



Stock Code: 8443

SHUI-MU International Co., Ltd.

2023

Annual Report

Website to inquire the annual report

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

The Company's website <http://www.asogroup.com.tw>

May 15, 2024

**I. The name, title, telephone number, and e-mail address of the spokesman or acting spokesman**

Spokesperson: Li-Ling Lo

Title: VP of Finance Division

Tel: (02)6618-9999

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Acting spokesman: Chai, Hung-De

Title: Manager, Intelligence Development Division

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E-mail: IR@mail.aso.com.tw

**II. Address of the Company's Head Office, Branch and Plant, and Tel. Nos.:**

Headquarter

Address: 6F, No. 168, Songjiang Rd., Zhongshan District, Taipei City

Tel:(02)6618-9999

Addresses and phone numbers of stores (please refer to pages 3-7)

**III. The name, address, e-mail address, and telephone number of the agency handling shares transfer**

Name: KGI Securities Co., Ltd., Shareholder Service Agency Department

Address: 5F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City

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

Tel: (02)2389-2999

**IV. The names of the certified public accountants who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of the accounting firm to which they belong.**

Names of the CPAs: Chen, Pei-Chih and Yu, Chih-Lung

Office: KPMG Taiwan

Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City

Website: <https://home.kpmg/tw/zh/home.html>

Tel: (02)8101-6666

**V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None**

**6. Company website:** <http://www.asogroup.com.tw/>

# SHUI-MU International Co., Ltd.

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## **One. Letter to Shareholders**

**Dear Shareholders,**

### **Operation of the Company**

Born on November 5, 1952 as a small shoe shine booth in an alley on Sec. 2 Yanping N. Road in Taipei City, SHUI-MU has been with Taiwanese consumers for more than 71 years. Based on the spirit of “one needle, one thread, be pragmatic,” SHUI-MU quickly became the No. 1 brand of formal leather shoes in Taiwan from shoe-shining, shoe-making, until its own stores opened. The impression of it as a high-quality leather shoes brand has long been deeply rooted in people’s hearts. Starting with a pair of shoes, everyone can walk to a better life with foot health.

The 71-year-old SHUI-MU not only is an expert in shoemaking, but also wants to take care of everyone’s foot health. To take care of the foot health of all Taiwanese, the “Dynamic Foot Pressure Measurement” system jointly developed with the Industrial Technology Research Institute and a team of professional physical therapists is provided in the directly-operated stores across Taiwan. By using scientific methods to understand the walking conditions of feet, we help customers choose suitable shoes, socks and functional products. This service not only drives up the unit price per customer significantly, but also transforms SHUI-MU’s mortar-and-brick stores into the most pleasing community care station in life, reflecting the Company’s determination to further cultivate the community and take care of the health of customers. SHUI-MU’s local cultivation efforts start from ensuring foot health and progressively expand to take care of whole-person wellbeing. In September 2023, the Company’s ASO+ Health Care Station participated in the Cares Expo Taipei. With the professional resources integrated with AI information, products, and training, members can obtain suitable care services and products through the “assessment, report, and recommendation” model. The “Health Care Service Platform” as a powerful backing for resources consolidates 105 A.S.O stores around Taiwan and the ASO+ Health Care Station into a precision integration and service matching center.

In 2021, our “Dynamic Foot Pressure Measurement” system won a national recognition of excellence, the “18 National Innovation Award, Corporate Innovation Award - Smart Medical Care and Health Technology Category,” which was the highest honor for innovation in the fields of biotech, medicine, and big health in Taiwan. SHUI-MU set up the A.S.O Podiatric Health Center in 2023. In addition to selling products, we care for the physical and mental health of consumers and promote whole-person wellbeing with podiatric medicine as the core! Up to now, SHUI-MU has accumulated more than 400,000 user records for foot measurement. With the development of podiatric medicine, SHUI-MU’s relevant data not only provide personalized health management services, but also further drive the development of medical treatment products under the brand new ASO+ brand, ranging from therapeutic shoes, insoles, socks to protective gear. This better completes our product series and lays the foundation for a path towards the medical technology industry, releasing more possibilities for

operation.

To stick to our original intention and commitment to “promoting the good of customers’ feet and lives,” by following the two strategic pillars, namely “health promotion” and “beautiful life,” SHUI-MU continuously innovates various operations and jump out of the box of traditional footwear. While meeting the needs of members for food, clothing, housing and transportation, the Company never forgets to actively build a digital enterprise, develop various digital tools such as smart production, and smart logistics and distribution systems, understand the expectations and needs of members, to further strengthen the service experience and stickiness of users. Looking forward to another 70 years, we hope to extend customers’ demand and dependence on products and services under the post-pandemic “new retail” format and develop the services and ecosystems closer to consumers' needs.

#### Key operating data

The consolidated operating revenue for the whole year of 2023 was NT\$1,178,163 thousand, decreasing by 5.07% from NT\$1,241,073 thousand in 2022; the consolidated gross operating profit was NT\$690,094 thousand, increasing by 19.38% from NT\$578,089 thousand in 2022. The consolidated net (loss) of the period was NT\$17,011 thousand, increasing by 108.08% from NT\$(210,632) thousand in 2022. The consolidated net (loss) attributed to the owners of the parent company was NT\$17,020 thousand, increasing by 108.08% from NT\$(210,618) thousand in 2022.

#### Development strategies and operating guideline:

In 2023, we embarked on a new post-pandemic life. Under the pressure of rising global inflation and interest rates, the consumption environment has become more challenging, the talent pool structure has changed, and the retail service industry is still facing changes. However, the reform of SHUI-MU has not stopped, and a series of transformations have followed the two main strategies of “health promotion” and “beautiful life” in order to promote the good of customers’ feet and lives.

On the foundation of a solid operating system that has been developed more than 70 years, supplemented by the innovative business model of “retail as a service” for business innovation, we enter the lives of consumers by taking care of their foot health. The Company is customer’s need-oriented, to provide customized services for consumers through the “Dynamic Foot Pressure Measurement System,” and expands into the daily necessities and medical care markets for the diversified operations, and provides various products and services around the needs of life with the care of family. And we continue to demonstrate our determination to digitize, by applying digital technologies to strengthen the original process, structure and management; we understand customers from all aspects to strengthen the service experience, and improve customer stickiness again, fully reflecting the value of “deep retail.”

By leveraging the laid foundation of retail service business innovation, all our employees will continue to promote innovation and transformation in a steady and down-to-earth manner, create valuable customer experience, and deepen communication with professionalism as a medical brand,

to enhance our professional image as a foot health expert and get prepared for post-pandemic development. Under this premise, our key strategies and guidelines are as follows:

Exploring business opportunities in medical care: offering services with medical device approval, implementing product upgrading, and setting up the “A.S.O Podiatric Health Center”

Focusing on post-pandemic medical and health care business opportunities, in 2023, we accelerated the innovation and upgrading of our medical products and medical devices as well as the development of health promotion. We have integrated therapeutic shoe insoles, socks, protective gear, and health promotion footwear into the ASO+ product series to provide a combination of functional health products with higher added value so as to enter the medical technology field. We hope to work with the government, medical sector, industry, and academia to open up more operational possibilities and meet the hidden needs of Taiwanese people.

With the increase of age and the accumulation of pressure from various work and life patterns, foot health has become one of the biggest hidden dangers of an aging society and has a significant impact on the quality of daily life of Taiwanese people! In view of this, SHUI-MU is determined to take “mobility care” as the core development direction, and will actively forge ahead into the field of medical care to take care of the foot health of Taiwanese people.

In response to people’s healthcare needs, we have integrated the concept of intelligent health management and medical-grade product services to build the “A.S.O Podiatric Health Center” with the aim of whole-person, technology, and prevention; by adopting the connection of scientific data to apply it to medical and healthcare levels, to provide customers with one-stop solutions, SHUI-MU no longer just sells shoes, but has become an expert in “foot health” and moves towards the direction of medical technology. Meanwhile, the Company continues to promote the optimization and renovation project of the new generation of the “Healthy Life Hall of A.S.O Leather Shoes,” to strengthen health promotion services, elevate channel value, and increase cross-business-format cooperation opportunities with a complete production and sales supply chain and business service environment, to bring customers with more professional and diversified service experience and comprehensive health care, and strive to become the first stop of community health care for the contribution to the health of Taiwanese.

Upgrading the data-driven operating profit model: deepening customer management and consolidating the membership economic ecosystem

SHUI-MU has been deeply involved in membership management by mining value from a large amount of data and analyzing big member data to facilitate marketing. We have 1.7 million members and more than 400,000 pieces of foot measurement data. To leverage this advantage, we plan to expand the scope of internal data applications through mobile services, and integrate customer and member information from multiple endpoints and push them to the mobile POS in the hands of salespersons by adopting human-machine collaboration. Real-time inventory information can support the salespeople in responding to customer questions immediately, catching sales opportunities and

improving service efficiency.

To support more diversified and real-time retail services, the mobile POS that we started to develop will add more extensive functions, such as converting Power BI and dynamic foot pressure measurement data into practical applications and integrating various service history and gait data of customers for personalized service design and precise communication themes, to fully understand customer needs, establish a complete and comprehensive service system, and gradually realize the strategic blueprint of mobile services.

We plan to continuously expand the strength and utilization rate of membership points, with a more flexible discount structure designed, so that customers will enjoy a consistent, more personalized and customized service experience regardless of online or offline consumption. Extending from the channel O2O to OMO, the services and ecosystems closer to the needs of consumers are developed, so that the wonderful shopping experience is deeply rooted in people's hearts for coping with to the trend of the new retail era.

Determination to achieve sustainable development: implementing health management and environmental sustainability, and constructing the next corporate milestone with ESG

Under the wave of sustainability, SHUI-MU, as the leader of Taiwanese shoe industry, also thinks from the traceability of products, to explore whether it is possible to effectively recycle and circulate during the production process, and solves the process problems from the fundamental materials, to meet the goal of environmental friendliness and move towards goal of sustainable manufacturing 3R (recycle, reduce, and reuse). To this end, SHUI-MU created the ASO+ brand in 2022. In addition to medical and health care functions, we also strive to research and develop circular and recycled products, emphasizing the goal of zero emission and zero waste process, to create business opportunities for the circular economy of footwear industry in Taiwan. The related products were also launched in 2022 in the Asia Sustainable Supply and Circular Economy Exhibition, receiving high attention and expectations from the market. In 2023, we obtained the Online Shopping Packaging Reduction Mark and actively promoted the recycling and reuse of carton in stores to reduce the amount of packaging materials used and contribute to environmental sustainability.

In addition to sustainable manufacturing, SHUI-MU also incorporates ESG into the service model, seeking to solve the social problem of the declining mobility of Taiwanese year by year through the promotion of foot health care. For example, disability worsened amidst the pandemic where many elders began to show signs of physical decline as they grew older without knowing it. SHUI-MU has cooperated with relevant institutions to introduce brain age testing tools in stores. Once you visit an A.S.O store, you can understand your brain and foot health. We have also begun to communicate with and contact more companies and platforms so that they can commission SHUI-MU to take care of their employees' foot health, allowing SHUI-MU's ongoing ESG efforts to help other companies achieve ESG. This can create a positive impact on the environment and society and enables us to pursue the vision of sustainable management. Looking into the near future, we also hope



to cooperate with the government to provide assistance on long-term care issues through data opening.

In recent years, the Company has joined forces with life insurance companies to turn love into action. This not only deepens our emotional bond with the community, but also further highlights our commitment as a community health care station to care for the underprivileged. SHUI-MU is not just a shoe store; we are also a member of the community that will continue to provide health care through community care and become a partner of community residents. In Taiwan, we are playing a role in taking care of everyone's feet. We will continue to develop shoes that are most suitable for Taiwanese feet. As a "foot health expert," the Company uses technological innovation and professionalism to improve the health of Taiwanese people and help them walk with confidence and live a beautiful life.

External competition, overall business environment, and future outlook

"Feet are the second heart of a person." Everyone's feet are unique and have their own "health code." Foot health examination using the "Dynamic Foot Pressure Measurement System" is the first step to ensure everyone's health and quality of life throughout their lifetime. The reason why foot health is essential is because the feet are linked to the health of the whole body. Therefore, taking good care of your feet will naturally make your body healthy. In order to achieve the corporate vision of "foot health care," in 2024, apart from continuing to promote various key tasks, we will actively make connections with the medical care industry and create a medical value chain with the foot measurement database. Without shying away from market competition and changes, we use our experience to support new ideas and new technologies in transforming old ways of thinking. In the future, SHUI-MU will not only make people think of "leather shoes," but also have them think of a "foot health expert" and "beautiful life." SHUI-MU will become the guardian of the health of Taiwanese people and help customers achieve the vision of "a beautiful life begins with foot health."

Chairman: Lo, Jung-Yueh

Managerial Officer: Kuo, Hsin-Yi

Accounting Officer: Li, Ching-Feng

March 12, 2024

## Two. Company Profile

### I. Date of establishment

The founder, Mr. Lo, Shui-Mu established the “A.S.O Shoeshine Shop” on November 5, 1952, and on August 25, 2003, the SHUI-MU International Co., Ltd. was incorporated.

Address of the Company's Head Office and Branches, and Tel. Nos.:

1. Address of head office: 6F, No. 168, Songjiang Rd., Zhongshan District, Taipei City

Tel:(02)6618-9999

2. Names, addresses, and phone numbers of stores (as of March 31, 2024)

Name of store	Address	Tel
Nanjing Store, SHUI-MU International Co., Ltd.	No. 30, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	(02) 2511-4535
Ximen Store, SHUI-MU International Co., Ltd.	No. 38, Emei St., Wanhua Dist., Taipei City	(02) 2331-2757
Neihu Store, SHUI-MU International Co., Ltd.	No. 40, Sec. 4, Chenggong Rd., Neihu Dist., Taipei City	(02) 2793-2473
Zhongxiao Store, SHUI-MU International Co., Ltd.	No. 100, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City	(02) 2711-8748
Taichung Store, SHUI-MU International Co., Ltd.	No. 189, Sec. 1, Taiwan Blvd., Central Dist., Taichung City	(04) 2222-5397
Shinkuchan Store, SHUI-MU International Co., Ltd.	1F., No. 211, Wufu 2nd Rd., Xinxing Dist., Kaohsiung City	(07) 215-7723
Zhongli Xinsheng Store, SHUI-MU International Co., Ltd.	No. 72, Xinsheng Rd., Zhongli Dist., Taoyuan City	(03) 422-4886
Changhua Store, SHUI-MU International Co., Ltd.	No. 38, Heping Rd., Changhua City, Changhua County	(04) 727-7612
Hualien Zhongshan Store, SHUI-MU International Co., Ltd.	No. 166, Zhongshan Rd., Hualien City, Hualien County	(03) 833-7981
Luodong Store, SHUI-MU International Co., Ltd.	No. 51-6, Minsheng Rd., Luodong Township, Yilan County	(03) 954-3026
Chiayi Zhongshan Store, SHUI-MU International Co., Ltd.	No. 369, Zhongshan Rd., West Dist., Chiayi City	(05) 228-6349
Tainan Zhongzheng II Store, SHUI-MU International Co., Ltd.	No. 202 and 204, Zhongzheng Rd., West Central Dist., Tainan City	(06) 228-0276
Yonghe Store, SHUI-MU International Co., Ltd.	No. 210, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City	(02) 2232-4695
Taoyuan Store, SHUI-MU International Co., Ltd.	1F and 2F, No. 80, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	(03) 331-1428
Hsinchu Zhongzheng Store, SHUI-MU International Co., Ltd.	No. 58, Zhongzheng Rd., East Dist., Hsinchu City	(03) 522-9798
Fengshan Store, SHUI-MU International Co., Ltd.	No. 118-1, Zhongshan Rd., Fengshan Dist., Kaohsiung City	(07) 799-2238
Keelung Aisan Store, SHUI-MU International Co., Ltd.	No. 110, Aisan Rd., Ren'ai Dist., Keelung City	(02) 2425-0298
Luodong Store, SHUI-MU International Co., Ltd.	No. 192, Pinghe Rd., Gangshan Dist., Kaohsiung City	(07) 624-5470
Changping Store, SHUI-MU International Co., Ltd.	No. 59, Sec. 1, Changping Rd., Beitun Dist., Taichung City	(04) 2232-1487
Zhunan Store, SHUI-MU International Co., Ltd.	No. 67, Bo'ai St., Zhunan Township, Miaoli County	(037) 483-831
Yilan Store, SHUI-MU International Co., Ltd.	No. 102, Sec. 3, Zhongshan Rd., Yilan City, Yilan County	(03) 931-4286
Bade Store, SHUI-MU International Co., Ltd.	No. 115, Sec. 3, Bade Rd., Songshan Dist., Taipei City	(02) 2579-5897
Heping Store, SHUI-MU International	No. 244, Heping 1st Rd., Lingya Dist.,	(07) 227-1938

Name of store	Address	Tel
Co., Ltd.	Kaohsiung City	
Dongning Store, SHUI-MU International Co., Ltd.	No. 211, Dongning Rd., East Dist., Tainan City	(06) 274-7975
Luodong Store, SHUI-MU International Co., Ltd.	No. 674, Xingfu Rd., Xinzhuang Dist., New Taipei City	(02) 8991-2910
Tamsui Store, SHUI-MU International Co., Ltd.	No. 12, Yingzhuan Rd., Tamsui Dist., New Taipei City	(02) 2620-4793
Wujia Store, SHUI-MU International Co., Ltd.	No. 627, Wujia 2nd Rd., Fengshan Dist., Kaohsiung City	(07) 812-7936
Miaoli Store, SHUI-MU International Co., Ltd.	No. 29, Guangfu Rd., Miaoli City, Miaoli County	(037) 335-327
Chuiyang Store, SHUI-MU International Co., Ltd.	No. 523, Chuiyang Rd., West Dist., Chiayi City	(05) 283-8559
Beixin Store, SHUI-MU International Co., Ltd.	No. 69, Sec. 2, Beixin Rd., Xindian Dist., New Taipei City	(02) 2915-6582
Dongmen Store, SHUI-MU International Co., Ltd.	1F., No. 207, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City	(02) 2322-5457
Banqiao Fuzhong Store, SHUI-MU International Co., Ltd.	No. 5, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City	(02) 2961-7581
Caotun Store, SHUI-MU International Co., Ltd.	No. 311, Sec. 2, Taiping Rd., Caotun Township, Nantou County	(049) 235-6125
Zhubei Sanmin Store, SHUI-MU International Co., Ltd.	No. 413, Sanmin Rd., Zhubei City, Hsinchu County	(03) 551-1756
Dajia Store, SHUI-MU International Co., Ltd.	No. 29, Jianggong Rd., Dajia Dist., Taichung City	(04) 2688-0539
Sanduo Store, SHUI-MU International Co., Ltd.	No. 230, Sanduo 3rd Rd., Lingya Dist., Kaohsiung City	(07) 338-2472
Luodong Store, SHUI-MU International Co., Ltd.	No. 25, Zhengyi N. Rd., Sanchong Dist., New Taipei City	(02) 8982-1729
Douliu Store, SHUI-MU International Co., Ltd.	No. 15, Datong Rd., Douliu City, Yunlin County	(05) 533-9175
Xintai Store, SHUI-MU International Co., Ltd.	No. 112, Xintai Rd., Xinzhuang Dist., New Taipei City	(02) 2990-6530
Danan Store, SHUI-MU International Co., Ltd.	No. 981, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City	(03) 377-7542
Yongchun Store, SHUI-MU International Co., Ltd.	No. 512, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	(02) 2346-5027
Yongkang Dawan Store, SHUI-MU International Co., Ltd.	No. 703-3, Dawan Rd., Yongkang Dist., Tainan City	(06) 205-4037
Taitung Store, SHUI-MU International Co., Ltd.	No. 454, Sec. 1, Zhonghua Rd., Taitung City, Taitung County	(089) 347-720
Zhonghe Store, SHUI-MU International Co., Ltd.	No. 18, Zhonghe Rd., Zhonghe Dist., New Taipei City	(02) 2242-7190
Shuanglian Store, SHUI-MU International Co., Ltd.	No. 25, Minsheng W. Rd., Zhongshan Dist., Taipei City	(02) 2531-8772
Jiali Store, SHUI-MU International Co., Ltd.	No. 271, Guangfu Rd., Jiali Dist., Tainan City	(06) 721-0804
Puli Store, SHUI-MU International Co., Ltd.	No. 403, Zhongzheng Rd., Puli Township, Nantou County	(049) 299-2597
Longshan Store, SHUI-MU International Co., Ltd.	No. 186, Sec. 1, Xiyuan Rd., Wanhua Dist., Taipei City	(02) 2336-3948
Mingcheng Store, SHUI-MU International Co., Ltd.	No. 48-1, Mingcheng 2nd Rd., Sanmin Dist., Kaohsiung City	(07) 341-4483
Huwei Store, SHUI-MU International Co., Ltd.	No. 102, Zhongzheng Rd., Huwei Township, Yunlin County	(05) 636-4283
Chaozhou Store, SHUI-MU International Co., Ltd.	No. 72, Xinsheng Rd., Chaozhou Township, Pingtung County	(08) 789-4553
Madou Store, SHUI-MU International	No. 70, Xingzhong Rd., Madou Dist., Tainan	(06) 571-7463

Name of store	Address	Tel
Co., Ltd.	City	
Nanshijiao Store, SHUI-MU International Co., Ltd.	No. 60, Sec. 1, Xingnan Rd., Zhonghe Dist., New Taipei City	(02) 2940-6232
Yangmei Store, SHUI-MU International Co., Ltd.	No.113, Dacheng Rd., Yangmei Dist., Taoyuan City	(03) 478-6031
Qishan Store, SHUI-MU International Co., Ltd.	No.664, Yanping 1st Rd., Qishan Dist., Kaohsiung City	(07) 662-8192
Tucheng Store, SHUI-MU International Co., Ltd.	No.166, Yumin Rd., Tucheng Dist., New Taipei City	(02) 8262-7987
Zhudong Store, SHUI-MU International Co., Ltd.	No. 190, Sec. 3, Changchun Rd., Zhudong Township, Hsinchu County	(03) 594-0237
Shilin Store, SHUI-MU International Co., Ltd.	No. 214, Zhongzheng Rd., Shilin Dist., Taipei City	(02) 2831-7724
Dali Store, SHUI-MU International Co., Ltd.	No. 456, Sec. 2, Zhongxing Rd., Dali Dist., Taichung City	(04) 2486-4226
Wufeng Store, SHUI-MU International Co., Ltd.	No. 976, Zhongzheng Rd., Wufeng Dist., Taichung City	(04) 2333-4838
Luzhou Store, SHUI-MU International Co., Ltd.	1F., No. 121, Chang'an St., Luzhou Dist., New Taipei City	(02) 2288-5420
Nantou Store, SHUI-MU International Co., Ltd.	No. 176, Fuxing Rd., Nantou City, Nantou County	(049) 220-8473
Dachang Store, SHUI-MU International Co., Ltd.	No. 132, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City	(07) 381-1081
Sanxia Store, SHUI-MU International Co., Ltd.	No. 74, Wenhua Rd., Sanxia Dist., New Taipei City	(02) 2674-7972
Shalu Store, SHUI-MU International Co., Ltd.	No. 162, Shatian Rd., Shalu Dist., Taichung City	(04) 2663-2146
Penghu Store, SHUI-MU International Co., Ltd.	No. 60-1, Zhongzheng Rd., Magong City, Penghu County	(06) 927-4720
Shinkuchan Store, SHUI-MU International Co., Ltd.	1F., No. 11, Minguang Rd., Xinying Dist., Tainan City	(06) 632-8548
Donggang Store, SHUI-MU International Co., Ltd.	No. 178, Zhongzheng Rd., Donggang Township, Pingtung County	(08) 832-6771
Qingshui Store, SHUI-MU International Co., Ltd.	No. 243-1, Zhongshan Rd., Qingshui Dist., Taichung City	(04) 2622-6171
Nanzi Store, SHUI-MU International Co., Ltd.	No. 154, Jiannan Rd., Nanzi Dist., Kaohsiung City	(07) 354-0908
Beigang Store, SHUI-MU International Co., Ltd.	No. 69-1, Minzhu Rd., Beigang Township, Yunlin County	(05) 782-2210
Xiaoyang Store, SHUI-MU International Co., Ltd.	No. 199-1, Xiaoyang Rd., Changhua City, Changhua County	(04) 728-4425
Puzi Store, SHUI-MU International Co., Ltd.	No. 39-8, Haitong Rd., Puzi City, Chiayi County	(05) 370-1494
Yongkang Zhonghua Store, SHUI-MU International Co., Ltd.	No. 148, Zhonghua Rd., Yongkang Dist., Tainan City	(06) 313-3153
Zhongli Zhongzheng Store, SHUI-MU International Co., Ltd.	No. 120, Zhongzheng Rd., Zhongli Dist., Taoyuan City	(03) 427-6995
Haidian Store, SHUI-MU International Co., Ltd.	No. 170, Sec. 1, Haidian Rd., Annan Dist., Tainan City	(06) 350-4392
Nankan Store, SHUI-MU International Co., Ltd.	No. 219, Nankan Rd., Luzhu Dist., Taoyuan City	(03) 312-6073
Fengyuan Store, SHUI-MU International Co., Ltd.	No. 164, Zhongzheng Rd., Fengyuan Dist., Taichung City	(04)25155720
Shinkuchan Store, SHUI-MU International Co., Ltd.	No. 375, Sec. 1, Guangfu Rd., East Dist., Hsinchu City	(03) 577-5933
Houchang Store, SHUI-MU International Co., Ltd.	No. 650, Houchang Rd., Nanzi Dist., Kaohsiung City	(07) 364-6553
Beitou Store, SHUI-MU International Co., Ltd.	No. 160, Guangming Rd., Beitou Dist., Taipei City	(02) 2891-6710

Name of store	Address	Tel
Ltd.	City	
Hukou Store, SHUI-MU International Co., Ltd.	No. 40 and 42, Sec. 1, Zhongzheng Rd., Hukou Township, Hsinchu County	(03) 590-7215
Beidou Store, SHUI-MU International Co., Ltd.	No. 232, Zhonghua Rd., Beidou Township, Changhua County	(04) 888-8319
Dadun Store, SHUI-MU International Co., Ltd.	1F., No. 556, Dadun Rd., Nantun Dist., Taichung City	(04) 2320-6380
Min'an Store, SHUI-MU International Co., Ltd.	1 and 2F., No. 198, Min'an Rd., Xinzhuang Dist., New Taipei City	(02) 2203-7092
Hualien Zhongzheng Store, SHUI-MU International Co., Ltd.	No. 500, Zhongzheng Rd., Hualien City, Hualien County	(03) 835-1840
Kinmen Store, SHUI-MU International Co., Ltd.	No. 167, Zhongxing Rd., Jincheng Township, Kinmen County	(082) 373-980
Chongming Store, SHUI-MU International Co., Ltd.	No. 299, Chongming Rd., East Dist., Tainan City	(06) 267-9942
Minxiong Store, SHUI-MU International Co., Ltd.	No. 13, Shengping Rd., Minxiong Township, Chiayi County	(05) 226-9676
Yongfu Store, SHUI-MU International Co., Ltd.	No. 163, Yongfu Rd., Xitun Dist., Taichung City	(04) 2461-9495
Yuanlin Store, SHUI-MU International Co., Ltd.	No. 815, Sec. 1, Zhongshan Rd., Yuanlin City, Changhua County	(04) 836-7829
Xiangxin Store, SHUI-MU International Co., Ltd.	No. 977, Xiangxin S. Rd., Nantun Dist., Taichung City	(04) 2381-8150
Pingtung Store, SHUI-MU International Co., Ltd.	No. 307, Minsheng Rd., Pingtung City, Pingtung County	(08) 732-6564
Shulin Store, SHUI-MU International Co., Ltd.	No. 46, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City	(02) 2686-7186
Xihu Store, SHUI-MU International Co., Ltd.	No. 290, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County	(04) 885-8526
Dounan Store, SHUI-MU International Co., Ltd.	No. 61 and 63, Zhongshan Rd., Dounan Township, Yunlin County	(05) 595-1820
Zhubei Xianzheng Store, SHUI-MU International Co., Ltd.	No. 170, Xianzheng 9th Rd., Zhubei City, Hsinchu County	(03) 558-4428
Taoyuan Yiwen Store, SHUI-MU International Co., Ltd.	No. 1202, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	(03) 356-1780
Keelung Yi-er Store, SHUI-MU International Co., Ltd.	No. 21, Yi 2nd Rd., Zhongzheng Dist., Keelung City	(02) 2428-6846
Jiangzicui Store, SHUI-MU International Co., Ltd.	1F., No. 148, Sec. 2, Shuangshi Rd., Banqiao Dist., New Taipei City	(02) 2250-4166
Renwu Store, SHUI-MU International Co., Ltd.	1F., No. 38-3, Renxiong Rd., Renwu Dist., Kaohsiung City	(07) 374-7302
Luodong Store, SHUI-MU International Co., Ltd.	No. 303-1, Yucheng Rd., Zuoying Dist., Kaohsiung City	(07) 558-6022
Xizhi Farglory Store, SHUI-MU International Co., Ltd.	1F., No. 99, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City	(02) 2690-7783
A.S.O Counter, Luna Plaza, Yilan	1F., No. 6, Ln. 38, Sec. 2, Minquan Rd., Yilan City, Yilan County	(03) 932-7331
Compound Store, Dream Mall, Kaohsiung	4F., No. 789, Zhonghua 5th Rd., Qianzhen Dist., Kaohsiung City	(07) 823-0415

