materials and garment.

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. Apart from choosing suitable shoe materials, our development department develops new 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 develop new technology in the shoe industry new machine and new solution in order to meet customer demand and constantly improve the Company's competitiveness in the footwear industry.

(2) Industry Overview

The footwear industry is labor intensive. The global shoe manufacturing center has gone through many transformations 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 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. Industry Condition and Development

(A) Overview of Global Shoe Market

Shoes are one of the necessities in our daily life. The consumption quantities and amounts of shoes will rise along with the growth of population, and it will fluctuate along with global fashion trends and the macroeconomy. According to the statistics of Statista, global footwear market will reach US\$412.9 billion in 2024, with an annual growth rate of 3.43% expected.

According to the global footwear industry report of Allied Market Research, the main footwear consumer market includes five major regions that are, North America, Latin America, the Middle East and Africa, the Asia-Pacific region, and Europe. The market consumption of Asia-Pacific region took the lead in 2022 with a market share of 41.4% recorded. The consumption power for shoes is driven by urbanization and influenced by European and American fashion trends. In addition, China and India have huge demographic dividends, which provide a great market for brand shoe industry to penetrate. In terms of sales channels, in addition to existing physical store channels, the emerging e-commerce has also changed consumer shopping habits. It is expected that the compound annual growth rate of online sales of shoes will reach 6.1% in the period of 2023~2032.



Source: Allied Market Research<Footwear Market Size, Share, Competitive Landscape and Trend Analysis Report by Distribution Channel, by End User, by Material, by Type: Global Opportunity Analysis and Industry Forecast, 2023-2032>

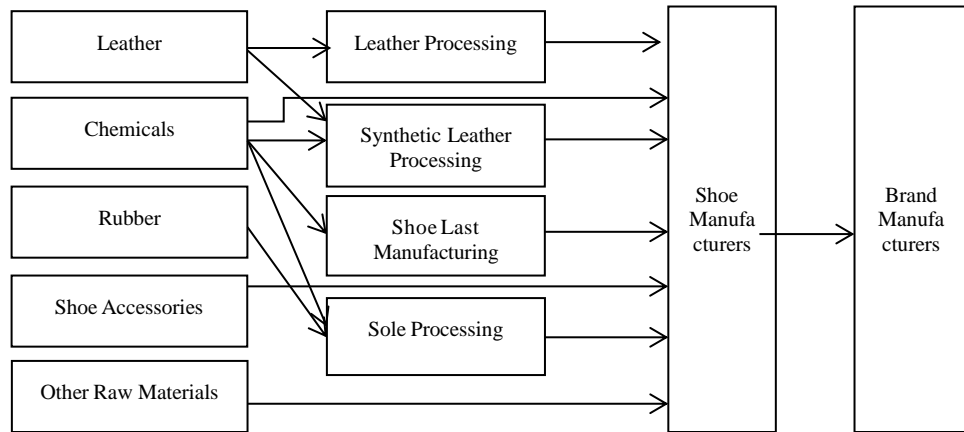
(B) Development of the shoe market in China

China is the largest footwear manufacturer in the world now. The consumer goods market in China has expanded rapidly in the last few years along with the increase in population and per capita income. The changing demographic structures and the increase in per capita disposable income mean that Chinese consumers' buying power is growing and it helps promote the development of the retail industry, causing the shift of economy from an export-oriented operation to a consumption-oriented operation; also, it will help increase the quantity of shoe consumption and the demand for high-end shoes. According to the market survey results of Euromonitor, the Chinese market for footwears is expected to grow at an average annual growth rate of 4.4% in the period of 2023~2028. The Chinese market for footwear is expected to reach RMB 611.9 billion by the year of 2028.

From the perspective of footwear production in China, footwear industry is mainly concentrated in four regions in China currently; (1) Guangzhou, Dongguan, and other places are the bases of Guangdong footwear industry, and they mainly produce mid-to-high-end sports shoes and outdoor shoes; (2) Wenzhou, Taizhou, and other places are the bases of Zhejiang footwear industry, and they mainly produce mid-to-low-priced shoes; (3) Chongqing and Chengdu are the bases of Western shoe industry, and they mainly produce women's shoes; (4) Fujian, Quanzhou, and Jinjiang are the bases for the production of another type of sports shoes. Consumers' demand for sports, outdoor leisure and popular, affordable, innovative, and fashionable footwear products has increased in recent years. Many companies have begun to value the importance of improving their technological innovation capabilities and utilizing flexible manufacturing technology and 3D design to achieve personalized flexible designs and to meet customer needs. It will prompt the development of Chinese footwear consumer market towards fashionable styles, high quality, and favorable prices. Footwear industry is extremely cost-sensitive; therefore, it has always valued the importance of relocating the production to somewhere cost less rather than focusing on major consumer markets. The major operating difficulties faced by Chinese footwear factories currently include rising wages, rent expense, and other production factors under the Labor Contract Act, and the improvement of people's living standards that causes great disadvantages to the labor-intensive footwear industry and thus force the companies in this industry to gradually relocate their production lines to countries with labor cost advantages, supportive local government, and preferential tariffs offered, such as Vietnam, Indonesia, Cambodia, India, and other countries.

B. Correlation between upstream, midstream and downstream industries

As an OEM supplier of professional shoes, the Company's upstream industries supply raw materials, such as rubber, leather, chemicals, such as adipic acid, and accessories, such as 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 competition, but the production advantages of the Company's business strategy and will enable the group to stand out in competition with industry.

(3) Overview of Technologies and Research and development (R&D)

- A. R&D expenses in the most recent fiscal year and as of the printing date of this annual report.

Unit: NT\$ Thousand

Item \ Year	2022	2023
R&D Expenses	229,542	180,326
Consolidated Sales	24,181,233	16,893,226
Ratio of R&D Expenses to Consolidated Sales (%)	0.95	1.07

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
Process Craft	Automatic template hemming	Template + hemming, more stable quality, more efficient, and labor efficiency
	Vamp high 3D molded encapsulating	After the craft sharding molded, encapsulate glue to maintain a 3D effect.
	Fully automatic ultrasonic double-end folding	Ribbon weaving double-end folding, improving efficiency, and labor efficiency
	UV light marking	Cold laser perforated leather material, carbon-free blackening powder contaminating the material on the edges
	Automatic thread trimming and inner thread sewing	Used for sewing shoes with outsole lines + thread trimming + thread hooking all in one process to improve efficiency.
	Rotary type computer sewing machine	Rotary 3D feed sewing + automatic cylinder template hot-cold shaping, used for 3D curved sewing of shoes
	Four-track ultrasonic visual band cutting	Font LOGO on the ribbons can be visually identified, and the ribbons are cut in the same length to improve efficiency.
	Smart process template	Computer sewing machine + laser cutting are completed on the same machine to save manual work and the extra work of changing cutting tool
	Blind car technology	Hidden seamless sewing
	Surf shoes and water boots craft	Rub special glue on the sewing position for waterproof effect
	3D counter-pressure shaping of toe cap	The one-piece toe cap shaping is for cosmetic and wrinkle-free effect.
Product Craft	TSG-Tongue Sealing Gasket	Successfully applied TSG-Tongue Sealing Gasket IF structure to the HOKA phase sample/passed GTX test
	Vamp LOGO cold transfer printing	LOGO can be directly applied coldly without having it heated up first.
	Glue imaging	Patterns and colors are directly generated after soaking locally.
	007 Structure PLUS	Add the inner lining to improve comfort and thermal insulation effect.
Sole Craft	Outsole flocking 2.0	Brand new craftsmanship, adding flocking powder to the outsole
	CMEVA automatic rapid secondary molding	Graphene heating + vacuuming, EVA shaping heating time is shortened, and the quality is stable
	EVA recycling	EVA is recycled with the crushing and mixing method implemented, which is easy and fast; also, it is easy to clean and can be recycled separately by color.
	DIP 3D heat transfer printing	Vacuum forming heat transfer printing to DIP
	Environmental supercritical	Environmental supercritical added with the recycling powder craft
Material	Taping embroidery	The thread is embroidered directly onto the vamp to increase a 3D effect.
	Dorsal hot pressed fabric	Prevent mesh color migration

(4) Long-term and Short-term Business Development Plans

A. Short-term business development plans

- (A) Continue to expand the Group's production capacity and diversify and disperse production bases.

The Group's mid-term and long-term capital expenditure and production capacity planning are based on a comprehensive judgment on the mid-term and long-term structural needs of the outdoor sports and leisure market worldwide, rather than just focusing on short-term factors. The question of how to provide international brand customers with new product development capacity and production capacity planning vision that are safer, more trustworthy, and greater growth potential has always been the core of the Group's material business strategies. In prospect of the global industrial and economic situation in 2024, more uncertainties are expected; however, there are also coexistence of opportunities and threats. However, the mid-term and long-term growth trend of the outdoor sports and leisure industry remains intact worldwide while the mankind is driven by the pursuit of a better life. The Group will continue to realize the production capacity expansion plan and accelerate the flexible deployment of diversified factory area in order to create a more pragmatic, beneficial, and flexible space, and to create quantitative and qualitative improvement and refinement. In view of the accelerating shift of global production in recent years, and Indonesia's becoming the largest economy in the Association of Southeast Asian Nations, the Group has decided to have new factories constructed and production capacities expanded into Indonesia with the construction initiated in the first half of 2024.

- (B) Accelerate the enhancement of core technologies and deepen process integration and upgrades.

The Group has been established for nearly 3 decades with many shoemaking technologies developed in between. Quanzhou Hecheng Factory, Vietnam Fulgent Sun Factory, Hubei Xiangcheng Factory, Cambodia Chiding Factory, Vietnam Yuxing Factory, and Vietnam Yuhong Factory are all GORE -TEX certified factories with a comprehensive top-grade waterproof and breathable outdoor functional shoes production capabilities equipped. Also, the Group has obtained a number of well-known third-party international certifications. The OEM mass production quality is highly recognized by brand customers and consumers. The Group's R&D team is solid in performance. Multiple project teams are in place internally for new technology research and development, automation and semi-automation machine development, glue chemical research and development, big data artificial intelligence integrated analysis, etc. that already have some achievements resulted to show for in recent years. In addition, the Group will continue to refine various core technologies and capabilities, increase the percentage of automated production and advance development of new shoes, enhance and improve the production efficiency of each factory area again, and quickly and rigorously deploy so to exercise the synergy of operation and management.

B. Long-term business development plans

- (A) Actively upgrade software and hardware equipment and move towards an intelligent production mode.

The outdoor leisure trend continues to be popular worldwide, and the mid-term and long-term growth trend of the industry remains intact. the

Company intends to promote the replacement, integration, and upgrade of various software and hardware production equipment, enhance the information security protection and management mechanism, reinforce and promote the integration and optimization of production lines in each factory. The Company will also enhance the implementation of various industry-university cooperation projects with various departments within each university, take advantage of diversified external resources to improve the Company's innovation energy and to enhance research and development momentum, and continue to cultivate multi-field talents with both ability and integrity in various fields through the long-standing internal cultivation system so to deepen the foundation of sustainable management. Take advantage of the continuous improvement of hardware and software and exercise the human-machine collaboration to move towards a smart production, to establish a smart factory with adaptability, resource efficiency, and ergonomics, and to create a smart production mode with more efficiency, speed, and adaptability.

- (B) Serve existing OEM brand customers properly and develop high-quality potential customers actively.

The Group has developed and manufactured many footwears, including sports shoes, outdoor shoes, hiking shoes, casual shoes, functional shoes, etc., which are sold in Europe, the United States, Asia, and many other countries. The Group has worked with more than 50 internationally renowned brands in recent years. In prospect, the management team will adhere to the core values of "sincerity, speed, quality, and innovation," uphold the spiritual essence of "morality, wisdom, diligence, and long-term cultivation," pursue "excellent leadership, high quality and efficiency," and focus on developing the industry in-depth continuously. We actively co-develop new shoes with various international brands that we have cooperated with for years. We intend to enhance the strategic partnership with them. We will also base on the excellent reputation established in the industry over the last thirty years to reach out for more brand customers, to accelerate the establishment of mutual trust and reciprocity in order to create a win-win situation.

- (C) Develop corporate governance, enhance investor relations, fulfill corporate social responsibility, and pursue sustainable excellence.

The Group has realized the importance of pursuing profit growth since the day officially becoming a listed company; also, understood that the pursuit of profit is not the only mission of the Company. Therefore, the Group has made it the mission to support the United Nations "Sustainable Development Goals (SDGs)" for years. Therefore, the core mission and primary intention and obligation of the Company's management team is to promote and improve a healthy life and well-being, to fulfill corporate social responsibilities, and to pursue sustainable operations, that is, creating the cycle of excellence through participating in the fulfillment of corporate social responsibilities. The Company has been committed to the substantiation of corporate governance for years, although sale is everything, but corporate governance is the foundation. The management team will continue to improve corporate governance-related norms with a more rigorous attitude so to ensure the stakeholders' rights and interests. The Company will also pay attention to various new domestic and international issues and trends, and implement the sustainable development resulted to improve the corporate governance system and to enhance the internal control management mechanism continuously in order to create long-term value and protect shareholders' rights and interests

equally. The Company expects to share the Company's operating results with all shareholders and employees, to optimize corporate governance, and to pursue long-lasting excellence.

2. Market, Production, and Sales

(1) Market analysis

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

Unit: NT\$ Thousand; %

Sales Region \ Year		2022		2023	
		Amount	Percentage	Amount	Percentage
Domestic Sales (Note)		909,804	3.76	954,774	5.65
Export	Asia	1,314,760	5.44	1,332,966	7.89
	America	9,914,108	41.00	6,181,297	36.59
	Europe	11,665,317	48.24	8,155,020	48.27
	Africa	139,410	0.58	84,265	0.50
	Australia	237,834	0.98	184,904	1.10
	Sub-Total	23,271,429	96.24	15,938,452	94.35
Total		24,181,233	100.00	16,893,226	100.00

Note: Domestic sales refer to the sales in Mainland China.

B. Market share

The main customers of the company include Altra、Engelbert Strauss、La Sportiva、Meindl、MERRELL、ON Running、Salewa、The North Face、Timberland、Vans, etc. that are all leading brands in sports and leisure outdoor footwear. The Company manufactured a total of 19,414 thousand pairs of shoes in 2023. The Company produces a variety of shoes and is one of the few manufacturers in the industry that has the production technology to handle many shoe designs at the same time; therefore, the Company has a certain market share cornered among global shoe manufacturers.

C. Supply and demand and growth of the future market

According to the statistics of Statista, the global footwear market sale is expected to reach US\$412.9 billion in 2024 with an annual growth rate of 3.43% expected. It particularly pointed out that sports shoes among various shoe categories have the greatest potential for growth. The total consumption is estimated to reach US\$91.6 billion in 2024 with a growth rate of 3.43% worldwide expected in the period of 2024~2028. In terms of sales channels, in addition to existing physical store channels, the emerging e-commerce has caused consumers' shopping habits to change. Expanding product categories and emerging markets penetration are two key factors for growth. According to the global footwear industry report of Allied Market Research, the main footwear consumption market includes five major regions, including North America, Latin America, the Middle East and Africa, the Asia-Pacific region, and Europe. The Asia-Pacific region dominated the market in 2022 with a market share of 41.4% cornered, mainly due to the increase in consumption power driven by urbanization and the influence of European and American fashion trends, added with the huge demographic dividends of China and India that gives the brand shoe industry great business opportunities. The emerging e-commerce has also caused consumer shopping habits to change. The compound annual growth rate of online sales of shoes is expected to reach 6.1% in the period of 2023~2032.

D. Competitive Niche

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

The Company produces products including sportswear, outdoor shoes, hiking shoes, casual shoes and functional shoes from world-renowned brands, and we serve as OEM for more than 50 brands in Taiwan and abroad. 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 2023, the Company produced 19,414 thousand pairs. Our manufacturing process has been approved by ISO 9001, GB/T 19001, SATRA, GORE-TEX and SURROUND technology. Based on the policy of consolidation and optimization, the Company reduces inventories to improve productivity control 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's 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, Vietnam and Cambodia. For the output weight of production base by country in 2023, the ratios accounted by Vietnam, Cambodia and China were 49.87%, 25.38% and 24.75 % respectively. These countries have a wealth of human resources and low labor cost compared with many other countries. Moreover, the Group has established multiple task forces for new technology R&D, automation and semi-automation machine development, R&D of sole chemical material, big data AI integrated analysis...etc., to continue improving the various core technology competencies, constantly upgrade automation production weight, and the early development of new shoe models. The Company upgrades the productivity performance of all factories and reduces production costs to bring the synergy of operation management into full play.