## II. Corporate history

Time	Overview/ Milestone
1952	Lo, Shui-Mu, the founder, established “A.S.O Shoeshine Shop.”
1966	“A.S.O Men’s Shoe Shop” was established at the entrance of a lane at No. 95, Yanping N. Rd., Sec. 2, Taipei City.
1971	The first store of “A.S.O Dual Horse Leather Shoe Store” was opened at Yanping N. Rd., Taipei City, to sell high-quality men’s and women’s shoes.
1987	The second-generation CI onboarded, and the nation-wide chain system was completed.
1995	Both men’s and women’s shoes won the “First Place of Ideal Brand in Taiwan Area” of Breakthrough Magazine
1998	Won the Honorable Mention of Printed Advertisement from China Times Advertising Award, and Bronze Award of Printed Advertisement from Times Asia-Pacific Advertising Award.
2000	Passed the “ISO 9002 International Quality Certification.”
2002	The third-generation of CI was launched. Launching into the Australian market: L&J was opened in Sunny Bank
2003	“SHUI-MU International Co., Ltd.” was incorporated.
2004	The Company became the first certified “Good Store Practice of Shoe Industry” that passed the assessment of the MOEA. Owned 100 stores nation-wide.
2005	The Company became the first “Good Model of Shoe Industry” awarded by the MOEA. The second brand, BESO, was established to focus on the young female market.
2006	Awarded with the “Excellent Brand of Taiwan” by the MOEA. Activated “Management Associate Training Program” to recruit the management trainees for the elite talent reserve in the future.
2007	To motivate and retain talents, and provide a stage for employees to grow, the “store in-store” system was established for outstanding store managers to be awarded more to improve the operating performance and sales performance.
2008	Seven store managers won the “Excellent Store Manager for Services” by Taiwan Chain Stores and Franchise Association, the best result in the history. Held the shoe design contest “Golden Shoe Award” to cultivate the talents of shoe designers.
2009	Awarded with the 17th “Industry Technology Development Award - Outstanding Innovation Award” by the MOEA. Won the “Times Global Chinese Advertisement Award - Bronze Award” with the advertisement of “A.S.O 3E Walking Shoes.” First place of the shoe brand image among customer by E-ICP Marketing Database
2010	Awarded with the 19th “National Award of Outstanding SMEs” by the MOEA. Awarded with the “Excellent Brand Award for Commercial Service Sector .” Won the “Popular Advertising Slogan” of Brain Magazine with “You A.S.O beautiful” in 2007, 2009, 2010 for three times; the slogan became the “Timeless Phrase” of Taiwanese advertisement. Obtained the brand right of Italian brand “RENATA” and create the brand “Vinaso.”
2011	Awarded with the “Top 100 Brand of Taiwan” by the MOEA. The five series of products, A.S.O “Coffee Boots,” “Prestige Anniversary Shoes,” “Extra-Powerful Air Cushion Shoes,” “New 3E Walking Shoes,” and “Arch Support Shoes” won the 19th “Taiwan Excellence Award” from the MOEA. The Technology Store in Taipei City won the first place of the “Golden Energy Saving Award” by Taipei City Government. Five store managers won the “Excellent Store Manager for Services” by Taiwan

Time	Overview/ Milestone
	Chain Stores and Franchise Association (the enterprise won the most seats), and it was the fourth consecutive year to win the most seats of the Award. Awarded with the Silver Medal Award of Talent Quality-management System (TTQS) Evaluation by the Ministry of Labor, Executive Yuan.
2012	The Shizhong Store in Taipei City won the Excellence Award of the “Golden Energy Saving Award” by Taipei City Government. The series products of A.S.O “Flexible Core Shoes” won the 20th “Taiwan Excellence Award” from the MOEA. The heel-shoes of Flora Makeup Series won the “Golden Point Design Award.” The “Golden Medal Award” of the National Excellent Products by the Consumers' Foundation, Chinese Taipei The first brand of the Consumers' Foundation, Chinese Taipei In the 2012 Consumer’s Ideal Brand Survey of Management Magazine, A.S.O was the first place of female shoes, and the second place of male shoes. The founder, Lo, Shui-Mu was awarded the “Medal of Economic Professional” by the MOEA at the 60th anniversary of Shui-Mu International. Four store managers won the “Excellent Store Manager for Services” by Taiwan Chain Stores and Franchise Association. The Shanghai subsidiary was established and the Company launched into the Chinese Market.
2013	The A.S.O “Men’s Support Series,” “Dual-Density Air Cushion Series with High Flexibility,” “Flora Makeup Series,” and “Double Material with Stress Relief Series” won the 21st “Taiwan Excellence Award” from the MOEA. In the 2013 Consumer’s Ideal Brand Survey of Management Magazine, A.S.O was the first place of female shoes, and the first place of male shoes. Four store managers won the “Excellent Store Manager for Services” by Taiwan Chain Stores and Franchise Association.
2014	Six series of A.S.O, namely “Lightweight Walking Series,” “Men’s Extra-Lightweight Shoes,” “Stress-Relief Walking Shoes,” “Men’s/Women’s Arch Support Air Cushion Shoes,” “Top-Class Air Cushion Shoes — Men’s Support Shoes,” and “Women’s II Shoes with Perfect Flexibility” won the 22nd “Taiwan Excellence Award” from the MOEA for the fourth consecutive year. Won two creative invention awards from the 42nd Geneva International Exhibition of Inventions: the “Women’s Nano Shoes” won the “Golden Medal Award.” The “Men’s Nano Shoes” won the “Bronze Medal Award.” Won a golden medal award in the Pittsburgh International Invention Exhibition The Nanjing subsidiary was established. The Neihu Store won the Excellence Award of the “Golden Energy Saving Award” by Taipei City Government. The Neihu Store won the Excellence of Taipei City Government’s Store Energy-Saving Design Contest. The Company’s shares were listed in Taiwan Stock Exchange on September 15, and the Company became the first TWSE-listed shoe chain store in Taiwan. Eight stores in Taipei received the subsidies from Taipei City Government for corporate energy -saving.
2015	Awarded with the Silver Medal Award of Talent Quality-management System (TTQS) Evaluation by the Ministry of Labor, Executive Yuan in May. Won the Excellent Award for Old Shop as “Innovative Operation, Classic Model” from Department of Commerce, MOEA; the award was to praise the Taiwanese corporates with good cultural image and disciplined operations. The Zhongxiao Store won the Excellence of Taipei City Energy-Saving Leader Award

Time	Overview/ Milestone
2016	<p>The Zhongxiao Store won the Silver Award of Store Energy-Saving Design Award.</p> <p>Two store managers won the “Excellent Store Manager for Services” by Taiwan Chain Stores and Franchise Association.</p> <p>Won the Silver Power-Saving Award of Smart Power-Saving Program of Changhua County Government.</p> <p>Won the Best Summer Energy Saver Award from Taoyuan City Government.</p> <p>The Gongyi Store and the Loudong Store won the Special Award and Third-Place in Taipower’s 2016 Contest for Energy-Saving, Carbon-Reducing, and Love for the Earth.</p> <p>Won the Commercial Smart Subsidy for Energy Saving from Department of Economic Development, Taipei City Government.</p> <p>Created the brand “Bo Bonny,” and the subsidiary Lovely International Co., Ltd. was established.</p> <p>Created brand “Comphy+.”</p>
2017	<p>One store manager won the “Excellent Store Manager for Services” by the Taiwan Chain Stores and Franchise Association.</p> <p>Silver Medal Award of Talent Quality-management System (TTQS) Evaluation.</p> <p>Won the Work-Life Balance Subsidy Program of the Ministry of Labor.</p> <p>Won the subsidy from the HR Improvement Program of the Ministry of Labor.</p> <p>The Longshan Store won the Excellence of 2017 Taipei City Energy-Saving Leader Award.</p> <p>Established the subsidiary, Comphy International Co., Ltd.</p> <p>Established the subsidiary, Beso International Co., Ltd.</p>
2018	<p>One store manager won the “Excellent Store Manager for Services” by Taiwan Chain Stores and Franchise Association.</p> <p>Awarded with the Silver Award of Talent Quality-management System Evaluation by the Ministry of Labor, Executive Yuan.</p> <p>Won the subsidy from the Corporate HR Improvement Program of the Ministry of Labor, Executive Yuan.</p> <p>Won the Corporate HR Improvement Program of the Ministry of Labor, Executive Yuan, and participated the static exhibition as an outstanding corporate.</p> <p>Won the 2018 Youth Employment Flagship Program of the Ministry of Labor, Executive Yuan</p> <p>Praised by the MOF as the Outstanding Taxpayer with Uniform Invoice of 2018.</p>
2019	<p>In the 2019 Consumer’s Ideal Brand Survey of Management Magazine, A.S.O won the first place of female shoes consecutively.</p> <p>Won the 2019 Youth Employment Flagship Program of the Ministry of Labor, Executive Yuan</p> <p>The Sanxia Store won the Excellence Award of 2019 New Taipei City Smart Energy-Saving Outstanding Corporate.</p>
2020	<p>In the 2020 Consumer’s Ideal Brand Survey of Management Magazine, A.S.O won the champion for both men and women’s shoes.</p>
2021	<p>Won the 18th National Brand Yushan Award, the National First Place - Outstanding Corporate</p> <p>Won the 18th National Brand Yushan Award, the Yushan Award - Outstanding Corporate Category</p> <p>Won the 18 National Innovation Award, Corporate Innovation Award - Smart Medical Care and Health Technology Category</p>
2022	<p>Won the “Golden Medal Award” from the Geneva International Exhibition of Inventions.</p> <p>Won the 17th Golden Flam Award “Annual Innovative Design Category”</p>
2023	<p>Acquired and renamed Shuan Yue Shoemaking Ltd. “Shuan Yue Co., Ltd.”</p>



(I) Merger and acquisition activities

In case of merger and acquisition, the Company will, pursuant to the "Operational Procedures for Acquisition and Disposal of Assets," with prudential attitude toward assessment, to consider whether the merger brings specific synergy to the Company, to fully secure the Company's interest and the shareholders' rights. On August 8, 2023, the Company's board of directors resolved to merge and acquire the affiliated enterprise Shuan Yue Shoemaking Ltd. and the relevant descriptions are as follows:

1. Purpose: To improve and strengthen product functions.
2. Transaction amount: NT\$3,526,000.
3. Expected benefits of the M&A: Enable better and more complete product functions and strengthen the competitiveness of the Company's product sales.
4. Impact of the M&A on net worth per share and earnings per share: No significant impact on the net worth per share and earnings per share.
5. Shareholders' equity is not affected.

(II) Reinvestees:

Status of reinvestees during the most recent year up to the publication date of this annual report: None.

(III) Restructure of the Company: none

(IV) Instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hand

There was no instance in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hand.

(V) Any change in managerial control: none.

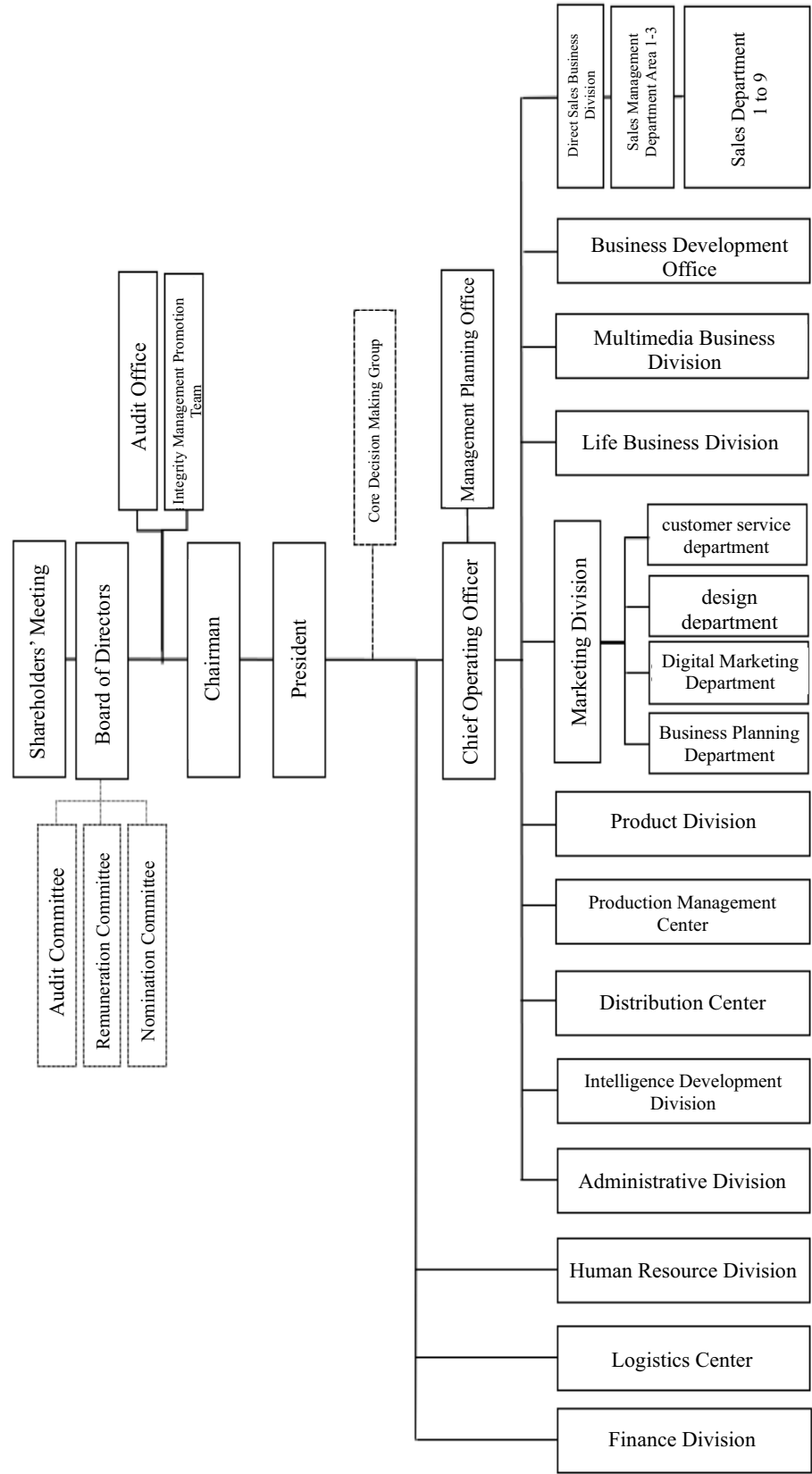
(VI) Any material change in operating methods or type of business: none

(VII) Any other matters of material significance that could affect shareholders' equity: none.

Three. Corporate Governance Report

I. Organizational structure

1. Organizational structure of the Company



## 2. Responsibilities of main departments

Unit	Main functions
Audit Office	Operational risk effectiveness assessment, internal control system inspection and assessment, internal audit planning and implementation
Integrity Management Promotion Team	Promotion of ethical business policies and programs
General Manager's Office	Core decision-making, operation optimization, health promotion, and promotion and development of new business entity
Management Planning Office	New Business Development, Inter-industry Cooperation & Project Support
Direct Sales Business Division	Operational management and strategic promotion of business divisions
Multimedia Business Division	E-commerce and multimedia operations management
Life Business Division	Developing a full range of products to be sold through multiple channels to promote better living for our customers.
Wholesale Business Division	Operation management of group sales channel
Production Management Center	Supply chain management; integration management of product quality and maintenance
Distribution Center	Product procurement budget management, product allocation control and distribution management for purchase, sales, and inventory
Logistics Center	Logistics transportation management and the establishment of in-house logistics center
Marketing Division	Brand image building and marketing campaign planning
Product Division	Product planning, R&D and supplier development
Intelligence Development Division	Development of enterprise digitization and data application, system integration and information security management
Administrative Division	Procurement and management of administrative general affairs, store expansion design and planning
Human Resource Division	Human resource management and talent development and cultivation
Finance Division	Overall planning of financial and accounting affairs, and budgets; business investment evaluation and management

## II. Background information of Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and the heads of various departments and branches

### 1. Information about directors and supervisors

Title	Nationality of place of domicile	Name	Gender and age	Date of appointment	Term of office	Date first elected	Shareholding as of elected date		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Major academic and career achievements		Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		Remarks
							Number of shares	Percentage held	Number of shares	Percentage held	Number of shares	Percentage held	Number of shares	Percentage held				Title	Name	Relationship
Chairman	Taiwan	Jung-Yueh Lo	Male 61-70 years old	2021/08/04	Three years	2007/11/13	7,992,500	11.96%	7,392,500	11.07%	79,271	0.12%	7,910,452	11.85%	EMBA, National Taiwan University Bachelor, Department of Architecture, Chung Yuan Christian University Chairman, SHUI-MU International Co., Ltd. Director, GIANT DALI CONSULTING (SAMOA) CO., LTD. Director, Shuan Yue Shoemaking Ltd. Director, Shuan Yue Shuan Co., Ltd. Chairman, Yueh Ya Chuan CO., LTD. Director, A.S.O International Co., Ltd. Chairman, SHUI-MU Culture and Art Foundation Chairman, Taiwan Chain Stores and Franchise Association (ICTFA)	Chairman, SHUI-MU International Co., Ltd. Director, GIANT DALI CONSULTING (SAMOA) CO., LTD. Director, Shuan Yue Shoemaking Ltd. Chairman, Yueh Ya Chuan CO., LTD.	Director	Shui-Mu Lo	Father	
Director	Taiwan	Shui-Mu Lo	Male 91-100 years old	2021/08/04	Three years	2003/08/20	297,682	0.45%	297,682	0.45%	352,682	0.53%	0	0%	Dropped out from Nantong Elementary School, Keelung City Founder, SHUI-MU International Co., Ltd. Chairman, SHUI-MU International Co., Ltd. Supervisor, SHUI-MU International Co., Ltd. Director, Chian-Hua Construction Co., Ltd. Chairman, Taipei City Leather Good Industry Association Chairman, District 300A1, Taipei Tong-Yi Lion Club Chairman, Association of Friends for Firefighter, Taipei City Director, Chang Chang-Ting Memorial Foundation	Director, SHUI-MU International Co., Ltd. Director, Chian-Hua Construction Co., Ltd.	Chairman Director	Joseph Lo A-Tou Lin	Son Spouse	
Director	Taiwan	A-Tou Lin	Female 81-90 years old	2021/08/04	Three years	2015/06/18	312,682	0.47%	352,682	0.53%	297,682	0.45%	0	0%	Director, Chang Chang-Ting Memorial Foundation Director, SHUI-MU International Co., Ltd. Supervisor, SHUI-MU International Co., Ltd. Supervisor, Chian-Hua Construction Co., Ltd. Director, Yueh Ya Chuan CO., LTD. Chairman, Sister Fellowship, Tainmu Church, the Presbyterian Church in Taiwan	Director, SHUI-MU International Co., Ltd. Supervisor, Chian-Hua Construction Co., Ltd. Director, Yueh Ya Chuan CO., LTD.	Chairman Director	Joseph Lo Shui-Mu Lo	Son Spouse	
Director	Taiwan	Tung-Hsien Chen	Male 71-80 years old	2021/08/04	Three years	2015/06/18	0	0%	0	0%	0	0%	0	0%	MBA, University of Wisconsin Master of Laws, Chinese Culture University Executive Consultant, ASIA31TC FIBER Corporation Director, SHUI-MU International Co., Ltd. CEO and Supervisor, TA-I Technology Co., Ltd. Executive Consultant, CHENG SENG GROUP President, Headquarter, Formosa Group President, KOBAYASHI OPTICAL CO., LTD. President, UNIVERSAL VISION BIOTECHNOLOGY CO., LTD. CEO, Order-System Furniture Company President, Taiwan Furniture Co., Ltd. Professor, Department of Business Administration of Chinese Culture University, Tamkang University, Tunghai University, Soochow University, and Kunshan University Chairman, Lian Sheng Business Administration Consulting Co., Ltd. Executive Consultant, CITYSPACE INTERNATIONAL CO., LTD. Executive Consultant, SoftPower Co., Ltd. Executive Advisor, C-Tech United Corp.	Director, SHUI-MU International Co., Ltd. Chairman, Lian Sheng Business Administration Consulting Co., Ltd. Executive Consultant, Bi-Jin Biotech CORPORATION Operating Consultant, Tea Journey Company Operating Consultant, Tayou Kao Kong Enterprise Operating Consultant, Menwen Jewelry Co., Ltd. Operating Consultant, OAV Equipment And Tools, INC.	None	None	None	
Independent Director	Taiwan	Wei-Chih Wu (Wu, Nien-Cheng)	Male 71-80 years old	2021/08/04	Three years	2012/12/18	0	0%	0	0%	0	0%	0	0%	Bachelor, Department of Accounting, Fu Jen Catholic University Chairman, Wu Nien Cheng Planning and Production Ltd. Independent Director, SHUI-MU International Co., Ltd. Chairman, Greenlight Creative and Arts Co., Ltd.	Chairman, Wu Nien Cheng Planning and Production Ltd. Independent Director, SHUI-MU International Co., Ltd. Chairman, Greenlight Creative and Arts Co., Ltd.	None	None	None	

Title	Nationality or place of domicile	Name	Gender	Date of election	Term of office	Date first elected	No. of shares held at time of election		No. of shares currently held		Shares held by spouse and underage children		Shares held in the names of others		Major academic and career achievements	Current positions in the Company and other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		Remarks
							Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio			Title	Name	
Independent Director	Taiwan	Hsin-Hsiung Lu	Male 61-70 years old	2021/08/04	Three years	2018/06/21	0	0%	0	0%	0	0%	0	0%	PhD of Public Health, Saint Louis University, the U.S. Master of Integrated Health Care, Arizona State University Bachelor of Department of Business Administration, Sacred Heart University CEO, Taitung Christian Hospital Superintendent, Taitung Christian Hospital Independent Director, SHUI-MU International Co., Ltd.	CEO, Taitung Christian Hospital Independent Director, SHUI-MU International Co., Ltd.	None	None	None
Independent Director	Taiwan	Li, Pei-Yuan	Male 61-70 years old	2023/06/19	None	2023/06/19	0	0%	0	0%	0	0%	0	0%	PhD, Department of Biomedical Engineering, National Cheng Kung University Bachelor, Department of Medicine, National Yang-Ming Medical College Honorable Superintendent, Show Chwan Memorial Hospital Governor, Taiwan Orthopaedic Association Chairman, Taimet Investment Co., Ltd. Supervisor, AIBEDA HealthTech Consulting Co., Ltd. Chairman, BioDoc Capital Ltd. Director, Hepatus Care Inc.	Chairman, Taimet Investment Co., Ltd. Supervisor, AIBEDA HealthTech Consulting Co., Ltd. Chairman, BioDoc Capital Ltd. Director, Hepatus Care Inc.	None	None	None

Note 1: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the

former independent director. His term of office will start on June 19, 2023 and will end when the original term ends.

2. Major shareholders of corporate shareholders: not applicable, none of the director is a representative of corporate shareholder

3. Major shareholders of major shareholders who are corporate: not applicable.

#### 4. Disclosure of the directors' professional qualifications and independence of the independent directors

Qualifications Name	Professional qualifications and experience	Independence analysis	Number of positions as an Independent Director in other public companies
Jung-Yueh Lo	Please refer to Three, II, I. Information of Directors for the professional qualifications and experience of each director (P.16-P.17) None of the director is in any of the circumstances in the subparagraphs of Article 30 of the Company Act (Note 1)	N/A	0
Shui-Mu Lo			0
A-Tou Lin		All independent directors meeting the following conditions: 1. Compliance with Article 14-2 of the Securities and Exchange Act promulgated by the Financial Supervisory Commission, and the related requirement of the “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2) 2. Not holding the Company's shares by him/herself (or in others' names), the spouse, or minor children. 3. Not receiving amount of compensations by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the most recent two years.	0
Tsung-Hsien Chen			0
Wen-Chih Wu			0
Hsin-Hsiung Lu			0
Li, Pei-Yuan(Note3)			0

Note 1: A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. Having no or only limited disposing capacity;
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:

1. Not the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.
2. Not serving as an independent director of more than three other public companies.
3. During the two years before being elected or during the term of office, not having been or be any of the following:
  - (1) An employee of the company or any of its affiliates.
  - (2) A director or supervisor of the company or any of its affiliates.
  - (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
  - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
  - (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.
  - (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
  - (7) If the Chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
  - (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
  - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof Provided, this restriction does not apply to a member of the remuneration committee of the Company.

Note 3: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

## 5. Diversity and independence of the board of directors

### (1) Diversity of the board of directors

The Company has a Nomination Committee. The nomination and selection of board members comply with the Company's Articles of Incorporation and adopt the candidate nomination system. In addition to evaluating the qualifications of each candidate's education and experience, the opinions of stakeholders are referred to, and the "Procedures for Election of Directors" and the "Corporate Governance Best Practice Principles" are complied with to ensure the diversity and independence of directors.

### **Succession planning of board members and operation**

(I) The Company's "Articles of Incorporation" specify that the election of directors adopts the candidate nomination system in a comprehensive manner, and in the "Corporate Governance Best Practice Principles" and "Procedures for Election of Directors" that the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the two general standards, namely basic requirements and values, and professional knowledge and skills.

(II) The Company conducts director succession plan continuously, and builds a database of director candidates according to the following standards:

Ethic, responsibility, innovation and decision-making capability; in line with the Company's core values, with professional knowledge and skills that are helpful to the Company's operation and management. Having the experience related to the Company's business, or the professional experience required for future development goals. Expected to provide the Company with a board of directors diverse and meeting the needs of the Company. At least one female director is required, and the overall board of directors' expertise needs to include business management, leadership and decision-making, industry knowledge, information technology, marketing management, finance and accounting, law, and environmental protection. Please refer to page 21 for the implementation of the diversity of the current directors

The selection process of the Company's director candidate list must comply with qualification review and related regulations, to ensure that suitable new director candidates can be selected.

(III) The Company has stipulated the "Rules for Performance Evaluation of Board of Directors;" through the measurement items of performance evaluation, including the alignment of the goals and missions of the company, awareness of the duties, participation in the operation, management of internal relationship and communication, professionalism and continuing education, and internal control, to verify the effective operation of the board of directors while evaluating the performance of directors as a reference for future selection of directors.

### **Diversity policy of the board of directors**

Corporate Governance Best Practice Principles

Article 20

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture; it is advisable that the number of female directors accounts for at least one-third of all the directors.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to conduct crisis management.
- V. Knowledge of the industry.
- VI. An international market perspective.
- VII. Ability to lead.
- VIII. Ability to make policy decisions.

The specific management objectives and achievements of the Company's diversity policy are summarized below:

Management Objectives	Achievement of the situation
At least one-third of the Board of Directors has expertise in the computer industry, marketing or technology	achieve
At least one-third of the independent directors have legal, financial or scientific expertise.	achieve



# Implementation of the diversity of board members are as the following table:

Core item of diversity	Composition				Industry experience			Professional abilities							
	Gender	Age			Nationality	Concurrent employee in the Company	Length of terms as Independent Director	Management administration	Leadership and decision-making	Knowledge of the industry.	Information technology	Marketing management	Finance and accounting	Legal	Environmental protection
		61 to 70	71 to 80	81 to 90											
Name of director															
Jung-Yueh Lo	Male	V			Taiwan	V		V	V	V			V		V
Shui-Mu Lo	Male				Taiwan	V		V	V	V					V
A-Tou Lin	Female			V	Taiwan			V	V	V					V
Tsung-Hsien Chen	Male		V		Taiwan			V	V	V	V	V		V	V
Wen-Chih Wu	Male		V		Taiwan			V	V	V	V	V	V	V	V
Hsin-Hsiung Lu	Male	V			Taiwan			V	V	V			V	V	V
Li, Pei-Yuan(Note)	Male	V			Taiwan			V	V	V		V			V
Proportion of the directors (quantified data)	Female : 14%					Concurrent employees 29%	Independent directors 43%	100%	100%	100%	29%	57%	43%	43%	100%

Note 1: The current board of directors consists of seven directors (including three independent directors). All of them are outstanding professionals with rich professional and practical experience, and have the abilities of decision-making, business management, operational judgment, crisis management, industry knowledge, and international market outlook. The three independent directors have expertise in financial accounting, law, and marketing management, and the four directors have backgrounds and expertise in financial accounting, technology, and industrial marketing. The implementation of the board diversity policy helps improve corporate governance efficiency and business management performance.

Note 2: Distribution of the tenure and years of service of independent directors: Director Wen-Chih Wu has served as the incumbent for 12 years since August 4, 2021; Director Hsin-Hsiung Lu has served as the incumbent for 6 years since June 21, 2018; Director Hsi-Peng Lu has served as the incumbent for 5 years since June 21, 2018. Director Pei-Yuan Li has served as the incumbent for one year since June 19, 2023. With the exception of Director Wen-Chih Wu, all independent directors have not served for more than three consecutive terms.

The Company's board members are all nationals of the Republic of China, with three independent directors and one female director (accounting for 43% and 14% of all directors, respectively). In the future, the Company plans to add more female directors for gender equality. As of the end of 2023, there were three directors aged between 61-70, two directors aged between 71-80, one director aged between 81-90, and one director aged between 91-100. All independent directors have met the requirements of the Securities and Futures Bureau, Financial Supervisory Commission on independent directors. For the educational background, gender, professional qualification, work experience, and other relevant information of each director, please refer to Two. Corporate Governance Report - II-1 Information of Directors.

Note 3: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

(2) Independence of the board of directors

- A. For all the members of the board of directors, none of the circumstances listed in Article 30 of the Company Act apply: director Joseph Lo is a first-degree relative of Director Shui-Mu Lo and Director A-Tou Lin. For the remaining four directors, none of the circumstances listed in Article 26-3 of the Securities and Exchange Act (where more than half of directors are spouses or relatives within the second degree of kinship) apply.
- B. All independent directors meet the requirements set by the Financial Supervisory Commission on independent directors, and their independence is stated as follows:

Name	Does the independent director, his/her spouse or relative within the second degree of kinship serve as a director, supervisor, or employee of the Company or its affiliated enterprises	Number and percentage of shares held by the independent director, his/her spouse or relatives within the second degree of kinship (or in the name of another person) in the Company	Does the independent director serve as a director, supervisor, or employee of a company specifically related to the Company	Amount of remuneration received for providing commercial, legal, financial, accounting services to the Company or its affiliated enterprises in the most recent two years
Wen-Chih Wu	No	None	No	None
Hsin-Hsiung Lu	No	None	No	None
Pei-Yuan Li (Note)	No	None	No	None

Note : Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

(II) General manager, assistant general managers, deputy assistant general managers, and the supervisors of all divisions and branches

April 20, 2024; Unit: shares

Title	Nationality	Name	Gender	Date elected / appointed	at time of election		Shares held by spouse and underage children		Shares held in the names of others		Major academic and career achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					Number of shares	Percentage held	Number of shares	Percentage held	Number of shares	Percentage held			Title	Name	Relationship	
President	Taiwan	Michelle Kuo	Female	105/07/07	8,000	0.01%	0	0%	0	0%	EMBA, National Chengchi University President, SHUI-MU International Co., Ltd.	Chairman, Yishen International Co., Ltd. Chairman, COMPHY INTERNATIONAL COMPANY LIMITED	Chairman	Joseph Lo	Second degree of kinship	
VP	Taiwan	Li-Ling Lo	Female	99/06/01	100,275	0.15%	0	0%	0	0%	EMBA, National Chiao Tung University Vice President, Finance Division, SHUI-MU International Co., Ltd. Administrative Manager, OLD FARMER (Shanghai) LANDSCAPE ARCHITECTURE CO. Vice Manager, Department of Procurement, SUNPENTOWN INT'L INC.	Supervisor, COMPHY INTERNATIONAL COMPANY LIMITED Director, Chian Hua Enterprise Co., Ltd. Director, Wensu Asset Co., Ltd.	None	None	None	
VP	Taiwan	Mei-Lan Chang	Female	99/06/01	63,298	0.09%	0	0%	0	0%	EMBA, National Taiwan University Vice President, HR Division, SHUI-MU International Co., Ltd.	Supervisor, Yueh Ya Chuan CO., LTD. Director, COMPHY INTERNATIONAL COMPANY LIMITED	None	None	None	
Chief Operating Officer	Taiwan	chan hung cheng (Note1)	Female	113/02/01	0	0%	0	0%	0	0%	M.S., Graduate School of Business, Nihon University Department of Industrial Economics, Tamkang University Chief Operating Officer, A-Shou Enterprise Co. Special Assistant to the CEO of Cambo Group General Manager, Yubia Lifestyle Business Co. Senior Consultant, Nomura Research Institute, Inc.		None	None	None	
associate	Taiwan	Chai Hongde (Note2)	Female	112/09/01	38,194	0.06%	19,599	0.03%	0	0%	Department of Management Science, National Chiao Tung University Associate, Intelligent Development Division, A-Shou Industrial Co.		None	None	None	

Title	Nationality	Name	Gender	Date elected / appointed	at time of election		Shares held by spouse and underage children		Shares held in the names of others		Major academic and career achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remarks
					Number of shares	Percentage held	Number of shares	Percentage held	Number of shares	Percentage held			Title	Name	Relationship	
associate	Taiwan	LAU SHUI CHEUNG (Note2)	Female	112/09/01	23,314	0.03%	0	0%	0	0%	Department of Political Science, National Chung Cheng University Assistant Manager, Direct Marketing Division, A-Shou Enterprise Co.		None	None	None	
associate	Taiwan	Li Hanyang (Note2)	Female	112/09/01	10,000	0.01%	0	0%	0	0%	M.A., Department of Political Science, Soochow University Assistant Manager, Management Planning Office, A-Shou Industrial Co.		None	None	None	

Note1 : Mr. Chan Hung Cheung has been the Chief Operating Officer of the Company since February 1, 2024

Note2 : Hung-De Chai, Manager of the Company's Intelligence Development Division, Jui-Hsiang Liu, Manager of the Direct Sales Business Division, and Han-Yang Li, Director of the Business Planning Office, were promoted to associate vice presidents on September 1, 2023. Among them, Assistant Vice President Han-Yang Li resigned on April 30, 2024.

### (III) Remuneration to directors, supervisors, President and Vice Presidents

#### 1. Remuneration to Ordinary Directors and Independent Directors for 2023

Unit: NT\$ thousand; shares: %

Title	Name	Director's remuneration				The sum of A, B, C and D as a percentage of after tax profit		Remuneration received as a staff				The sum of A, B, C, D, E, F and G as a percentage of net income		Remuneration received from investee enterprises other than subsidiaries or from the parent company		
		Compensation (A)		Retirement Pension (B)		Director remuneration (C)		Fees for services rendered (D)		Salaries, bonuses, special allowances etc (E)		Retirement pension (F)				
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	Amount paid in cash	Amount paid in shares		The Company	All companies included in the consolidated statements
Chairman	Jung-Yueh Lo	0	0	0	0	0	0	0	0	4,100	4,100	0	0	0	0	
Director	Hui-Mu Lo	0	0	0	0	0	0	0	0	2,272	2,272	0	0	0	0	
Director	A-Tou Lin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director	Tsung-Hsien Chen	700	700	0	0	0	0	32	32	0	0	0	0	0	0	
Independent Director	Wen-Chih Wu	1,000	1,000	0	0	0	0	92	92	0	0	0	0	0	0	
Independent Director	Hsin-Hsiung Lu	1,000	1,000	0	0	0	0	97	97	0	0	0	0	0	0	
Independent Director	Hsi-Peng Lu (Note)	167	167	0	0	0	0	0	0	0	0	0	0	0	0	
Independent Director	Pei-Yuan Li (Note)	533	533	0	0	0	0	54	54	0	0	0	0	0	0	
Note : Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends																
1. Please describe the policy, system, standards and structure in place for paying remuneration to independent directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid: please refer to page 29.																
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises):																
							21.59%							59.03%	59.03%	Note

Remuneration scale table

Ranges of remuneration paid to the Company's directors	Name of director			
	Sum of the first 4 items (A+B+C+D)	Sum of the first 7 items (A+B+C+D+E+F+G)		
	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements
Less than NT\$1,000,000	Jung-Yueh Lo, Shui-Mu Lo, A-Tou Lin, Tsung-Hsien Chen, Hsi-Peng Lu, Pei-Yuan Li	Jung-Yueh Lo, Shui-Mu Lo, A-Tou Lin, Tsung-Hsien Chen, Hsi-Peng Lu, Pei-Yuan Li	A-Tou Lin, Tsung-Hsien Chen, Hsi-Peng Lu, Pei-Yuan Li	A-Tou Lin, Tsung-Hsien Chen, Hsi-Peng Lu, Pei-Yuan Li
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Wen-Chih Wu, Hsin-Hsiung Lu	Wen-Chih Wu, Hsin-Hsiung Lu	Wen-Chih Wu, Hsin-Hsiung Lu	Wen-Chih Wu, Hsin-Hsiung Lu
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)			Shui-Mu Lo	Shui-Mu Lo
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)			Jung-Yueh Lo	Jung-Yueh Lo
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)				
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)				
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)				
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)				
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)				
NT\$100,000,000 and above				
Total	Eight	Eight	Eight	Eight

2. Remuneration paid to supervisor for 2023: the Company has established the Audit Committee to replace the supervisors and thus not applicable.

### 3. Remuneration to President and Vice Presidents for 2023

Unit: NT\$ thousand; %

Title	Name	Salary (A)		Retirement pay and pension (B) (Note)		Rewards and special disbursements (C)		Employee remuneration (D)				The sum of A, B, C and D as a percentage of after tax profit (%)	Remuneration received from investee enterprises other than subsidiaries or from the parent company	
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		All companies included in the consolidated statements				
								Amount paid in cash	Amount paid in shares		Amount paid in cash			Amount paid in shares
President	Michelle Kuo	2,300	2,300	108	108	450	450	0	0	0	0	16.79%	16.79%	None
VP	Li-Ling Lo	1,632	1,632	99	99	150	150	0	0	0	0	11.05%	11.05%	None
VP	Mei-Lan Chang	1,584	1,584	99	99	186	186	0	0	0	0	10.98%	10.98%	None

Note: including the contribution of pension for 2023

### Remuneration scale table

Range of remunerations to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the consolidated statements
Less than NT\$1,000,000		
NT\$1,000,000 (incl.)~NT\$2,000,000 (excl.)	Li-Ling Lo, Mei-Lan Chang	Li-Ling Lo, Mei-Lan Chang
NT\$2,000,000 (incl.)~NT\$3,500,000 (excl.)	Michelle Kuo	Michelle Kuo
NT\$3,500,000 (incl.)~NT\$5,000,000 (excl.)		
NT\$5,000,000 (incl.)~NT\$10,000,000 (excl.)		
NT\$10,000,000 (incl.)~NT\$15,000,000 (excl.)		
NT\$15,000,000 (incl.)~NT\$30,000,000 (excl.)		
NT\$30,000,000 (incl.)~NT\$50,000,000 (excl.)		
NT\$50,000,000 (incl.)~NT\$100,000,000 (excl.)		
NT\$100,000,000 and above		
Total	Three	Three

4. 2023 Remuneration to the Five Highest Remunerated Management Personnel

Unit: NTD thousand

Title	Name	Salary (A)		Retirement pay and pension (B) (Note)		Bonus and Rewards and special disbursements (C)		Employee remuneration (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company	All companies included in the consolidated statements	The Company		The Company	All companies included in the consolidated statements			
								Amount paid in cash	Amount paid in shares			Amount paid in cash	Amount paid in shares	
Chairman	Jung-Yueh Lo	3,950	3,950	0	0	150	150	0	0	0	0	24.09%	24.09%	None
Director	Shui-Mu Lo	2,172	2,172	0	0	100	100	0	0	0	0	13.35%	13.35%	None
President	Michelle Kuo	2,300	2,300	108	108	450	450	0	0	0	0	16.79%	16.79%	None
VP	Li-Ling Lo	1,632	1,632	99	99	150	150	0	0	0	0	11.05%	11.05%	None
VP	Mei-Lan Chang	1,584	1,584	99	99	186	186	0	0	0	0	10.98%	10.98%	None

Note: including the contribution of pension for 2023

5. Names of managers entitled to employee remuneration and amount entitled: none.



(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

1. Analysis of the total remuneration paid by the Company and by all consolidated entities, as a percentage of net income after taxes in the parent-only or individual financial report, during the most recent 2 years to directors, supervisors, president, and vice presidents

Unit: NT\$ thousand; %

Title	2023 total remuneration as a percentage of net income after tax (%)		2022 total remuneration as a percentage of net income after tax (%)	
	The Company	Companies included	The Company	Companies included
Director	59.03%	59.03%	-5.40%	-5.40%
Supervisor	0%	0%	0%	0%
Presidents and VPs	38.82%	38.82%	-3.88%	-3.88%

2. Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure

A. Directors and supervisors

Pursuant to Article 22 of the Articles of Incorporation, the board of directors is authorized to determine the remunerations to all directors based on their participation and contributions to the Company's operations, while referring to the common level among the peers. The remunerations are paid regardless of the profit or loss, and the traveling subsidy is also disbursed based on the common level among the peers.

Pursuant to Article 27 of the Articles of Incorporation, upon the special resolution adopted by the board meeting to provide no more than 2% of the profit of the year as the director remuneration; the director remuneration shall be paid in cash and reported to the shareholders meeting. The Company's directors' remuneration is paid pursuant to the Company's "Regulations Governing Payment of Remuneration to Directors and Functional Committee." The procedure for determining remuneration is based on the Company's "Regulations Governing Self-evaluation or Peer Evaluation for the Board of Directors." In addition to referring to the Company's overall operating performance, future operating risks and development trends of the industry, the individual performance achievement rates and the contribution to the Company's performance are also referred to, for offering reasonable remuneration. The relevant performance evaluation and the reasonableness of remuneration are reviewed by the Remuneration Committee and the board of directors, and the remuneration system is reviewed at any time depending on the actual operating conditions and relevant laws and regulations, to achieve the sustainable operation of the Company and the balance of risk control. The Company's directors' remunerations of 2023 and 2022 were only paid with fixed compensations, such as attendance fees and travel expenses, without any variable remuneration.

B. President and Vice President

The remunerations for president and vice president(s) includes salary, retirement pension, reward and special expenses, and employee's profit-sharing bonuses. It is determined based on the position held, the responsibility assumed, and the contribution to the Company, while referring to the industry standard.

### III. Corporate governance

#### (I) Operation of the Board of Directors

The number of board meetings held in the most recent fiscal year was Seven (A), the attendance by the directors and supervisors was as follows:

Title	Name	No. of meetings attended in person (B)	Proxy Attendance	In-person attendance rate (%) 【B/A】 (Note)	Remarks
Chairman	Jung-Yueh Lo	6	1	85.71%	
Director	Shui-Mu Lo	7	0	100%	
Director	A-Tou Lin	7	0	100%	
Director	Tsung-Hsien Chen	6	1	85.71%	
Independent Director	Wen-Chih Wu	6	1	85.71%	
Independent Director	Hsin-Hsiung Lu	7	0	100%	
Independent Director	Pei-Yuan Li (Note)	4	0	100%	Required attendance during tenure: 4

Note: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

Other remarks:

I. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

(I) The Company has established the Audit Committee, and the matter under Article 14-3 of the Securities and Exchange Act have been submitted to the Audit Committee for discussion, and approved by all attending independent directors.

Board of Directors (Session)	Content of proposal and subsequent treatment	Any matter under Article 14-3 of the Securities and Exchange Act.	Dissenting or qualified opinion of independent director
The 7th board meeting The 9th meeting 2023/03/21	Proposal not to distribute the employee and director remuneration for 2022	V	
	Proposal to present the 2022 "Declaration of Internal Control System"	V	
	Proposal to engage the attesting CPAs to audit the Company and subsidiaries' financial statements and the compensation thereof	V	
	Proposal to purchase liability insurance for the Company's directors	V	
	Independent director's opinion: None.		
	Company's disposition on independent director's opinion: None.		
	Resolution result: unanimously approved by the present directors		
The 7th board meeting The 11th meeting 2023/05/09	Proposal to renew the financing limit from Bank of Kaohsiung	V	
	Independent director's opinion: None.		
	Company's disposition on independent director's opinion: None.		
The 7th board meeting The 13th meeting 2023/08/08	The Company's investment in Shuan Yue Shoemaking Ltd	V	
	Independent director's opinion: None.		
	Company's disposition on independent director's opinion: None.		
	Resolution result: unanimously approved by the present directors		
The 7th board meeting The 14th meeting 2023/11/09	Proposal to loan funds to Comphy International Co., Ltd.	V	
	The Company's investment in Shuan Yue Shoemaking Ltd	V	
	Independent director's opinion: None.		
	Company's disposition on independent director's opinion: None.		

- (II) For the operation of the board of directors, none of documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above.
- II. Directors' avoidance of motions which involves conflict of interest; the names of directors, details of the motions, reasons to avoid conflict of interest, and the participation in voting must be disclosed:
- (I) The Company has established the "Rules of Procedure for Board of Directors Meetings," and Article 17 of the Rules specifies that if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.
- (II) The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest for 2022 and up to the publication date of the annual report:

Board of Directors (Session)	Name of director	Proposal content	Reason for recusal	Participation in voting
The 7th board 14th meeting 2023/11/09	Jung-Yueh Lo	The Company's investment in Shuan Yue Shoemaking Ltd.	The three directors might have a conflict of interest regarding this proposal	In order to avoid any doubts of damaging the interests of the Company, the three directors recused themselves from the discussion and voting procedures of this proposal.
	Shui-Mu Lo			
	A-Tou Lin			

- III. Evaluation cycle, period, scope, method and content of the self (or peer) evaluation of the board of directors:
- (I) Regarding the performance evaluation of the Company's board of directors, individual board members and functional committees, the main evaluation cycle and period, evaluation scope and method, evaluation execution unit, evaluation procedures and other matters to be complied with shall be based on the Company's "Regulations Governing Self-evaluation or Peer Evaluation for the Board of Directors."
- (II) Implementation of Evaluations of the Board of Directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation approach	Evaluation content
Internal self-evaluation: once per year External professional evaluation: once every three years, to be completed before the first board meeting in the next year.	Evaluated the performance between January 1, 2023 and December 31, 2023.	The performance evaluations for the board, individual board member, and functional committees are included.	Internal self-evaluation of the board of directors, self-evaluation of board members, self-evaluation of functional committees, appointment of external professional institutions, experts or other appropriate methods are adopted for the performance evaluation.	I. Their degree of participation in the company's operations. II. The quality of the board of directors' (functional committees) decision making III. Composition and structure of the board of directors (functional committees) IV. Election and continuing education of the directors (functional committees) V. Internal control VI. Alignment of the goals and missions of the company VII. Their management of internal relationships and communication VIII. Awareness of the duties of the board of directors (functional committees)

- IV. Goals of strengthening the functions of the board of directors in the current year and the most recent year, and implementation evaluation:
- The Company has seven directors (including three independent directors), and all independent directors form the Audit Committee, Remuneration Committee and Nomination Committee, to deliberate the board of directors' proposals, as the performance of the supervisory duties and to achieve the goal of strengthening the functions of the board of directors. The implementation of strengthening the functions of the board of directors in the most recent year is as follows:
- (I) On March 21, 2023, the board of directors approved upon the resolution to review the independence evaluation of independent directors to improve the performance of the board of directors.
- (II) the board meeting on March 21, 2023, it was resolved to review the directors' continuing education in

2021; all directors completed the continuing education for the hours required by the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.”

- (III) On March 21, 2023, the board of directors approved upon the resolution to purchase directors' liability insurance to reduce and diversify the risk of material losses to the Company and shareholders caused by directors' errors or negligence.
- (IV) In the board meeting on December 26, 2023, it was resolved to approve the review of the 2023 performance evaluations for the board of directors, and establishment of the 2024 directors' continuing education plans to improve the performance of the Board.
- (V) On March 12, 2024, the board of directors resolved to review the independence assessment of independent directors and amend the Company's "Rules of Procedure for Board of Directors Meetings" and "Charter of Audit Committee" to improve the performance of the board of directors.
- (VI) In the board meeting on March 12, 2024, it was resolved to review the directors' continuing education in 2023; all directors completed the continuing education for the hours required by the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies.”
- (VII) On March 12, 2024, the board of directors approved upon the resolution to purchase directors' liability insurance to reduce and diversify the risk of material losses to the Company and shareholders caused by directors' errors or negligence.

Note: The in-person attendance rate (%) should be calculated based on the number of board meetings held and the number they attended in person during the period they were in office.

## (II) Operation of the Audit Committee

### 1. Qualification and experience of the Audit Committee members

There are total of three members in the Audit Committee, and all of them are independent directors. Please refer to page 16-17 for their professional qualifications and experience.

### 2. Operation of the Audit Committee

The number of audit committee meetings held in the most recent fiscal year was five (A);

The attendance by the independent directors was as follows:

Title	Name	Actual Attendance (B)	Proxy Attendance	Percentage of actual (proxy) attendance (%) (B/A)(Note)	Remarks
Independent director (convener)	Wen-Chih Wu	5	0	100%	
Independent Director	Hsin-Hsiung Lu	5	0	100%	
Independent Director	Pei-Yuan Li (Note)	3	0	100%	Required attendance during tenure: 3

Note: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

Other remarks:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(I) Any matter under Article 14-5 of the Securities and Exchange Act.

Audit Committee	Content of proposal and subsequent treatment	Any matter under Article 14-5 of the Securities and Exchange Act.	Any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors.
The 4th Audit Committee 8th 2023/03/10	Proposal of 2022 business report and financial report	V	
	Revised "Procedures for processing asset acquisition or disposition"	V	
	Proposal to present the 2022 "Declaration of Internal Control System"	V	
	Proposal to engage the attesting CPAs to audit the Company and subsidiaries' financial statements and the compensation thereof	V	
	Proposal to purchase liability insurance for the Company's directors	V	
	Audit Committee resolution result: unanimously approved by all members of the Audit Committee.		
	The Company's treatment to the Audit Committee's opinion: unanimously approved by the present directors		
The 4th Audit Committee The 9th meeting 2023/04/28	Proposal of consolidated financial report of Q1, 2022	V	
	Proposal to renew the financing limit from Bank of Kaohsiung	V	
	Audit Committee resolution result: unanimously approved by all members of the Audit Committee.		

	The Company’s treatment to the Audit Committee’ opinion: unanimously approved by the present directors		
The 4th Audit Committee The 10th meeting 2023/07/28	Proposal of consolidated financial report of Q2, 2023	V	
	The Company’s investment in Shuan Yue Shoemaking Ltd.	V	
	Audit Committee resolution result: unanimously approved by all members of the Audit Committee.		
	The Company’s treatment to the Audit Committee’ opinion: unanimously approved by the present directors		
The 4th Audit Committee The 11th meeting 2023/10/31	Proposal of consolidated financial report of Q3, 2022	V	
	Proposal to loan funds to Comphy International Co., Ltd.	V	
	The Company’s investment in Shuan Yue Shoemaking Ltd.	V	
	Audit Committee resolution result: unanimously approved by all members of the Audit Committee.		
	The Company’s treatment to the Audit Committee’ opinion: unanimously approved by the present directors		

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. Implementation of recusals of independent directors with respect to any motions with which they may have a conflict of interest: during 2023and up to the publication date of the annual report, there was no motion involved interests of any independent director, and thus not applicable.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company’s finances and business and the method(s) and outcomes of the communication.):

(I) The Company's internal auditors regularly communicate the results of the audit report with the members of the Audit Committee, and make the internal audit reports at the board meetings. If there is any special situation, it will immediately report to the members of the Audit Committee. In 2023, there was no such specific circumstance. Communication between the Audit Committee and the internal audit officer is good.

(II) The CPAs report the results of their quarterly audit or review and matters regarding legal compliance in the quarterly audit committee meetings. When necessary, the accountants also speak to the committee members in a timely matter. In 2023, there was no such specific circumstance. Communication between the Audit Committee and the attesting CPAs is good.

(III) Communications between independent directors, internal audit officer and the CPAs are as follows:

Dates of the Audit Committee meetings (sessions)	Material matters communicated with the internal audit officer	Material matters communicated with the attesting CPAs
2023.03.10 (The 8th meeting of the 4th Audit Committee)	Proposal to present the 2022 “Declaration of Internal Control System”	Proposal of 2022 business report and financial report
2023.04.28 (The 9th meeting of the 4th Audit Committee)	None	Proposal of consolidated financial report of Q1, 2023
2023.07.28 (The 10th meeting of the 4th Audit Committee)	None	Proposal of consolidated financial report of Q2, 2023
20232.10.31 (The 11th meeting of the 4th Audit Committee)	None	Proposal of consolidated financial report of Q3, 2023
2023.12.15 (The 7th meeting of the 4th Audit Committee)	Proposal to formulate the 2024 internal audit plan	None

IV. Key tasks and operation of the Audit Committee in 2023:

Key tasks	Actual governance	
	Resolution result	The Company's treatment to the members' opinions
Ratification of business report and consolidated financial statements.	Approved	Submitted to the board and unanimously approved by the present directors
The hiring or dismissal of a certified public accountant, or their compensation.	Approved	Submitted to the board and unanimously approved by the present directors
The appointment or discharge of the internal audit officer.	Approved	Submitted to the board and unanimously approved by the present directors
Assessment of the effectiveness of the internal control system.	Approved	Submitted to the board and unanimously approved by the present directors
Material loans of funds, endorsements, or provision of guarantees.	Approved	Submitted to the board and unanimously approved by the present directors

Note: The percentage of actual (proxy) attendance (%) will be calculated based on the number of Audit Committee's meetings held during active duty and the number of actual (proxy) attendance.