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

(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 People's Republic of China, the growth rate of GDP was 5.2% in 2023. With economic recovery in Europe and America and 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, ecotourism and other healthy activities to the body and mind. 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 considerable tax preferences. As to China, which 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 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. However, in recent years, the increase in wages has caused 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 shifted its 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 will officially launch the new factory building plan in Indonesia, in addition to implementing 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 in spite of the increase in labor cost and cost of manufacture.

- (c) Gradually modify the processing by introducing semi-automation and automation machinery production such as merrylock, long-boot compressor, full automation AI compressor, environmental water-circulating engraving machine, automatic line printer, laser polisher, AI automatic processing line, heel webbing look 3D computer machine, to reduce use of labor force during the production process and lower the labor and manufacturing costs.
 - (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:

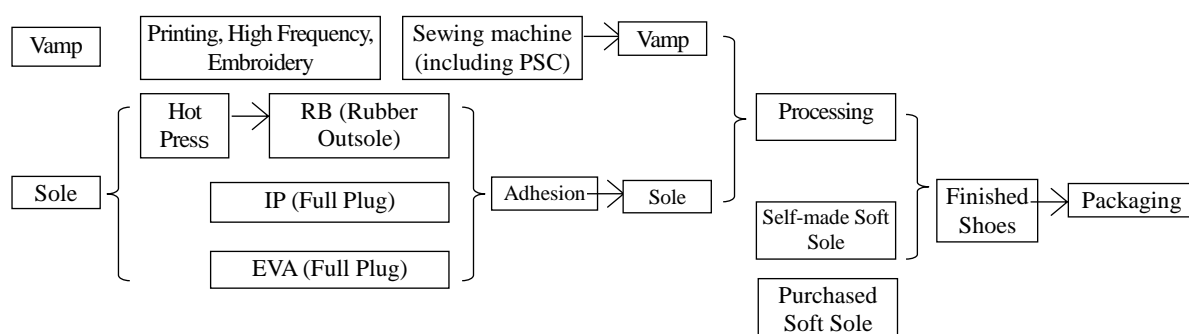
- (a) The Company increases the number and type of high-end, high value-added brand shoes and develops world-renowned brands at home and abroad to maintain its market share and reduce risk of significant influence with a single brand on the Company's operation.
- (b) With improved manufacturing process 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	18.94	Stable
Sole Materials and Semi-finished Products	Asia	32.74	Stable
Leather and Leatherette	Europe and Asia	14.90	Stable
Shoelaces, Eyelets, and Accessories	Asia	10.56	Stable

Note: Data for 2023.

(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\$ Thousand

No.	2022				2023			
	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	4,119,241	17.03	None	A	3,018,073	17.87	None
2	B	2,449,506	10.13	None	B	1,962,401	11.62	None
3	C	2,756,246	11.40	None	C(Note)	-	-	-
	Others	14,856,240	61.44	-	Others	11,912,752	70.51	-
	Net Sales	24,181,233	100.00	-	Net Sales	16,893,226	100.00	-

Note: The customer's revenue did not exceed 10% of operating revenue in 2023, so no disclosure is provided.

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 a 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:

- (1)Customer A: The relationship with customers is stable and normal. However, due to the impact of reduced terminal demand in 2023, revenue decreased slightly compared with last year.
- (2)Customer B: The relationship with customers is stable and normal. However, due to the impact of reduced terminal demand in 2023, revenue decreased slightly compared with last year.
- (3)Customer C: Cooperation with customers is good. However, due to the impact of reduced terminal demand in 2023, revenue decreased compared with last year, resulting in its sales proportion not reaching 10%.

(5) Production in the last two years

Unit: NT\$ Thousand; Thousand pairs

Main Product \ Year	2022			2023		
	Capacity	Yield	Value	Capacity	Yield	Value
Shoes	38,000	34,536	18,688,536	26,600	19,414	12,998,991
Others (Note)	-	-	95,399	-	-	58,529
Total	38,000	34,536	18,783,935	26,600	19,414	13,057,520

Note: Others include semi-finished products, and shoe materials (For unpaired semi-finished products, quantity is not listed and only amount listed).

(6) Sales in the last two years

Unit: NT\$ Thousand; Thousand pairs

Main Product \ Year	2022				2023			
	Domestic Sales (Note 2)		Export		Domestic Sales (Note 2)		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Shoes	1,615	841,312	31,990	23,210,560	1,507	946,658	19,206	15,864,101
Others (Note1)	-	68,492	-	60,869	-	8,116	-	74,351
Total	1,615	909,804	31,990	23,271,429	1,507	954,774	19,206	15,938,452

Note 1: Others include the sale of shoe materials and garment. (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		2022	2023	As of the current year Ends March 31
Number of Employees	Management	742	518	618
	Production Line	35,404	21,338	20,752
	General Employees	5,752	3,881	3,648
	Total	41,898	25,737	25,018
Average Age		34.35	31.97	32.23
Average Year of Services		3.27	4.35	4.42
Education Ratio	PhD	-	-	-
	Master	25	26	25
	Bachelor or Equivalent	929	794	761
	Senior High School	17,060	10,943	10,615
	Below Senior High School	23,884	13,974	13,617

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)The Company employs personnel according to the initial employment criteria required for all positions and pays salary according to the standards of employee salary ranking bracket. Personnel of all levels of salary will not be treated due to gender. The work environment of same pay for same work truly implements the concept of gender and workplace equality.
- (E)During employment, employees are eligible to annual health examinations in accordance with the regulations governing the grievance and penalty for workplace sexual harassment prevention measures, to assure the physical and mental health of the employees.
- (F)Employees with outstanding performance in production are awarded, thereby encouraging employees with ambition.

- (G)The Company pays social insurance for employees according to local laws and regulations on a regular basis, providing employees with leave related to parental care, catastrophic injury and disease, and pandemic care.
- (H)The Company holds departmental dinners from time to time, organizes activities in response to festivals, and arranges the Company's environment. It also displays art and cultural works in each factory area, and changes them from time to time to provide employees with a comfortable and pleasant working and living environment
- (I) Pantry room, breastfeeding room, dormitories, restaurants, dedicated parking lot, sports venues, and cultural activity centers are built inside the production base to provide employees comprehensive living and entertainment facilities.

B. Continuing education and training

The Company offers new employee 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 2023 are total of 23,121 person-times, a total of 74,450.8 hours.

C. Retirement system and its implementation

For the subsidiary of the Company in China, and according to the laws thereof, a monthly amount of 16%~19% of total monthly salary 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% 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.

The subsidiaries of the Company registered as subsidiaries according to the law of Cambodia. According to relevant laws of Cambodia, the Company has set aside 2~4% 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.

The Company's subsidiaries in Taiwan and the Company's subsidiaries in Hong Kong and its branches in the Republic of China have employee retirement related systems in accordance with the Labor Standards Act. The Company contributes 6% of the monthly salary to the pension payment on a monthly basis. As a pension, it is deposited into the individual labor 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 its 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 promotion education and 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 may not repair the facilities or proceed with production without authorization.
 - (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 2023, 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
 - a. The Company's mail server is equipped with a firewall and anti-virus software to block foreign intrusions.
 - b. 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.
 - c. The IT department utilizes equipment to control and monitor online conduct and check the internet status and prevent unauthorized access.
 - d. 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
 - a. The Company drafts the system recovery policies and makes amendments regularly.
 - b. The Company backs up systems regularly and designates the personnel to keep the backup files.
 - c. The Computer systems and designs are equipped with appropriate preventive measures to reduce the chance of improper damage.
- (C) File and Equipment Security Control
 - a. IT personnel carry out file backups in daily operations according to the file and equipment security control regulations.
 - b. IT personnel carry out the periodic inspection, repair, and maintenance of computer equipment and peripherals, fire safety equipment, and support equipment.
 - c. IT personnel come at the reasons for any abnormal situations in the system, improve them, and keep them on file.
 - d. Access to the computer room should be controlled
 - e. 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
 - a. The access and use of program files should be controlled according to account authority.
 - b. Important system utilities, tools, and commands should be restricted to access and query according to account authority.
 - c. Users of general application systems have no access to system utilities, tools, and commands apart from running the application system.
 - d. The access and use of program files are kept in traceable records.
 - e. Supervisors in charge review relevant records on a regular basis.
 - f. Passwords should not be displayed on the computer screen, nor can they be printed on any report without being garbled.

The 2023 implementations are described below:

- (A) A total of 4 internal training sharing and information security education for other departments were conducted in 2023. The content of the training includes overall system security, information security, video software operation, and email and website anti-phishing security training for a total of

295 hours and 370 persons/times. There were not any information security incidents harmful to the Group occurred in 2023.

- (B) The off-site data backup service is conducted on a daily basis, and a disaster recovery drill is carried out once every six months to ensure that the off-site backup data can be restored normally.
 - (C) Invest in the construction of cloud desktop continuously: Cloud desktop user data is stored on the server with a cloud desktop backup made. Precisely control the input and output of USB and other devices in line with the AD domain in order to reduce the chance of viruses attack and improve overall security.
 - (D) The Group has the [ESET Anti-Virus System] insured regularly in February every year.
 - (E) New firewalls were replaced for the factories in Vietnam and Cambodia in 2023 to ensure network connection and user security.
- (2) For losses, possible influence and response measures due to materials information security incidents in the I 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
Short-term Loan Contract	First Commercial Bank - Taiwan Branch	2023/04/21~2024/04/20	Line of credit NT\$ 300,000,000	-
Short-term Loan Contract	Bank of Taiwan - Taiwan Branch	2023/06/16~2024/06/15	Line of credit NT\$150,000,000	-
Short-term Loan Contract	Taipei Fubon Bank -Taiwan Branch	2023/05/12~2024/05/03	Line of credit NT\$200,000,000	-
Short-term Loan Contract	HSBC Bank - Taiwan Branch	2023/04/28-2024/04/27	Line of credit NT\$300,000,000	Combined with US\$12 million
Short-term Loan Contract	Cathay United Bank - Taiwan Branch	2023/06/30-2024/06/29	Line of credit NT\$150,000,000	-
Short-term Loan Contract	CTBC Bank - Taiwan Branch	2023/07/31~2024/07/30	Line of credit NT\$1,200,000,000 (NT\$15 million performance guarantee amount included)	Combined with credit line in USD
Short-term Loan Contract	KGI Bank - Taiwan Branch	2023/08/25~2024/08/24	Line of credit NT\$300,000,000	Combined with US\$800 million
Short-term Loan Contract	KGI Bank - Taiwan Branch	2023/08/25~2024/08/24	Line of credit NT\$200,000,000	Real estate pledged
Short-term Loan Contract	Mega Bills - Taiwan Branch	2023/10/17-2024/10/16	Line of credit NT\$350,000,000	-
Short-term Loan Contract	Citibank- Taiwan Branch	2024/02/02-2025/02/01	Line of credit NT\$600,000,000	Combined with US\$44.5 million and the credit limit in NTD doesn't exceed USD 20 million
Short-term Loan Contract	SKBank Taiwan Branch	2024/03/26-2025/01/16	Line of credit NT\$300,000,000	Combined with US\$15 million mid-term loans
Mid-term Loan Contract	SKBank Taiwan Branch	2024/03/26-2025/01/16	Line of credit NT\$150,000,000	Combined with US\$15 million short-term loans
Bills of Exchange Contract	First Commercial Bank - Concord Enterprises Limited (HK)	2023/04/21~2024/04/20	Line of credit US\$8,000,000	-

Nature of Contract	Contracting Party	Contract Start/End Date	Main Content	Restrictive Provision
Bills of Exchange Contract	Taipei Fubon Bank - Capital Concord Enterprises Limited (HK)	2023/05/12~2024/05/03	Line of credit US\$3,000,000	-
Bills of Exchange Contract	Cathay United Bank - Concord Enterprises Limited (HK)	2023/06/30-2024/06/29	Line of credit US\$3,000,000	-
Bills of Exchange Contract	CTBC Bank - Capital Concord Enterprises Limited (HK)	2023/07/31~2024/07/30	Line of credit US\$5,000,000	-
Bills of Exchange Contract	E.SUN COMMERCIAL BANK - Concord Enterprises Limited (HK)	2023/08/01-2024/08/01	Line of credit US\$3,000,000	-
Short-term Loan Contract	First Commercial Bank - Concord Enterprises Limited (HK)	2023/04/21~2024/04/20	Line of credit US\$45,000,000	-
Short-term Loan Contract	Bank of Taiwan - Concord Enterprises Limited (HK)	2023/06/16-2024/06/15	Line of credit US\$6,000,000	-
Short-term Loan Contract	Taipei Fubon Bank - Capital Concord Enterprises Limited (HK)	2023/05/12~2024/05/03	Line of credit US\$5,000,000	-
Short-term Loan Contract	HSBC Bank - Concord Enterprises Limited (HK)	2023/04/28-2024/05/27	Line of credit US\$12,000,000	Combined with credit line in NTD
Short-term Loan Contract	Cathay United Bank - Concord Enterprises Limited (HK)	2023/06/30-2024/06/29	Line of credit US\$11,000,000	-
Short-term Loan Contract	CTBC Bank - Concord Enterprises Limited (HK)	2023/07/31~2024/07/30	Line of credit US\$40,000,000	Combined with NTD short-term loans
Short-term Loan Contract	KGI Bank - Concord Enterprises Limited (HK)	2023/08/25~2024/08/24	Line of credit US\$20,000,000	Combined with NT\$ 800 million short-term loans
Short-term Loan Contract	E.SUN COMMERCIAL BANK - Concord Enterprises Limited (HK)	2023/08/01-2024/08/01	Line of credit US\$10,000,000	-
Short-term Loan Contract	Citibank- Concord Enterprises Limited (HK)	2024/02/02-2025/02/01	Line of credit US\$44,500,000	Combined with credit line in NTD
Short-term Loan Contract	SKBank Taiwan Branch	2024/03/26-2025/01/23	Line of credit US\$7,500,000	Combined with US\$15 million mid-term & short-term loans
Syndicated Loan Contract	Taipei Fubon Bank and other joint credit banking consortium - Concord Enterprises Limited (HK)	2023/02/03~2028/02/02	Line of credit US\$83,000,000	-
Short-term Loan Contract	Taipei Fubon Bank – Fulgent Sun Footwear (VN)	2023/05/12~2024/05/03	Line of credit US\$5,000,000	-

VI. Financial Highlights

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

(1) Condensed balance sheets

Unit: NT\$ Thousand

Year		Financial Information for the Most Recent Five Years (Note 1)				
		2019	2020	2021	2022(Note 3)	2023
Item						
Current Assets		6,269,517	7,046,740	8,895,917	12,137,692	8,295,722
Property, Plant and Equipment		5,727,356	5,920,768	7,320,208	8,748,836	8,285,905
Intangible Assets		16,242	13,637	11,468	16,132	12,593
Other Assets		976,052	1,368,912	1,373,073	2,164,381	2,087,617
Total Assets		12,989,167	14,350,057	17,600,666	23,067,041	18,681,837
Current Liabilities	Before Distribution	4,098,166	4,650,984	7,769,488	9,094,668	4,883,984
	After Distribution	5,061,225	4,966,394	8,326,093	10,235,090	5,454,974(Note 2)
Non-current Liabilities		617,291	1,183,756	788,702	1,313,580	1,426,260
Total Liabilities	Before Distribution	4,715,457	5,834,740	8,558,190	10,408,248	6,310,244
	After Distribution	5,678,516	6,150,150	9,114,795	11,548,670	6,881,234(Note 2)
Equity Attributable to Owners of Parent Company		8,229,220	8,473,574	9,024,867	12,658,793	12,371,593
Share Capital		1,747,566	1,861,950	1,861,950	1,907,235	1,909,899
Capital Surplus		4,459,672	5,256,344	5,256,344	5,677,352	5,701,867
Retained Earnings	Before Distribution	2,705,157	2,250,050	2,891,598	5,535,089	5,510,985
	After Distribution	1,742,098	1,934,640	2,334,993	4,394,667	4,939,995(Note 2)
Other Equity		(683,175)	(837,187)	(927,442)	(403,300)	(693,575)
Treasury Stocks		-	(57,583)	(57,583)	(57,583)	(57,583)
Non-controlling Interests		44,490	41,743	17,609	-	-
Total Equity	Before Distribution	8,273,710	8,515,317	9,042,476	12,658,793	12,371,593
	After Distribution	7,310,651	8,199,907	8,485,871	11,518,371	11,800,603(Note 2)

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

Note 2: Dividends for the second half of 2023 as resolved by the Board of Directors on February 26, 2024 are included.