(III) Deviation and causes of deviation of the Company's actual governance from the Corporate Governance Best-Practice Principles for TWSE/GTSM

Listed Companies

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
I. Does the Company base on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to set up and disclose the Company's corporate governance best-practice principles?	V		The Company has established the Corporate Governance Best Practice Principles, and the related information is disclosed in the MOPS and the Company's website.
II. The shareholding structure and shareholders' equity of the Company			
(I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; in addition, have the procedures implemented accordingly?	V		(I) The Company has set up spokespersons, acting spokespersons and shareholder service unit, with dedicated personnel to handle shareholders' suggestions or disputes.
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Company appoints a shareholder service agency to take the charge, and has dedicated personnel to handle related matters, to grasp the list of major shareholders who actually control the Company.
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(III) In addition to internal control operations related to long-term equity investment in the internal control system, the Company has established the "Procedures for the Supervision and Management of Subsidiaries," "Operational Procedures for Transactions between the Group Companies, Specific Companies, and Related Parties," and the "Regulations Governing Intercompany Finance and Business between



Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
(IV) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	V		Affiliated" and other related management regulations to implement and manage accordingly. (IV) The Company has established the "Procedures for Handling Material Inside Information and Preventing Insider Trading," to prohibit the insiders from utilizing the undisclosed information to trade securities.
III. The constitution and obligations of the Board of Directors (I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		(I) Article 20 of the Company's "Corporate Governance Best Practice Principles" specifies that the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated. The board of directors' diversity policy for its composition is disclosed in the Company's website and the MOPS.
			No significant deviation

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			Summary
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	V		<p>Please refer to page 21 for the implementation of the diversity policy of the current board of directors of the Company.</p> <p>(II) The Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, also has established the Nomination Committee. Please refer to page 63 for the members and operation of the Nomination Committee.</p>
(III) Does the company stipulate the Self-Evaluation on the Performance of the Board of Directors and the evaluation approach, implement the performance evaluation on a regular basis every year, and report the evaluation result to the Board of Directors as the reference of individual director remuneration and nomination for term renewal?	V		<p>(III) On March 25, 2015, the board of directors approved the "Regulations Governing Self-evaluation or Peer Evaluation for the Board of Directors." The 2023 performance evaluation of the board of directors, the performance evaluation of board members and the performance evaluation of functional committees were completed in December 2023. The evaluation aspects are described as follows:</p> <p>➢ The criteria for evaluating the performance of the board of directors, which should cover, at a minimum, the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the company;</li> <li>2. Improvement of the quality of the board of directors' decision making</li> <li>3. Composition and structure of the board of directors;</li> <li>4. Election and continuing education of the directors; and</li> <li>5. Internal control.</li> </ol>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>Summary</p> <p>➤ he criteria for evaluating the performance of the board members should cover, at a minimum, the following six aspects:</p> <ol style="list-style-type: none"> <li>1. Alignment of the goals and missions of the company;</li> <li>2. Awareness of the duties of a director;</li> <li>3. Participation in the operation of the company;</li> <li>4. Management of internal relationship and communication;</li> <li>5. The director's professionalism and continuing education; and</li> <li>6. Internal control.</li> </ol> <p>➤ The criteria for evaluating the performance of functional committees should cover, at a minimum, the following five aspects:</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the company;</li> <li>2. Awareness of the duties of the functional committee;</li> <li>3. Improvement of quality of decisions made by the functional committee;</li> <li>4. Makeup of the functional committee and election of its members and</li> <li>5. Internal control.</li> </ol> <p>After collecting and aggregating the questionnaires of this evaluation (2023), the results have been submitted to the board of directors on December 26, 2023 for review and discussion. The aforesaid</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>Summary</p> <p>procedures and evaluation results are also disclosed on the Company's official website.</p> <p>In addition, the Company's "Regulations Governing Self-evaluation or Peer Evaluation for the Board of Directors" specify that an external evaluation shall be performed at least once every three years. The Company has commissioned to Chainye Management Consulting Co., Ltd. to conduct an evaluation for the board's effectiveness on December 18, 2021. The Institute adopted questionnaires and on-site interviews to evaluate based on the following four aspects:</p> <ol style="list-style-type: none"> <li>1. Professional functions of the board of directors (composition and structure of the board of directors, election and appointment of directors and continuing education): Evaluation indicators include: the diversity of the board of directors, directors' continuing education, utilization of external resources, among other things.</li> <li>2. Decision-making effectiveness of the board of directors (the participation in the Company's operations; improving the quality of the board of directors' decision-making): Evaluation indicators include: directors' participation in meetings, directors' grasp of the Company's operations, directors' management of</li> </ol>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			Summary  company risks, and the adequacy of information for directors to make decisions, among other things. 3. The board of directors' control over the internal operation of the Company: Evaluation indicators include: the formulation and implementation of the Company's internal norms, the supervision for the implementation of the Company's audit system, the smooth communication and reporting channels, the disclosure and recusal for conflicts of interests, among other things. 4. The board of directors' approach to corporate social responsibility: Evaluation indicators include: disclosure of information to investors, engagement in community participation, actions for sustainable business development, among other things. The aforesaid procedures and evaluation results are also disclosed on the Company's official website. (IV) The Company has formulated the "Procedures for Selection and Evaluation of CPAs," and regularly (at least once a year) evaluates the independence and competence of attesting CPAs as the criteria for selection and evaluation of attesting CPAs. In 2023, in addition to the Company's self-prepared evaluation form, the items for evaluating the CPAs' independence also referred to the Audit Quality Indicators (AQIs), to
(IV) Are external auditors' independence assessed on a regular basis?	V		No significant deviation

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>Summary</p> <p>assess the independence and competence of the hired CPAs, and submitted the evaluation results to the Audit Committee on March 4, 2024 and the board of directors resolved the approval on March 12, 2024</p> <p>Upon the assessment of the Company's Finance Division, Chen, Pei-Chi, CPA and Yu, Chi-Long, CPA from KPMG Taiwan meet the Company's criteria of independence. In addition, the Company also obtained the statements of independence from Chen, Pei-Chi, CPA and Yu, Chi-Long, CPA of KPMG Taiwan. Please refer to pages 52~54 for the evaluation criteria of CPAs' independence and the evaluation aspects of the Audit Quality Indicators (AQIs).</p>
IV. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)?	V		<p>No significant deviation</p> <p>The Company has established the shareholder service unit under the Finance Division, There is also a Head of Corporate Governance (filed to the MOPS already), in charge of corporate governance related affairs, including but not limited to providing directors with the information needed to perform their duties, convention of board meetings and shareholder meetings, Company registration and changes, preparation of board meeting and shareholder meeting minutes.</p> <p>The implementation in 2023 is as follows: 1. Assisted independent directors and ordinary directors to perform their duties, furnished required information and arranged directors' continuing education:</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>Summary</p> <p>(1) Regularly notified board members of the latest amendment to and development of the laws and regulations related to the Company's business and corporate governance.</p> <p>(2) Review the confidentiality level of relevant information and provide directors with required company information, to maintain smooth communication and exchange between directors and executives.</p> <p>(3) In accordance with the Corporate Governance Best Practice Principles, assist the independent directors in arranging relevant meetings when the individual meetings with the internal audit officer or attesting CPAs are required to understand the Company's finance and business.</p> <p>(4) Assisted independent directors and ordinary directors in formulating annual continuing education plans and arranging courses based on the Company's industrial characteristics, and director's education and experience background.</p> <p>2. Assisted the agenda procedures of board and shareholders' meetings and legal compliance for resolutions:</p> <p>(1) Confirmed whether the convention of the shareholders' meetings and board meetings comply with relevant laws and Corporate Governance Best Practice Principles.</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>(2) Assisted and reminded the directors of the laws and regulations to be observed when performing business or making formal resolutions of the board meetings.</p> <p>(3) After the meetings, took charge of reviewing the release of material information on important resolutions of the board meetings, to ensure the legality and correctness of the material information, for ensuring the equivalence of investor transaction information.</p> <p>3. Maintained investor relations: arranged directors to communicate and exchange with major shareholders, institutional investors, or general shareholders as needed, so that investors can obtain sufficient information to evaluate and determine the reasonable capital market value of the Company, and ensure that shareholders' equity are well maintained.</p> <p>4. Prepared the agenda of board meetings and notified the directors, convene meetings and provided meeting materials seven days in advance. If any motion required refusal due to conflict of interest, a reminder was furnished in advance, and the minutes of the board meeting were completed within 20 days after the meeting.</p> <p>5. Handled the prior registration of the date of the shareholder meeting pursuant to laws, prepared the meeting notice, the agenda handbook, the annual report, the meeting minutes within the statutory period, and</p>



Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			Summary handled the change registration affairs for any amendment to the Articles of Incorporation or the re-election of directors.
V. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		<p>The Company spares no effort to provide the best "products" and "services," and helps the Company to hear the true voices of stakeholders through multiple communication channels. The main communication channels are as follows:</p> <p>1. Issues concerned by consumers: Product quality/ after-sales service/ service quality/ personal data protection (1) Official website and customer service e-mail and hotline 0800027688 (2) Social community sites (3) Instant messaging software (4) Satisfaction survey</p> <p>2. Issues concerned by shareholders/investors: Operating performance/ public information disclosure/ corporate governance/ shareholders' rights and interests (1) Regular shareholder meetings are held every year, financial reports are released quarterly, operating revenue is disclosed monthly, investor conference are held from time to time, and the important finance and business-related information of the Company are disclosed on the MOPS. (2) The Company has a spokesperson and an acting spokesperson in place and sets up a shareholder contact</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>Summary</p> <p>window on the Company's website. Investors can express their opinions through this channel, and the Company will have a dedicated personnel to reply. Investor Service Team: ir@mail.aso.com.tw, Ms. Li</p> <p>3. Issues concerned by employees: Welfare and wages/ talent cultivation/ career development/ equality of human rights</p> <p>(1) Production9, sales, and marketing meetings, internal training courses, performance appraisals</p> <p>(2) Labor-management meetings, Employee Welfare Committees, employee complaint hotline and mailbox</p> <p>Employee Services Team Contact number: 02-66189999, Ms. Chang Mail: anny@mail.aso.com.tw</p> <p>4. Issues concerned by suppliers: Supplier communication platform/ supplier management</p> <p>(1) Supplier evaluation</p> <p>(2) Supply chain management system</p> <p>(3) Plant visit/ product appraisal meetings Contact number: 02-66189999, Mr. Liu, Product Division</p> <p>5. Issues concerned by neighboring communities: Social welfare/ climate change and greenhouse gas emissions</p> <p>(1) Community care</p> <p>(2) Public welfare and charity</p> <p>(3) Participation in neighboring community activities Contact Number: 0800027688, Mr. Yang, Customer Service Center</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			Summary
			The Company's website has a dedicated section for stakeholders, and each section is equipped with dedicated personnel to properly respond to important corporate social responsibility issues concerned by stakeholders, and has the spokesperson and acting spokesperson system in place to establish communication channels with stakeholders.
VI. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		The Company has engaged the Shareholder Service Agent Department of KGI Securities Co., Ltd. to handle the affairs of shareholders' meetings.
VII. Information disclosure			
(I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company's website has a dedicated section for investors and a dedicated section for corporate governance, with a dedicated department to regularly discloses information on finance, business and corporate governance; various information can be inquired at the MOPS.
(II) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V		(II) The Company has set up a website with a dedicated department responsible for the collection and release of various information of the Company, and has set up spokesperson and acting spokesperson pursuant to regulations, to handle matters such as outward speeches and information disclosure. The briefings and audio-visual materials of the investor conferences held by the Company or invited to participate have been disclosed on the Company's website for inquiries from everyone.
			No significant deviation

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
(III) Does the company publish and report the annual financial report 2 months after the end of the fiscal year and publish and report the Q1, Q2 and Q3 financial reports and monthly operation report before the deadline?		V	Currently, the Company's financial report and monthly operating status have been announced and reported before the statutory deadline pursuant to laws. In the future, the announcement and reporting time will be adjusted pursuant to the amendment to laws
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		<p>1. Employee rights and care to employee: The Company values and protects the rights and interests of employees. In addition to handling various insurances for employees, contributing pensions, and providing good benefit measures pursuant to laws, it also establishes smooth communication channels and creates a harmonious working environment.</p> <p>2. Investor relations: The Company discloses corporate information pursuant to laws and regulations, treats all shareholders fairly to protect the rights and interests of investors, and fulfills corporate responsibilities to shareholders, and announces relevant finance, business and corporate governance information on the MOPS as required by regulations. The minutes of the Company's regular shareholders'</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>meeting are recorded pursuant to the Company Act and relevant laws and regulations. The minutes of the regular shareholders' meeting have been disclosed on the Company's website and are permanently retained in the Company.</p> <p>3. Relationships with suppliers: The Company insists the ethical principles to establish partnerships with suppliers and maintain good interactions, to establish a stable supply chain to ensure quality.</p> <p>4. Stakeholders' rights: A. Responsibility to customers: The Company provides safe and high-quality products, values customer opinions, and immediately takes actions to take care of customer complaints to meet customer needs. B. Responsibilities to shareholders: The goal of the Company is to fully protect the rights and interests of shareholders. C. Responsibility for store leasing: The Company maintains a good relationship with full communication in a long run to ensure a safe and excellent store environment.</p> <p>5. Directors and supervisors' continuing education: The Company actively encourages directors to participate in continuing education, and has successively organized courses related to corporate governance. The directors of the Company have fulfilled the legal hours in</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	
			<p>2023. Please refer to pages 55-58 for their continuing education.</p> <p>6. Risk management policies and risk assessments: For the risks that the Company may be exposed to in operations, the Company clearly divides the scope and responsibilities of risk management for each department, and the management issues are discussed through monthly management meetings, to cope with and ensures customers' needs, and maintains stable and good relationships with them.</p> <p>The Company also emphasizes the information security and stipulates information security policy and concrete management policies with the disclosure of such on the company website.</p> <p>7. Implementation of customer policy: In the Company's internal control system, there are compliance regulations for the protection of customers' rights and interests, and a customer service department is established to take charge of handling and assisting sales units in dealing with customer rights and complaints. The Company actively cares about how customers wear the shoes after purchase from time to time. For the main customers who have not repurchased for a long time, the Company takes a questionnaire survey to understand the reasons why the customers did not repurchase as the reference for the Company, to improve the Company's products, quality and personnel service, to meet the</p>

Item for evaluation	Operation		Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies											
	Yes	No												
		Summary												
		needs of customers' demands, to achieve the policy of respecting customers.												
		<div>8. Liability insurance purchased by the Company for directors and supervisors: The Company has approved upon the resolution of the board of directors on March 12, 2024 to purchase liability insurance for all directors and managerial officers, and renewed the insurance on April 1, 2024. The status of directors' liability insurance is as follows:</div> <table><tr><td>Insured personnel</td><td>Insurance company</td><td>Insurance amount (NT\$: thousand)</td><td>Insurance period</td><td>Insurance status</td></tr><tr><td rowspan="2">All directors and managerial officers</td><td rowspan="2">Fubon Insurance Co., Ltd.</td><td rowspan="2">159,900</td><td>Starting from: 2024/04/01</td><td rowspan="2">Insurance renewed</td></tr><tr><td>Ending at: 2025/04/01</td></tr></table> <div>Note: The insured amount is calculated based on the average USD spot exchange rate of the Bank of Taiwan on April 1, 2024.</div>	Insured personnel	Insurance company	Insurance amount (NT\$: thousand)	Insurance period	Insurance status	All directors and managerial officers	Fubon Insurance Co., Ltd.	159,900	Starting from: 2024/04/01	Insurance renewed	Ending at: 2025/04/01	
Insured personnel	Insurance company	Insurance amount (NT\$: thousand)	Insurance period	Insurance status										
All directors and managerial officers	Fubon Insurance Co., Ltd.	159,900	Starting from: 2024/04/01	Insurance renewed										
			Ending at: 2025/04/01											
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. Pursuant to the results of the 8th Corporate Governance Evaluation results published by TWSE Corporate Governance Center in April 2024, the improvements made, and proposed enhancement measures for any issues that are yet to be rectified are described below: A. Improvements made: The English version of the annual report of the shareholders' meeting and the meeting handbook have been uploaded simultaneously since 112 years, and the English version of the newsletter for major information announcements has also been published simultaneously since 113 years to enhance the strength of corporate governance. B. Improvements to be made: Corporate Sustainability Information Disclosure and Presentation.														

### Evaluation form for CPA evaluation

<b>One. Review of independence requirements (tick "Yes" for any of the following items, the specific facts shall be further understood)</b>					
Item No.	Description of appraisal	Please tick			Remarks
		Yes	No	N/A	
01	Do the CPAs themselves or their spouses or minor children invest in or share financial interests with the Company?		V		
02	Do the CPAs themselves or their spouses or minor children have any loan with the Company? However, this is not applicable if the Company is a financial institution with the normal business transactions.		V		
03	Are the CPAs or audit services team members currently or in the past two years serving as directors, managerial officers, or positions that have a significant impact on audit cases in the Company?		V		
04	Do the CPAs or audit services team members promote or broke the shares or other securities issued by the Company?		V		
05	Do the CPAs or audit services team members represent the Company to defense in legal cases or other disputes between the Company and third parties in addition to the business permitted by law?		V		
06	Do the CPAs or audit services team members have any relationship with the Company's directors, managerial officers, or personnel with positions that have a significant impact on audit cases such as spouses, lineal blood relatives, lineal relatives by marriage, or blood relatives within the second degree of kinship?		V		
07	Is any joint CPAs who has retired/resigned within one year serving as a director, managerial officer, or a position of the Company that has a significant impact on the audit case?		V		
08	Do the CPAs or audit services team members accept gifts or special offers of great value from the Company or directors, managerial officers or major shareholders?		V		
09	Are the CPAs currently employed by the client or the auditee with a regular job, receive a fixed salary, or serves as a director or supervisor?		V		



**2. Independent operation review (check "No" for any of the following items, the specific facts shall be further understood)**

Item No.	Description of appraisal	Please tick			Remarks
		Yes	No	N/A	
01	Have the CPAs recused themselves from undertaking any engagement that has a direct or material indirect interest relationship with the CPAs and affects their impartiality and independence?	V			
02	When the CPAs provide audit, review, or special review of financial statements and prepares an opinion, in addition to maintaining independence in substance, do they also maintain independence?	V			
03	Are the audit services team members, other jointly practicing CPAs or shareholders of corporate accounting firms, accounting firms, affiliates of the firm and alliance firms also maintaining independence from the Company?	V			
04	Do the CPAs perform professional services with integrity and rigor?	V			
05	Do the CPAs maintain a fair and objective position when performing professional services, and do they avoid prejudice, conflicts of interest or interests affecting their professional judgment?	V			

**Three. Review of competence**

Item No.	Description of appraisal	Please tick			Remarks
		Good	Normal	Poor	
01	Have the CPAs had any disciplinary records from the CPA Discipline Committee in the past two years? Has this accounting firm been involved in any major lawsuits in the past two years or now?	V			
02	Does the accounting firm have sufficient scale, resources and geographic coverage to handle corporate audit services?	V			
03	Does the accounting firm have clear quality control procedures? Does it cover the levels and key points of the audit procedures, ways of handling audit issues and judgments, independent quality control inspections, and risk management.	V			
04	Does the accounting firm notify the board of directors of any significant issues and developments regarding risk management, corporate governance, finance and accounting and related risk control in a timely manner?	V			

**Four. Review opinion of assessment**

☒ Passed the review, and the recommendation is to engage/ maintain the engagement

☐ Others

Description of reason: none.

Audit Quality Indicators (AQIs)					
Audit Quality Indicators	Aspect 1	Aspect 2	Aspect 3	Aspect 4	Aspect 5
	Professionalism	Quality control	Independence	Supervision	Innovation capability
	(1-1) Audit experience	(2-1) CPAs' workload	(3-1) Non-audit service fees	(4-1) Deficiencies in external inspection and disposition	(5-1) Innovative planning or initiative
	(1-2) Training hours	(2-2) Audit input	(3-2) Customer familiarity	(4-2) The improvement required by the competent authority by issuing letters	
	(1-3) Mobility (1-4) Professional support	(2-3) EQCR review status (2-4) Ability to support quality control			

Evaluation review opinion: After referring to the inspection deficiencies of the competent authority and the comparison with the industry average, the audit quality is generally better than other industry averages.

## Directors and supervisors' continuing education

Title	Name	Date of appointment	Training date	Course name	Organizers	Training hours	Whether the continuing education meets the requirements
Chairman	Jung-Yueh Lo	2012/05/08	2013/02/19	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes
			2013/04/11	Types of Financial Crisis and Case Analysis	Taiwan Corporate Governance Association	3	Yes
			2013/04/18	Practice of Corporate M&A	Taiwan Corporate Governance Association	3	Yes
			2013/04/25	Corporate Governance and Internal Control	Taiwan Corporate Governance Association	3	Yes
			2013/05/02	Corporate Governance and Operation of Shareholders' Meeting Agenda	Taiwan Corporate Governance Association	3	Yes
			2013/11/28	The 9th Taipei Corporate Governance Forum	Taiwan Corporate Governance Association	6	Yes
			2014/03/25	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes
			2015/03/25	From Operational Practices of the Board of Directors to Corporate Social Responsibility	Taiwan Corporate Governance Association	3	Yes
			2015/08/14	Compliance with Labor Laws and the Legal Responsibilities of Persons in Charge of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2016/03/22	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association	3	Yes
			2016/08/09	Awareness that Directors Should Have Regarding Compliance with Labor Laws and Legal Responsibilities	Taiwan Corporate Governance Association	3	Yes
			2017/03/13	Introduction to Electronic Voting for Shareholders' Meeting Current Status of International Corporate Governance and Corporate Social Responsibility Development	Taiwan Corporate Governance Association	3	Yes
			2017/08/02	Group governance	Taiwan Corporate Governance Association	3	Yes
			2018/03/21	C2B Reverse Commercial Era	Taiwan Corporate Governance Association	3	Yes
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Director	Shui-Mu Lo	2012/12/18	2013/02/19	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes
			2013/04/11	Types of Financial Crisis and Case Analysis	Taiwan Corporate Governance Association	3	Yes
			2013/04/18	Practice of Corporate M&A	Taiwan Corporate Governance Association	3	Yes
			2013/04/25	Corporate Governance and Internal Control	Taiwan Corporate Governance Association	3	Yes
			2013/05/02	Corporate Governance and Operation of Shareholders' Meeting Agenda	Taiwan Corporate Governance Association	3	Yes
			2014/03/25	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes

Title	Name	Date of appointment	Training date	Course name	Organizers	Training hours	Whether the continuing education meets the requirements
Chairman	Shui-Mu Lo	2012/05/08	2015/03/25	From Operational Practices of the Board of Directors to Corporate Social Responsibility	Taiwan Corporate Governance Association	3	Yes
			2015/08/14	Compliance with Labor Laws and the Legal Responsibilities of Persons in Charge of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2016/03/22	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association	3	Yes
			2016/08/09	Awareness that Directors Should Have Regarding Compliance with Labor Laws and Legal Responsibilities	Taiwan Corporate Governance Association	3	Yes
			2017/03/13	Introduction to Electronic Voting for Shareholders' Meeting Current Status of International Corporate Governance and Corporate Social Responsibility Development	Taiwan Corporate Governance Association	3	Yes
			2017/08/02	Group governance	Taiwan Corporate Governance Association	3	Yes
			2018/03/21	C2B Reverse Commercial Era	Taiwan Corporate Governance Association	3	Yes
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Director	A-Tou Lin	2015/06/18	2015/08/14	Compliance with Labor Laws and the Legal Responsibilities of Persons in Charge of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2015/10/16	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association	3	Yes
			2015/11/20	Directors'/Supervisors' Responsibility in Information Disclosures and Misstatements	Taiwan Corporate Governance Association	3	Yes
			2015/12/22	Detection Skills for Fraud in Financial Reports	Taiwan Corporate Governance Association		
			2016/03/22	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association		
			2016/08/09	Awareness that Directors Should Have Regarding Compliance with Labor Laws and Legal Responsibilities	Taiwan Corporate Governance Association		
			2017/03/13	Introduction to Electronic Voting for Shareholders' Meeting Current Status of International Corporate Governance and Corporate Social Responsibility Development	Taiwan Corporate Governance Association		
			2017/08/02	Group governance	Taiwan Corporate Governance Association		
			2018/03/21	C2B Reverse Commercial Era	Taiwan Corporate Governance Association		
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes

Title	Name	Date of appointment	Training date	Course name	Organizers	Training hours	Whether the continuing education meets the requirements
Director	A-Tou Lin	2015/06/18	2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Director	Tsung-Hsien Chen	2015/06/18	2015/08/05	Promotional Seminar for Legal Compliance of Insider Equity Trading in TWSE-listed Companies	Securities and Futures Institute	3	Yes
			2015/08/14	Compliance with Labor Laws and the Legal Responsibilities of Persons in Charge of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2016/03/22	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association	3	Yes
			2016/08/09	Awareness that Directors Should Have Regarding Compliance with Labor Laws and Legal Responsibilities	Taiwan Corporate Governance Association	3	Yes
			2017/03/13	Introduction to Electronic Voting for Shareholders' Meeting Current Status of International Corporate Governance and Corporate Social Responsibility Development	Taiwan Corporate Governance Association	3	Yes
			2017/08/02	Group governance	Taiwan Corporate Governance Association	3	Yes
			2018/03/21	C2B Reverse Commercial Era	Taiwan Corporate Governance Association	3	Yes
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Independent Director	Wen-Chih Wu	2012/12/18	2013/02/19	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes
			2014/03/25	Corporate governance and securities-related laws and regulations	Taiwan Corporate Governance Association	3	Yes
			2015/03/25	From Operational Practices of the Board of Directors to Corporate Social Responsibility	Taiwan Corporate Governance Association	3	Yes
			2015/08/14	Compliance with Labor Laws and the Legal Responsibilities of Persons in Charge of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2016/03/22	How to Perform Well for Trade Secret Protection and Prevention of Fraud, and Strengthen Corporate Governance	Taiwan Corporate Governance Association	3	Yes

Title	Name	Date of appointment	Training date	Course name	Organizers	Training hours	Whether the continuing education meets the requirements
Independent Director	Wen-Chih Wu	2012/12/18	2016/08/09	Awareness that Directors Should Have Regarding Compliance with Labor Laws and Legal Responsibilities	Taiwan Corporate Governance Association	3	Yes
			2017/08/02	Group governance	Taiwan Corporate Governance Association	3	Yes
			2017/11/09	Analysis of the Securities Trading Regulations	Taiwan Corporate Governance Association	3	Yes
			2018/03/21	C2B Reverse Commercial Era	Taiwan Corporate Governance Association	3	Yes
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Independent Director	Hsin-Hsiung Lu	2018/06/21	2018/07/24	Directors and supervisors (including independent directors) Best-Practice Workshops Taipei	Securities and Futures Institute	12	Yes
			2018/08/07	Influence of Corporate Governance, Internal Control and Responsibilities of Directors and Supervisors from the Latest Amendment to the Company Act	Taiwan Corporate Governance Association	3	Yes
			2019/03/19	Grasp the Global Economic Situation and the Pulse of Technology Key Issues of Enterprises	Taiwan Corporate Governance Association	3	Yes
			2019/08/06	Corporate Governance and Enterprise Development	Taiwan Corporate Governance Association	3	Yes
			2020/03/24	Key Points of Corporate Governance Regulation Updates and Ideal Board of Directors	Taiwan Corporate Governance Association	3	Yes
			2020/08/11	Accountability and Leadership	Taiwan Corporate Governance Association	3	Yes
			2021/03/23	Analysis of Corporate Social Responsibility and Remuneration System	Taiwan Corporate Governance Association	3	Yes
			2021/08/09	Challenges, Opportunities and Strategic Thinking in the Pandemic Era	Taiwan Corporate Governance Association	3	Yes
			2022/03/22	Basic Concepts and Applications of Metaverse, NFT, Web 3.0 and Community	Taiwan Corporate Governance Association	3	Yes
			2022/08/09	Accelerators for Corporate Sustainability - CSR, ESG and SDGs	Taiwan Investor Relations Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes
Independent Director	Li, Pei-Yuan	2023/06/19	2023/07/13	Talent Development and Corporate Sustainability	Securities and Futures Institute	3	Yes
			2023/07/14	Talking about Corporate Governance Blueprint 3.0 and Directors' Responsibilities	Securities and Futures Institute	3	Yes
			2023/08/08	New Trends in the Post-Pandemic Digital Market	Taiwan Investor Relations Institute	3	Yes
			2023/11/09	Paradigm Shift of Management Mindset	Taiwan Investor Relations Institute	3	Yes

(IV) If a remuneration committee is established within the Company, the composition, responsibilities, and functioning of such a committee must be disclosed

On August 10, 2012, the Company's board of directors resolved to approve the Charter of Remuneration Committee, and establish the Remuneration Committee. The Remuneration Committee aims to assist the board of directors in implementing and evaluating the Company's overall remuneration and welfare policies, the remuneration of directors and managerial officers; the relevant proposals are resolved by the board of directors. The Remuneration Committee operates as the Charter requires to improve the corporate governance.

#### 1. Information about remuneration committee members

Qualifications		Professional qualifications and experience	Independence analysis	Number of positions as Remuneration Committee member in other public companies
Status	Name			
Independent Director (Convener)	Hsin-Hsiung Lu	The Remuneration Committee consists of all three independent directors. Please refer to page 16-17 for their professional qualifications and experience.	All members of the Remuneration Committee comply with the following: 1. Meeting the requirements of Article 14-6 of the Securities and Exchange Act , and the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange” (Note 1) promulgated by the Financial Supervisory Commission. 2. Not holding the Company’s shares by him/herself (or in others’ names), the spouse, or minor children. 3. Not receiving amount of compensations by providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company in the most recent two years.	0
Independent Director	Wen-Chih Wu			0
Independent Director	Li, Pei-Yuan (Note 2)			0

Note 1: During the two years before being elected or during the term of office, not having been or be any of the following:

- (1) An employee of the company or any of its affiliates.
- (2) A director or supervisor of the Company or any of its affiliated companies.
- (3) A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) and (3).
- (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the Company Act.
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
- (7) If the Chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. Provided, this restriction does not apply to a member of the remuneration committee of the Company.

Note 2: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

## 2. Duties of the Remuneration Committee

- (1) Periodically reviewing this Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors, supervisors, and managerial officers of this Corporation, and disclose the contents of the performance assessment standards in the annual report.
- (3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of this Corporation have been achieved, setting the types and amounts of their individual compensation based on the results of the reviews conducted in accordance with the performance assessment standards.

## 3. Operations of Remuneration Committee

- (1) The Company's Remuneration Committee consists of three (3) members.
- (2) The term of the current members is from August 4, 2021 to August 3, 2024. The number of remuneration committee meetings held in the most recent fiscal year was three. The attendance by the members was as follows:

Title	Name	Actual Attendance	Proxy Attendance	Percentage of actual (proxy) attendance (%)	Remarks
Convener	Hsin-Hsiung Lu	3	0	100%	Reappointed on 2021.8.4
Committee member	Wen-Chih Wu	3	0	100%	Reappointed on 2021.8.4
Committee member	Li, Pei-Yuan	2	0	100%	Required attendance during tenure: 3

Other remarks:

- I. The board of directors does not accept, or amends, any recommendation of the remuneration committee: none.
- II. With respect to any matter for resolution by the remuneration committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing: none.
- III. Cause of discussion by the Remuneration Committee, the resolutions adopted, and the measures taken by the Company with respect to the members' opinion:

Meeting date (session and term)	Cause of discussion	Resolution result	The Company's treatment to the members' opinions
The 4nd meeting of the 5th Remuneration Committee 2023/03/10	Proposal not to distribute the employee and director remuneration for 2022	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
The 5rd meeting of the 5th Remuneration Committee 2023/10/31	Proposal to discuss the remuneration of the Company's new managerial officers	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors



The 6rd meeting of the 5th Remuneration Committee 2023/12/15	Proposal to discuss the 2024 working plan of the Remuneration Committee	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to distribute the 2023 year-end bonus managerial officers	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to review various remunerations intended to be implemented in 2024	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to review the extent of managerial officers applicable to the pre-review of their remunerations required to be submitted to the Remuneration Committee	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors

Note: The in-person attendance rate (%) should be calculated based on the number of remuneration committee meetings held and the number they attended in person during the period they were on the committee.

(V) The foundation, responsibilities, and functionality of the Nomination Committee:

On March 25, 2015, the Company's board of directors resolved to approve the Charter of Nomination Committee, and establish the Nomination Committee. The Nomination Committee aims to assist the board of directors in searching, reviewing, and nominating the director candidates, establishing and developing the organizational structure of board of directors, to ensure the proper composition of the board of directors. Relevant proposals have been resolved by the board of directors. The Nomination Committee operates as the Charter requires to improve the corporate governance.

1. Information of Nomination Committee members

Status	Name of member	Expertise
Independent Director	Li, Pei-Yuan (Note )	Healthcare management, public health, and Business management
Independent Director	Wen-Chih Wu	Business management, finance and accounting, and corporate governance
Independent Director	Hsin-Hsiung Lu	Healthcare management, public health, and industrial management

Note: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

2. Key responsibilities of the Nomination Committee

With authorization from the board of directors (below, "the board"), the Committee shall exercise the due care of a good administrator to faithfully perform the following duties and shall submit its proposals to the board for discussion:

- (1) Laying down the standards of independence and a diversified background covering the expertise, skills, experience, gender, etc. of members of the board, and finding, reviewing, and nominating candidates for directors based on such standards.
- (2) Establishing and developing the organizational structure of the board and each committee, and evaluating the performance of the board, each committee, and each director and senior executive and the independence of the independent directors. The Committee shall undertake the following tasks:
  - A. Prescribing standards for establishment and qualifications for members and recommending an organizational charter for each committee under the board of directors, reviewing these standards and charters at least once every year, and presenting timely recommendations to the board regarding amendments.
  - B. Reviewing the qualifications of member candidates for each board committee and any potential conflict of interests, and recommending to the board new members and candidates for the conveners of each committee.
  - C. Evaluating the performance of each director, the convener and the members of each board committee, and the senior executives every year and providing recommendations to the board on the necessity of replacements. The terms of the convener and the members of each board committee shall be consistent with the terms of the directors and supervisors, and in principle shall be three-year terms.
- (3) Establishing and reviewing on a regular basis programs for director continuing education and the succession plans of directors and senior executives.

### 3. Operation of the Nomination Committee:

(1) The Company's Nomination Committee consists of three members.

(2) The term of the current members is from August 4, 2021 to August 3, 2024. The number of nomination committee meetings held in the most recent fiscal year was two. The attendance by the members was as follows:

Title	Name	Professional qualifications and experience	Actual Attendance	Proxy Attendance	Percentage of actual (proxy) attendance (%)	Remarks
Convener	Li, Pei-Yuan	The Nomination Committee consists of all three independent directors. Please refer to page 16-17 for their professional qualifications and experience.	2	0	100%	Required attendance during tenure: 2
Committee member	Wen-Chih Wu		3	0	100%	Reappointed on 2021.8.4
Committee member	Hsin-Hsiung Lu		3	0	100%	Reappointed on 2021.8.4

Other remarks:

(I) The board of directors does not accept, or Nomination Committee: none.

(II) With respect to any matter for resolution by the Nomination Committee, if there is any dissenting or qualified opinion of a committee member that is on record or stated in writing: none.

(III) Cause of discussion by the Nomination Committee, the resolutions adopted, and the measures taken by the Company with respect to the members' opinion:

Meeting date (session)	Cause of discussion	Resolution result	The Company's treatment to the members' opinions
The 4nd meeting of the 4th Nomination Committee 2023/03/10	To elect the convener and chair of the Committee for this term	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to review the 2021 directors' continuing education	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to assess the independence of the independent directors	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
The 5rd meeting of the 4th Nomination Committee 2023/04/14	Proposal to nominate the candidates of independent directors	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
The 3rd meeting of the 4th Nomination Committee 2023/12/15	Proposal to review the 2023 performance evaluation of the board of directors, functional committees, and directors	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors
	Proposal to establish the 2024 directors' continuing education	Unanimously approved by the present committee member	Submitted to the board and unanimously approved by the present directors

Note: The percentage of actual (proxy) attendance (%) will be calculated based on the number of Nomination Committee's meetings held during active duty and the number of actual (proxy) attendance.

(VI) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		The Company established the CSR Responsibility Task Force in January 2015. The chairman appointed a dedicated senior executive as the chair of the task force, and the Finance Division and SHUI-MU Culture and Art Foundation are responsible for coordination, with seven functional teams to implement. These teams include: Labor/Ethics Team, Environmental and Safety/Management Team, Social Welfare Team, Ethical Management Team, Supply Chain Responsibility Team, Trade Secret Handling Team, and Shareholder Rights Protection Team, to jointly promote business related to corporate social responsibility. Reviews are conducted by the chair from time to time, to examine the implementation progress of the annual goals, and report major abnormalities to the board of directors.
II. Does the company conduct the environmental, social and corporate governance risk evaluation related to corporate operation based on the materiality principle and stipulate related risk management policies or strategies?	V		For the risks that the Company may be exposed to in operations, the Company clearly divides the scope and responsibilities of risk management for each department, and the management issues are discussed through monthly management meetings, to cope with and ensures customers' needs, and maintains stable and good relationships with them.

III. Environmental Issues																							
(I) Has the Company set an environmental management system designed to industry characteristics?	V	(I) The Company has formulated office environmental management procedures for environmental maintenance, including setting up resource recycling bins, turning off lights and air-conditioning during lunch breaks, using power and energy-saving and devices, and holding power-saving competitions within the Company during summer, including turning off computer screens when not using for employees to develop the energy-saving habit.	No significant deviation																				
(II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V	(II) The Company uses recycled paper to reduce the burden on the environment. The Company also promotes the recycling of cartons and shoe boxes, and improves the efficiency of recycling by giving incentives to store personnel. In recent years, the recycling rate of cartons has exceeded 70%, and the recycling of boxes has also exceeded 10%.	No significant deviation																				
(III) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V	(III) The Company actively monitor the impact of climate change on operating activities, continues to improve power and air-conditioning equipment, and uses power and energy-saving lights and energy-saving air conditioners, seeking to improve the effect of energy-saving and carbon-reduction, and lower the greenhouse gas emissions.	No significant deviation																				
(IV) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V	(IV) The statistics of the Company's greenhouse gas emissions for the recent two years are as the table below: <table><tr><td>Unit: KgCO<sub>2</sub>e</td><td>2023</td><td>2022</td><td>Increase (decrease)</td><td>%</td></tr><tr><td>Carbon emission from power consumption</td><td>1,549,857</td><td>1,562,877</td><td>(13,021)</td><td>-0.8%</td></tr><tr><td>Carbon emission from water consumption</td><td>685</td><td>698</td><td>(13)</td><td>-1.8%</td></tr><tr><td>Total</td><td>1,550,542</td><td>1,563,575</td><td>(13,033)</td><td>-2.6%</td></tr></table>	Unit: KgCO <sub>2</sub> e	2023	2022	Increase (decrease)	%	Carbon emission from power consumption	1,549,857	1,562,877	(13,021)	-0.8%	Carbon emission from water consumption	685	698	(13)	-1.8%	Total	1,550,542	1,563,575	(13,033)	-2.6%	No significant deviation
Unit: KgCO <sub>2</sub> e	2023	2022	Increase (decrease)	%																			
Carbon emission from power consumption	1,549,857	1,562,877	(13,021)	-0.8%																			
Carbon emission from water consumption	685	698	(13)	-1.8%																			
Total	1,550,542	1,563,575	(13,033)	-2.6%																			

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			<p>Note: The carbon emission in 2023 is calculated based on the carbon emission coefficient in 2022</p> <p>Relevant statistics and various carbon reduction policies are disclosed in the Company's sustainable development report.</p>
VI. Social Issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		<p>(I) To protect the basic human rights of all employees and stakeholders, the Company supports and complies with the United Nations' "Universal Declaration of Human Rights," "Global Covenant", "Guiding Principles of Enterprise and Human Rights" and the International Labor Organization's "Declaration on Basic Principles and Rights at Work." The Company respects the internationally recognized human rights standards, ensures that basic human rights are not violated, and treat and respect all employees, contractors, temps, and interns, with dignity. The Company also conforms to the labor-related local laws and regulations, and has established "Work Rules." The labor rights and obligations are in line with labor laws and regulations, and have been approved by the Labor Bureau to protect the legitimate rights and interests of employees, and promote labor-management harmony.</p> <p>(II) The Company has the employee code of conduct in place, specifying various benefit measures, as well as the regulations for performance reward to stipulate criteria of the reward and disciplinary actions for employees. In addition, the proportion of female in the Company is</p>
(II) Does the company stipulate and implement reasonable employee benefits measures (including remuneration, leaves and other benefits) and properly reflect the operation performance or result on employee remuneration?	V		No significant deviation

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons
	Yes	No	
	Summary		
		<p>more than two-thirds (due to the characteristics of the industry), and female in senior management also more than a half.</p> <p>Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements made between employers and employees, and the protection of employees' rights.</p> <p>(1) Employee benefit measures and implementation thereof</p> <p>The welfare measures provided by the Company: annual performance appraisal bonus, talent recommendation bonus, wedding and funeral subsidies, gift certificates/gift money for three festivals, year-end party, employee activities organized by the Employee Welfare Committee, labor/ national health insurance, group insurance, pension contribution, employee shoe-buying discounts, employee uniforms &amp; shoes, domestic and foreign travel, among other things.</p> <p>(2) Personnel's continuing education and training, and implementation thereof</p> <p>The Company insists the founder's multi-talent development strategy, integrates resources from industry, government, and academy to conduct various digital and in person training programs according to the professional and management</p>	

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons	
	Yes	No		
	Summary			
		<p>function model, including orientations, professional and management functions training, training for management at all levels, and planning the successor development programs in line with organizational development needs, with a talent evaluation center; meanwhile the external digital learning platform is introduced to advance with the time, for providing the online leadership management and more diversified professional courses. For the personnel’s training courses in 2023, please refer to page 152-153.</p> <p>(3) According to the Labor Pension Act, the Company contributes no less than 6% of the employee's monthly salary to his/her labor pension account in the Bureau of Labor Insurance every month.</p> <p>Pursuant to the Labor Pension Act, workers who turn 60 years of age may draw their pension. Workers who have made pension contributions for 15 years or more may choose to draw their pension monthly or in a lump sum to meet different needs and preferences.</p> <p>(4) Business performance or results are appropriately reflected in employee remuneration:</p> <p>a. Article 27 of the Company's Articles of Incorporation:</p> <p>In order to motivate employees and the management team, after offsetting the loss with the profit before tax and before deducting the remunerations to employees and directors, shall there be any balance,</p>		
				V



Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
		<p>Summary</p> <p>the Company provides one percent to ten percent from such balance as the employee remuneration.</p> <p>b. Frontline personnel are entitled to performance bonus, festival bonus and competition bonus: Variable salary</p> <p>1. Performance and festival bonuses: The festival bonus is calculated based on the achievement of the performance target.</p> <p>2. Competition bonus: Given according to the results of each competition.</p> <p>c. All employees are evaluated in accordance with the performance evaluation system and operating rules, and year-end bonuses are given based on the Company's operating results and individual performance.</p> <p>The Company also establishes the Remuneration Committee to formulate reasonable policies for employee appraisal and remuneration. Employee performance appraisals are conducted in the middle and the end of a year; the assessment results are used as the basis for employee salary adjustments, promotions, and bonuses.</p> <p>(III) The Company regularly overhauls fire fighting and sanitation equipment, and provides breastfeeding rooms, to provide employees with a safe and healthy working environment, with regularly employee health</p>	
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?			No significant deviation

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons																					
	Yes	No																						
	Summary																							
		<p>examination arranged.</p> <p>In addition, we have implemented the four major plans for labor health protection in accordance with the Occupational Safety and Health Act, and medical personnel are regularly stationed at the Company to provide on-site health services to assist employees with health problems and protect the physical and mental health of workers. The implementation in 2023 is as follows:</p> <table><tr><th>Date</th><th>On-site service time</th><th>Hours</th></tr><tr><td>112/2/22</td><td>14:00~16:00</td><td>2</td></tr><tr><td>112/4/21</td><td>14:00~16:00</td><td>2</td></tr><tr><td>112/6/28</td><td>14:00~16:00</td><td>2</td></tr><tr><td>112/8/23</td><td>14:00~16:00</td><td>2</td></tr><tr><td>112/10/25</td><td>14:00~16:00</td><td>2</td></tr><tr><td>112/12/12</td><td>14:00~16:00</td><td>2</td></tr></table> <p>The Company has the Training and Development Department and a safety and health coordinators in place, to regularly promote health education, environmental sanitation, environmental safety measures, and disaster response and handling to employees, as the education and promotion for the</p>	Date	On-site service time	Hours	112/2/22	14:00~16:00	2	112/4/21	14:00~16:00	2	112/6/28	14:00~16:00	2	112/8/23	14:00~16:00	2	112/10/25	14:00~16:00	2	112/12/12	14:00~16:00	2	
Date	On-site service time	Hours																						
112/2/22	14:00~16:00	2																						
112/4/21	14:00~16:00	2																						
112/6/28	14:00~16:00	2																						
112/8/23	14:00~16:00	2																						
112/10/25	14:00~16:00	2																						
112/12/12	14:00~16:00	2																						

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V	<p>employee safety and a healthy environment.</p> <p>According to regulations, employees shall participate in and pass the in-service training courses for first aid personnel and occupational safety and health managers every three years. The Company has arranged for employees to participate in such courses in 2022.</p> <p>(IV) The Company integrates resources from industry, government and academy, to establish a perfect talent development system. The Company conducts various trainings based on function models, with a talent evaluation center, and develops the action learning platform [SO EASY] leading the industry, to enhance talent development through digital business support tools for better effect of talent development. It is sought that every partner who joins the family of SHUI-MU will unleash their unlimited potential and start a promising future.</p> <p>Regular training courses are held for new recruits from the headquarter and store personnel, to enable them to understand the Company's industry status, product content and service process, for the maximization of the value. For the personnel's training courses in 2022, please refer to page 152-153.</p> <p>(V) The marketing and labeling of the products sold by the Company comply with the international standards and the Footwear Labeling Standards, Apparel Labeling</p>	No significant deviation
(V) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement	V		

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
consumer protection and grievance policies?			No significant deviation
(VI) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V	Standards, and Product Labeling Laws and Regulations of Department of Commerce, MOEA, to achieve correct and complete information labeling on the product bodies marketing, and packaging. The Company has a 0800 toll-free complaint hotline, a service e-mail address on the official website, and store feedback mechanism services for consumers. It also has a dedicated customer service center to handle related affairs, and provides unconditional exchange services for "goods that are not worn within seven days." (VI) The Company appraises major suppliers every year, and requires suppliers to comply with the commitments of corporate social responsibility. The Company will cut off relationships with suppliers that violate corporate social responsibility unless necessary. The content of suppliers' corporate social responsibility commitments is published on the Company's website for suppliers or other stakeholders to inquire.	No significant deviation
V. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V	The Company prepares the sustainable development report by referring to the core disclosure options of the GRI Standards issued by the Global Reporting Initiative (GRI), and has completed the 2022 sustainable development report and disclosed such on the Company's website.	No significant deviation
VI. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: The Company has established the Sustainable Development Best Practice Principles, giving due consideration to the rights and interests of			



Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
			stakeholders and, while pursuing sustainable operations and profits, values environment, society and corporate governance; the operation are not significantly deviated from the established Principles.
VII. Other important information to facilitate better understanding of the company's promotion of sustainable development: The Company will fully disclose information on operation of the corporate social responsibility on the Company website, detailing care to employees product responsibility, care to customers, shareholder commitment, social welfare, sustainable environment and other information.			
(I) Regarding environmental protection: The Company is committed to recycling shoe boxes and cartons, and through active promotion, it rewards employees for their joint efforts with incentives, such as: awarding recycling bonuses to sales personnel who actively cooperate, and praising "Earth Lovers" every year. In 2023, we obtained the online shopping packaging reduction mark issued by the Environmental Protection Administration. The Company has recycled cartons to reduce the consumption of natural resources and the generation of carbon emissions. We also encourage supply chain partners to jointly contribute to environmental protection and promote sustainability. In the future, we will invest in big data computing, continue to make improvements, and pursue higher environmental standards. To SHUI-MU, the mark is not only an honor, but also a commitment to protecting the environment and reducing the burden on the earth.			
(II) Regarding community engagement, social contribution, social service, and social welfare: Director Shui-Mu Lo is also the founder of the Company; he grew up in a poor family in the childhood. To express his gratitude to his hometown, he donated a library to Dongshan Township, Yilan County, and named it the A.S.O Shui-Mu Lo Memorial Library; ambulances were also donated to the Fire Department, Dongshan Township Office, Yilan County and to Fire Department of Taipei City Government. In 2023, the Company donated a batch of frozen food to the Grace Home Church for those in need of dining.			
(III) Regarding consumers' rights and interests: The Company takes the initiative to provide an unconditional exchange service within seven days if the product is not worn. The Company has a free customer complaint and service hotlines, and a customer service feedback section in the Stakeholder Section of the official website, providing consumers with diversified channels to feedback their opinions.			
(IV) Regarding human rights The Company's employees, regardless of gender, religion, or political parties, are equal in employment opportunities. The Company creates a good working environment to ensure that employees are free from discrimination and harassment.			
(V) Regarding safety and health:			

Item	Actual governance		Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	
	Summary		
The Company's safety and health cooperate with governmental laws and regulations to implement and control.			
(VI) Other social responsibility activities:			
The Company has a charity warehouse, for providing charity shoes to the people in need when there is a major disaster or demanded by these socially disadvantageous.			

(VII) Climate-Related Information of TWSE/TPEX Listed Company

Item	Implementation
<ol style="list-style-type: none"> <li>Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</li> <li>Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</li> <li>Describe the financial impact of extreme weather events and transformative actions.</li> <li>Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</li> <li>If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</li> <li>If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</li> <li>If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</li> <li>If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</li> <li>Greenhouse gas inventory and assurance status (separately fill out in point 1-1 below).</li> </ol>	<ol style="list-style-type: none"> <li>The Company's Administrative Division has prepared a schedule for the implementation of greenhouse gas inventory, and reports to the board of directors quarterly pursuant to regulations.</li> <li>The Company is in the retail industry, and the impact of climate risk factors on the Company is relatively small.</li> <li>Currently, the extreme weather events and transformative actions have no impact on the finance.</li> <li>Currently, climate factors have no impact on the Company's overall operating conditions, and the Company's Administrative Division will monitor and evaluate it at any time.</li> <li>Currently, climate change poses no risk to the Company's operations.</li> <li>There is no corresponding transformation plan.</li> <li>Currently, the internal carbon pricing is not adopted as a planning tool.</li> <li>The Administrative Division has a schedule for the implementation of greenhouse gas inventory, and the follow-up planning and implementation are outsourced.</li> <li>Please refer to the following table for the Greenhouse gas inventory and assurance status.</li> </ol>

Basic information of the Company		Minimum required disclosure under the Sustainable Development Roadmap for TWSE/TPEX Listed Companies:		
<input type="checkbox"/> Capital of NT\$10 billion or more, iron and steel industry, or cement industry <input type="checkbox"/> Capital of NT\$5 billion or more but less than NT\$10 billion <input checked="" type="checkbox"/> Capital of less than NT\$5 billion		<input type="checkbox"/> Inventory for parent company only <input type="checkbox"/> Inventory for all consolidated entities <input type="checkbox"/> Assurance for parent company only <input type="checkbox"/> Assurance for all consolidated entities		

Scope 1	Total emission (Metric tons CO <sub>2</sub> e)	Intensity (ton CO <sub>2</sub> e/NT\$ Million)	Assurance agency	Description of assurance
Parent company				
Subsidiary				
...				
Total				
Scope 2	Total emission (Metric tons CO <sub>2</sub> e)	Intensity (ton CO <sub>2</sub> e/NT\$ Million)	Assurance agency	Description of assurance
Parent company	1,550			
Subsidiary				
...				
Total	1,550		None	None
Scope 3				

Current progress and future schedule planning:
1. In Q1 2024, greenhouse gas inventory education and training courses completed (3/15, 3 hours) 2. We expect to complete site visits, emission source identification, and data collection in Q2-Q3 2024 (1) Arrange site visits (2) Establish greenhouse gas inventory procedures (3) Compile the greenhouse gas activity data in 2023 3. We expect to generate a inventory list in Q4 2024 (1) Calculate greenhouse gas emissions (2) Generate five inventory forms (boundary survey form, activity data management form, emission coefficient management form, emission calculation form, and emission inventory consultation) (3) Produce a greenhouse gas inventory report for 2023 Implement internal verification and improvement tracking



(VIII) Deviation and causes of deviation between the implementation of ethical corporate management and Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies

Item	Actual governance		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
<p>I. Establishing ethical management policies and plans</p> <p>(I) Has the Company stipulated the ethical corporate management policies approved by the Board of Directors and stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?</p>	V		<p>No significant deviation</p>

Item	Actual governance		Deviations from Ethical Corporate Management Principles Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management	V	<p>(including but not limited to third parties related to the matters of both parties) are involved in the above-mentioned improper benefits, it should immediately take the initiative to inform the other party in writing or orally the name of involved personnel.</p> <p>3. If either party is involved in the above-mentioned improper benefit in the contract or the transaction, the other party has the right to terminate the contract, other contracts or transactions unconditionally at any time.</p> <p>(II) To enable the directors, managerial officers, employees and substantial controllers to comply with such in the performance of business, to implement ethical management, the Company has stipulated the preventive measures for unethical conduct in the "Ethical Corporate Management Best Practice Principles." In addition, there are the Regulations for Ethical Conduct Management to take appropriate disciplinary actions to those who violate the code of ethic conduct and provide channels for complaints.</p>	No significant deviation

Item	Actual governance		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
Best Practice Principles for TWSE/TPE Listed Companies? (III) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V	(III) The Company requires the directors, managerial officers, employees and substantial controllers not to directly or indirectly provide, promise, request or accept any form of improper benefits when conducting business, including kickbacks, commissions, facilitation payments, or through other paths to provide to or accept from customers, agents, contractors, suppliers, public officials or other stakeholders for improper benefits.	No significant deviation
II. Ethical Management Practice (I) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V	(I) The Company has established the "Ethical Corporate Management Best Practice Principles," specifying that business activities should be conducted in a fair and transparent manner, and transactions with those who have a record of unethical conduct shall be avoided.	No significant deviation
(II) Has the company set up a dedicated unit to promote ethical	V	(II) The Company has set up the Integrity Management Promotion Team. To promote the ethical management, it supervises all departments to comply with the norms specified in the "Ethical Corporate	No significant deviation

Item	Actual governance		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
<p>corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(III) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(IV) Does the company have effective accounting and internal control systems in place to enforce ethical</p>	V	<p>Management Best Practice Principles" based on their duties, and reports to the board of directors on a regular basis (at least once a year) about the ethical management policy, preventive program for the unethical conducts, and the supervision of the implementation thereof.</p> <p>2023 working plan and duties: preparing and properly preserving the documented ethical management policy and the compliance statement, implementation of commitments and implementation status.</p> <p>In 2023, there was no unethical conduct.</p> <p>(III) The Company has established the "Regulations for Ethical Conduct Management," specifying that the directors, managerial officers, and employees must not harm the Company's rights and interests for the benefit of specific individuals or groups.</p> <p>(IV) To ensure the ethical corporate management, the Company has established an effective accounting system and internal control system; the internal auditors regularly inspect the relevant implementation and compliance.</p>	<p>No significant deviation</p> <p>No significant deviation</p>



Item	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	Summary	
			total of 10 attendees for total of 102 hours.	
III. Implementation of Complaint Procedures				
(I) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-blowers?	V		<p>(I) The Company's "Ethical Corporate Management Best Practice Principles" provide a system for reporting unethical conducts or misconduct, and the "Regulations for Ethical Conduct Management" provide further regulations. It is encouraged to report to the management department or auditors and other appropriate channels if illegal or unethical conducts are found, or to file the complaint on the reporting platform at the Company's official website, such as:</p> <ol style="list-style-type: none"> <li>1. Employee service team: anny@mail.aso.com.tw, Ms. Chang</li> <li>2. Customer service hotline: 0800027688, Customer Service Center</li> <li>3. Investor mailbox: ir@mail.aso.com.tw, Miss Li</li> </ol> <p>Where the reported incidents are verified to be true, the reward program will be resolved in the personnel evaluation meeting. The safety of whistleblowers should be protected, and the Company promises that whistleblowers will not be unduly punished for whistleblowing.</p>	No significant deviation
(II) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and	V		<p>(II) The Company's "Ethical Corporate Management Best Practice Principles" has a reporting system in place. For each reported incident, an investigation team is set up to conduct a confidential investigation. Both the whistleblower and the reported incident are kept confidential.</p> <p>1. Principles of acceptance:</p> <p>If any of the following circumstances apply, a reported incident may be rejected or may not be investigated, provided that it shall be recorded in the whistleblowing list for future reference.</p> <p>I. The report was made anonymously. However, the report may be</p>	No significant deviation

Item	Actual governance		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
mechanisms ensuring such complaints are handled in a confidential manner?			<p>accepted if it contains concrete and clear content and is accompanied by verifiable information or directions, and the acceptance unit deems it necessary to investigate.</p> <p>II. The whistleblowing report fails to provide evidence to justify suspicion of violation or negligence.</p> <p>III. The same fact is currently under investigation or is being investigated and handled by other agencies, or has been reported by another person, with no concrete new evidence presented. However, the same does not apply if a subsequent whistleblower can provide important evidence that is more conducive to the investigation.</p> <p>IV. The same fact has been rejected or the case has been closed after investigation. However, this does not apply if the whistleblower presents new and concrete evidence to prove the need for re-investigation.</p> <p>V. The reported incident is within the scope of the whistleblower's management and supervision duties and the whistleblower fails to put forward suggestions or improvement advice at relevant company meetings or in accordance with the Company's relevant systems. However, this does not apply if the whistleblower presents evidence that after he/she provided his/her best suggestions or improvement advice, the Company refused to handle the case without valid reasons. If the whistleblower makes a report of the same incident to the prosecuting authority separately during the investigation of this Company, the Company may suspend the investigation.</p>

Item	Actual governance			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	Summary	
(III) Has the company adopted proper measures to protect whistle-blowers from retaliation for filing complaints?	V		<p>(III) The Company has the responsibility to protect the whistleblowers, and it is stipulated in the Regulations for Ethical Conduct Management that the Company is responsible for keeping the identity of the whistleblower confidential, and does its best to protect the personal safety of the whistleblower, so that the whistleblower will not be subject to retaliation and threats.</p> <p>The mechanism also stipulates that the whistleblower shall not be dismissed, discharged or demoted, have their pay cut or their rights under law, contracts or custom damaged, or receive any other disadvantageous treatment. If the whistleblower believes that he/she has suffered disadvantageous treatment, he/she may file a complaint to the Company's Human Resource Division, and the division shall submit a report to the latest meeting of the Integrity Management Committee.</p> <p>The Company received a total of 0 whistleblowing reports in 2023 (0 in 2022), and the subsidiaries received 0 whistleblowing reports in 2023 (0 in 2022).</p>	No significant deviation
IV. Strengthening Information Disclosure (I) Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		<p>(I) The Company has the official website to disclose information such as corporate culture, corporate governance, and business guidelines, with a dedicated department responsible for the collection and release of various company information; the Company has disclosed the content of the Ethical Corporate Management Best Practice Principles on the Company's website and the MOPS.</p>	No significant deviation



Item	Actual governance		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and the causes of such deviations
	Yes	No	
<p>V. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation:</p> <p>The Company has formulated the "Ethical Corporate Management Best Practice Principles" based on the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and has amended such through the board of directors. The Company will operate based on the spirit of corporate governance, and insists the principle of ethical management to conduct business operations. In the future, through the amendment to relevant management procedures, the transparency of information will be enhanced, and the functions of the board of directors will be strengthened, with other measures, to promote the operation of corporate governance.</p>			
<p>VI. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles):</p> <p>(I) The Company's "Rules of Procedure for Board of Directors Meetings" specifies the recusal system; where any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.</p> <p>(II) The Company has established the "Procedures for Handling Material Inside Information and Preventing Insider Trading," providing that no director, supervisor, managerial officer, or employee with knowledge of material inside information of the company may divulge the information to others nor inquire about or collect any non-public material inside information of the company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties.</p> <p>(III) To ensure the implementation of ethical corporate management, the Company has established an effective accounting system and internal control system; the internal auditors regularly inspect the compliance of the aforesaid systems.</p>			

(VIII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed

The Company has established the Corporate Governance Best Practice Principles, regulating the protection of shareholders' rights and interests, enhancement of the board's functions, respects to stakeholders' rights and interests, and improvement of information transparency. The Company will implement the relevant norms of corporate governance in line with the spirit of corporate governance. Through the amendments

to relevant management regulations, enhancement of information transparency and functions of the board of directors, the operation of corporate governance is promoted. The Company also review the implementation of evaluation indicators of the Corporate Governance Evaluation conducted by TWSE Corporate Governance Center one by one, seeking to help the Company to establish the good corporate governance systems and improve the effectiveness of it. Please refer to the MOPS or the Company's website for the information of the Company's "Corporate Governance Best Practice Principles"

(IX) Other information enabling better understanding of the Company's corporate governance that may be disclosed altogether:

The Company has established the "Procedures for Handling Material Inside Information and Preventing Insider Trading," to establish the good mechanism for handling and disclosing the internal material information. At least once per year, the educational promotion of the Procedures and related regulation is conducted to directors, supervisors, managerial officers, and employees. Please refer to pages 42-45 for the directors' continuing education. The managerial officers and employees have completed the continuing education course, "New Trends in the Post-Pandemic Digital Market" organized by the Taiwan Corporate Governance Association on August 8, 2023; and "Paradigm Shift of Management Mindset" organized by Taiwan Investor Relations Institute on November 9, 2023.