Note 3: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

(2) Condensed statements of comprehensive income

Unit: NT\$ Thousand

Item \ Year	Financial Information for the Most Recent Five Years (Note 1)				
	2019	2020	2021	2022 (Note 2)	2023
Operating Revenue	12,842,525	11,345,641	15,544,261	24,181,233	16,893,226
Gross Profit from Operations	2,528,606	2,382,004	2,803,621	5,586,181	3,194,787
Operating Income	1,456,975	1,273,087	1,469,910	3,849,225	1,805,796
Non-operating Income and Expenses	55,194	(224,101)	(80,332)	529,142	234,857
Income before Tax	1,512,169	1,048,986	1,389,578	4,378,367	2,040,653
Income from Continuing Operations	1,276,511	895,514	1,184,671	3,395,743	1,496,978
Net Income (Loss)	1,276,511	895,514	1,184,671	3,395,743	1,496,978
Other Comprehensive Income (Income after Tax)	(264,473)	(154,698)	(91,331)	524,233	(290,275)
Total Comprehensive Income	1,012,038	740,816	1,093,340	3,919,976	1,206,703
Net Income Attributable to Owners of Parent Company	1,279,195	897,575	1,185,166	3,395,778	1,496,978
Net Income Attributable to Non-controlling Interests	(2,684)	(2,061)	(495)	(35)	-
Total Comprehensive Income Attributable to Owners of Parent Company	1,016,560	743,563	1,094,911	3,919,920	1,206,703
Total Comprehensive Income Attributable to Non-controlling Interests	(4,522)	(2,747)	(1,571)	56	-
Earnings per Share (NT\$)	7.81	5.06	6.39	18.10	7.87

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

Note 2: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

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

Year	CPA	Accounting Firm	Audit Opinion
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
2022	Hua-Ling, Liang and Mei-Lan Liu	PwC Taiwan	Unqualified
2023	Hua-Ling, Liang and Mei-Lan Liu	PwC Taiwan	Unqualified Opinion and emphasis of matter paragraph

2. Financial Analysis for the Most Recent Five Years

Item (Note 3)		Year	Financial Information for the Most Recent Five Years (Note 1)			
		2019	2020	2021	2022 (Note 2)	2023
Financial Structure (%)	Debt-asset Ratio	36.30	40.66	48.62	45.12	33.78
	Ratio of Long-term Capital to Property, Plant and Equipment	155.24	163.81	134.30	159.71	166.52
Solvency (%)	Current Ratio	152.98	151.51	114.5	133.46	169.86
	Quick Ratio	98.17	90.04	62.00	77.73	124.70
	Interest Coverage Ratio	4,447.81	4,303.68	4,671.88	5,221.20	2,713.11
Operating Ability	Receivables Turnover Rate (Times)	5.73	4.92	5.51	6.36	4.85
	Average Collection Days	64	74	66	57	75
	Inventory Turnover Rate (Times)	4.94	3.55	3.75	4.11	3.75
	Payables Turnover Rate (Times)	8.58	5.86	6.10	6.82	6.45
	Average Days for Sale	74	103	97	89	97
	Property, Plant and Equipment Turnover Rate (Times)	2.41	1.95	2.35	3.01	1.98
	Total Asset Turnover Rate (Times)	1.07	0.83	0.97	1.19	0.81
Profitability	Return on Assets (%)	10.82	6.70	7.57	16.99	7.47
	Return on Equity (%)	17.24	10.67	13.49	31.25	11.96
	Ratio of Income before Tax to Paid-in Capital (%)	86.53	56.34	74.63	229.57	106.85
	Net Profit Margin (%)	9.94	7.89	7.62	14.04	8.86
	Earnings per Share (NT\$)	7.81	5.06	6.39	18.10	7.87
Cash Flow	Cash Flow Ratio (%)	41.56	29.78	7.81	43.94	101.32
	Cash Flow Adequacy Ratio (%)	75.38	66.36	43.68	58.53	83.37
	Cash Flow Reinvestment Ratio (%)	9.87	3.42	(0.77)	18.71	20.18
Leverage	Operating Leverage	2.17	2.09	2.23	1.52	1.96
	Financial Leverage	1.02	1.02	1.02	1.02	1.05

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

1. Ratio of liabilities to assets: Mainly due to the decrease in short-term loans and accounts payable.
2. Current ratio and quick ratio: Mainly due to the decrease in short-term loans and accounts payable.
3. Interest coverage ratio: Mainly due to the overall profit decline affected by the decline in operating revenue in 2023.
4. Receivables turnover rate, property, plant and equipment turnover rate, total asset turnover rate, return on assets, return on equity, ratio of income before tax to paid-in capital, net profit margin, earnings per share: Mainly due to the overall profit decline affected by the decline in operating revenue in 2023 with a failure in realizing economies of scale.
5. Cash flow ratio: Mainly due to the decrease in short-term loans and accounts payable.
6. Cash flow adequacy ratio: Increase in net cash flow from operating activities that is mainly due to the decrease in operating revenue in 2023, resulting in a decrease in inventory.
7. Operation leverage: Mainly due to the overall profit decline affected by the decline in operating revenue in 2023 with a failure in realizing economies of scale.

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

Note 2: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

Note 3: 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 = Cost of 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 2023, the Consolidated Financial Statements have been audited by CPAs Hua-Ling, Liang, and Mei-Lan Liu of PwC Taiwan, and issue an audit report with unqualified opinion and emphasis of matter paragraph.

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 2024
Fulgent Sun International (Holding) Co., Ltd

Convener of the Audit Committee: Chun-An, Li
Date: February 26, 2024

4. Financial Statements for the Most Recent Year

Independent Auditor's Report

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

Opinion

We have audited the consolidated balance sheets of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (collectively, the "Group") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, as well as the consolidated statements of changes in equity and cash flows for the years then ended, and the related 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, 2023, and 2022, 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 and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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 of our report. 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.

Emphasis of matter paragraph

As stated in the consolidated financial statements (Note 3(1)), the Group cause of Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction' effective from January 1, 2023, therefore, apply the accounting standards retroactively and adjust the affected items in the previous financial statements. We did not revise the audit opinion because of this.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the 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, 2023, are stated as follows:

Sales Revenue Recognition

Description

Please refer to the consolidated financial statements (Note 4 (28) and Note 6 (16)) for the accounting policy on sales revenue. The Group is engaged in the production and sale of sports and leisure outdoor shoes. The exporting business is 94% of the consolidated sales revenue of the Group for the year ended December 31, 2023. In terms of the trading conditions of sales revenue, control over the goods is transferred when the exported goods are delivered to the forwarders designated by the customers. 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 the export business and checked the supporting documents and invoices to ensure the correctness of the sales.
3. We examined the significant export sales returns and checked the sales return documents (credit memos) to confirm the accuracy of income recognition of export 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)).

The Group 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.
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 that came into effect as 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with 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 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.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 2023, and are therefore the key audit matters. We describe 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 Mei-Lan, Liu.

PricewaterhouseCoopers

Taipei, Taiwan
Republic of China

February 26, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 applied in the Republic of China.

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

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

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

Consolidated Balance Sheets

December 31, 2023 and 2022, and January 01, 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2023		(adjusted) December 31, 2022		(adjusted) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,609,321	14	\$ 2,195,379	10	\$ 1,114,952	6
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	27	-	-	-
1170	Accounts receivable, net	6(3)	2,706,739	15	4,229,321	18	3,335,859	19
1200	Other receivables		501,640	3	433,399	2	212,600	1
130X	Inventories	6(4)	2,139,472	11	4,985,071	22	3,897,515	22
1410	Prepayments		65,688	-	83,047	-	181,074	1
1470	Other current assets	6(7) and 8	272,862	1	211,448	1	153,917	1
11XX	Total current assets		<u>8,295,722</u>	<u>44</u>	<u>12,137,692</u>	<u>53</u>	<u>8,895,917</u>	<u>50</u>
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)	-	-	5,938	-	7,607	-
1600	Property, plant and equipment	6(5) and 8	8,285,905	45	8,748,836	38	7,320,208	41
1755	Right-of-use assets	6(6)	1,792,630	10	1,800,651	8	1,168,839	7
1780	Intangible assets		12,593	-	16,132	-	11,468	-
1840	Deferred tax assets	6(22)	236,493	1	245,894	1	157,878	1
1900	Other non-current assets	6(7) and 8	58,494	-	111,898	-	138,249	1
15XX	Total non-current assets		<u>10,386,115</u>	<u>56</u>	<u>10,929,349</u>	<u>47</u>	<u>8,804,249</u>	<u>50</u>
1XXX	Total assets		<u>\$ 18,681,837</u>	<u>100</u>	<u>\$ 23,067,041</u>	<u>100</u>	<u>\$ 17,700,166</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 Sheets
 December 31, 2023 and 2022, and January 01, 2022
 (Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	附註	December 31, 2023		(adjusted) December 31, 2022		(adjusted) January 1, 2022		
		Amount	%	Amount	%	Amount	%	
Current liabilities								
2100	Short-term borrowings	6 (8) and 8	\$ 1,685,000	9	\$ 3,476,180	15	\$ 3,122,600	18
2130	Current contract liabilities	6 (16)	36,938	-	76,777	-	76,092	-
2170	Accounts payable		1,301,804	7	2,942,863	13	2,512,476	14
2200	Other payables	6 (9)	1,244,333	7	1,906,178	8	1,374,273	8
2230	Current tax liabilities		516,676	3	602,312	3	158,029	1
2280	Current lease liabilities		41,098	-	19,614	-	14,704	-
2320	Current portion of other long-term liabilities	6 (10)	-	-	26,992	-	489,956	3
2399	Other current liabilities, others		58,135	-	43,752	-	21,358	-
21XX	Total current liabilities		<u>4,883,984</u>	<u>26</u>	<u>9,094,668</u>	<u>39</u>	<u>7,769,488</u>	<u>44</u>
Non-Current liabilities:								
2500	Non-current financial liabilities at fair value through profit or loss		-	-	-	-	700	-
2540	Long-term borrowings		-	-	-	-	100,000	1
2560	Non-current tax liabilities		212,199	1	-	-	-	-
2570	Deferred tax liabilities	6 (22)	151,954	1	159,180	1	69,072	-
2580	Non-current lease liabilities		861,220	5	944,426	4	477,801	3
2600	Other non-current liabilities	6 (11)	200,887	1	209,974	1	208,606	1
25XX	Total non-current liabilities		<u>1,426,260</u>	<u>8</u>	<u>1,313,580</u>	<u>6</u>	<u>856,179</u>	<u>5</u>
2XXX	Total liabilities		<u>6,310,244</u>	<u>34</u>	<u>10,408,248</u>	<u>45</u>	<u>8,625,667</u>	<u>49</u>
Equity attributable to owners of the parent company								
	Share capital	6 (13)						
3110	Ordinary share		1,909,899	10	1,907,235	8	1,861,950	11
	Capital surplus	6 (14)						
3200	Capital surplus		5,701,867	31	5,677,352	25	5,256,344	29
	Retained earnings	6 (15)						
3310	Legal reserve		1,209,683	6	907,119	4	684,352	4
3320	Special reserve		474,813	3	554,857	2	975,266	5
3350	Unappropriated retained earnings		3,826,489	20	4,073,113	18	1,264,003	7
	Other equity							
3400	Other equity interest		(693,575)	(4)	(403,300)	(2)	(927,442)	(5)
3500	Treasury shares	6 (13)	(57,583)	-	(57,583)	-	(57,583)	-
31XX	Total equity attributable to owners of the parent company		<u>12,371,593</u>	<u>66</u>	<u>12,658,793</u>	<u>55</u>	<u>9,056,890</u>	<u>51</u>
36XX	Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,609</u>	<u>-</u>
3XXX	Total Equity		<u>12,371,593</u>	<u>66</u>	<u>12,658,793</u>	<u>55</u>	<u>9,074,499</u>	<u>51</u>
	Significant Contingent Liabilities and Unrecognized Contract Commitments	9						
	Significant Events after the End of the Reporting Period	11						
3X2X	Liabilities and total equity		<u>\$ 18,681,837</u>	<u>100</u>	<u>\$ 23,067,041</u>	<u>100</u>	<u>\$ 17,700,166</u>	<u>100</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

(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, 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Notes	2023		(adjusted) 2022	
		Amount	%	Amount	%
4000 Operating revenue	6(16)	\$ 16,893,226	100	\$ 24,181,233	100
5000 Operating costs	6(4)	(13,698,439)	(81)	(18,595,052)	(77)
5950 Gross profit from operations		<u>3,194,787</u>	<u>19</u>	<u>5,586,181</u>	<u>23</u>
Operating expenses	6(21)				
6100 Selling expenses		(269,330)	(2)	(434,078)	(2)
6200 Administrative expenses		(941,012)	(5)	(1,086,916)	(4)
6300 Research and development expenses		(180,326)	(1)	(229,542)	(1)
6450 Expected credit Impairment gain	12(2)	<u>1,677</u>	<u>-</u>	<u>13,580</u>	<u>-</u>
6000 Total operating expenses		<u>(1,388,991)</u>	<u>(8)</u>	<u>(1,736,956)</u>	<u>(7)</u>
6900 Net operating income		<u>1,805,796</u>	<u>11</u>	<u>3,849,225</u>	<u>16</u>
Non-operating income and expenses					
7100 Interest income	6(17)	58,388	-	12,012	-
7010 Other income	6(18)	121,875	1	92,247	-
7020 Other gains and losses	6(19)	132,687	1	510,378	2
7050 Finance costs	6(20)	(78,093)	(1)	(85,495)	-
7000 Total non-operating income and expenses		<u>234,857</u>	<u>1</u>	<u>529,142</u>	<u>2</u>
7900 Profit before tax		<u>2,040,653</u>	<u>12</u>	<u>4,378,367</u>	<u>18</u>
7950 Income tax expenses	6(22)	(543,675)	(3)	(982,624)	(4)
8200 Profit		<u>\$ 1,496,978</u>	<u>9</u>	<u>\$ 3,395,743</u>	<u>14</u>
Other comprehensive income, net					
Items that may be subsequently reclassified to profit or loss					
8361 Exchange differences on translation		(\$ 290,275)	(2)	\$ 524,233	2
8300 Other comprehensive income, net		<u>(\$ 290,275)</u>	<u>(2)</u>	<u>\$ 524,233</u>	<u>2</u>
8500 Total comprehensive income		<u>\$ 1,206,703</u>	<u>7</u>	<u>\$ 3,919,976</u>	<u>16</u>
Profit attributable to:					
8610 Owners of the parent company		<u>\$ 1,496,978</u>	<u>9</u>	<u>\$ 3,395,778</u>	<u>14</u>
8620 Non-controlling interests		<u>\$ -</u>	<u>-</u>	<u>(\$ 35)</u>	<u>-</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 1,206,703</u>	<u>7</u>	<u>\$ 3,919,920</u>	<u>16</u>
8720 Non-controlling interests		<u>\$ -</u>	<u>-</u>	<u>\$ 56</u>	<u>-</u>
Basic earnings per share	6(23)				
9750 Total basic earnings per share		<u>\$</u>	<u>7.87</u>	<u>\$</u>	<u>18.10</u>
Diluted earnings per share					
9850 Total diluted earnings per share		<u>\$</u>	<u>7.86</u>	<u>\$</u>	<u>17.85</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

(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, 2023 and 2022
 (Expressed in Thousands of New Taiwan Dollars)

	Notes	Equity Attributed to Owners of Parent						Treasury shares	Total	Non-controlling Interests	Total Equity
		Ordinary share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements				
Balance at January 1, 2022 (adjusted)		\$ 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
Effects of retrospective application to IAS 12	3(1)	-	-	-	-	32,023	-	-	32,023	-	32,023
Equity at beginning of period after adjustments		1,861,950	5,256,344	684,352	975,266	1,264,003	(927,442)	(57,583)	9,056,890	17,609	9,074,499
Profit for the period		-	-	-	-	3,395,778	-	-	3,395,778	(35)	3,395,743
Other comprehensive income		-	-	-	-	-	524,142	-	524,142	91	524,233
Total comprehensive income		-	-	-	-	3,395,778	524,142	-	3,919,920	56	3,919,976
Distribution of earnings for the second half year of 2021	6(15)										
Legal reserve appropriated		-	-	72,997	-	(72,997)	-	-	-	-	-
Reversal of special reserve		-	-	-	(47,824)	47,824	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(556,605)	-	-	(556,605)	-	(556,605)
Distribution of earnings for the first half year of 2022	6(15)										
Legal reserve appropriated		-	-	149,770	-	(149,770)	-	-	-	-	-
Reversal of special reserve		-	-	-	(372,585)	372,585	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(227,705)	-	-	(227,705)	-	(227,705)
Conversion of convertible bonds	6(10)(13)(14)(24)	45,285	421,008	-	-	-	-	-	466,293	-	466,293
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(17,665)	(17,665)
Balance at December 31, 2022		\$ 1,907,235	\$ 5,677,352	\$ 907,119	\$ 554,857	\$ 4,073,113	(\$ 403,300)	(\$ 57,583)	\$ 12,658,793	\$ -	\$ 12,658,793
Balance at January 1, 2023 (adjusted)		\$ 1,907,235	\$ 5,677,352	\$ 907,119	\$ 554,857	\$ 4,073,113	(\$ 403,300)	(\$ 57,583)	\$ 12,658,793	\$ -	\$ 12,658,793
Profit for the period		-	-	-	-	1,496,978	-	-	1,496,978	-	1,496,978
Other comprehensive loss		-	-	-	-	-	(290,275)	-	(290,275)	-	(290,275)
Total comprehensive income (loss)		-	-	-	-	1,496,978	(290,275)	-	1,206,703	-	1,206,703
Distribution of earnings for the second half year of 2022	6(15)										
Legal reserve appropriated		-	-	189,788	-	(189,788)	-	-	-	-	-
Reversal of special reserve		-	-	-	(151,556)	151,556	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(1,140,422)	-	-	(1,140,422)	-	(1,140,422)
Distribution of earnings for the first half year of 2023	6(15)										
Legal reserve appropriated		-	-	112,776	-	(112,776)	-	-	-	-	-
Special reserve appropriated		-	-	-	71,512	(71,512)	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	(380,660)	-	-	(380,660)	-	(380,660)
Conversion of convertible bonds	6(10)(13)(14)(24)	2,664	24,515	-	-	-	-	-	27,179	-	27,179
Balance at December 31, 2023		\$ 1,909,899	\$ 5,701,867	\$ 1,209,683	\$ 474,813	\$ 3,826,489	(\$ 693,575)	(\$ 57,583)	\$ 12,371,593	\$ -	\$ 12,371,593

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

(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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Notes	2023	2022
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 2,040,653	\$ 4,378,367
Adjustments			
Adjustments to reconcile profit or loss			
Depreciation expense	6(5) (6) (21)	1,045,811	948,611
Amortization expense	6(21)	21,046	17,307
Expected credit (gain) loss	12(2)	(1,677)	(13,580)
Net loss on financial assets or liabilities at fair value through profit or loss	6(2) (19)	(8,376)	591
Interest expense	6(20)	78,093	85,495
Interest income	6(17)	(58,388)	(12,012)
(Gain) loss on disposal of property, plant, and equipment	6(19)	(3,820)	1,892
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		1,465,430	(606,804)
Other receivables		(69,834)	(201,298)
Inventories		2,861,740	(729,575)
Prepayments		16,662	107,091
Other current assets		13,115	(2,116)
Changes in operating liabilities			
Contract liabilities		35,400	71,871
Accounts payable		(1,629,629)	257,853
Other payables		(434,049)	284,590
Other current liabilities		15,000	20,308
Other non-current liabilities		(3,104)	(3,142)
Cash flows generated from operating		5,384,073	4,605,449
Interest received		57,973	11,682
Interest paid		(73,168)	(69,622)
Income tax paid		(420,469)	(551,172)
Net cash flows generated from operating activities		<u>4,948,409</u>	<u>3,996,337</u>

(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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Notes	2023	2022
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 87,012)	(\$ 59,466)
Proceeds from disposal of financial assets at fair value through profit or loss		14,341	-
Acquisition of property, plant and equipment	6(24)	(955,924)	(1,552,405)
Proceeds from disposal of property, plant and equipment		18,307	11,526
Increase in refundable deposits		(12,026)	(18,613)
Acquisition of intangible assets		(479)	(7,133)
Acquisition of use-of-right assets	6(6)	(98,357)	(66,806)
Decrease in other non-current assets		439	21,189
Net cash flows used in investing activities		(<u>1,120,711</u>)	(<u>1,671,708</u>)
<u>Cash flows from financing activities</u>			
Increase in short -term borrowings	6(25)	19,267,429	30,749,362
Decrease in short -term borrowings	6(25)	(21,085,586)	(30,737,928)
Repayments of long-term borrowings	6(25)	-	(107,836)
Payments of lease liabilities	6(6)(25)	(64,452)	(19,713)
Cash dividends paid	6(15)(25)	(1,368,127)	(784,813)
Changes in non-controlling interests		-	(<u>17,665</u>)
Net cash flows used in financing activities		(<u>3,250,736</u>)	(<u>918,593</u>)
Effects of exchange rate changes		(<u>163,020</u>)	(<u>325,609</u>)
Net increase in cash and cash equivalents		413,942	1,080,427
Cash and cash equivalents at beginning of the year		<u>2,195,379</u>	<u>1,114,952</u>
Cash and cash equivalents at end of the year		<u>\$ 2,609,321</u>	<u>\$ 2,195,379</u>

The attached annex to the consolidated financial statements is part of this consolidated financial report. Please refer to it.

(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, 2023 and 2022,
(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 Authorization for Issuance of the Financial Statements and Procedures for Authorization

The consolidated financial statements were approved by the Board of Directors and published on February 26, 2024.

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®”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (“IASB”)
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
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’.

The amendments require an entity to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Upon adoption, the Group expects to recognize a deferred tax asset and liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities retrospectively as of January 1, 2022. These amendments resulted to an increase in deferred tax assets by \$175,986, \$99,500, and \$188,369 and deferred tax liabilities by \$142,655, \$67,477, and \$156,153, and an increase in retained earnings by \$33,331, \$32,023, and \$32,216 as of December 31, 2023, January 1, 2022, and December 31, 2022, respectively. And a decrease in income tax expense by (\$1,115) and (\$193), and increase in earnings per share by \$0.01 and \$0.001 (in dollars) for the years ended December 31, 2023 and 2022, respectively.

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

New standards, interpretations and amendments endorsed by FSC and will become effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
Amendments to IAS 1, ‘Classification of liabilities as current or non- current’	January 1, 2024
Amendments to IAS 1, ‘Non- current liabilities with covenants’	January 1, 2024
Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’	January 1, 2024

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) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC.

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

New Standards, Interpretations and Amendments	Effective date by IASB
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 21, 'Lack of exchangeability'	January 1, 2025

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 Material 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 that came into effect 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 unrealized 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 recognized 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 recognized in profit or loss. All amounts previously recognized 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 Investor	Name of Subsidiary	Main business activities	Percentage of ownership		Notes
			December 31, 2023	December 31, 2022	
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited H.K.)	Holding company; Sports Leisure Outdoor Footwear Sales	100	100	
The Company	Wisesquare Enterprise Limited (Wisesquare)	Start-up stage not yet in operation	100	-	Note 1
Capital Concord Enterprises Limited H.K.	Fujian Laya outdoor Products Co., Ltd. (Fujian Laya)	Import/export trading	100	100	
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.	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 Enterprises Co., Ltd. (Sunstone)	Sports Leisure Outdoor Footwear Production and Sales	100	100	Note 2
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunzeal Enterprises Co., Ltd (Sunzeal)	Sports Leisure Outdoor Footwear Production and Sales	100	-	Note 3
Capital Concord Enterprises Limited H.K.	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Sports Leisure Outdoor Footwear Production	100	100	
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	100	
Capital Concord Enterprises Limited H.K.	Sunglory Footwear Co., Ltd. (Sunglory)	Sports Leisure Outdoor Footwear Production	100	-	Note 4
Capital Concord Enterprises Limited H.K.	PT. SUN BRIGHT LESTARI	Sports Leisure Outdoor Footwear Production and Sales	100	100	
Capital Concord Enterprises Limited H.K.	Laya Chemical Engineering Co., Ltd.(Laya Chemical)	Shoes material Production and Sales	100	100	Note 5
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.(Sunlit)	Land lease	100	100	Note 6

Note 1: The Group had established Wisesquare in 2023 in Hong Kong, and has included it in the consolidated financial statements since then.

Note 2: The Group purchased 8.73% equity of Sunstone from unrelated parties in January 2022.

Note 3: The Group had established Sunzeal in 2023 in Cambodia, and has included it in the consolidated financial statements since then.

Note 4: The Group acquired 100% equity interest in Sunglory from unrelated parties in May, 2023. The entire transaction consideration has been fully settled, and it has been included in the consolidated financial statements since the date of obtaining control. The assets acquired in the aforementioned transactions do not meet the definition of a business; therefore, the accounting treatment for asset acquisition is applied.

Note 5: The Group had established Laya Chemical in Taiwan in 2022, and has included it in the consolidated financial statements since then.

Note 6: A total of 51% of the equity is registered in the name of a related party who is a Cambodian in compliance with the local law and regulations. The Group has already taken relevant preservation measures.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments 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 "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 recognized 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 upon re-translation at the balance sheet date are recognized 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 recognized 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 recognized 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 are presented in the statement of comprehensive income '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 recognized 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 realized, 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 realized 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 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 amortized 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 recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes 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 recognized in profit or loss when the asset is derecognized 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. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost (including forward-looking information), at each reporting date, the Group recognizes 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 recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes 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 realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(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 financial 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	2~20 years
Transport equipment	3~11 years
Office equipment	2~15 years
Other equipment	2~30 years

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

- A. Leases are recognized 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 recognized 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 amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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 recognized as an adjustment to the right-of-use asset.

(15) Intangible assets

Computer software is stated at cost and amortized 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 recognized 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 recognizing 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 amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 notes 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 recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized 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 call options and put options are recognized 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 recognized as the 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 recognized 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 amortized 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 derecognized 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized 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 recognized 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 recognized as expense in that period when the employees render service.

B. Pension

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, 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) 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 recognized, 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 realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. 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 realize 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 realize the asset and settle the liability simultaneously.

(26) 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.

(27) 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.

(28) Revenue recognition

A. Sales of goods—wholesale

- (A) The Group is engaged in the production and sale of sports and leisure outdoor shoes. Sales are recognized 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 recognized 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.

(29) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group 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 amortized to profit and loss over the estimated useful lives of the related assets using the straight-line method.

(30) Operating segments

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 realizable value, the Group must determine the net realizable 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 realizable 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, 2023</u>	<u>December 31, 2022</u>
Cash on hand and revolving funds	\$ 4,269	\$ 4,910
Checking deposits & demand deposits	957,115	1,628,836
Time deposits	1,647,937	561,633
Total	<u>\$ 2,609,321</u>	<u>\$ 2,195,379</u>

- A. The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to distract credit risk; therefore, the default is very 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”.
- C. For restricted bank deposits of the Group, please refer to Note 6 (7).

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

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Convertible corporate bond redemption and sale rights	<u>\$ -</u>	<u>\$ 27</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
- Listed company stock	<u>\$ -</u>	<u>\$ 5,938</u>

- A. The convertible corporate bonds the Group held the right to redeem and sell for the year ended December 31, 2023 and 2022, with recognized (losses) and gains, were (\$27) and \$1,078, respectively.
- B. The shares of listed OTC companies the Group held for the year ended December 31, 2023 and 2022, with recognized gains and (losses) were \$8,403 and (\$1,669), respectively.
- C. The Group has not pledged any financial assets at fair value through profit or loss.

(3) Accounts receivable, net

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 2,721,222	\$ 4,245,464
Less: Allowance for impairment	(14,483)	(16,143)
	<u>\$ 2,706,739</u>	<u>\$ 4,229,321</u>

- A. The aging analysis of accounts receivable is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 2,587,858	\$ 3,869,409
Overdue 0 to 90 days	115,785	350,406
Overdue 91 to 180 days	5,338	14,408
Overdue 181 to 365 days	5,056	2,681
Over 365 days past due	7,185	8,560
Total	<u>\$ 2,721,222</u>	<u>\$ 4,245,464</u>

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

- B. The balances of accounts receivable of December 31, 2023 and 2022 were generated by the customer contracts. The balances of accounts receivable from the customer contract as of January 1, 2022 was \$3,335,859.
- C. The amount of the maximum credit risk of the Group's accounts receivables as of December 31, 2023 and 2022 regardless of the collateral or other credit enhancements held, was the book value of each type of accounts receivable.
- D. For relevant credit risk information, please refer to Note 12(2).

(4) Inventories

	December 31, 2023		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Raw material	\$ 509,270	(\$ 50,060)	\$ 459,210
Work in process	559,873	(1,917)	557,956
Finished goods	991,861	(39,865)	951,996
Inventory in-transit	170,310	-	170,310
Total	<u>\$ 2,231,314</u>	<u>(\$ 91,842)</u>	<u>\$ 2,139,472</u>

	December 31, 2022		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Raw material	\$ 1,216,863	(\$ 27,800)	\$ 1,189,063
Work in process	1,621,349	(31,224)	1,590,125
Finished goods	1,741,646	(32,753)	1,708,893
Inventory in-transit	496,990	-	496,990
Total	<u>\$ 5,076,848</u>	<u>(\$ 91,777)</u>	<u>\$ 4,985,071</u>

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

	<u>Year ended December 31,2023</u>	<u>Year ended December 31,2022</u>
Cost of inventories sold	\$ 13,680,534	\$ 18,567,729
Inventory valuation losses	65	13,842
Inventory scrap losses	4,546	4,219
Others	(13,294)	9,262
	<u>\$ 13,698,439</u>	<u>\$ 18,595,052</u>

(5) Property, Plant and Equipment

2023

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 339,011	\$ -	\$ -	\$ -	(\$ 55)	\$ 338,956
Buildings	5,504,936	42,646	-	81,780	(104,817)	5,524,545
Machinery equipment	5,404,819	132,717	(56,518)	183,130	(116,536)	5,547,612
Transportation equipment	96,145	445	(3,814)	-	(2,035)	90,741
Office equipment	59,049	8,308	(557)	-	(1,295)	65,505
Others	2,182,228	283,348	(53,719)	29,531	(34,700)	2,406,688
Construction in progress and to-be-inspected equipment	415,201	177,275	-	(285,852)	(5,037)	301,587
	<u>\$ 14,001,389</u>	<u>\$ 644,739</u>	<u>(\$ 114,608)</u>	<u>\$ 8,589</u>	<u>\$ 264,475</u>	<u>\$ 14,275,634</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	(\$ 1,599,923)	(\$ 237,993)	\$ -	\$ -	\$ 42,258	(\$ 1,795,658)
Machinery equipment	(2,038,727)	(340,804)	51,366	-	52,429	(2,275,736)
Transportation equipment	(57,473)	(8,498)	3,814	-	1,293	(60,864)
Office equipment	(43,371)	(6,645)	553	-	980	(48,483)
Others	(1,513,059)	(365,544)	44,388	-	25,227	(1,808,988)
	<u>(\$ 5,252,553)</u>	<u>(\$ 959,484)</u>	<u>\$ 100,121</u>	<u>\$ -</u>	<u>\$ 122,187</u>	<u>(\$ 5,989,729)</u>
	<u>\$ 8,748,836</u>					<u>\$ 8,285,905</u>

2022

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 282,330	\$ 25,052	\$ -	\$ -	\$ 31,629	\$ 339,011
Buildings	4,469,900	231,284	(1,343)	488,599	316,496	5,504,936
Machinery equipment	3,995,352	898,961	(49,989)	283,119	277,376	5,404,819
Transportation equipment	85,753	12,734	(8,834)	725	5,767	96,145
Office equipment	46,373	11,142	(1,421)	-	2,955	59,049
Others	1,692,739	397,486	(55,980)	8,764	139,219	2,182,228
Construction in progress and to-be-inspected equipment	975,269	257,530	-	(875,812)	58,214	415,201
	<u>\$ 11,547,716</u>	<u>\$ 1,834,189</u>	<u>(\$ 117,567)</u>	<u>(\$ 94,605)</u>	<u>\$ 831,656</u>	<u>\$ 14,001,389</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	(\$ 1,317,524)	(\$ 219,546)	\$ 287	\$ -	(\$ 63,140)	(\$ 1,599,923)
Machinery equipment	(1,677,192)	(319,900)	48,260	-	(89,895)	(2,038,727)
Transportation equipment	(54,734)	(8,236)	8,770	-	(3,273)	(57,473)
Office equipment	(36,828)	(5,562)	1,158	-	(2,139)	(43,371)
Others	(1,141,230)	(322,542)	45,674	-	(94,961)	(1,513,059)
	<u>(\$ 4,227,508)</u>	<u>(\$ 875,786)</u>	<u>\$ 104,149</u>	<u>\$ -</u>	<u>(\$ 253,408)</u>	<u>(\$ 5,252,553)</u>
	<u>\$ 7,320,208</u>					<u>\$ 8,748,836</u>

A. For the year ended December 31, 2023 and 2022 the Group had no interest capitalized.

B. For property, plant, and equipment provided by the Group as collateral as of December 31, 2023 and 2022, please refer to Note 8.