The Company will disclose the information of corporate governance in a timely manner on the MOPS and the Company's website.

(X) Internal control implementation

1. Declaration of internal control policies

Please refer to page 87.

2. CPA's report for special audit of the internal control system: none.

SHUI-MU International Co., Ltd.  
Declaration of internal control policies

Date: March 12, 2024

The following declaration had been made based on the 2023 self-assessment of the Company's internal control policies:

- I. The Company acknowledged that our board members and managers have the sole responsibility to create, implement, and maintain the internal control system; and has established such a system. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. Due to the limited nature of the system, it can only provide reasonable assurances for the three categories aforementioned. Moreover, the system could be revised from time to time due to changes in environment and circumstances. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. We chose examination categories for determining the efficiency of internal control based on "Regulations Governing Establishment of Internal Control Systems by Public Companies (The Governing Regulation, henceforth)". The criteria introduced by the "Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to the Regulations for the details.
- IV. The Company adopted the above-mentioned criteria to evaluate the effectiveness of its internal control policy design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2023. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. The Statement will constitute a major part of the Annual Report and Prospectus and be published. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. The Statement was approved at the board meeting of March 12, 2024; it is also stated that among six attending directors, none of them had dissent, and all other agreed with the content of the statement.

SHUI-MU International Co., Ltd.

Chairman: Joseph Lo                      Sign and seal

President: Michelle Kuo                      Sign and seal

- (XI) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken.

During 2023 and up to the publication date of the annual report, no such thing in the Company.

- (XII) Major resolutions passed in shareholder meetings and Board of Directors meetings in the most recent year up till the publication date of this annual report:

1. Material resolutions of shareholders' meeting and implementation:

Time	Important resolutions	Implementation
2023/06/19 Regular meeting	1. Ratification of 2022 business report and financial statements.	Approved by all attending shareholders unanimously without dissent.
	2. Ratification of proposal for 2022 deficit compensation.	For 2022, there was a net loss after tax, so no distribution would be made, and approved by all attending shareholders unanimously without dissent.
	3. Proposal for amendment to the "Articles of Incorporation."	The amendment was made for a more flexible approach to convene shareholders' meetings, and approved by all attending shareholders unanimously without dissent. The proposal was approved by the MOEA to amend the Articles of Incorporation on July 13, 2023.
	4. By-election of independent directors	Mr. Lu, Hsi-Peng, the independent director of the 7th board of directors resigned on February 28, 2023 due to his career plan; to meet the requirement of the Articles of Incorporation, one independent director is to be elected to fill the vacancy. The election of new independent directors was unanimously approved by all attending shareholders, and their terms of office started from June 19, 2023 and will end on August 3, 2024 to fill the original terms.

## 2. Material resolutions of the board of directors

Date	Material discussion	Resolution
2023/03/21	Proposal not to distribute the employee and director remuneration for 2022	Approved by all attending directors as proposed without objection.
	Proposal of 2022 business report and financial report	Approved by all attending directors as proposed without objection.
	Proposal for 2022 deficit compensation	Approved by all attending directors as proposed without objection.
	Proposal for amendment to the “Articles of Incorporation”	Approved by all attending directors as proposed without objection.
	Proposal to amend the “Sustainable Development Best Practice Principles”	Approved by all attending directors as proposed without objection.
	Proposal for matters related to the convention of 2023 regular shareholders’ meeting	Approved by all attending directors as proposed without objection.
	Proposal of the period and venue accepting shareholders’ proposals for 2023 regular shareholders’ meeting	Approved by all attending directors as proposed without objection.
	Proposal of the period, seats and venue of candidates nominated as independent directors for 2023 regular shareholders’ meeting	Approved by all attending directors as proposed without objection.
	Proposal to present the 2022 “Declaration of Internal Control System”	Approved by all attending directors as proposed without objection.
	Proposal of 2023 budget	Approved by all attending directors as proposed without objection.
	Proposal to assess the independence of the attesting CPAs	Approved by all attending directors as proposed without objection.
	Proposal to engage the attesting CPAs to audit the Company and subsidiaries’ financial statements and the compensation thereof	Approved by all attending directors as proposed without objection.
	Proposal to purchase liability insurance for the Company’s directors	Approved by all attending directors as proposed without objection.
	Proposal to appoint the corporate governance officer and his/her remuneration	Approved by all attending directors as proposed without objection.
	Proposal to establish the trust for the employees’ shareholdings	Approved by all attending directors as proposed without objection.
	Proposal to review the 2022 directors’ continuing education	Approved by all attending directors as proposed without objection.

Date	Material discussion	Resolution
	Proposal to assess the independence of the independent directors	Approved by all attending directors as proposed without objection.
	Proposal to review the performance evaluation of the board of directors, functional committees, and directors	Approved by all attending directors as proposed without objection.
2023/04/24	Nomination of Independent Director Candidates in accordance with the Law	Approved by all attending directors as proposed without objection.
2023/05/09	For the purpose of reviewing the candidates for election as independent directors at the 2023 Annual Meeting of Shareholders of the Company	Approved by all attending directors as proposed without objection.
	Proposal of consolidated financial report of Q1, 2023	Approved by all attending directors as proposed without objection.
	Proposal to renew the financing limit from Bank of Kaohsiung	Approved by all attending directors as proposed without objection.
2023/07/28	Proposal to appoint Audit Committee members	Approved by all attending directors as proposed without objection.
	Proposal to engage Remuneration Committee members	Approved by all attending directors as proposed without objection.
	Proposal to engage Nomination Committee members	Approved by all attending directors as proposed without objection.
2023/08/08	Proposal of consolidated financial report of Q2, 2023	Approved by all attending directors as proposed without objection.
	Proposal to revise the general principles for the Company's pre-approved non-assurance service policy.	Approved by all attending directors as proposed without objection.
	The Company's investment in Shuan Yue Shoemaking Ltd.	Approved by all attending directors as proposed without objection.
2023/11/09	Proposal of consolidated financial report of Q3, 2023	Approved by all attending directors as proposed without objection.
	Proposal to loan funds to Comphy International Co., Ltd.	Approved by all attending directors as proposed without objection.
	The Company's investment in Shuan Yue Shoemaking Ltd.	Approved by all attending directors as proposed without objection.
	Proposal to discuss the remuneration of the Company's new managerial officers	Approved by all attending directors as proposed without objection.

Date	Material discussion	Resolution
	Proposal to formulate the 2024 internal audit plan	Approved by all attending directors as proposed without objection.
	Proposal to discuss the 2024 working plan of the Remuneration Committee	Approved by all attending directors as proposed without objection.
	Proposal to distribute the 2023 year-end bonus managerial officers	Approved by all attending directors as proposed without objection.
	Proposal to review various remunerations intended to be implemented in 2024	Approved by all attending directors as proposed without objection.
	Proposal to review the extent of managerial officers applicable to the pre-review of their remunerations required to be submitted to the Remuneration Committee	Approved by all attending directors as proposed without objection.
	Proposal to review the performance evaluation of the board of directors, functional committees, and directors	Approved by all attending directors as proposed without objection.
	Proposal to establish the 2024 directors' continuing education	Approved by all attending directors as proposed without objection.
2024/03/12	Proposal not to distribute the employee and director remuneration for 2023	Approved by all attending directors as proposed without objection.
	Proposal of 2023 business report and financial report	Approved by all attending directors as proposed without objection.
	Proposal for 2023 deficit compensation	Approved by all attending directors as proposed without objection.
	Amendment to the Rules of Procedure for Board of Directors Meetings	Approved by all attending directors as proposed without objection.
	Proposal for amendment to the "Rules of Procedure for Shareholders Meetings"	Approved by all attending directors as proposed without objection.
	Proposal for amendment to the "Articles of Incorporation"	Approved by all attending directors as proposed without objection.
	Re-election of all directors	Approved by all attending directors as proposed without objection.
	Deliberate on the lifting of non-compete restrictions on newly elected directors.	Approved by all attending directors as proposed without objection.
	Proposal for matters related to the convention of 2024 regular shareholders' meeting	Approved by all attending directors as proposed without objection.

Date	Material discussion	Resolution
	Proposal of the period and venue accepting shareholders' proposals for 2024 regular shareholders' meeting	Approved by all attending directors as proposed without objection.
	Proposal of the period, seats and venue of candidates nominated as directors for 2024 regular shareholders' meeting	Approved by all attending directors as proposed without objection.
	Proposal to amend the Company's "Charter of Audit Committee"	Approved by all attending directors as proposed without objection.
	Proposal to amend the Company's "Internal Control System" and "Internal Audit Implementation Rules"	Approved by all attending directors as proposed without objection.
	Proposal to present the 2023 "Declaration of Internal Control System"	Approved by all attending directors as proposed without objection.
	Proposal of 2024 budget	Approved by all attending directors as proposed without objection.
	Proposal to assess the independence of the attesting CPAs	Approved by all attending directors as proposed without objection.
	Proposal to engage the attesting CPAs to audit the Company and subsidiaries' financial statements and the compensation thereof	Approved by all attending directors as proposed without objection.
	Proposal to renew the financing limit from Bank of Kaohsiung	Approved by all attending directors as proposed without objection.
	Proposal to purchase liability insurance for the Company's directors	Approved by all attending directors as proposed without objection.
	Proposal to appoint the new chief operating officer and determine his/her remuneration	Approved by all attending directors as proposed without objection.
	Proposal to review the 2023 directors' continuing education	Approved by all attending directors as proposed without objection.
2024/04/23	Proposal to assess the independence of the independent directors	Approved by all attending directors as proposed without objection.
	Proposal to nominate the candidates of directors (including independent directors)	Approved by all attending directors as proposed without objection.
2024/05/07	Proposal to review the candidates of directors (independent directors) for the 2024 general shareholders' meeting	Approved by all attending directors as proposed without objection.
	Proposal of consolidated financial report of Q1, 2024	Approved by all attending directors as proposed without objection.



Date	Material discussion	Resolution
	Loan of funds for the Company to Shuangyue Co.	Approved by all attending directors as proposed without objection.
	Proposal for earnings appropriation for the first quarter of 2024	Approved by all attending directors as proposed without objection.

(XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the last year, up till the publication date of this annual report:  
None of such circumstance for the Company

(XIV) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's Chairman, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer.  
None of such circumstance for the Company

#### IV. Disclosure of CPAs' remuneration

##### Information and classification of CPA fees

Name of accounting firm	Name of CPA		Audit period	Remarks
KPMG Taiwan	Chen, Pei-Chi	Yu, Chi-Lung	2023/01/01 to 2023/12/31	

Unit: NTD thousand

Amount bracket \ Fee category		Audit fee	Non-Audit Fees	Total
1	Less than NT\$2,000,000		V	
2	\$2,000 thousand (incl.)~\$4,000 thousand	V		V
3	\$4,000 thousand (incl.)~\$6,000 thousand			
4	\$6,000 thousand (incl.)~\$8,000 thousand			
5	\$8,000 thousand (incl.)~\$10,000 thousand			
6	\$10,000 and above			

- (I) Disclosure of audit fees, non-audit fees and details of non-audit services, if the sum of non-audit fees paid to the CPA, CPA's firm and affiliated companies amount to more than one-quarter of total audit fees:  
The non-audit fees paid by the Company in 2023 to the CPAs, the accounting firm, and its affiliated enterprises were less than one-fourth of the audit fees. The fees were paid for the English version of the 2023 consolidated and parent company only financial statements.

## Disclosure of CPAs' remuneration

Unit: NTD thousand

Name of accounting firm	Name of CPA	Audit fee	Non-Audit Fees					Audit period	Remarks
			Policy design	License registration	Human resources	Others (Note)	Subtotal		
KPMG Taiwan	Chen, Pei-Chi	2,430	0	0	0	77	320	2023/01/01 to 2023/12/31	Other non-audit expenses: 1.112 Annual Tax Visa 2.Greenhouse Gas Inventory Education Training 3.Greenhouse Gas Inventory Confirmation Letter
	Yu, Chi-Lung								

(II) Change of CPA firm that resulted in the reduction of audit fees from the previous year; disclose audit fees before and after the change and the cause of such change:

In 2023, the Company did not replace the accounting firm of the attesting CPAs.

(III) If the audit remuneration was reduced by more than 15% from the previous year, the actual amount, proportion, and reasons for the reduction must be disclosed: None.

None of such circumstance for the Company

### V. Change of CPA

None of such circumstance for the Company

VI. The company's chairman, president, and finance or accounting manager has worked in the CPA Firm contracted for auditing service or its affiliated companies:

None of such circumstance for the Company

VII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent

(1) Shareholding changes of directors, supervisors, managers, and shareholder with a stake of more than 10 percent

Unit: Shares

Title	Name	2022		2023 up to April 21	
		Shareholding increase (decrease)	Increase (Decrease) in shares collateralized	Shareholding increase (decrease)	Increase (Decrease) in shares collateralized
Chairman Major shareholder	Joseph Lo	0	0	0	0
Director	Shui-Mu Lo	0	0	0	0
Director	A-Tou Lin	0	0	0	0
Director	Tsung-Hsien Chen	0	0	0	0
Independent Director	Wen-Chih Wu	0	0	0	0
Independent Director	Hsin-Hsiung Lu	0	0	0	0
Independent Director	Li, Pei-Yuan (Note 1)	0	0	0	0
President	Michelle Kuo	0	0	0	0

Title	Name	2022		2023 up to April 21	
		Shareholding increase (decrease)	Increase (Decrease) in shares collateralized	Shareholding increase (decrease)	Increase (Decrease) in shares collateralized
VP	Li-Ling Lo	0	0	0	0
VP	Mei-Lan Chang	0	0	0	0
VP	Hong-xiang Chen (Note 2)	(Note 2)	(Note 2)	0	0
Associate	Chai Wang Tak (Note 2)	0	0	0	0
Associate	LIU Shui-cheung (Note 2)	0	0	0	0
Associate	LI Han-yang (Note 2)	0	0	(Note 2)	(Note 2)
Accounting Officer & Corporate Governance Officer	Ching-Fen Li (Note3)	0	0	0	0

Note 1: Independent Director Mr. Hsi-Peng Lu resigned on February 28, 2023. Mr. Pei-Yuan Li was by-elected at the general shareholders' meeting on June 19, 2023 to succeed the former independent director. His term of office will start on June 19, 2023 and will end when the original term ends

Note 2: Hung-De Chai, Manager of the Company's Intelligence Development Division, Jui-Hsiang Liu, Manager of the Direct Sales Business Division, and Han-Yang Li, Director of the Business Planning Office, were promoted to associate vice presidents on September 1, 2023. Among them, Assistant Vice President Han-Yang Li resigned on April 30, 2024

Note 3: By resolution of the Board of Directors on March 21, 2023, it was approved that the Head of Corporate Governance be appointed concurrently by the Accounting Officer, Ms. Ching-Fen Lee.

- (2) Any counterparty of the transfer of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent is a related party: none
- (3) Any counterparty of the pledge of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent is a related party: none

VIII. Disclosure of relationships among the company's top ten shareholders including spouses,  
second degree relatives or closer

April 20, 2024 Unit: shares; %

Name	Shareholder's shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top ten shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
JUNG-YUEH,Lo	7,392,500	11.07%	79,271	0.12%	7,910,452	11.85%	Lin, Yue-Jiao Yueh-E Lo	Relative within 2nd degree of kinship	
							Yueh Ya Chuan CO., LTD. GIANT DA LI CONSULTING (SAMOA) CO., LTD	The director or chairman of that Company	
							Jung Ying Investment Co., Ltd.	A relative within 2nd degree of kinship to a director of another company	
							A-Tou (Mommy Lo) Charitable Trust Fund Shui-Mu Welfare Trust Education Fund entrusted to Taipei Fubon Bank Love Network Charitable Trust Fund held in trust at Cathay United Bank	Relative within 2nd degree of kinship to the supervisor for property trust account	
Yueh Ya Chuan CO., LTD.	5,810,452	8.70%	0	0.00%	0	0.00%	JUNG-YUEH, Lo	The chairman of that company	
							Lin, Yue-Jiao Yueh-E Lo	A relative within 2nd degree of kinship to the chairman of the Company	
							A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank Love Network Charitable Trust Fund held in trust at Cathay United Bank	Chairman of the Company is a relative within 2nd degree of kinship to a director of another company	
Representative of Yueh Ya Chuan CO., LTD., JUNG-YUEH,Lo	7,392,500	11.07%	79,271	0.12%	7,910,452	11.85%	Jung Ying Investment Co., Ltd.	The chairman is a relative within 2nd degree of kinship to the supervisor for property trust account	
							GIANT DA LI CONSULTING (SAMOA) CO., LTD.	The chairman of the Company is the director or chairman of another company	

Name	Shareholder's shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top ten shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Yueh-E Lo	4,803,202	7.19%	0	0.00%	0	0.00%	JUNG-YUEH,Lo Lin, Yue-Jiao	Relative within 2nd degree of kinship	
							Jung Ying Investment Co., Ltd.	The director of that company	
							Yueh Ya Chuan CO., LTD. GIANT DA LI CONSULTING (SAMOA) CO., LTD.	A relative within 2nd degree of kinship to a director or the chairman of another company	
							A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank Love Network Charitable Trust Fund held in trust at Cathay United Bank	Relative within 2nd degree of kinship to the supervisor for property trust account	
A-Tou (Mommy Lo) Charitable Trust Fund	3,442,338	5.15%	0	0.00%	0	0.00%	JUNG-YUEH,Lo Yueh-E Lo Lin, Yue-Jiao	Relative within 2nd degree of kinship to the supervisor for property trust account	
							SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank Love Network Charitable Trust Fund held in trust at Cathay United Bank	The supervisor for property trust account is a relative within 2nd degree of kinship to the supervisor for another property trust account	
A-Tou (Mommy Lo) Charitable Trust Fund Supervisor Kwang, Shu-Ying	79,271	0.12%	7,992,500	11.96%	0	0.00%	Yueh Ya Chuan CO., LTD. Jung Ying Investment Co., Ltd. GIANT DA LI CONSULTING (SAMOA) CO., LTD.	The supervisor for property trust account is a director or spouse of director of another company	

Name	Shareholder's shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top ten shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank	2,944,338	4.41%	0	0.00%	0	0.00%	JUNG-YUEH,Lo Yueh-E Lo Lin, Yue-Jiao	Relative within 2nd degree of kinship to the supervisor for property trust account	
							A-Tou (Mommy Lo) Charitable Trust Fund Love Network Charitable Trust	The supervisor for property trust account is a relative within 2nd degree of kinship to the supervisor for another property trust account	
SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank Supervisor Lo, Jung-Ke	0	0.00%	2,284	0.00%	0	0.00%	Fund held in trust at Cathay United Bank	kinship to the supervisor for another property trust account	
							Yueh Ya Chuan CO., LTD. Jung Ying Investment Co., Ltd. GIANT DA LI CONSULTING (SAMOA) CO., LTD.	The supervisor for property trust account is a relative within 2nd degree of kinship to a director or the chairman of another company	
Lin, Yue-Jiao	2,935,560	4.39%	0	0.00%	0	0.00%	JUNG-YUEH,Lo Yueh-E Lo	Relative within 2nd degree of kinship	
							Yueh Ya Chuan CO., LTD. Jung Ying Investment Co., Ltd. GIANT DA LI CONSULTING (SAMOA) CO., LTD.	A relative within 2nd degree of kinship to a director or the chairman of another company	
							A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank	Relative within 2nd degree of kinship to the supervisor for property trust account	

Name	Shareholder's shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top ten shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Love Network Charitable Trust Fund held in trust at Cathay United Bank	2, 818, 169	4. 22%	0	0. 00%	0	0. 00%	A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank	The supervisor for property trust account is a relative within 2nd degree of kinship to the supervisor for another property trust account	
							JUNG-YUEH,Lo Yueh-E Lo	Relative within 2nd degree of kinship to the supervisor for property trust account	
Love Network Charitable Trust Fund held in trust at Cathay United Bank Supervisor Chiang, Shi-Duo	0	0. 00%	6, 659, 560	9. 97%	0	0. 00%	Yueh Ya Chuan CO., LTD. Jung Ying Investment Co., Ltd. GIANT DA LI CONSULTING (SAMOA) CO., LTD. SHUI-MU Culture and Art Foundation	The supervisor for property trust account is a relative within 2nd degree of kinship to a director or the chairman of another company	
Jung Ying Investment Co., Ltd.	1, 685, 184	2. 52%	0	0. 00%	0	0. 00%	JUNG-YUEH,Lo Lin, Yue-Jiao	A relative within 2nd degree of kinship to a director of the Company	
							Yueh-E Lo	The director of that company	
Representative of Jung Ying Investment Co., Ltd.: Yueh-E Lo	4, 803, 202	7. 19%	0	0. 00%	0	0. 00%	A-Tou (Mommy Lo) Charitable Trust Fund Love Network Charitable Trust Fund held in trust at Cathay United Bank SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank	The director of the Company is a relative within 2nd degree of kinship to the supervisor for another property trust account	

Name	Shareholder's shareholding		Shares held by spouse and underage children		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top ten shareholders.		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
GIANT DALI CONSULTING (SAMOA) CO., LTD.	1,500,000	2.25%	0	0.00%	0	0.00%	JUNG-YUEH,Lo	Chairman of the Company	
							Lin, Yue-Jiao Yueh-E Lo	A relative within 2nd degree of kinship to the chairman of the Company	
							Jung Ying Investment Co., Ltd.	Chairman of the Company is a relative within 2nd degree of kinship to a director of another company	
							A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank	Relative within 2nd degree of kinship to the supervisor for property trust account	
GIANT DALI CONSULTING (SAMOA) CO., LTD. Representative JUNG-YUEH,Lo	7,392,500	11.07%	79,271	0.12%	7,910,452	11.85%	Love Network Charitable Trust Fund held in trust at Cathay United Bank Yueh Ya Chuan CO., LTD. GIANT DALI CONSULTING (SAMOA) CO., LTD.	The director of the Company is the director or chairman of another company	
							A-Tou (Mommy Lo) Charitable Trust Fund SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank Love Network Charitable Trust Fund held in trust at Cathay United Bank	Relative within 2nd degree of kinship to the supervisor for property trust account	



IX. Any single investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company. Shareholding % is calculated in aggregate of the above parties.

December 31, 2023, Unit: shares; %

Invested businesses	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership interest	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
A.S.O International Co., Ltd.	900,000	100%	—	—	900,000	100%
A.S.O International Holdings Co., Limited(Note1)	—	—	—	—	—	—
Lovelly International Co., Ltd. ( Note 2)	—	—	—	—	—	—
Comphy International Co., Ltd.	950,000	95%	—	—	950,000	95%
Beso International Co., Ltd. ( Note 3)	—	—	—	—	—	—
Learn Jet International Ltd. ( Note 4)	—	34%	—	—	—	34%

Note 1: A.S.O International Holdings Co., Limited was cancelled and liquidated in November 2023.

Note 2: Lovely International Co., Ltd. completed the liquidation procedures in July 2023.

Note 3: Beso International Co., Ltd. completed the liquidation procedures in July 2023.

Note 4: Learn Jet International Ltd. is a limited without shares issued, so no number of shares.

## Four. Funding Status

### I. Capital and outstanding shares

#### (I) Source of Capital Stock

##### 1. Share categories

April 20, 2024 Unit: shares

Categories	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	66,800,000	13,200,000	80,000,000	

Note: the shares are shares of a TWSE listed company

##### 2. History of share capital formation

#### (1) Current year up to the publication date of the annual report, the changes in the share capital

April 20, 2024 Unit: shares/NT\$

Year / month	Issue price (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Share capital Sources	Paid-in properties other than cash	Others
2003.08	10	2,000,000	20,000,000	2,000,000	20,000,000	Capital of incorporation	-	Fu-Jian-Shang-Zhi No.09218562000
2004.07	10	6,800,000	68,000,000	6,000,000	60,000,000	Capital increase in cash 40,000,000	-	Fu-Jian-Shang-Zhi No.09316350800
2005.10	10	6,800,000	68,000,000	6,800,000	68,000,000	Capitalization of retained earnings 8,000,000	-	Fu-Jian-Shang-Zhi No.09418703010
2010.12	10	25,800,000	258,000,000	25,800,000	258,000,000	Capitalization of retained earnings 190,000,000	-	Fu-Jian-Shang-Zhi No.09990523510
2011.08	10	45,000,000	450,000,000	37,800,000	378,000,000	Capitalization of retained earnings 120,000,000	-	Fu-Chan-Yeh-Shang-Zhi No.10086822910
2011.12	10	45,000,000	450,000,000	40,500,000	405,000,000	Capital increase in cash 27,000,000 Issued at a premium at NT\$38	-	Fu-Chan-Yeh-Shang-Zhi No.10090701910
2012.06	10	80,000,000	800,000,000	42,299,300	422,993,000	Conversion of employee stock options to shares 17,993,000	-	Fu-Chan-Yeh-Shang-Zhi No.10184780810
2012.12	10	80,000,000	800,000,000	60,524,300	605,243,000	Capitalization of retained earnings 182,250,000	-	Jin-Shou-Shang-Zhi No.10201021900
2014.10	10	80,000,000	800,000,000	66,800,000	668,000,000	Capital increase in cash 62,757,000	-	Jin-Shou-Shang-Zhi No.10301204410

(2) During the preceding fiscal year and in the current fiscal year up to the date of the publication of the report, securities offered and issued by shelf registration: none.