(6) Lease arrangements - Lessee

A. The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods of 3 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different 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 charge are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 1,058,418	\$ 998,700
Buildings	734,212	801,951
	<u>\$ 1,792,630</u>	<u>\$ 1,800,651</u>

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 35,311	\$ 26,982
Buildings	51,016	45,814
Transportation Equipment (Business vehicles)	-	29
	<u>\$ 86,327</u>	<u>\$ 72,825</u>

C. The Group's right-of-use assets increased \$129,174 and \$634,667 for the years ended December 31, 2023 and 2022, respectively.

D. The profit and loss item related to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Items affecting profit and loss:</u>		
Interest expense on lease liabilities	\$ 9,654	\$ 8,553
Expense on short-term lease contracts	889	4,228

E. The Group's total cash outflow for leases were \$65,341 and \$23,941 for the years ended December 31, 2023 and 2022, respectively.

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

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Current:</u>		
Financial assets at amortized cost - Restricted bank deposits	\$ 1,658	\$ 5,410
Financial assets at amortized cost - Time deposits	242,161	155,716
Others	29,043	50,322
Total	<u>\$ 272,862</u>	<u>\$ 211,448</u>

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Non-current:</u>		
Prepayments for equipment	\$ 13,362	\$ 70,313
Refundable deposits	39,614	28,692
Others	5,518	12,893
Total	<u>\$ 58,494</u>	<u>\$ 111,898</u>

Note: For other current assets and other non-current assets provided by the Group as collateral as of December 31, 2023 and 2022, please refer to Note 8.

(8) Short-term borrowings

<u>Loans Type</u>	<u>December 31, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	\$ 1,685,000	1.510%~1.734%	Note

<u>Loans Type</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	\$ 3,476,180	1.403%~4.890%	Note

Note: For property, plant, and equipment provided by the Group as collateral as of December 31, 2023 and 2022, please refer to Note 8.

(9) Other payables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accrued salaries	\$ 556,136	\$ 934,168
Dividends payable	380,660	227,705
Payables on equipment	138,610	498,157
Others	168,927	246,148
	<u>\$ 1,244,333</u>	<u>\$ 1,906,178</u>

(10) Bonds payable

The Group had no Bonds payable as of December 31, 2023.

	<u>December 31, 2022</u>
Domestic fifth unsecured convertible corporate bonds	\$ 27,200
Less: Discount on corporate bonds payable	(208)
Subtotal	26,992
Less: Current bonds payable(Current portion of long-term liabilities)	(26,992)
Total	<u>\$ -</u>

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 \$500,000, with a par value of \$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 \$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 August 16, 2023, the convertible corporate bond of \$500,000 was fully converted to 4,795 thousand shares of common stock, and delisted on August 18, 2023. 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 1.261%.

(11) Other non-current liabilities

Item	December 31, 2023	December 31, 2022
Deferred government grant income (Note)	\$ 110,205	\$ 116,626
Other non-current liabilities, others	90,682	93,348
Total	<u>\$ 200,887</u>	<u>\$ 209,974</u>

Note: This is generated from the acquisition of land use rights by the Group's subsidiary companies, Hubei Sunsmile Footwear Co., Ltd. and Sunny Footwear Co., Ltd.

(12) Pension

A. Since July 1, 2005, the Group’s subsidiaries in Taiwan 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, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$7,560 and \$7,720, respectively.

B. In accordance with the regulations of the People's Republic of China, the Group's subsidiaries in China set aside the pension, monthly at 16%~19% of the total local staff’s salaries (Sunny and Sunshine: 16%~18%; Sunsmile: 16%~19%; Fujian Laya 16%). Each employee’s monthly pension is managed and arranged by the government, and the Group is solely obliged to set aside the pension. As of the year ended December 31, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$98,602 and \$112,736, respectively.

C. The Group's subsidiaries in 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, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$185,174 and \$204,660, respectively.

D. The Group's subsidiaries in Cambodia 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, 2023 and 2022, the pensions recognized by the Group in accordance with the above regulations were \$19,433 and \$6,419, respectively.

(13) Share capital

A. On December 31, 2023, the Company's rated capital was \$3,000,000, divided into 300 million shares, the paid-in-capital was \$1,909,899 with a par value of \$10 (in dollars) per share.

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

	Unit: Thousand Shares	
	2023	2022
January 1	190,064	185,535
Conversion of convertible bonds	266	4,529
December 31	190,330	190,064

B. Treasury Stock

(A) Reason and quantity of share recovery

		December 31, 2023	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	\$ 57,583
		December 31, 2022	
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 retired within nine months from the date of buyback.

(14) 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 each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The changes in capital surplus were as follows:

	2023			
	Issue Premium	Stock Options	Others	Total
January 1	\$ 5,674,184	\$ 2,622	\$ 546	\$ 5,677,352
Convertible corporate bonds converted to common stocks	27,137	(2,622)	-	24,515
December 31	<u>\$ 5,701,321</u>	<u>\$ -</u>	<u>\$ 546</u>	<u>\$ 5,701,867</u>
	2022			
	Issue Premium	Stock Options	Others	Total
January 1	\$ 5,207,597	\$ 48,201	\$ 546	\$ 5,256,344
Convertible corporate bonds converted to common stocks	466,587	(45,579)	-	421,008
December 31	<u>\$ 5,674,184</u>	<u>\$ 2,622</u>	<u>\$ 546</u>	<u>\$ 5,677,352</u>

(15) Retained Earnings

- A. Under the Company's 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. The company shall not set aside exceeding than 3% and lower than 0.1% 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. The Company shall make up the loss when company still has accumulated losses. 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.
- 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 2021 which have been resolved in the shareholders' meeting on May 27, 2022 respectively, were as follows:

	For the second half year of 2021		For the first half year of 2021	
	February 25, 2022		December 28, 2021	
Board resolution date				
Legal reserve appropriated	\$	72,997	\$	45,520
(Reversal) Allowance for Special reserve	(\$	47,824)	\$	138,079
Cash dividends	\$	556,605	\$	228,208
Dividends per share (NT\$)	\$	3.00	\$	1.23

F. The appropriations of earnings for 2022 which have been resolved in the shareholders' meeting on May 30, 2023 respectively, were as follows:

	<u>For the second half year of 2022</u>		<u>For the first half year of 2022</u>	
Board resolution date	February 23, 2023		December 28, 2022	
Legal reserve appropriated	\$	189,788	\$	149,770
Reversal for Special reserve	(\$	151,556)	(\$	372,585)
Cash dividends	\$	1,140,422	\$	227,705
Dividends per share (NT\$)	\$	6.00	\$	1.20

G. The appropriations of earnings for 2023 which have been resolved by the Board of Directors respectively, were as follows:

	<u>For the second half year of 2023</u>		<u>For the second half year of 2023</u>	
Board resolution date	February 26, 2024		December 28, 2023	
Legal reserve appropriated	\$	40,143	\$	112,776
Allowance for Special reserve	\$	218,762	\$	71,512
Cash dividends	\$	570,990	\$	380,660
Dividends per share (NT\$)	\$	3.00	\$	2.00

Before the record date of the appropriations of interim earnings for the second half year of 2021, due to the conversion of convertible corporate bonds, on February 25, 2022, the Board of Directors resolved to authorize the chairman to implement the adjustment of the dividend rate for shareholders to NT\$2.94 per share.

Before the record date of the appropriations of interim earnings for the first half year of 2022, due to the conversion of convertible corporate bonds, on December 28, 2022, the Board of Directors resolved to authorize the chairman to implement the adjustment of the dividend rate for shareholders to NT\$1.198 per share.

Before the record date of the appropriations of interim earnings for the second half year of 2022, due to the conversion of convertible corporate bonds, on February 23, 2023, the Board of Directors resolved to authorize the chairman to implement the adjustment of the dividend rate for shareholders to NT\$5.99 per share.

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

(16) Operating revenue

	<u>Year ended</u>		<u>Year ended</u>	
	December 31, 2023		December 31, 2022	
Revenue from Contracts with Customers	\$	16,893,226	\$	24,181,233

A. Breakdown of Customer Contract Income

The income of the Group originates from the transfer of goods at a certain point. For relevant information, please refer to Note 14(5).

B. Contract liabilities

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities			
- Advance sales receipts	\$ 36,938	\$ 76,777	\$ 76,092

Revenue recognized that was included in the contract liability balance at the beginning of the period:

	Year ended December 31, 2023	Year ended December 31, 2022
Revenue recognized that was included in the contract liability balance at the beginning of the period - Advance sales receipts	\$ 75,838	\$ 76,092
 (17) <u>Interest revenue</u>		
	Year ended December 31, 2023	Year ended December 31, 2022
Interest on bank deposits	\$ 58,388	\$ 12,012
 (18) <u>Other income</u>		
	Year ended December 31, 2023	Year ended December 31, 2022
Government grant	\$ 17,769	\$ 19,713
Other revenue - others	104,106	72,534
	\$ 121,875	\$ 92,247
 (19) <u>Other gains and losses</u>		
	Year ended December 31, 2023	Year ended December 31, 2022
Gains (losses) on disposal of property, plant and equipment	\$ 3,820	(\$ 1,892)
Foreign exchange gains	135,787	529,229
Gains (losses) on financial assets and liabilities measured at fair value through profit and loss	8,376	(591)
Other losses	(15,296)	(16,368)
	\$ 132,687	\$ 510,378
 (20) <u>Finance Costs</u>		
	Year ended December 31, 2023	Year ended December 31, 2022
Bank borrowings	\$ 68,252	\$ 73,262
Convertible bonds	187	3,680
Lease liabilities	9,654	8,553
	\$ 78,093	\$ 85,495
 (21) <u>Expenses Expressed by Nature</u>		
	Year ended December 31, 2023	Year ended December 31, 2022
Employee benefits		
Salary	\$ 4,388,411	\$ 6,635,999
Labor and health insurance	170,356	194,039
Pension	310,769	331,535
Others	70,603	110,056
	4,940,139	7,271,629
Depreciation	1,045,811	948,611
Amortization	21,046	17,307
	\$ 6,006,996	\$ 8,237,547

- 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 0.1%~3% of the remaining profits as employees' bonuses for the employees of the Company and subsidiaries.
- B. The employees' compensation and directors' remuneration estimate of the Company for the years ended December 31, 2023 and 2022 were \$20,000, respectively. 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, 2022 approved by the Board of Directors are consistent with those recognized in the financial statements for the year ended December 31, 2022.

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

(22) Income tax

A. Income tax expense

(A) Components of income tax expense:

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
Current tax:		
Current tax on profits for the period	\$ 521,230	\$ 973,516
Underestimated income tax in prior periods	<u>20,270</u>	<u>7,016</u>
Total current tax	<u>541,500</u>	<u>980,532</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>2,175</u>	<u>2,092</u>
Total deferred tax	<u>2,175</u>	<u>2,092</u>
Income tax expense	<u>\$ 543,675</u>	<u>\$ 982,624</u>

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

	<u>Year ended</u> <u>December 31, 2023</u>	<u>Year ended</u> <u>December 31, 2022</u>
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 542,975	\$ 1,298,092
Income tax effect of items removed according to law	14,348	34,594
Tax-free income under the Income Tax Act	(39,176)	(121,820)
Underestimated income tax in prior periods	20,270	7,016
Income tax effect of unrecognized deferred income tax assets and liabilities	6,718	(239,928)
Adjustments on deferred tax assets and liabilities	<u>(1,460)</u>	<u>4,670</u>
Income tax expense	<u>\$ 543,675</u>	<u>\$ 982,624</u>

Note: The basis for computing the applicable tax rate The statutory tax rate is the rate applicable in the parent company's country.

B. Amount of deferred tax assets or liabilities as a result of temporary differences and tax losses were as follows:

Year ended December 31, 2023			
	January 1	Recognized in profit and loss (Note)	December 31
Deferred tax assets:			
- Temporary differences:			
Inventory valuation losses and obsolescence	\$ 4,490	\$ 3,514	\$ 8,004
Deferred income after tax	22,668	1,189	23,857
Deferred tax related to liabilities arising from a single transaction	188,369	(12,383)	175,986
Others	24,435	(8,056)	16,379
Loss carryforwards	5,932	6,335	12,267
Subtotal	<u>\$ 245,894</u>	<u>(\$ 9,401)</u>	<u>\$ 236,493</u>
Deferred tax liabilities:			
Deferred tax related to assets arising from a single transaction	(\$ 156,153)	\$ 13,498	(\$ 142,655)
Others	(3,027)	(6,272)	(9,299)
Subtotal	<u>(\$ 159,180)</u>	<u>\$ 7,226</u>	<u>(\$ 151,954)</u>

Year ended December 31, 2022			
	January 1	Recognized in profit and loss (Note)	December 31
Deferred tax assets:			
- Temporary differences:			
Allowance for inventory market decline and obsolescence	\$ 8,413	(3,923)	4,490
Deferred income after tax	19,813	2,855	22,668
Deferred tax related to liabilities arising from a single transaction	99,500	88,869	188,369
Others	26,517	(2,082)	24,435
Loss carryforwards	3,635	2,297	5,932
Subtotal	<u>\$ 157,878</u>	<u>\$ 88,016</u>	<u>\$ 245,894</u>
Deferred tax liabilities:			
Deferred tax related to assets arising from a single transaction	(\$ 67,477)	(\$ 88,676)	(\$ 156,153)
Others	(1,595)	(1,432)	(3,027)
Subtotal	<u>(\$ 69,072)</u>	<u>(\$ 90,108)</u>	<u>(\$ 159,180)</u>

- C. The Company has not recognize deferred tax liabilities for taxable temporary differences related to the investments of certain subsidiaries. The temporary differences of un recognized deferred income tax liabilities as of December 31, 2023 and 2022 were \$3,370,933 and \$4,029,040, respectively.
- D. The profit-seeking enterprise income tax returns of Capital Concord Enterprises Limited (H.K.), Taiwan Branch for the year ended December 31, 2020 have been approved by the tax authorities.
- E. The profit-seeking enterprise income tax returns of Laya Chemical Engineering Co., Ltd for the year ended December 31, 2022 have not been approved by the tax authorities.

(23) Earnings per share

	Year ended December 31, 2023		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,496,978	190,193	\$ 7.87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent			
Effect of dilutive potential ordinary shares	1,496,978	190,193	
Convertible corporate bonds	187	137	
Employee bonus	-	224	
Profit attributable to ordinary shareholders of the parent plus effect of dilutive potential ordinary shares	\$ 1,497,165	190,554	\$ 7.86
	Year ended December 31, 2022		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,395,778	187,616	\$ 18.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	3,395,778	187,616	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	3,680	2,712	
Employee bonus	-	171	
Profit attributable to ordinary shareholders of the parent plus effect of dilutive potential ordinary shares	\$ 3,399,458	190,499	\$ 17.85

(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>
Additions to property, plant and equipment	\$ 653,328	\$	1,739,584
Less: Prepayments for equipment, beginning of period	(70,313)	(72,811)
Add: Prepayments for equipment, end of period	13,362		70,313
Add: Payables on equipment, beginning of period	498,157		313,476
Less: Payables on equipment, end of period	(138,610)	(498,157)
Cash paid during the period	<u>\$ 955,924</u>	<u>\$</u>	<u>1,552,405</u>

B. Financing activities with no cash flow effects:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>
Share capital converted from convertible corporate bonds	<u>\$ 2,664</u>	<u>\$</u>	<u>45,285</u>
Declared cash dividends not yet paid	<u>\$ 380,660</u>	<u>\$</u>	<u>227,705</u>

(Blank Below)

(25) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Convertible corporate bonds (Note)</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1, 2023	\$ 3,476,180	\$ 964,040	\$ 26,992	\$ 227,705	\$ 4,694,917
Changes in cash flows from financing	(1,818,157)	(64,452)	-	(1,368,127)	(3,250,736)
Changes in other non- cash items	-	28,013	(26,992)	1,521,082	1,522,103
Impact of changes in foreign exchange rate	26,977	(25,283)	-	-	1,694
December 31, 2023	<u>\$ 1,685,000</u>	<u>\$ 902,318</u>	<u>\$ -</u>	<u>\$ 380,660</u>	<u>\$ 2,967,978</u>
	<u>Long and short-term borrowings</u>	<u>Lease liabilities</u>	<u>Convertible corporate bonds (Note)</u>	<u>Dividends payable</u>	<u>Total liabilities from financing activities</u>
January 1, 2022	\$ 3,222,600	\$ 492,505	\$ 489,956	\$ 228,208	\$ 4,433,269
Changes in cash flows from financing	(96,402)	(19,713)	-	(784,813)	(900,928)
Changes in other non- cash items	-	447,099	(462,964)	784,310	768,445
Impact of changes in foreign exchange rate	349,982	44,149	-	-	394,131
December 31, 2022	<u>\$ 3,476,180</u>	<u>\$ 964,040</u>	<u>\$ 26,992</u>	<u>\$ 227,705</u>	<u>\$ 4,694,917</u>

Note : The portion due within one year is included.

7. Related Party Transactions

Key management compensation

	Year ended December 31, 2023	Year ended December 31, 2022
Short-term employee benefits	\$ 86,926	\$ 87,440

8. Pledged Assets

Assets	Book amount		Guarantee use
	December 31, 2023	December 31, 2022	
Land	\$ 109,773	\$ 109,791	Short-term borrowings
Buildings	151,225	155,393	Short-term borrowings
Financial assets at amortized cost (recognized in other current assets and other non-current assets)	6,886	7,800	Performance bond and performance guarantee of the power supply agreement
Refundable deposits (recognized in other non- current assets)	39,614	28,692	Plants lease deposits and others
	<u>\$ 307,498</u>	<u>\$ 301,676</u>	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Total contract price	
	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 435,074	\$ 635,865

	Outstanding amount	
	December 31, 2023	December 31, 2022
Property, plant and equipment	\$ 222,831	\$ 159,449

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(A) Please refer to Note 6(15)7.

(B) The Group's subsidiary, PT. SUN BRIGHT LESTARI, decided by the Board of Directors on February 19, 2024 signed a factory construction contract with unrelated parties to support the Group's future expansion and business requirement. The total contract amount is approximately US\$ 16.12 million with a duration from March 1, 2024, to December 31, 2024.

12. Others

(1) 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, 2023 and 2022 were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 6,310,244	\$ 10,408,248
Total assets	\$ 18,681,837	\$ 23,067,041
Debt ratio	33.78%	45.12%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Current financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 27
Non-current financial assets mandatorily measured at fair value through profit or loss	-	5,938
	<u>\$ -</u>	<u>\$ 5,965</u>
Financial assets at amortized cost/ loans and receivables		
Cash and cash equivalents	\$ 2,609,321	\$ 2,195,379
Accounts receivable	2,706,739	4,229,321
Other receivables	501,640	433,399
Financial assets at amortized cost - current	243,819	161,126
Refundable deposits	39,614	28,692
Financial assets at amortized cost - non-current	5,228	2,390
	<u>\$ 6,106,361</u>	<u>\$ 7,050,307</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short-term borrowings	\$ 1,685,000	\$ 3,476,180
Accounts payable	1,301,804	2,942,863
Other payables	1,244,333	1,906,178
Corporate bonds payable	-	26,992
	<u>\$ 4,231,137</u>	<u>\$ 8,352,213</u>
Lease liabilities (current and non-current)	<u>\$ 902,318</u>	<u>\$ 964,040</u>

B. Risk management policy

(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. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange 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 VND and IDR. 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, VND and IDR); 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:

(Blank Below)

December 31, 2023						
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying amount	Sensitivity Analysis		
				Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 132,029	7.1058	\$ 4,053,940	1%	\$ 40,539	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
NTD: USD	\$ 1,772,736	0.0326	\$ 1,772,736	1%	\$ 17,727	-
December 31, 2022						
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying amount	Sensitivity Analysis		
				Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 136,483	6.9026	\$ 4,191,390	1%	\$ 41,914	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
NTD:USD	\$ 1,915,207	0.0326	\$ 1,915,207	1%	\$ 19,152	-

- 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, 2023 and 2022 were \$135,787 and \$529,229, 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, 2022 from gains or losses on equity instruments mandatorily measured at fair value through profit or loss would have increased or decreased \$297, however there's no such situation as of December 31, 2023.

Cash flow and fair value interest rate risk

- a. The Group's interest rate risk arises primarily from the short-term borrowings issued at floating rates, which exposes the Group to the cash flow interest rate risk. During the years ended December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022 would have decreased or increased \$1,348 and \$2,781, 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, 2023 and 2022.
- h. The Group first assesses and recognizes impairment losses on individual receivables for which there is objective evidence of non-recoverability. For the remaining receivables, 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, 2023 and 2022 were as follows:

December 31, 2023	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 2,587,858	\$ -
Overdue 0 to 90 days	1.61%	115,785	1,862
Overdue 91 to 180 days	11.58%	5,338	618
Overdue 181 to 365 days	95.29%	5,056	4,818
Over 365 days past due	100.00%	7,185	7,185
Total		<u>\$ 2,721,222</u>	<u>\$ 14,483</u>

December 31, 2022	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	\$ 3,869,409	\$ -
Overdue 0 to 90 days	1.13%	350,406	3,946
Overdue 91 to 180 days	16.40%	14,408	2,363
Overdue 181 to 365 days	47.52%	2,681	1,274
Over 365 days past due	100.00%	8,560	8,560
Total		<u>\$ 4,245,464</u>	<u>\$ 16,143</u>

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

	2023	2022
	Accounts receivable	Accounts receivable
January 1	\$ 16,143	\$ 27,150
Reversal of impairment loss	(1,677)	(13,580)
Effect of foreign exchange	17	2,573
December 31	<u>\$ 14,483</u>	<u>\$ 16,143</u>

(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, 2023 and 2022, the Group had unused borrowing facilities of \$8,899,293 and \$3,990,200, 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:

	Less than 6	7 to 12	1 to 2	2 to 5	More than
December 31, 2023	Months	Months	years	years	5 years
Short-term borrowings	\$ 1,307,842	\$384,909	\$ -	\$ -	\$ -
Accounts payable	1,301,804	-	-	-	-
Other payables	1,207,620	36,713	-	-	-
Lease liabilities	28,900	21,440	47,135	175,542	695,739

Non-derivative financial liabilities:

	Less than 6	7 to 12	1 to 2	2 to 5	More than
December 31, 2022	Months	Months	years	years	5 years
Short-term borrowings	\$ 2,981,279	\$ 505,580	\$ -	\$ -	\$ -
Accounts payable	2,942,863	-	-	-	-
Other payables	1,857,116	49,062	-	-	-
Corporate bonds payable	-	27,200	-	-	-
Lease liabilities	11,434	18,056	46,087	178,046	784,450

(3) 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 included in Level 2.

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

B. Financial instruments not measured at fair value

(A) The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term borrowings, accounts payable, and other payables are a reasonable approximation of their fair values (except those stated in the following table).:

The Group had no corporate bonds payable as of December 31, 2023.

	<u>December 31, 2022</u>	
	<u>Carrying amount</u>	<u>Fair Value</u>
		<u>Level 3</u>
Corporate bonds payable	<u>\$ 26,992</u>	<u>\$ 27,016</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:

The Group had no such situation as of December 31, 2023.

December 31, 2022	<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	\$ 5,938	\$ -	\$ -	\$ 5,938
- Redemption right of convertible corporate bonds	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Total	<u>\$ 5,938</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 5,965</u>

D. The methods and assumptions the Group used to measure fair value were as below:

(A) 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.

(B) 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 for the year ended December 31, 2023 and 2022.

F. The following table shows the changes for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	\$ 27	(\$ 700)
Gains or losses recognized in profit or loss (Note)	(27)	1,078
Period transfer	-	(351)
December 31	<u>\$ -</u>	<u>\$ 27</u>

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:

The Group had no such situation as of December 31, 2023.

	<u>Fair value as of December 31, 2022</u>	<u>Evaluation techniques</u>	<u>Significant unobservable inputs</u>	<u>Interval (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Hybrid Instruments: Redemption right of corporate bonds	\$ 27	Binomial tree evaluation model	Volatility	41.71%	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:

The Group had no such situation as of December 31, 2023.

	<u>Input value</u>	<u>Change</u>	<u>December 31, 2022</u>	
			<u>Recognized in Profit or Loss</u>	
			<u>Favorable change</u>	<u>Unfavorable change</u>
Financial Liabilities Hybrid instruments	Volatility	±5%	<u>\$ 11</u>	<u>(\$ 8)</u>

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to Others: Please refer to Appendix 1.
- B. Provision of endorsements and guarantees to others: Please refer to Appendix 2.
- C. Holding of marketable securities at the end of the period (Not including subsidiaries, associates, and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Appendix 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to Appendix 4.
- I. Derivatives transactions: None.
- J. Parent-subsidiary and Subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Appendix 5.

(2) Information on investees

Name, locations and other information of investee companies (not including investees in Mainland China): Please refer to Appendix 6.

(3) Information on investments in Mainland China

- A Basic information: Please refer to Appendix 7.
- B Significant transactions, either directly or indirectly through a third area, with investee companies in Mainland Area: Please refer to Note 13(1).

(4) Major shareholders information:

Major shareholders information: Please refer to Appendix 8.

14. Segment Information

(1) General information

The principal business of the Group is the production and sale of sports and leisure outdoor shoes. The Group's Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Department information

The Board of Directors evaluates the performance of the operating segments based on each quarter financial statements.

(3) Reconciliation of segment revenue and profit or loss

The Group has only one reportable operating segment. There was no reconciliation, since the segment revenue and profit are reported to the financial statements by revenue and profit.

(4) Information on products and services

The principal business of the Group 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.

(5) Geographical information

The Group'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 tax assets.

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Domestic sales (Note)	\$ 954,774	\$ 1,326,865	\$ 909,804	\$ 1,718,258
Asia	1,332,966	8,822,757	1,314,760	8,959,259
America	6,181,297	-	9,914,108	-
Europe	8,155,020	-	11,665,317	-
Africa	84,265	-	139,410	-
Australia	184,904	-	237,834	-
Total	<u>\$ 16,893,226</u>	<u>\$ 10,149,622</u>	<u>\$ 24,181,233</u>	<u>\$ 10,677,517</u>

Note: Domestic sales refer to sales in China.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2023 and 2022 were as follows:

	<u>Year ended December 31, 2023</u>		<u>Year ended December 31, 2022</u>		
	<u>Income</u>	<u>Department</u>	<u>Income</u>	<u>Department</u>	
A	\$ 3,018,073	Production and sale of shoes	A	\$ 4,119,241	Production and sale of shoes
B	1,962,401	Production and sale of shoes	B	2,449,506	Production and sale of shoes
C	-	Note	C	2,756,246	Production and sale of shoes
	<u>\$ 4,980,474</u>			<u>\$ 9,324,993</u>	

Note: The customer's revenue did not exceed 10% of operating revenue in 2023, so no disclosure is provided.

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

Loans to others

For the Year ended December 31, 2023

Appendix 1

Unit: NTS Thousand
(Unless Otherwise Specified)

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance	Amount Actually		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	\$ 470,629	\$ 452,596	\$ 452,596	1.50%	Short-term financing	\$ -	Operating capital	\$ -	- None	\$ -	\$ 782,640	\$ 978,300	Notes 4 & 5	
2	NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	Other receivables	Y	392,906	361,538	361,538	3.20%	Short-term financing	-	Build factory for sister company	-	- None	-	617,745	772,182	Notes 4 & 5	
3	Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	826,838	782,978	782,978	3.50%	Short-term financing	-	Operating capital	-	- None	-	857,882	1,072,352	Notes 4 & 5	
4	Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	113,488	107,468	107,468	3.50%	Short-term financing	-	Operating capital	-	- None	-	125,259	156,574	Notes 4 & 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 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

Note 5: Offset in consolidated financial statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Provision of Endorsements and Guarantees to Others
For the Year ended December 31, 2023

Unit: NTS Thousand
(Unless Otherwise Specified)

Appendix 2

No. (Note 1)	Endorser/ Guarantor	Party Being Endorsed/Guaranteed Company Name	Relation (Note 2)	Limit on	Maximum	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
				Endorsements/ Guarantees Provided for a Single Party (Note 3)	Outstanding Endorsement/ Guarantee Amount for the Period									
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	4	\$ 7,646,350	\$ 162,125	\$ 153,525	\$ -	\$ -	1.24%	\$ 10,195,133	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 Enterprises Limited.

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

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

Note 6: In Q4 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

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

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

For the Year ended December 31, 2023

Appendix 3

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Purchase/ Sale	Transaction Details				Unusual Trade Conditions and Its Reasons		Notes and Accounts Receivable (Payable)		
				Amount	Percentage of Total Purchases (Sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
											Note	
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	\$ 1,947,045	14.21%	180 days after purchase	Note 1	Note 1	(\$ 1,229,228)	-94.43%	Note 2 & 3	
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	802,598	5.86%	180 days after purchase	Note 1	Note 1	(461,988)	-35.49%	Note 2 & 3	
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	487,565	3.56%	180 days after purchase	Note 1	Note 1	(329,272)	-25.29%	Note 2 & 3	
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	397,464	2.90%	90 days after purchase	Note 1	Note 1	(119,843)	-9.21%	Note 2 & 3	
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	3,881,383	28.33%	120 days after purchase	Note 1	Note 1	(668,507)	-51.35%	Note 2 & 3	
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	Purchase	2,203,207	16.08%	120 days after invoices issued	Note 1	Note 1	(387,859)	-29.79%	Note 2 & 3	
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Subsidiary	Purchase	726,396	5.30%	120 days after invoices issued	Note 1	Note 1	(376,943)	-28.96%	Note 2 & 3	
Capital Concord Enterprises Limited	Eversun Footwear Co., Ltd.	Subsidiary	Purchase	428,915	3.13%	120 days after invoices issued	Note 1	Note 1	-	-	Note 2 & 3	
Capital Concord Enterprises Limited (H.K.), Taiwan Branch	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	113,450	0.83%	120 days after purchase	Note 1	Note 1	-	-	Note 2 & 3	
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(1,050,406)	-6.22%	135 days after shipment	Note 1	Note 1	68,807	2.54%	Note 2 & 3	
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Sister	Sale	(266,004)	-1.57%	90 days after shipment	Note 1	Note 1	40,199	1.49%	Note 2 & 3	
Capital Concord Enterprises Limited (H.K.), Taiwan Branch	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(135,875)	-0.80%	135 days after shipment	Note 1	Note 1	20,041	0.74%	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 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

Note 3: Offset in consolidated financial statements.