(II) Composition of shareholders

April 20, 2024

Shareholders Quantity	Government agencies	Financial institutions	Other corporate entities	Individuals	Foreign institutions and foreigners	Total
No. of shareholders	0	6	158	34,897	37	35,098
Number of shares held	0	10,291,197	12,877,652	40,693,524	2,937,627	66,800,000
Shareholding percentage	0%	15.41%	19.28%	60.91%	4.40%	100.00%

(III) Diversification of equity

1. Ordinary shares

April 20, 2024

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	30,463	1,901,948	2.85%
1,000 to 5,000	3,934	6,972,068	10.44%
5,001 to 10,000	356	2,683,883	4.02%
10,001 to 15,000	114	1,444,809	2.16%
15,001 to 20,000	63	1,166,590	1.75%
20,001 to 30,000	52	1,326,382	1.99%
30,001 to 50,000	40	1,618,687	2.42%
50,001 to 100,000	33	2,319,957	3.47%
100,001 to 200,000	16	2,042,747	3.06%
200,001 to 400,000	9	2,485,364	3.72%
400,001 to 600,000	4	1,820,700	2.73%
600,001 to 800,000	0	0	0%
800,001 to 1,000,000	3	2,655,122	3.97%
1,000,001 and above	11	38,361,743	57.42%
Total	35,098	66,800,000	100.00%

2. Preferred shares: none

(IV) Roster of Major Shareholders

List of major shareholders: List all shareholders with a stake of 5 percent or greater, and specify the number of shares and stake held by each shareholder on the list

April 20, 2024 Unit: shares

Name of major shareholder	Shares	Shareholding (shares)	Shareholding (%)
Lo, Jung-Yueh		7,392,500	11.07%
Yueh Ya Chuan CO., LTD.		6,410,452	9.60%
Yueh-E Lo		4,803,202	7.19%
A-Tou (Mommy Lo) Charitable Trust Fund		3,442,338	5.15%
Yongchao Venture Capital Co.,Ltd.		3,330,000	4.99%
SHUI-MU Charitable Education Fund Account held in trust at Taipei Fubon Commercial Bank		2,944,338	4.41%
Lin, Yue-Jiao		2,935,560	4.39%
Love Network Charitable Trust Fund held in trust at Cathay United Bank		2,818,169	4.22%
Jung Ying Investment Co., Ltd.		1,685,184	2.52%
GIANT DA LI CONSULTING (SAMOA) CO., LTD.		1,500,000	2.25%

(V) Information on market value, net value, earnings and dividends per share in the most recent two years

Unit: NT\$/ thousand share

Item			Year	2022	2023	2024 up to March 31 (Note 3)
Market price per share	Highest			12.85	12.60	12.85
	Lowest			10.55	10.55	11.55
	Average			11.41	11.72	11.95
Net worth per share	Before distribution			12.20	12.45	12.61
	After distribution			12.20	(Note2)	12.61
Earnings per share	Weighted average outstanding shares			66,800 thousand shares	66,800 thousand shares	66,800 thousand shares
	Earnings per share	Before retrospective adjustment		-3.15	0.25	0.14
		After retrospective adjustment		-3.15	(Note 2)	—
Dividends per share	Cash dividends			0	(Note 2)	—
	Stock dividends	From earnings		0	0	—
		From capital reserves		0	0	—
	Accumulated unpaid dividends			0	0	—
Analysis of investment returns	Price/earnings ratio (Note 4)			—	46.88	85.36
	Price/dividend ratio (Note 5)			—	(Note 2)	—
	Cash dividend yield (Note 6)			—	(Note 2)	—

Note 1: Data from TWSE; the highest and lowest market price are the comparisons of intra-trading prices; and the average market price is calculated by weighing transacted prices against transacted volumes in each respective fiscal year. On May 7, 2024, the Board of Directors resolved not to

distribute the earnings of the first quarter of 2024.

Note 2: The 2023 deficit compensation proposal is to be resolved in the 2024 regular shareholders' meeting.

Note 3: The data up to March 31, 2024 was reviewed by the CPAs.

Note 4: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share Where the net income after tax per share is 0 or negative, the P/E ratio will not be calculated.

Note 5: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share

Note 6: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year

## (VI) Dividend policy and execution

### 1. The dividend policy defined by the Articles of Incorporation

Where the Company makes a profit for a year after the annual settlement, after its losses have been covered and all taxes and dues have been paid, ten percent of such profits shall be set aside as a legal reserve; provided that when the legal reserve amounts to the authorized capital, this shall not apply. In addition, any special reserve set aside or reversed pursuant to related laws and regulations, along with beginning undistributed earnings, becomes the distributable accumulated earnings to the shareholders. The board of directors prepares the proposal for earning distribution to the shareholders' meeting for the distribution.

Since there was a net loss of NT\$173,226,743 after the 2023 net profit before tax was used to make up for the loss, no shareholders' dividends would be distributed.

The Company's dividend policy mainly considers the future expansion plans for operations and the needs of cash flows. The earning distribution may be made in the way of cash dividends or share dividends; however, the cash dividends shall not be less than ten percent of the total amount of dividends. The ratio of the aforesaid earning distribution may be resolved by the shareholders' meeting based on the actual profits and capital status.

### 2. Dividend distribution proposed for the next annual general meeting

#### **SHUI-MU International Co., Ltd. Statement of Deficit Compensation 2023**

Unit: NTD

Item	Amount
Beginning balance	(190,247,086)
Plus: net profit (loss) after tax for the year	17,020,543
Ending accumulated loss	(173,226,743)

## (VII) Impacts of proposed share dividends on the Company's business performance and earnings per share:

No share dividend is proposed to the 2024 regular shareholders' meeting and thus it is not applicable.

(VIII) Employees'/Directors'/Supervisors' remuneration

1. Percentage and range of employees'/directors'/supervisors' remuneration stated in the Articles of Incorporation:

Article 27 of the Articles of Incorporation specifies that to motivate the employees and the management, after offsetting the loss with the profit before tax and before deducting the remunerations to employees and directors, shall there be any balance, the Company provides one percent to ten percent from such balance as the employee remuneration, distributed in shares or cash based on the resolution adopted by the majority of the attending directors in a board meeting attended by more than two third of the directors. The eligible receivers may be the employees of the controlling or subordinate companies meeting certain conditions that are determined by the board of directors under the authorization. The Company may also provide no more than two percent of the aforesaid profit amount as the director remuneration upon the special resolution of the board of directors; the director remuneration is made in cash. The proposal to distribute remunerations to employees and directors shall be reported to the shareholders' meeting.

2. Basis of calculation for employees' bonus, Directors'/Supervisors' remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

Since there was a net loss of after the 2023 net profit before tax was used to make up for the loss, so no employees and directors' remuneration is estimated. The basis of estimate is based on the profit of the year, at the percentage specified in the Articles of Incorporation (at 1.9%) Shall there be any difference between the amount actually distributed and the estimates, the difference is recognized as an adjustment in the financial report of the next year.

3. Allocation of remuneration approved by the board of directors:

- (1) Employees'/Directors'/Supervisors' remuneration, in cash or in shares. Disclose the amount, causes and treatments of any differences between the amount paid and the amount estimated in the year the expense was recognized:

Since there was a net loss of after the 2023 net profit before tax was used to make up for the loss, so no employees and directors' remuneration will be distributed. Where any earning is to be distributed, it is based on the profit of the year, at the percentage specified in the Articles of Incorporation (at 1.9%) Shall there be any difference between the amount actually distributed and the estimates, the difference is recognized as an adjustment in the financial report of the next year.

- (2) Percentage of employees' remuneration paid in shares, relative to net income and total employees' remuneration shown in parent-only or individual financial statements:

Since there was a net loss of after the 2023 net profit before tax was used to make up for the loss, so no employees' remuneration is to be distributed. Therefore, the percentage of employees' remuneration paid in shares, relative to net income and total employees' remuneration shown in parent-only or individual financial statements are not applicable.

4. Actual payment of employees'/Directors'/Supervisors' remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies):

Unit: NTD

Item	Recognized amount	Actual distribution	Amount of differences	Reason and treatment
Employee remuneration	0	0	0	The actual distributed amount and recognized amount for the 2023 profit sharing remunerations to employees and directors are not different.
Director remuneration	0	0	0	

(IX) Repurchase of company shares: None.

II. Disclosure relating to corporate bonds: None.

III. Issuance of Preferred Shares: None.

IV. Issuance of GDR: None

V. Employee stock warrants

- (I) Unexpired employee stock warrants: As of the publication date of the annual report, the issued employee stock warrants have been fully executed.
- (II) Names of managers who have acquired employee stock options and names of employees ranking top ten in exercisable shares as at the publication date of this annual report:  
None.

VI. Disclosure regarding new issues of employee restricted shares

None.

VII. Disclosure on new shares issued for the acquisition or transfer of other shares

- (I) New share issuances in connection with mergers and acquisitions completed in the most recent year and as of the date of this Annual Report
- (II) New share issuances in connection with mergers and acquisitions approved upon the resolution of the Board in the most recent year and as of the date of this Annual Report:  
none.

VIII. Implementation of Capital Utilization Plan:

The prior public offering or private placement of marketable securities has not been completed or has been completed in past 3 years but the project benefits is not yet emerged up to the prior quarter of the annual report printing date:

The Company has not issued or privately placed securities to merge, acquire, or purchase another company through share acquisition, expand fixed assets, acquire new property, plant and equipment, invest in another company, nor strengthen the company's working capital, so there is no capital utilization plan and implementation.



## Five. Business Performance

### I. Content of business

#### (I) Business Scope

- (1) Principal business activities
  - (1) CJ01010 Hat Manufacturing
  - (2) CK01010 Footwear Manufacturing
  - (3) CM01010 Case and Bag Manufacturing
  - (4) F104110 Wholesale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
  - (5) F105050 Wholesale of Furniture, Bedding Kitchen Utensils and Fixtures
  - (6) F204110 Retail Sale of Cloths, Garments, Shoes, Hats, Umbrellas and Clothing Accessories
  - (7) F205040 Retail Sale of Furniture, Bedding Kitchen Utensils and Fixtures
  - (8) F401010 International Trade
  - (9) F301010 Department Stores
  - (10) F301020 Supermarkets
  - (11) F399990 Retail sale of Other Integrated
  - (12) F206020 Retail Sale of daily commodities
  - (13) F399010 Convenience Stores
  - (14) F207030 Retail Sale of Cleaning Supplies
  - (15) F208031 Retail Sale of Medical Apparatus
  - (16) F102030 Wholesale of Tobacco and Alcohol
  - (17) F203020 Retail Sale of Tobacco and Alcohol
  - (18) C104020 Manufacture of Bakery and Steam Products
  - (19) F201010 Retail Sale of Agricultural Products
  - (20) F201020 Retail Sale of Livestock Products
  - (21) F203010 Retail Sale of Food, Grocery and Beverage
  - (22) F399040 Retail Sale No Storefront
  - (23) F601010 Intellectual Property Rights
  - (24) I199990 Other Consulting Service
  - (25) F113020 Wholesale of Electrical Appliances
  - (26) F213010 Retail Sale of Electrical Appliances
  - (27) A102060 Food Dealers
  - (28) F102040 Wholesale of Nonalcoholic Beverages
  - (29) F102170 Wholesale of Foods and Groceries
  - (30) F106020 Wholesale of Daily Commodities
  - (31) F107030 Wholesale of Cleaning Supplies
  - (32) F108040 Wholesale of Cosmetics
  - (33) F208040 Retail Sale of Cosmetics
  - (34) F109070 Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
  - (35) F209060 Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
  - (36) F201070 Retail sale of Flowers
  - (37) F206010 Retail Sale of Hardware
  - (38) F206050 Retail Sale of Pet Food and Supplies
  - (39) F207050 Retail Sale of Fertilizer
  - (40) F208050 Retail Over-the-counter drugs class B
  - (41) F210010 Retail Sale of Watches and Clocks
  - (42) F210020 Retail Sale of Glasses
  - (43) F212050 Retail Sale of Petroleum Products
  - (44) F214030 Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories
  - (45) F214040 Retail Sale of Bicycle and Component Parts Thereof
  - (46) F215010 Retail Sale of Jewelry and Precious Metals
  - (47) F216010 Retail Sale of Camera Equipment
  - (48) F501030 Beverage Shops
  - (49) F501060 Restaurants
  - (50) F501990 Other Catering
  - (51) G202010 Parking area Operators
  - (52) H703090 Real Estate Business
  - (53) H703100 Real Estate Leasing
  - (54) I101090 Food Consulting
  - (55) I103060 Management Consulting
  - (56) I301010 Information Software Services
  - (57) I301030 Electronic Information Supply Services
  - (58) I301040 The Third Party Payment
  - (59) I401010 General Advertisement Service
  - (60) IE01010 Telecommunications Service Number Agencies
  - (61) IZ01010 Photocopy
  - (62) IZ09010 Management System Certification
  - (63) IZ12010 Manpower Dispatched
  - (64) IZ99990 Other Industrial and Commercial Services
  - (65) J202010 Industry Innovation and Incubation Services
  - (66) J303010 Magazine(Periodical) Publishing
  - (67) J304010 Book Publishing
  - (68) J305010 Audio Publishing
  - (69) J401010 Motion Picture Production
  - (70) J402010 Motion Picture Distribution
  - (71) J404010 Animated Motion Picture Production
  - (72) J503020 Television Program Production
  - (73) J503030 Broadcasting and Television Program Distribution
  - (74) J503040 Broadcasting and Television Commercial

(75) J701020 Amusement parks.  
 (76) JA01010 Automobile Repair  
 (77) JA01990 Other Automobile Services  
 (78) JA03010 Laundry  
 (79) JE01010 Rental and Leasing  
 (80) JZ99030 Photography  
 (81) JZ99050 Agency Services  
 (82) JZ99080 Beauty and Hairdressing Services  
 (83) JZ99180 Pet Grooming  
 (84) J802010 Sports Training  
 (85) JF01010 Traditional Physical Management

(86) JF01020 Massage Service

(87) JF01030 Foot Massage

(88) JF01040 Meridian Massage

(89) F106030 Wholesale of Molds  
 (90) F206030 Retail Sale of Molds  
 (91) F201030 Retail Sale of Fishery Products  
 (92) F201990 Retail Sale of Other Agricultural, Livestock and Aquaculture Products  
 (93) I501010 Product Designing  
 (94) I502010 Clothing Designing  
 (95) I503010 Landscape and Interior Designing  
 (96) I599990 Other Designing  
 (97) I301050 Reality Technology Services  
 (98) JA02990 Other Repair  
 (99) JB01010 Conference and Exhibition Services  
 (100) JI01010 Interactive Scenario Experience Services  
 (101) E801010 Indoor Decoration  
 (102) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval



## (2) Weight of business activities




Unit: NT\$ thousand; %

Year Product line	2023		2022	
	Net operating income	Weight (%)	Net operating income	Weight (%)
Shoes	754,191	64.01%	537,668	43.32%
Bags	55,974	4.75%	41,073	3.31%
Socks	37,475	3.18%	29,955	2.41%
Others	330,523	28.06%	632,377	50.96%
Total	1,178,163	100.00%	1,241,073	100.00%

## (3) The Company's existing products

The Company's own brands mainly are various shoes, leather goods and bags, as well as accessories. The self-owned products of the Company by the brands created by the Company are listed as below:

Brand	Attribute	Year of establishment	Product style
	Footwear	1952	"Insisting to make the best shoes in Taiwan," emphasizing comfort and fashion
	Footwear	1992	Full of bright colors to show the young energy
	Footwear	2005	BESO is from "KISS" in Spanish, demonstrating passion and fast fashion
	Footwear	2011	Italian fashion beauty
	Footwear	2012	Fashionable and recreational

	Cultural creativity	2016	The cartoon character, Bo bonny Rabbit was incorporated in various cultural creative and parent-children goods; the cute style with good texture, very user-friendly.
	Socks and textile	2017	Based on "comfort" and starting from "people's needs," it is sought to "make wearing absolutely comfortable and healthy;" "+" is the most important brand spirit, creating unlimited possibilities.
	Footwear	2022	Claiming medical health, cooperating with physicians to jointly participate in the research and development for protective products including medical devices such as limb accessories, torso accessories, medical aids, and medical insoles.

(4) New products planned to be developed for the self-owned brands

The Company plans diverse and abundant new products based on different customer segments. Through the added values based on the types of segment needs and functional needs of the customers, Expanding New Business Opportunities for Diversified Commoditization Integration The products are describe by category and attributes as below:

①Footwear:

The concepts of fashion, themes, functions, seasonal and other series development planning are as the pillars of development, while focusing on pain points of customers' feet and foot measurement analysis. The footwears not only maintain the comfort and quality as shoes, but also get closer to customers' foot problems and walking gait, and demonstrate such as the product series.

Featured themes	Description
Breathable Elastic Air Cushion Series	Golden triangle, soft pedaling feeling, and technology memory insoles.
Thick Air Cushion Series	Thick-cut arch pad, three-dimensional design, three-point support, balanced arch, and shockproof heel.
Lightweight Shock-Absorbing Series	The EVA outsole is adopted, featured with lightweight, non-slip, and ultra-light fatigue proof foot bed.
Commuting Series	Patented ultra-light non-slip soles, exclusive patented lightweight technology, equipped with patented ribbing.
Dual-Core Series	Shock-absorbent dual-core outsole embedded with dual-core shockproof cotton, with ultra-light and hydrolysis resistant outsole.
Extra-Powerful Series	The ether outsole improves the durability of the shoes, making it easy to walk, wear-resistant and durable.
Safe Air Cushion Shoes	Supplementary cushion and shock proof, solid and elastic with stable support to be more comfortable.
Energy Dual-Core Series/(Waterproof))	Breathable and skin-friendly fabrics, with fly-knitted design of multi-layer weaves; PU and rubber outsole, with airbag design. Waterproof models are also planned as shoes to be worn for sudden changes in climate and different scenarios.

3D Momentum Series	The TPU elastic balance planes support the foot arches, and the technical memory foam instantly memorizes the foot shape.
Foot Beauty: Bunion Series	Adopting the fan-shaped tension space and A.softer skin-friendly elastic fabrics to increase the room of movement and avoid the collapse of the arch.
Stress-Free Support Series	The thickening design of the inner quarter of the heel, to form a three-dimensional covering structure and provide stable support.
Stress-Relief Air Cushion Series — Commuting Shoes	To relieve the stress on feet of female customers who need to commute to work every day, a lightweight non-slip outsole is designed, saving effort and making walking more effective and stable.
Men's Air Cushion Series	Relieving heel pressure and protecting heels. Circular wrapping design to stabilize gait
Lightweight LOHAS series	Lightweight and shock proof EVA base, very elastic to support feet without being hydrolyzed.
Super-Powerful Air Cushion Series	Patented multi-density compounded outsole, with the perforated and dip-dyed nano insole first seen in Taiwan to improve moisture absorption and breathability, keeping feet dry and comfortable without being stuffy.
Commuter-Friendly Series	The series of products specifically developed for business commuters, with unique lightweight foam shock-absorbing insoles.
Walking Shoe Series	The full-fledged stable series of products adopting the COP gait control structure, to fit the ergonomic curvature.
Lightweight and Stable Shoe Series	Exclusive patented full-fledged stable series of products, with multi-layer ribs on the soles to introduce the stable and lightweight functions.
O2 Air Cushion Shoes	Adopting the 3D air circulation effect to improve the problem of heat and humidity when wearing shoes.
Foot health	For the foot bed, the rice fibers are adopted for environmental protection and recycling, with natural antibacterial and anti-mildew effects.
Supportive Air Cushion Shoes	No more tired feet after standing for long time. The insoles balance the whole foot with every step. Lightweight wearing ensures no more fatigue after long-time standing and walking
Mountain Climbing Air Cushion Shoes	The 360° waterproof sock design provides safety and ventilation, and the shoe upper is water-repellent and anti-siphon
Foot Pain Relief Insoles	It can prevent bone spurs from being pressed to the place and cause discomfort. The hardness and thickness of the arch plate are moderate and different from general arch support insoles.
Anti-Fatigue Insoles	Tired calves can lead to edema, knee and ankle pain, shin pain, plantar fasciitis, Achilles tendonitis, and even back problems
Foot Cleaning Insoles	It is easy for sweaty feet in unventilated shoes to breed bacteria and produce bad odor
Graphene Circulation Trail Shoes	A pair of lightweight trail running shoes suitable for casual beginners and light trail runners to travel in the mountains and forests easily
Graphene Circulation Fitness Shoes	Suitable for people who have cold hands and feet and value health and beauty. Good walking gives a good look! Nano technology and graphene create a health cycle
Support Air Cushion Shoes	The ergonomic support and balance design stabilizes gaits and places the center of gravity evenly on both feet, allowing the whole body to be fully stretched and enabling smoother walking!
Graphene Moving Magnet	Suitable for people with stiff bodies resulting from poor foot

Massage Shoes	circulation caused by standing or sitting for long periods of time Your exclusive mobile masseuse!
Stress-Relief Walking Shoes	Suitable for people who need to stand for long periods of time or carry heavy objects/are easily get tired of their feet Dual stress-relief technologies allow you to move sharply every day!
Ultra-Dynamic Dual-Core Sports Shoes	A pair of easy-to-walk-in sports shoes with patented knobs that allow you to fasten and take off in three seconds Sports ankle support: The horseshoe-shaped circular wrapping design stabilizes gaits

### ②Leather goods:

Leather accessories are no longer to meet the needs of matching only, but redefine the needs of modern people as "enjoying the convenience of life with only one bag, and integrating more practicality and fashion sense through design;" via continuing elevation of product characteristics, the quality of leather craftsmanship is maintained. Various new structures are developed to achieve the uniqueness in the market.

Product	Description
Elegant Workplace Series	Combining with the precious classic bag shapes in the past, the unique structure is designed, to improve the overall details while incorporating both practicality and fashion sense.
Timeless classic series	The classic leather quilting technique is adopted as the main pillar of the series, extending to related series of bags and wallets, and creating a high-quality leather craftsmanship.
Creative Design Series	Exclusively pioneering new types of bag shapes with a patented structure, combining two different bag shapes into one through a special structure, creating products being discussed.
Fashionable Series	The seasonal popular colors, elements, and bag types are extended to bags and accessories, to increase segments of product by focusing on young customers.
Business Gentleman Series	Providing for men's business applications, showing a professional charm of the classic series; through the secondary processing of the top layer of cowhide to add characteristic texture to the leather surface, which not only strengthens the durability of leather goods but also optimizes the niche market.
Functional Leisure Series	Combining functional materials such as: waterproof zippers, waterproof fabrics, stress-relieving strap design, RFID blocking fabrics and other elements to be integrated into the shapes of daily bags for creating unique products.

### ③Accessories:

Based on functionality, high quality, high comfort, and high repurchase as the pillars of research and development, the accessories mainly focus on socks, protective gears, intimate clothing, elegant home slippers, and bedding.

Product	Description
Medical grade insoles	Tailor the insoles to your foot pressure measurement results to prevent your feet from feeling discomfort from standing or walking for a long period of time due to pronation, supination, or hallux valgus. This product can protect your feet and avoid foot discomfort.

Product	Description
Functional textiles	Committed to meeting the needs of dryness, freshness, fit-temperature, and modification during long-term wearing, and combining with innovative technologies, the functional and tactile high-quality yarns are researched and developed, matching with the structural design of human factors engineering, to enhance the high-quality enjoyment of life.
Antibacterial House Shoes	Combining different material functions such as antibacterial, quiet, lightweight, and elastic, and based on needs human gaits and last structure fitting Taiwanese to satisfy the hunger of pursuing better life quality.
Functional insoles	The greatest contributor for the secret of comfortable wearing, and one of the values of the model. The foot bed adopts different material properties to match different foot structures, with the effect of shock resistance and stress relief.
Professional Leather Care Products	Exclusively introduced VIOLA professional shoe maintenance series and ARTCO professional leather product maintenance series under the long-established and high-quality JEWEL Company in Japan; the products claim the characteristics of clearness and non-greasy, effectively caring for leathers.
Medical Protective Equipment	The series of products allows users to achieve health protection with correction of posture, adjust the problem of sore back and waist due to wrong use of muscle; meanwhile, the circulation in the body is adjusted through far infrared rays, to beautify the body and demonstrate the health, energetic and beautiful life.
Functional Home Care Series	Adhering to the extended concept of health care development of functional fabrics, the Company cooperates with ITRI for patents on negative ion applications, to combine negative ions with fabrics or foam materials. We have also developed far-infrared functional bedding to promote circulatory health care, and create a healthy concept of household health care.
Small Home Care Appliance Series)	Committed to the development of health-related products, ranging from foot care products to small household appliance of antibacterial series (e.g. UV sterilization dryer) that can be used in shoes, cabinets, purses, among other things, while introducing portable UVC ultraviolet sterilization device to easily disinfect anytime and anywhere for the protection of the health of Taiwanese.

## (II) Overview of industry

### (1) The industry's current status and potential developments

The retail industry is a domestic demand-oriented industry. Because the products operated cover food, clothing, housing, transportation, education, and entertainment aspects of livelihood needs, the industry is closely related to the income and consumption expenditure of Taiwanese. In recent years, the average national income and the average private consumption expenditure per capita in Taiwan have been increasing year by year. The average national income per capita in 2023 was NT\$853,306, an increase from NT\$838,294 in 2022. The average private consumption expenditure per capita has slowed

down due to the COVID-19 pandemic, and Taiwanese have increased outbound consumption and leisure travel activities, resulting in consumption expenditure of NT\$490,342 in 2023, an increase from NT\$444,329 in 2022.

**Average national income per capita and average private consumption expenditure per capita from 2019 to 2023**

Unit: NTD

Year	Average income per capita	Average private consumption expenditure per capita
2019	691,326	418,844
2020	730,744	407,134
2021	805,883	413,574
2022	838,294	444,329
2023 (P)	853,306	490,342

Source: Directorate General of Budget, Accounting and Statistics, Executive Yuan, the average income and consumption per capita in the Summary of National Income Statistics (price of the current period), February 2024.

Based on the statistics of the Department of Statistics, MOEA, the turnover of the retail industry from 2021 to 2023 was NT\$3.99 trillion, NT\$4.28 trillion, and NT\$4.58 trillion; of which, the turnover of cloths and apparel products was NT\$294.1 billion, NT\$349.4 billion, and NT\$384.6 billion. National income has remained at a certain level, while private consumption expenditures have continued to increase, leading to a steady growth in the overall turnover of the retail industry in recent years.

In 2023, the overall retail industry turnover was NT\$4.5759 trillion, with an annual growth of 6.9%. The annual growth of the comprehensive merchandise retail industry was 9.3%, and the annual growth rate of the cloth and apparel retail sector was 10.1%. After the COVID-19 pandemic, Taiwanese people's consumption habits have been changed. Although the domestic stock market reached a new high, inflation was so acute that purchases of apparel and footwear at retail stores were not as good as expected. The annual growth of other non-store retailing was only 0.6%, the lowest growth rate of non-store retailing in history. The related statistics for the most recent five years are as the table below:

**Turnover of comprehensive merchandise retail industry, cloths and apparel products, 2019 to 2023**

Unit: NT\$ 100 million

Year	Retail of comprehensive goods		Retail cloths and apparel		Other non-store retail	
	Sales amount	Annual growth rate	Sales amount	Annual growth rate	Sales amount	Annual growth rate
2019	12,727	4.1	2,835	3.9	2,934	6.8
2020	12,921	1.5	2,880	1.6	3,293	12.2

Year	Retail of comprehensive goods		Retail cloths and apparel		Other non-store retail	
	Sales amount	Annual growth rate	Sales amount	Annual growth rate	Sales amount	Annual growth rate
2020	13,026	0.8	2,941	2.1	3,752	14.0
2021	14,042	7.8	3,494	18.8	4,062	8.3
2022	15,343	9.3	3,846	10.1	4,086	0.6

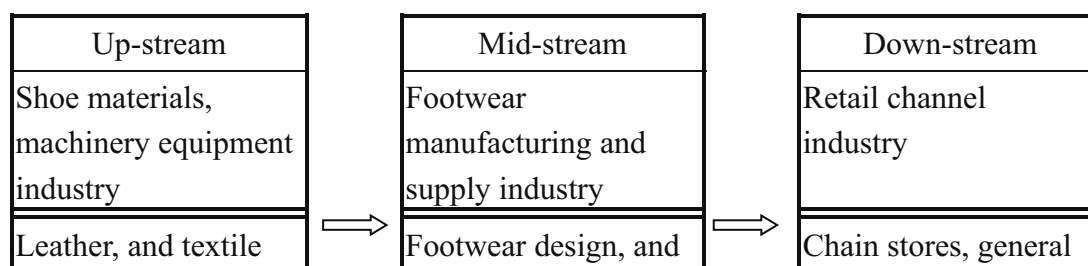
Source: Department of Statistics, MOEA, the statistics of commercial turnover in the retail industry, December 2023.

As far as the development of Taiwanese retail industry is concerned, the consumer market has been shifted from manufacturer-domination to retailer-domination, and then entered a consumers-oriented market. With the advancement of technologies, consumption patterns and lifestyles are becoming more and more diversified, and retail approaches are constantly seeking innovation and change. Emerging channels for innovative formats have also been born accordingly, such as multiple retail channels integrating online and offline, composite stores, smart stores adopting ICT technology, TV and online shopping, non-physical stores, and mobile stores, making a diversified development in the retail market in Taiwan, to gradually integrate with international development trends.