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

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

December 31, 2023

Appendix 4

Unit NT\$ thousand
(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the Counterparty	Accounts Receivable		Overdue Receivable		Amount Collected Subsequent to the Reporting Period (Note 1)	Allowance for Bad Debt	Note
			Balance from Related Party	Turnover Rate	Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,229,228	1.07	\$ 563,755	Collection after reporting period	\$ 650,707	\$ -	Note 2 & 3
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	782,978	-	-	-	-	-	Note 2, 3 & 4
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	329,272	1.71	25,836	Collection after reporting period	73,385	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	119,843	1.32	24,251	Collection after reporting period	61,410	-	Note 2 & 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	107,468	-	-	-	-	-	Note 2, 3 & 4
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	461,988	1.55	283,502	Collection after reporting period	92,115	-	Note 2 & 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	452,596	-	-	-	-	-	Note 2, 3 & 4
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Capital Concord Enterprises Limited	Parent company	668,507	8.20	-	-	375,817	-	Note 2 & 3
Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	387,859	4.92	-	-	387,859	-	Note 2 & 3
NGOC HUNG Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	376,943	2.44	28,093	Collection after reporting period	160,280	-	Note 2 & 3
NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	Sister company	361,538	-	-	-	-	-	Note 2, 3 & 4

Note 1: The subsequent collections represent collections from the balance sheet date to February 26, 2024.

Note 2: In Q4 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

Note 3: Offset in consolidated financial statements.

Note 4: This amount is a loaning of funds 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, 2023

Appendix 5

Unit NTS thousand
(Unless Otherwise Specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of consolidated total operating 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	1,229,228	Note4	6.58%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	461,988	Note4	2.47%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	329,272	Note4	1.76%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts payable	668,507	Note4	3.58%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Accounts payable	387,859	Note4	2.08%
1	Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	1	Accounts payable	376,943	Note4	2.02%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Other payables	782,978	Note4	4.19%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	452,596	Note4	2.42%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	1,947,045	Note4	11.53%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	802,598	Note4	4.75%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	487,565	Note4	2.89%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	397,464	Note4	2.35%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	1	Purchase	3,881,383	Note4	22.98%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	2,203,207	Note4	13.04%
1	Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	1	Purchase	726,396	Note4	4.30%
1	Capital Concord Enterprises Limited	Eversun Footwear Co., Ltd.	1	Purchase	428,915	Note4	2.54%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	1	Sale	1,050,406	Note4	6.22%
2	NGOC HUNG Footwear Co., Ltd.	Eversun Footwear Co., Ltd.	3	Other receivables	361,538	Note4	1.94%
3	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sale	266,004	Note4	1.57%

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 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

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

Note 7: Offset in consolidated financial statements.

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

Information on Investees (Excluding Information on Investments in Mainland China)

For the Year ended December 31, 2023

Appendix 6

Investee Company	Investor Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2)		Shares Held as of period ended		Book value (Note 3)	Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3&7)	Unit NT\$ thousand (Unless Otherwise Specified) Note
				End of Period	End of Last Year	Number of Shares (Note 1)	Ratio				
				Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Holding company and Sports Leisure Outdoor Footwear Sales				
Fulgent Sun International (Holding) Co., Ltd.	Wisesquare Enterprise Limited	Hong Kong	Start-up stage not yet in operation.	413	-	-	100	283	(111)	(111)	Subsidiaries (Note 4)
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	3,225,420	93,247	93,247	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	445,848	445,848	-	100	212,277	(3,203)	(3,203)	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunzeal Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	144,490	-	-	100	137,570	(8,109)	(8,109)	Subsidiaries (Note 5)
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	2,079,418	1,997,207	-	100	2,772,179	14,001	14,001	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,388,854	1,381,735	-	100	1,544,363	54,431	54,431	Subsidiaries
Capital Concord Enterprises Limited	Eversun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	799,883	655,133	-	100	741,308	(9,902)	(9,902)	Subsidiaries
Capital Concord Enterprises Limited	Sunglory Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	193,124	-	-	100	186,982	(2,894)	(2,894)	Subsidiaries (Note 6)
Capital Concord Enterprises Limited	PT. SUN BRIGHT LESTARI	Indonesia	Sports Leisure Outdoor Footwear Production and Sales	418,239	407,543	-	100	395,114	(7,758)	(7,758)	Subsidiaries
Capital Concord Enterprises Limited	Laya Chemical Engineering Co., Ltd.	Taiwan	Shoes material production and Sales	25,500	25,500	-	100	18,310	(5,946)	(5,946)	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	210,447	210,447	-	100	221,941	2,485	2,485	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 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, respectively.

Note 4: The Group had established Wisesquare in 2023 in Hong Kong, and has included it in the consolidated financial statements since then.

Note 5: The Group had established Sunzeal in 2023 in Cambodia, and has included it in the consolidated financial statements since then.

Note 6: The Group acquired 100% equity interest in Sunglory from unrelated parties in May, 2023. The entire transaction consideration has been fully settled, and it has been included in the consolidated financial statements since the date of obtaining control.

Note 7: Investment income (loss) recognized in current period is based on the financial statements audited by the parent company's CPAs

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

Information on Investments in Mainland China

For the Year ended December 31, 2023

Appendix 7

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 (Note 4)	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)	Unit NT\$ thousand (Unless Otherwise Specified)	
					Remitted to Mainland China	Remitted back to Taiwan						Accumulated Amount of Investment Income Remitted Back to Taiwan, as of End of Period	Note
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 126,715	100	\$ 132,431	\$ 2,142,792	\$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	125,832	100	126,012	1,956,626	-	-
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	50,576	100	50,576	477,334	-	-
Fujian Laya Outdoor Products Co., Ltd.	Import/export trading	40,656	2	-	-	-	-	42,037	100	50,790	308,202	-	-

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 2023, the exchange rates for assets and profit or loss were USD:NTD=30.7050 and USD:NTD=31.1773, 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.

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

Major Shareholders Information

December 31, 2023

Appendix 8

Name of Major Shareholder	Shares	
	Number of shares	Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	24,120,151	12.62
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	21,712,465	11.36

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.	<p>1. Individual item (by customer) assessment: The objective evidence of derogation (as follows) is presented</p> <ul 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. <p>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.</p> <ul 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 losses	Age of inventory	<p>1. Raw materials: For aging within 12 months, allowance for inventory obsolescence losses is not appropriated; for aging over 12 months, 100% is appropriated as obsolescence losses.</p> <p>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.</p> <p>3. Inventories: For aging within 24 months, allowance for inventory obsolescence losses is not appropriated; for aging over 24 months, 100% is appropriated as obsolescence losses.</p>

No.	Balance Sheet Valuation	Evaluation Basis	Evaluation Ground
3	Allowance for inventory valuation losses	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 determined using 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\$ Thousand

Item \ Year	2022 (Note)	2023	Difference	
			Amount	Amount
Current Assets	12,137,692	8,295,722	(3,841,970)	(31.65)
Property, Plant and Equipment	8,748,836	8,285,905	(462,931)	(5.29)
Intangible Assets	16,132	12,593	(3,539)	(21.94)
Other Assets	2,164,381	2,087,617	(76,764)	(3.55)
Total Assets	23,067,041	18,681,837	(4,385,204)	(19.01)
Current Liabilities	9,094,668	4,883,984	(4,210,684)	(46.30)
Non-current Liabilities	1,313,580	1,426,260	112,680	8.58
Total Liabilities	10,408,248	6,310,244	(4,098,004)	(39.37)
Share Capital	1,907,235	1,909,899	2,664	0.14
Capital Surplus	5,677,352	5,701,867	24,515	0.43
Retained Earnings	5,535,089	5,510,985	(24,104)	(0.44)
Other Equity	(403,300)	(693,575)	(290,275)	71.97
Treasury shares	(57,583)	(57,583)	-	-
Non-controlling Interests	-	-	-	-
Total Equity	12,658,793	12,371,593	(287,200)	(2.27)

(1) The aforementioned data are prepared based on the Company's consolidated financial statements.

(2) Analysis and explanation of the increase and decrease in ratio (the change ratio in the two periods exceeds 20% for an amount of NT\$10,000 thousand):

A. Current assets: A decrease from that of in last year, mainly due to the decrease in accounts receivable and inventories.

B. Current liabilities: A decrease from that of in last year, mainly due to the decrease in short-term borrowings and accounts payable.

C. Total liabilities: A decrease from that of in last year, mainly due to the decrease in short-term borrowings and accounts payable.

D. Other equity: A decrease from that of in last year, mainly due to the exchange differences on translation of foreign financial statements.

(3) The main reasons and impacts of changes in the Company's current liabilities and noncurrent liabilities in the last two years and future response plans:

The decrease in current liabilities in the current period is mainly due to the decrease in operating revenue and the decrease in the demand for working capital, resulting in a decrease in short-term borrowings and accounts payable. The increase in non-current liabilities in the current period is mainly due to the income tax liabilities of non-current t in the current period.

Note: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

2. Financial Performance

Unit: NT\$ Thousand

Item	Year	2022 (Note)	2023	Difference	
				Amount	%
Operating Revenue		24,181,233	16,893,226	(7,288,007)	(30.14)
Operating Costs		18,595,052	13,698,439	(4,896,613)	(26.33)
Gross Profit from Operations		5,586,181	3,194,787	(2,391,394)	(42.81)
Operating Expenses		1,736,956	1,388,991	(347,965)	(20.03)
Operating Income		3,849,225	1,805,796	(2,043,429)	(53.09)
Non-operating Income and Expenses		529,142	234,857	(294,285)	(55.62)
Profit before tax		4,378,367	2,040,653	(2,337,714)	(53.39)
Income Tax Expenses		982,624	543,675	(438,949)	(44.67)
Net income		3,395,743	1,496,978	(1,898,765)	(55.92)
Other Comprehensive Income (Net Income after Tax)		524,233	290,275	(233,958)	(44.63)
Total Comprehensive Income		3,919,976	1,206,703	(2,713,273)	(69.22)
Net Income Attributable to:					
Owners of the parent company		3,395,778	1,496,978	(1,898,800)	(55.92)
Non-controlling Interests		(35)	-	35	(100.00)
Comprehensive income attributable to:					
Owners of the parent company		3,919,920	1,206,703	(2,713,217)	(69.22)
Non-controlling Interests		56	-	(56)	(100.00)

(1) The aforementioned data are prepared based on the Company's consolidated financial statements.

(2) Analysis and explanation of the increase and decrease in ratio (the change ratio in the two periods exceeds 20% for an amount of NT\$10,000 thousand):

A. Operating revenue and operating costs: A decrease in operating revenue and costs from that of same period last year due to weakening terminal demand.

B. Operating expenses: A decrease in operating expenses relatively due to the decrease in operating revenue.

C. Non-operating income and expenses: It is due to the decrease in exchange benefits.

D. Profit before tax, income tax expenses, net income, and total comprehensive income for the current period: Mainly due to the decrease in operating revenue and exchange profits, causing a decrease in profit before tax, income tax expenses, and net income.

E. Other comprehensive income for the current period: It is mainly caused by exchange differences from the translation of financial statements of foreign operations.

(3) The expected sales volume in the next year and the support for such expectation, the possible impact on the Company's future financial business and response plans: The Company formulates annual shipment target mainly basing on the estimated demand of customers and changes in global market size, considering production capacity planning and past operating performance; also, always pays attention to changes in market demand, expands market share, develops new customers, increases company profits, and maintains a stable and good financial position continuously.

Note: Due to the amendments to IAS 12, took effect from January 1, 2023, the Company applies this accounting standard retrospectively and adjusts previous period financial information.

3. Cash Flows

(1) Analysis of cash flows for the current year (2023)

Unit: NT\$ Thousand

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
2,195,379	4,948,409	(4,534,467)	2,609,321	-	-
<p>1. Analysis of changes in the cash flow for the recent year:</p> <p>Operating activities: The net cash inflow from operating activities is NT\$4,948,409 thousand in the current period, mainly due to the operating cash received.</p> <p>Investment activities: The net cash outflow from investing activities is NT\$1,120,711 thousand in this period, mainly due to the continuing expansion of factories in Southeast Asia.</p> <p>Financing activities: The net cash outflow from financing activities is NT\$3,250,736 thousand in this period, mainly due to the decrease in short-term borrowings for an amount of NT\$1,818,157 thousand and the payment of cash dividends for an amount of NT\$1,368,127 thousand.</p> <p>2. Remedial measures for cash inadequacy and liquidity analysis: N/A.</p>					

(2) Improvement plan for insufficient liquidity: The Company expects to make profits in 2024 continuously, so a net cash inflow from operating activities is expected, which should be sufficient enough to support cash outflows from investing activities without the risk of insufficient liquidity.

(3) Analysis of Liquidity for the future year (2024)

Unit: NT\$ Thousand

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
2,609,321	2,800,000	(2,600,000)	2,809,321	-	-
<p>1. Analysis of changes in the cash flow for the future year:</p> <p>Operating activities: The net cash inflow from operating activities is mainly due to the operating cash received.</p> <p>Investing activities and financing activities: It is mainly the purchase of fixed assets and payment of dividends.</p> <p>2. Remedial measures for cash inadequacy and liquidity analysis: N/A.</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 property, plant and equipment acquired by the Company amounted to NT\$1,552,405 thousand and NT\$955,924 thousand in 2022 and 2023, respectively, which is due to the capital expenditures for the expansion and construction of new plants. The comparison of the Company's fixed assets and total asset turnover rates in the last five years is shown in the table below, indicating that the Company's various turnover rates have been maintained at a certain level, and the increase in capital expenditures has not adversely affected the Company's financial conditions.

Year	2019	2020	2021	2022	2023
Property, Plant, and Equipment Turnover Rate	2.41	1.95	2.35	3.01	1.98
Total Asset Turnover Rate	1.07	0.83	0.97	1.19	0.81

(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 operating 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\$ Thousand; %

Investee	Shareholding Ratio	Investment gains and losses recognized in 2023	Main causes for profits or losses	Improvement Plan
Capital Concord Enterprises Limited	100	1,538,179	Good business operation	None
Wisesquare Enterprise Limited	100	(111)	Initially established, loss due to not yet in operation	None
Fujian Sunshine Footwear Co., Ltd.	100	132,431	Good business operation	None
Hubei Sunsmile Footwear Co., Ltd.	100	126,012	Good business operation	None
Sunny Footwear Co., Ltd.	100	50,576	Good business operation	None
Fujian Laya Outdoor Products Co., Ltd.	100	50,790	Good business operation	None
Fulgent Sun Footwear Co., Ltd.	100	14,001	Good business operation	None
NGOC HUNG Footwear Co., Ltd.	100	54,431	Good business operation	None
Eversun Footwear Co., Ltd.	100	(9,902)	Loss due to operation under poor economic scale	Increase production efficiency and continue to expand business to improve profitability.
Sunglory Footwear Co., Ltd.	100	(2,894)	Start-up stage not yet in operation.	None
Lin Wen Chih Sunbow Enterprises Co., Ltd.	100	93,247	Good business operation	None
Lin Wen Chih Sunstone Enterprises Co., Ltd.	100	(3,203)	Loss due to operation under poor economic scale	Reduce fixed costs to reduce losses
Lin Wen Chih Sunzeal Enterprises Co., Ltd.	100	(8,109)	Start-up stage not yet in operation.	None
Lin Wen Chih Sunlit Enterprises Co., Ltd.	100	2,485	Good business operation	None
PT. SUN BRIGHT LESTARI	100	(7,758)	Start-up stage not yet in operation.	None
Laya Chemical Engineering Co., Ltd.	100	(5,946)	Initially established, loss due to 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 2024 in the hope of creating resilient room for overall profit.

6. 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 expenses in 2022 and 2023 were NT\$85,495 thousand and NT\$78,093 thousand, respectively, accounting for 0.35% and 0.46% of operating revenue and 1.95% and 3.83% of net income before tax, respectively. The interest-bearing borrowings in 2022 and 2023 accounted for 15.07% and 9.02% of total assets, respectively. The interest-bearing borrowings were used for working capital, and 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, RP, 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. Estimated investment in research and development expenses accounted for approximately 1~3% of the consolidated net revenue.

(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, Cambodia, and Indonesia 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 Association; 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 unappealable, 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.

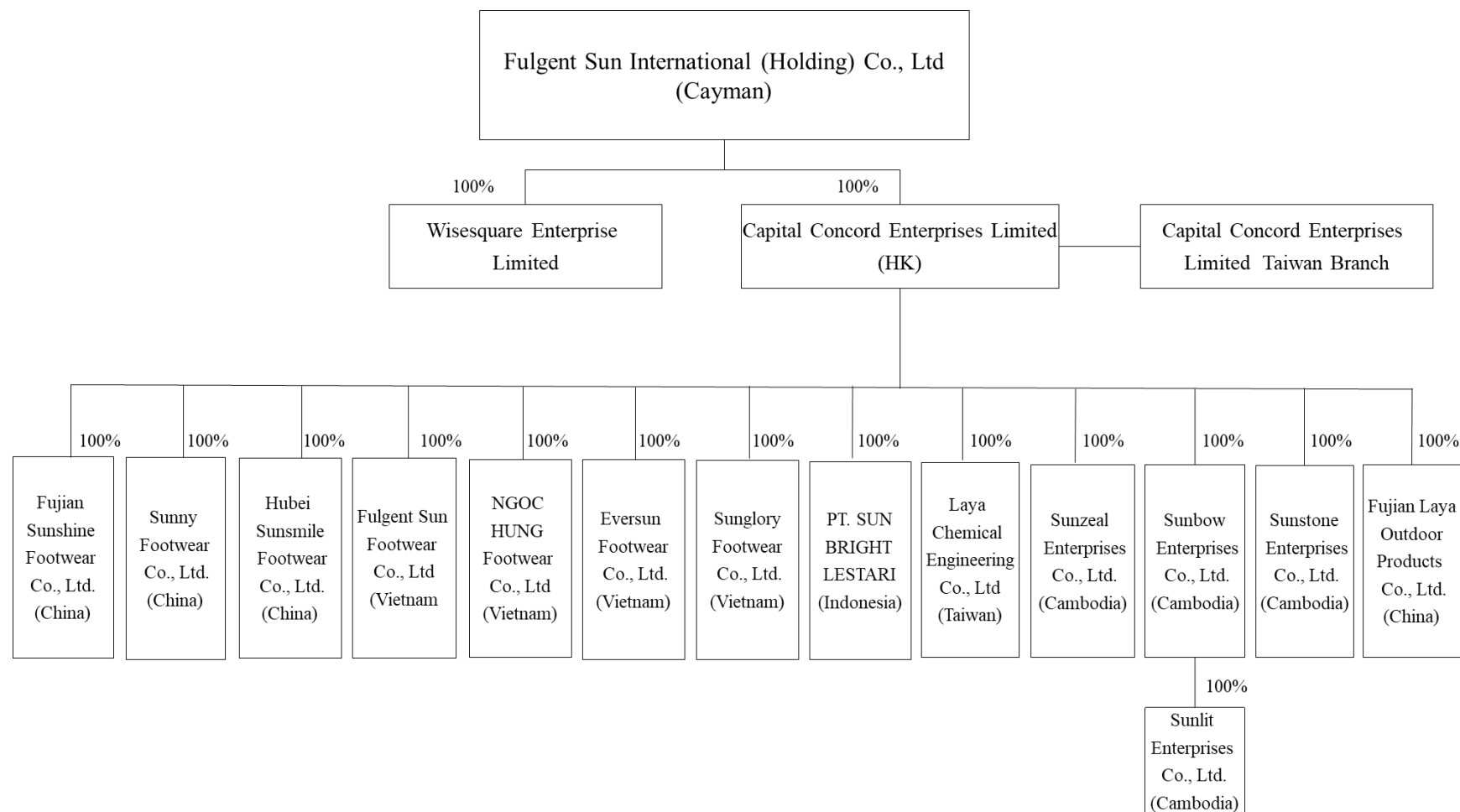
7. Other Important Issues: None.

VIII. Special Notes

1. Affiliated Companies

(1) Organizational chart of affiliated companies

Reference Date: December 31, 2023



(2) Basic information on affiliated companies

December 31, 2023; Unit: NT\$ Thousand

Name of Company	Date of Incorporation	Location	Paid-in Capital	Scope of Business or Product Item
Fulgent Sun International (Holding) Co., Ltd.	2009/11/24	Cayman Islands	1,909,899	Holding company
Capital Concord Enterprises Limited	1994/12/15	Hong Kong	6,585,827	Holding and sales of shoes
Fujian Sunshine Footwear Co., Ltd.	1995/3/22	Fujian Province, China	723,826	Production and sales of shoes
Fulgent Sun Footwear Co., Ltd.	2003/1/15	Hung Yen Province, Vietnam	2,079,418	Production 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
Fujian Laya Outdoor Products Co., Ltd.	2009/10/30	Fujian Province, China	40,656	Import/export trading.
Lin Wen Chih Sunbow Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	1,518,038	Production and sales of shoes
Lin Wen Chih Sunstone Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	445,848	Production and sales of shoes
Lin Wen Chih Sunlit Enterprises Co., Ltd.	2013/12/16	Kandal Province, Cambodia	210,447	Land lease business
NGOC HUNG Footwear Co., Ltd.	2015/1/26	Hai Duong Province, Vietnam	1,388,854	Production of shoes
Eversun Footwear Co., Ltd.	2021/8/5	Ha Nam Province, Vietnam	799,883	Production of shoes
PT. SUN BRIGHT LESTARI.	2021/12/16	Indonesia	418,239	Production and sales of shoes
Laya Chemical Engineering Co., Ltd.	2022/8/23	Taiwan	25,500	Production and sales of shoes material
Lin Wen Chih Sunzeal Enterprises Co., Ltd	2023/2/17	Kompong Speu Province, Cambodia	144,490	Production and sales of shoes
Sunglory Footwear Co., Ltd.	2023/5/10	Thai Binh Province, Vietnam	193,124	Production of shoes
Wisquare Enterprise Limited	2023/10/6	Hong Kong	413	Start-up stage not yet in operation

(3) Shareholders in common of the company and its affiliated companies with deemed control and subordination: N/A.

(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, 2024

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)	28,461,192	14.90
	Director/ President	Fang-Chu, Liao (Note 2)	23,510,801	12.31
	Director/ Executive Vice President	Chih-Cheng, Liao	326,185	0.17
	Independent Director	Jin-Huang, Huang	-	-
	Independent Director	Chun-An, Li	-	-
	Independent Director	Chun-Ming, Wu	-	-
	Independent Director	Hui-Ying, Wang	-	-
	Independent Director	Shu-Ching, Chou	-	-
Capital Concord Enterprises Limited	Chairman	Wen-Chih, Lin	-	-
	Director	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
Wisesquare Enterprise Limited	Chairman	Wen-Chih, Lin	-	-
	Director	Fang-Chu, Liao	-	-
Fujian Sunshine Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Supervisor	Hui-Yi, Lin	-	-
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	-	-
Sunny Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Supervisor	Ming-Hsien, Chen	-	-

Name of Company	Title	Name or Representative	Shareholding	
			Number of Shares (Share)	Shareholding Ratio (%)
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	-	-
Fujian Laya Outdoor Products Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Hui-Yi, Lin	-	-
	Supervisor	Ming-Hsien, Chen	-	-
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
Lin Wen Chih Sunstone Enterprises Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-
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	-	-
Eversun Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Hao-Yi, Lin	-	-
	Director	Hui-Yi, Lin	-	-
Sunglory Footwear Co., Ltd.	Chairman	Wen-Chih, Lin	-	-
PT. SUN BRIGHT LESTARI	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chi-Jen, Wu	-	-
Laya Chemical Engineering Co., Ltd.(Note 3)	Chairman	Wen-Chih, Lin	-	-
	Supervisor	Fang-Chu, Liao	-	-
Lin Wen Chih Sunzeal Enterprises Co., Ltd	Chairman	Wen-Chih, Lin	-	-
	Director/ President	Fang-Chu, Liao	-	-
	Director	Chih-Cheng, Liao	-	-

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.

Note 3: It has been registered from Limited Company to Company Limited by Shares on January 30, 2024.

(6) Operational highlights of affiliated companies

December 31, 2023; Unit: NT\$ Thousand

Name of Company	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (after Tax)
Fulgent Sun International (Holding) Co., Ltd.	1,909,899	12,772,169	400,576	12,371,593	-	(20,353)	1,496,978
Capital Concord Enterprises Limited	6,585,827	21,126,268	8,382,352	12,743,916	16,201,704	1,350,150	1,538,179
Wisesquare Enterprise Limited	413	299	16	283	-	(134)	(111)
Fujian Sunshine Footwear Co., Ltd.	723,826	3,156,671	1,011,967	2,144,704	2,148,754	76,847	126,715
Fulgent Sun Footwear Co., Ltd.	2,079,418	3,957,353	1,185,174	2,772,179	2,223,681	8,906	14,001
Sunny Footwear Co., Ltd.	130,680	606,468	129,134	477,334	548,520	57,789	50,576
Hubei Sunsmile Footwear Co., Ltd.	1,825,033	2,202,750	246,151	1,956,599	1,392,865	118,473	125,832
Fujian Laya Outdoor Products Co., Ltd.	40,656	601,742	288,594	313,148	665,022	34,888	42,037
Lin Wen Chih Sunbow Enterprises Co., Ltd.	1,518,038	3,819,115	593,695	3,225,420	4,154,898	134,671	93,247
Lin Wen Chih Sunstone Enterprises Co., Ltd.	445,848	214,077	1,800	212,277	85	(13,169)	(3,203)
Lin Wen Chih Sunzeal Enterprises Co., Ltd.	144,490	160,391	22,821	137,570	-	(8,117)	(8,109)
Lin Wen Chih Sunlit Enterprises Co., Ltd.	210,447	222,673	732	221,941	3,741	3,137	2,485
NGOC HUNG Footwear Co., Ltd.	1,388,854	1,689,212	144,849	1,544,363	744,287	58,216	54,431
Eversun Footwear Co., Ltd.	799,883	1,282,911	541,603	741,308	513,294	(3,033)	(9,902)
Sunglory Footwear Co., Ltd.	193,124	206,373	19,391	186,982	-	(3,396)	(2,894)
PT. SUN BRIGHT LESTARI	418,239	395,918	804	395,114	-	(7,085)	(7,758)
Laya Chemical Engineering Co., Ltd.	25,500	44,497	26,187	18,310	-	(7,200)	(5,946)

(7) Consolidated financial statements of affiliated companies: Please refer to Pages 128~183

- 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 3 , 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 Association and Reason for Discrepancies
<p>Shareholders who have continued for more than one year and hold more than 3% of the total number of issued shares may request the board of directors to convene an extraordinary meeting of shareholders, stating the proposed items and reasons in writing. If the board of directors fails to notify the meeting within 15 days after the request is made, the shareholders may call the meeting on their own with the approval of the competent authority.</p>	<p>Regarding the issues where shareholders convene extraordinary shareholders' meetings, according to Cayman's lawyers, since the Cayman Company Laws provide no special requirements on the location of shareholders' meetings of exempted companies and no specific regulations on matters convened by shareholders, Article 14.7 of the Company's Articles of Association does not stipulate that shareholders shall report to the competent authority for approval before convening an extraordinary shareholders meeting on their own.</p>
<p>The following proposals involving major interests of shareholders shall be resolved at the shareholders' meeting attended by shareholders representing more than two-thirds of the total number of issued shares, and approved by more than half of the voting rights of the attending shareholders. If the total number of shares of shareholders present is less than the above-mentioned quota, it may be carried out with the consent of shareholders representing more than half of the total number of issued shares present and more than two-thirds of the voting rights of shareholders present:</p> <ol style="list-style-type: none"> 1. The Company concludes, modifies or terminates the lease of the entire business, entrusts the operation, or frequently operates a contract with others, transfers all or a major part of the business or property, or transfers the entire business or property of others, which has a significant impact on the Company's operations 2. Changes to the Articles of Association 3. If the modification of the Articles of Association damages the rights of special shareholders, it must be resolved by the special shareholders' meeting 4. Distribution of all or part of dividends and bonuses by issuing new shares 5. Resolution on dissolution, merger or division 6. Transfer of shares 	<p>Since the Cayman Company Laws has mandatory regulations on the voting method of "merger as defined in the Cayman Law", Article 12.4 (d) of the Company's Articles of Association stipulates "merger" (a merger other than a merger under the Cayman laws) shall be passed with a major resolution.</p>

Protection of Shareholders' Equity	The Company's Articles of Association and Reason for Discrepancies
<ol style="list-style-type: none"> 1 The term of office of directors and supervisors shall not exceed three years and the directors and supervisors may be re-elected. 2 When the shareholders' meeting elects directors and supervisors, Each share has the same voting rights as the number of directors to be elected. One person may be elected collectively, or a number of people shall be allocated for election. 	<p>Cayman laws have no concepts of supervisors, and the Company does not have seats of supervisors but an audit committee. Therefore, there are no relevant regulations on supervisors in the Company's Articles of Association.</p>
<ol style="list-style-type: none"> 1. If the Company has supervisors, they shall be appointed by the shareholders' meeting and at least one of the supervisors shall have a domicile in Taiwan. 2. The term of office of supervisors shall not exceed three years and the directors and supervisors may be re-elected. 3. When all supervisors are dismissed, the board of directors shall hold an extraordinary meeting of shareholders within 60 days to elect them. 4. The supervisors shall supervise the execution of the Company's business, and may investigate the Company's business and financial status at any time, check the books and documents, and may request the board of directors or managers to submit reports. 5. The Supervisors shall check the various forms prepared by the board of directors and submit them to the shareholders' meeting, and report their opinions to the shareholders' meeting. 6. Supervisors may appoint accountants and lawyers on behalf of the Company to conduct auditing. 7. Supervisors may attend the board of directors to present their opinions. If the boards of directors or directors conduct business in violation of laws, the articles of association, or the resolutions of the shareholders' meeting, the supervisor shall immediately notify the board of directors or directors to stop their acts. 8. Supervisors may exercise supervisory power independently. 9. Supervisors shall not concurrently serve as directors, managers or other employees of the Company. 	<p>Cayman laws have no concepts of supervisors, and the Company does not have seats of supervisors but an audit committee. Therefore, there are no relevant regulations on supervisors in the Company's Articles of Association.</p>

Protection of Shareholders' Equity	The Company's Articles of Association and Reason for Discrepancies
<p>Unless the board of directors does not convene or cannot convene a shareholders' meeting, the supervisor may, for the benefit of the company, convene a shareholders' meeting when necessary.</p>	<p>Cayman laws have no concepts of supervisors, and the Company does not have seats of supervisors but an audit committee. Therefore, there are no relevant regulations on supervisors in the Company's Articles of Association.</p>
<ol style="list-style-type: none"> 1. The directors of the Company shall faithfully perform their business and fulfill the duty of care of a good manager. If any violation causes damage to the Company, they shall be liable for damages. If the act is done by oneself or another person, the shareholders' meeting may resolve to regard the income from the act as the Company's income. 2. If a director of a company violates laws and regulations in the execution of the Company's business and causes damage to others, he shall be jointly and severally liable for compensation to the other party and the Company. 3. Managers and supervisors of a company shall bear the same liability for damages as directors of a company within the scope of performing their duties. 	<p>Based on the requirements of important matters for the protection of shareholders' rights and interests, the Company has added relevant content to Articles 27.4 and 29.5 of the Company's Articles of Association. However, according to Cayman lawyers, the Cayman Company Laws provide no special provisions on the liability of directors. Under common law principles, directors of a company owe (a) fiduciary duties of fidelity, honesty and good faith to the Company; and (b) duties of care, diligence and professionalism. The Company may claim damages against directors who breach these duties. In addition, if a director breaches his duties in order to seek personal gain, the Company may claim such benefit from the director.</p> <p>The Cayman lawyers also stated that under the principles of common law, a director of a company represents the Company when performing the business of the Company, and the actions of the director will be regarded as the actions of the Company. If such actions cause damage to any third party, the Company (not the directors) is liable to that third party. A third party claiming damages cannot cite the provisions of the Company's Articles of Association to hold the director accountable since a third party who is not a shareholder cannot enforce the provisions of the Company's Articles of Association. When a company is liable to a third party due to a director's breach of duty, the Company may claim compensation from the director for the aforementioned losses. In addition, managers generally do not have nominee obligations to the Company. Even if there are relevant provisions in the Company's Articles of Association, since the manager is not a party to the Company's articles of association, such provisions will not be enforceable against the manager. Such obligations shall be imposed on the manager by contractual agreement.</p> <p>In addition, Cayman laws have no concepts of supervisors, and the Company does not have seats of supervisors but an audit committee. Therefore, there are no relevant regulations on supervisors in the Company's Articles of Association.</p>