The Company operates chain stores of shoe. In addition to consistently insisting the refinement and quality of products, it also continues to strive for the brand image. The trend of chain stores not only improves competitiveness and fame, but also enhances consumers' trust in the chain store brand. Facing the changes in consumption patterns, other than leveraging the advantages of leaders and deepening the foundation of the industry, we will also adopt our core competitiveness (including resources from industry, government, academy and research) to create high value-added products and move towards a health promotion service platform. It leads the upgrading of the upper and midstream shoe industry, and develops toward the strategic pillar of "health promotion" and "beautiful life."

## (2) Links between the upstream, midstream, and downstream segments of the industry

To cope with the nature of the footwear industry, the Company has constructed a complete supply chain system, and has set up an intensified retail network from physical to virtual markets. The upstream, midstream, and downstream are interdependent to form a sound production and sales system. It leads the upgrading of the upstream and midstream shoe industry, and develops toward the directions of “product diversification” and “boundaryless channels”





fabrics		last development		stores
Rubber, PU, and substrate		Upper production		Department store counters, and malls
Plastic, glue, wire		Outsole production		Hypermarkets
Hardware buckles and accessories		Finished shoe making		Special sale channels
Shoe boxes, dust bags, and cartons		Transportation and distribution		Online stores
Shoemaking machines and equipment				
Others				

### (3) Development trends of products

#### ①Footwear

In recent years, wearing shoes is not only a walking tool, but also an indispensable accessory for modern people. With the rising awareness of "health and LOHAS," it seeks a considerate design for protection and improvement while wearing shoes everyday, so that users wear shoes with comfort, fashion and health.

Modern people not only require the footwear to be beautiful and fashionable, but more importantly, healthy. From the view of consumers, a pair of healthy shoes requires a reasonable last design, eco-friendly materials, as well as safe and comfortable wearing. With more and more new health-oriented footwear products, the concept of footwear health is also developed. These products are endowed with new concepts and technologies, and high-tech materials and structures are added to the original concept of healthy shoes, such as nano shoes, air-cushion shoes, air-conditioning shoes, weight-loss shoes, magnetic therapeutic shoes, height-increasing shoes, breathing shoes, among other shoes, and new health functions include or achieve features of fashion, antibacterial, dry, deodorizing, shock absorption, stress proof, prevention, health care, and correction.

With the emerging new medicalization, consumers have new understanding and demands for wearing shoes, and many footwear brands are also striving to innovate the function of shoes, to convey new consumption awareness of medicalization to consumers continuously. To realize more effects of new medicalization shoes, many brands currently use not only one new health technology, but two or more of technical elements in one single functional shoe product, to make the product more functional and healthier. The compound adoption of new technologies is undoubtedly the future development direction for new health-oriented functional shoes.

To cope with the development trends of footwear, the design team of the Company often conducts inspections at home and abroad in the past. In addition to market surveys on competing products, they also visit various shoe exhibitions, innovative materials exhibitions, and leather exhibitions, including Micam, GDS, APLF, and Fashion access. During the COVID-19 pandemic, the Company was still able to master the information of various innovative materials in the world to launch fashionable shoes that provide health benefits.

For the demand in the domestic market, the Company develops and designs shoes not only based on popular designs, but also taking into account Taiwan's climate, wearing habits, personal preferences, and treatment of health problems, as well as different functions, occasions, and uses, allowing Taiwanese people to wear fashionable, practical, healthy and comfortable shoes.

SHUI-MU has been actively involved in community health promotion services in recent years, hoping to take care of the health of Taiwanese people's feet and even their whole body from a health care perspective. The Company has invested heavily in joint research and development with ITRI and a professional foot medical team. Since the launch of the industry's only "Dynamic Foot Pressure Measurement System" in April 2018, more than 300,000 pieces of foot measurement data have been accumulated. The accumulated big data will drive product innovation and help prevent diseases caused by improper gait.

Whoever buys shoes at A.S.O "can find out the health of their feet." The clerk can also give appropriate solutions and suggestions, and introduce them to a physiotherapist who works with the Company for further follow-up. In addition to selling shoes, our more than 100 physical stores around Taiwan (including Penghu and Kinmen) are "Foot Health Care Stations." We also plan to connect the stations with local clinics and hospitals to become community long-term care bases, offering comprehensive foot, physical, mental health care.

## ②Leather goods

According to the price strategy of different customer groups, the Company develops various leather products to meet the needs of different consumers. The Company's development team for brands of leather goods absorbs new knowledge from various popular endpoints in the world every season, to internalizes such into the brand spirit and product development, and adopts the development of popular styles, special materials, and special structures to enrich products.

### ③Accessories

Consumption patterns are clearly segmented. In addition to the emphasis on brand and quality in the consumption of shoes, the matching demand of accessories also highlights the signs of status and taste. Consumers pay more and more attention to the practicality of products. The "functional products" are the new consumption pattern derived from this environment. Recently, other than the intensified global climate change resulting in extremely cold winter and hot summer, the lifestyle of increasingly hasty pace and the desire for convenience and efficiency lead to the popularity of somatosensory materials with a warm and cool feeling across apparel and variety sectors in Taiwan, the buying rush in the market highlights the fact.

In addition, the level of Taiwanese national income has increased, and consumers are pursuing a better quality of life, making all industries to think about how to create added value for products in order to win the favor of consumers. Therefore, accessories and high-function products have emerged, among which, the most popular products are the health care functional products. Functional accessories not only focus on functionality, but also emphasize the comfort and fashionable elements to meet consumer needs. Following this trend, research and development of antibacterial, ultra-thin, water-repellent, anti-UV, far-infrared, among fibers with other features series improve the consumer comfort as the product appeal, forming another product development direction.

In addition to textile accessories, the Company also develops household products, such as home shoes and bedding, to meet the diversified needs of customers. Through the development of health-related products such as antibacterial and stress relieving, the home life is healthier and more tasteful.

For maintenance products, the Company has been active in developing foot and shoe maintenance-related procurement planning and product selection, mainly divided into three major themes: shoe maintenance, leather accessories maintenance, and foot care. We hope that through maintenance issues, customers will understand the importance of maintenance, while highlighting the value of brand service, in line with the spirit of the founder.

### (4) Status of competition of products

#### ①Footwear

Shoes are a necessity for people's livelihood. Apart from competition from peers, shoes are irreplaceable to consumers. In recent years, the competition in the shoe consumer market has been fierce. Emerging fashionable brands have been created continuously, and brands in physical and virtual channels have offered discounts one after another, which even turned into fierce price competition.

Facing the ever-changing footwear market, to stand out, on top of product quality, customer satisfaction is the critical factor. The Company is in a leading position in terms of store channels, product quality, R&D design and customer service, and insists the management approach of "one needle, one thread, to be pragmatic," staying true to the philosophy of quality first, service first, and professional first, and has become one of the ideal brands in the minds of consumers.

The Company is committed to operating footwear chain channels for 71 years. Product development claims comfort, health, environmental friendliness, and fashion. Through a strong product development team and rigorous R&D processes, the Company develops functional, marketable and competitive products. In terms of product design, according to different types of consumer groups, it designs a variety of comfortable shoes both fashionable and tasteful, and focuses on quality and perfect after-sales service, with stable establishment of consumer loyalty in the domestic market. In addition, to effectively differentiate from competing products in the market and widen the distance from competing products, the Company is also committed to using big data on foot health and dynamic foot pressure measurement to meet the needs of practical wear and popular appearance. The obtained foot data and health risks are combined with the core functional value in the development of shoes, to provide customers with satisfactory responses to their foot pain points. Meanwhile, the products have also won the highest honors with the "National Innovation Award for Medical Technology" and the "National Yushan Award"! In addition, to achieve the service consistency for online and offline customers, such experiential services and product recommendations are introduced to the e-commerce market and consumer experience, seeking to be able to keep the position as the leading footwear chain channel and step into the e-commerce market, to create sales success continuously.

## ②Leather goods

From the observation into the international fashion market, it can be seen that shoes, bags, and other accessories are becoming more and more important in the fashion industry, internationally renowned brands such as Louis Vuitton, Prada, Gucci, Bottega Veneta, COACH and other brands earn their main revenue from sales of leather goods. In terms of fashion industry in Taiwan, high-end products have their own regular consumer groups, and low-key luxury is also the mainstream of the market. However, for the mass consumption, affordability and practicality are the keys. When launching into the market of leather goods and accessories, the Company's strategy is to mainly develop the diversified series and redesigns the classic leather goods by carefully selecting the first layer of leather and functional fabrics to provide practical functions and high-quality products. From the fundraising platform emerging offline, it is seen an increasing demand for leather bags for various purposes with high added values and multi functions. Therefore,

in addition to thinking about the balance between the price and value of leather products, SHUI-MU also aims at the value creation of multi-purpose creative storage, with the good value allowing customers have one pair shoes for both commuting and recreation, while standing out the leather good brand of SHUI-MU.

### ③ Accessories

The accessories market has many brands emphasizing design and fashion to compete fiercely. Furthermore, the consumer demands are changing quickly, with rapid fashion shifts, the more popular a product is, the shorter its life cycle will be. The Company aims at the development of economical products with high quality and high repurchase rate for accessory products, to avoid the red sea competition, such as: negative ion bedding, functional socks, functional clothing, medical protective equipment and medical insoles. Through the integration of yarn materials, the diverse needs of customers for fabrics in life are developed. In the future, to cope with market trends and consumer needs, we will get closer to consumers' health and life through product communication, seeking to cooperate with external factories in research and development to expand the market for accessories.

In terms of maintenance products, for the fermented peripheral product maintenance around various shoe brands in the recent years, SHUI-MU aims the product uniqueness and professional service, to select exclusive JEWEL maintenance products from Japan, seeking to attract customers through exclusive and unique products to visit the store and highlight the value of the product. Starting from UV sterilizing dryers, it extends from care products to small household appliances, for expanding different fields of beautiful life.

## (III) Overview of technology and R&D;

### (1) Technology level of the businesses operated

The Company's strategies for product research and development are all developed towards the core concept of “truth, goodness, beauty, and innovation.” Every employee are embedded with the philosophy of “insisting to make the best shoes in Taiwan” to develop the “technological products with better professional functions” and “products more in line with human needs” to develop unique exquisite footwear industry in Taiwan.

The technology level of the Company's business is to master the research, development, and design of shoe materials, last shapes, styles and functions. In addition to developing a variety of serial products, it has also applied for numerous patents.

Patents provide innovative results of research and development, create market differentiation, and enhance brand competitiveness. Meanwhile, patents are also the best

way to increase product value. In the traditional shoe industry, there is no other conditions as a reference for consumers to purchase other than comfort and beauty. By applying patented technologies to various products, the functions of shoes become another consideration for consumers in purchasing, as well as the characteristic and advantage of products. The Company proves their emphasis on products and efforts made to R&D via the patent certificate to customers, and thus increase consumers' trust in the products.

Increase the added value of products and extend new services, to create growth momentum of increased turnover with innovative service models, while creating the first cooperation model of foot smart health service in the world.

Develop smart wearable devices of foot; the temperature and humidity sensing models to detect the climate inside the shoes and feedback on temperature rise; the foot pressure sensing models - use foot pressure comparisons to suggest posture corrections; and customized models - use 3D foot scans to provide consumers with the functional soles based on their foot shapes, and the smart wearable components are applicable.

Construct a foot health service model to provide foot sensing information, record or share the information in real time, to the wearers for assisting in health management, and provide a reference to the development side for improving shoe materials and structures.

Accurately make personalized adjustments for foot problems, integrate "intelligent" dynamic measurement data, and grasp foot health trends for a long time. Various combination models are provided to foot pads, including solutions for asymmetrical abnormalities.

The measurement is completed in 30 seconds. Previous measurement data may be inquired, including measurement value curves, to quickly generate professional physical therapy based on foot pressure analysis, and the most appropriate combination of products or health education promotion are accurately recommended based on the evaluation results.

To cope with the needs of different soles, based on the corresponding pain points, gait adjustment, double-density three-dimensional structure, more than five kinds of functional soles are matched for the best combination of the most suitable insoles specific to foot conditions.

## (2) Research and development

In addition to the continuous research and development of "technological products with better professional functions" and "products more in line with human needs," the Company also devotes a lot of efforts to the research and analysis for ergonomics of foot for health promotion as the basis for product development, and has started to invest in the integration of the on- and offline foot service platform as summarized below:

Research and development items	Description
Footwear Expert	<p>Digitized foot comparison</p> <ul style="list-style-type: none"> <li>- Including foot measurement, foot assessment and fit shoe assessment system</li> <li>- Through the establishment of the e-shoe service system, the consumer's foot shape data can be clearly recorded</li> <li>- Include the customary shoe-wearing and preferred style of customers</li> <li>- Provide specific directions for the development of products that are more comfortable and more in line with consumer needs</li> </ul> <p>Integration of online and offline:</p> <ul style="list-style-type: none"> <li>- In the future, this service model will be extended to the Company's physical channels to interact directly with customers</li> <li>- Customers may enjoy more humanized and personalized exclusive services</li> </ul> <p>Open force application:</p> <ul style="list-style-type: none"> <li>- The Company also conducts industry-government cooperation programs with the Commerce Development Research Institute</li> </ul> <p>Combining smart phones with the Company's information system, we developed the "Foot Happiness and Beauty Service Platform, ASK.ASO Measurement Service System" to establish the Company's professional status in the minds of consumers</p>
Material Center	<p>Improve the competitiveness of materials:</p> <ul style="list-style-type: none"> <li>- The R&amp;D and application of new materials aiming to improve the uniqueness and competitiveness of shoe materials</li> <li>- More accurately tracking material quality and delivery</li> <li>- Through unified procurement of shoe materials, the advantages of maximizing resource utilization and lowering prices by massive quantity are achieved.</li> </ul> <p>Integration of suppliers:</p> <ul style="list-style-type: none"> <li>- As the rising prices of international raw materials, it is sought to expand the Company to become the Procurement and management hub for shoe materials and integrate the upstream suppliers</li> <li>- Proper control over the utilization of shoe material resources and development costs, so that consumers can obtain the best products</li> </ul>
Ergonomic Shoe Lasts	<p>The shapes and internal spaces of shoes all come from the shoe lasts. In addition to the inheritance of the experience of the shoemaking masters, it is also verified by combining human factors engineering technology to derive the most suitable Ergonomic Shoe Lasts for the feet of Taiwanese. The efforts behind have become the important foundation for the Company's comfortable shoes. In addition to continuously caring about the foot conditions of Taiwanese, the Company collects and updates the database, and plans to integrate the 3D modeling technology to modularize the data and foot last conversion and comparison standards, so that it can quickly correspond to calculations, allowing the relationship between foot and last to be more precise and close, to refine the product development.</p>
ASO A+	<p>Health appeal combined with the concept of exercise and preventive health care:</p> <ul style="list-style-type: none"> <li>- Adopting dynamic APP foot pressure measurement to recommend suitable shoes and insoles according to foot shape and foot pressure</li> </ul>

Research and development items	Description
	<ul style="list-style-type: none"> <li>- The only wearable insole sensing the temperature and humidity inside the shoe in the industry, which collects foot information to provide personalized services</li> <li>- Active heated insole</li> <li>- Improvement of shoe material and shoe structure, with customized shoe lining</li> <li>- Convenience, fun, practicality, professionalism, topicality and affordable prices</li> </ul> <p>Services:</p> <ul style="list-style-type: none"> <li>- Quick and dynamic scan of foot shape; recommendation of suitable shoes and surrounding products</li> <li>- In-shoe climate sensing, providing personalized foot care information</li> <li>- Customized insole production</li> <li>- Customized service for shoe lining</li> <li>- Resource referral for cases of abnormal foot conditions</li> </ul> <p>3D foot shape sensing pad:</p> <ul style="list-style-type: none"> <li>- The scanning process shall be fast to save customers time</li> <li>- The scan results must be accurate to provide recommendations for suitable shoes and customized insole services</li> <li>- Need to have the function of scanning foot pressure</li> </ul>
Dynamic Foot Pressure Measurement	<p>Use gait analysis to develop customers' in-depth consumption experience, to enhance the value of A.S.O brand service, and further create new product research and development capabilities and opportunities of new market development.</p> <p>Adopting the measurement experience of gait analysis, allowing customers to understand themselves better and assist in recommending the best products</p> <ul style="list-style-type: none"> <li>- Understand the needs from the customer's foot conditions</li> <li>- Construct credible data management and analysis</li> <li>- Diverse and precise marketing and technology application</li> <li>- Create an in-depth consumer experience for end customers</li> <li>- Apply the results of the measurement analysis</li> <li>- Develop modular and customized innovative products</li> </ul> <p>Professional foot measurement service process</p> <p>Interpretation of analysis results, including:</p> <ul style="list-style-type: none"> <li>• Foot pressure distribution</li> <li>• Center of gravity: normal/inward bias/outward bias</li> <li>• Foot arch: normal/high arch/mild flat foot/severe flat foot</li> </ul> <p>Construct foot information, including:</p> <ul style="list-style-type: none"> <li>• Total foot length</li> <li>• Inner foot length</li> <li>• Foot width</li> <li>• hallux valgus tendency</li> </ul> <p>Corresponding products are recommended according to the foot conditions, including</p> <ul style="list-style-type: none"> <li>• Full-fledged, outward bias, and basic</li> <li>• Exclusive type (for plantar fasciitis and hallux valgus)</li> <li>• Put on shoes and socks for food measurement</li> </ul>



Research and development items	Description
	<ul style="list-style-type: none"> <li>• Static measurement: stand still for five seconds, take three to five steps in place.</li> <li>• Dynamic measurement: walk six meters.</li> </ul> <p>Innovative exclusive and prestigious service</p> <ul style="list-style-type: none"> <li>• Based on the gait data fed back by end customers, the user's foot shape analysis is carried out, and the application requirements of each foot shape are integrated.</li> <li>• Construct a modular production policy according to each foot type to promote the appropriate corresponding products.</li> <li>• Through the complete gait analysis experience process, the foot conditions and needs of each customer are deeply understood.</li> <li>• Corresponding to the results of foot analysis, corresponding practical products are recommended, to increase consumption power, and enhance customers' perceived value of consumption.</li> </ul>
Therapeutic insoles	<ul style="list-style-type: none"> <li>• The subsidiary, Shuan Yue, applied for a medical device manufacturer certification in 2022 and obtained a medical device manufacturer permit (Xin-Bei-Fu-Zhong-Wei-Yi-Qi-Zhi-Zi No. MD6131000592). It also obtained a Class I medical device permit (Fu-Pu-Yi-Qi-Zhi-Zi No. 009681) from the Ministry of Health and Welfare (Shuan Yue Therapeutic Insole: not sterilized). The insoles produced by Shuan Yue are exclusively for sale through SHUI-MU's channels. Hence, 2022 is the "First Year of Medicare" for SHUI-MU.</li> <li>• SHUI-MU adds new product series and upgrades some existing series to ASO+, directly communicating the image of "medical and healthy" with the public. Especially since 2018, SHUI-MU has established the foot medical center combining dynamic measurement services, occupational therapists, physical therapists, and even an orthopedic doctor. It is no longer just selling shoes, but has become a "foot health" expert and turned to the direction of technology for medical treatment.</li> <li>• ASO+ provides product mixes of functional health care products with higher added value, and expands to whole-person wellbeing. ASO+ sells medical-grade products, and the after-sales service is equally important. From professional foot health consultation before sales, dynamic foot pressure measurement during sales to understand the gait health, up to the regular tracking and foot remeasurement after sales.</li> </ul>

(3) R&D personnel and their education and working experience

March 31, 2024

Education	Master's	Colleges	High School	Total
Attendees	2	8	2	12
Proportion of R&D personnel	16.6%	66.8%	16.6%	100%

The types of R&D talents required by the industry of the Company are different from the general technology industries. The general technology talents must have sufficient

academic knowledge and practical experience in their field to develop innovative products. Therefore, an employee's education in a technology industry can prove the sufficient expertise of the employee. However, the Company's products are mainly footwear and insole auxiliary products, and the product development is already mature. For the design and development direction of products, on top of focusing on product functions, it also emphasizes the beautiful design of styles and patterns, to keep up with fashion trends. Hence the Company's R&D personnel not only have relevant R&D qualifications in the footwear industry, but also art design talents are recruited with cross-disciplinary collaboration with doctors to meet the R&D needs of the Company's products.

- (4) Research and development expenditures as well as technologies and/or products successfully developed during the most recent five years



①Research and development expenditures invested during the most recent five years



Unit: NT\$ thousand; %




Item/ Year	2019	2020	2021	2022	2023
R&D expenses	9,366	14,714	14,306	11,346	13,690
Net operating income	1,580,463	1,366,916	1,084,373	1,241,073	1,178,163
Percentage (%)	0.59%	1.10%	1.32%	0.91%	1.16%




②Technologies or products developed successfully for the self-own brands in the most recent three years





A. New products (2019SS ~ 2023AW):

Product	Name of products	Year	Description of product features
	Walking Shoe Series	2019 SS	Full range of footwear: Gentleman's, business, and leisure (men's and women's) styles are available to meet the needs of different customers and for use in different scenarios. The hard and tough stiffener providing reinforced stability for the heel ensures the stability of the foot without shaking during the first step. Casual shoes are combined with different materials of fabric and leather to achieve perfect texture and breathability.
	Lightweight and Stable Shoe Series	2019 SS	Recommended all-around shoes for stable gait IP lightweight material: The insoles are made of innovative non-hydrolyzable flexible IP materials, making them lightweight, elastic, comfortable and



Product	Name of products	Year	Description of product features
			<p>stress-relieving.</p> <p>COP gait control structure: The contact layer conforms to the curvature of human feet for perfect coverage to accurately guide a correct and stable gait.</p> <p>Upgraded support technology: The enhanced three-dimensional foot arch and transverse arch support design effectively prevents the collapse of the foot arch and transverse arch and facilitates walking.</p> <p>Shock proof and propulsion-facilitating structure/The blue shock absorber at the heel and the red elastic cotton absorb shock allow you to walk effortlessly without fatigue.</p>
	Lightweight and Stable Shoe Series	2019 SS	<p>Patented Lightweight and Stable Shoes - All-round</p> <p>The hook-and-loop fastener structure on the insteps of the shoes can be adjusted according to your instep heights, making your feet feel comfortable, fit perfectly to the shoes, and stable during walking.</p> <p>The shoes cover more of your feet and firmly hold them to increase the stability of foot coverage while walking.</p> <p>The foot arch support technology generates effective propulsion assistance to reduce the instability of collapsed arches.</p> <p>The T-shaped insoles that perfectly fit the gap between the toes can prevent the toes from slipping forwards and ensure smooth conversion of propulsion actions.</p> <p>The outsoles' circular water drop-shaped shock absorption system, which is equivalent to an open airbag structure, can help achieve the highest standards of shock absorption, cushioning, and landing area.</p> <p>The flexible smile-like curve saves effort on forefoot propulsion to improve walking responsiveness.</p> <p>The acceleration structure of the shading saves effort on propulsion, ensures good flexibility, and provides a good wet anti-slip effect.</p> <p>The trapezoidal design of the outsoles at the heel makes your body stable as if you</p>

Product	Name of products	Year	Description of product features
			<p>are doing a horse stance.</p> <p>The concave and convex line design of the outsoles at the heel adds grip and a drainage/anti-slip effect to the shoes.</p> <p>The heel of the insoles is wrapped circularly so that the heel of the feet can sit stably on the point of contact.</p>
	Negative ion product series	2019 SS	<p>Negative ion bedding</p> <p>Developed in cooperation with ITRI, these products use the theory of collision with air to continuously generate negative ions without harming the human body. These exclusive negative ion home textiles, bedding, and foot/waist pressure relief pads can be used for a wide range of applications, allowing the body to continuously absorb negative ions. They can also allow for deodorization and purification, ensure acid-base balance, inhibit harmful bacteria, and achieve refreshing home health care living.</p>
 	Power-Step Health Shoe series	2019AW	<p>Power-Step Super Air Cushion Health Shoes</p> <p>The forefoot elastic soles enable easy propulsion and three-dimensional metatarsal support, and prevent an offset of the center of gravity.</p> <p>The shoes feature 3D wrapping, full arch support, balance, and stability.</p> <p>The heel of the shoes absorbs shock to protect the knee joint and relieve pressure.</p> <p>A hand-polishing technique is used to create a gradual layering effect of silk on leather, adding a three-dimensional artistic artisan style.</p> <p>The shoes are designed with curves that ensure foot health, functional insoles, and wide lasts, providing a flexible and spacious fit.</p> <p>The shoes use a lightweight rubber foam material that reduces the weight by 30%, and have a flexible design and propulsion-facilitating outsoles.</p>


Product	Name of products	Year	Description of product features
	Vitality Dual-Core series	2019 AW	<p><b>Vitality Dual-Core Insole Shoes</b> The shoes are suitable for people with a supination gait, provide strong shock absorption, and reduce pressure on the forefoot and heel. The foot bed is made of high-elasticity PU foam materials. Their porous characteristics can effectively disperse the impact on the sole of the foot during walking. The low-density perforated EVA is embedded in the forefoot and the heel of the shoes to further enhance the shock absorption and cushioning for the high foot pressure area of supination in order to relieve pressure on the sole of the foot. Breathable skin-friendly fabric, with a multi-layer fly-knitting design, ensures wearing comfort and rich texture. The EVA and rubber outsoles have an airbag design.</p>
	Breathable Air Cushion Shoes series	2019 AW	<p><b>SHUI-MU's patented O2 Circulation Air Cushion Shoes</b> The green heel airbags can effectively absorb the impact of heel landing, and send fresh air to the forefoot through the O2 channels in the insoles. The dark gray EVA support sole provides both flexibility and support, and extends from the heel to the back of the inflection point. The circular wrapping at the heel can stabilize the stepping point when walking and disperse the pressure of the impact on the heel from the ground. The three-dimensional structure of the support sole in the middle gives effective support for the foot arch, provides good stability for the midfoot, and reduces pressure on the plantar fascia during walking.</p>
	Foot Health Sandal Series	2020 SS	<p><b>A.S.O foot health air cushion shoes</b> Non-hydrolyzed technical fibers are durable and easy to clean; skin-friendly top layer leather lining is comfortable and breathable. Patented nano-leather insole with zero</p>




Product	Name of products	Year	Description of product features
			<p>bacteria adhesion, for the highest level of deodorization.</p> <p>All-rounded double-density foot bed structure, where the upper layer is comfortable and the lower layer is elastic, with the foot arch supporting the heel for stability.</p>
	A.S.O Safe Air Cushion Shoe Series	2020 AW	<p>A.S.O Safe air cushion shoes</p> <p>Composite suburban outsole, a perfect combination of lightweight shock-resistant EVA midsole and non-slip wear-resistant rubber.</p> <p>All-rounded 3D foot bed providing the most comfortable support of the foot, to sustain every path with you.</p> <p>The patented nano-leather insole quickly absorbs sweat and keeps you dry, with zero adhesion of bacteria and fungi.</p>
  	Support Air Cushion Shoes	2022AW	<p>Support Air Cushion Shoes</p> <p>Laced design</p> <p>Allows for tightness adjustment at any time, making the feet more stable</p> <p>Natural waxed leather With the rubbed dual-color waxy texture, the shoes become brighter as time goes</p> <p>Efficient shock-absorbent top lift</p> <p>No more tired feet after standing for long time; every step, the insole balance the whole foot.</p> <p>Ultralight rubber sole</p> <p>Suction cup style anti-slip design, the more you walk, the easier it is, just like you are not wearing shoes</p> <p>Support Air Cushion Shoes</p> <p>Laced design</p> <p>Easy to put on and take off. You can adjust the tightness as you like</p> <p>Light-weighted super air cushion insole</p> <p>Light-weighted wearing, no more fatigue after long-time standing and walking</p> <p>No more tired feet after standing for long time; every step, the insole balance the whole foot.</p> <p>Healthy gait design</p> <p>Step in and out, stabilize your gait</p>


Product	Name of products	Year	Description of product features
 ASO®	Support Air Cushion Shoes	2022AW	Support Air Cushion Shoes Laced design Allows for tightness adjustment at any time, making the feet more stable High-quality glue-dripping design High-temperature thermal forming, elastic covering mesh to maintain the stability and wear resistance of the toe cap 360° night reflective strips Dramatically improve security Ensure walking safety during the night Extremely breathable design Technical mesh material with excellent breathability Light-weighted super air cushion insole Light-weighted wearing, no more fatigue after long-time standing and walking
 ASO®	Mountain Climbing Air Cushion Shoes	2022AW	Mountain Climbing Air Cushion Shoes Laced design Allows for tightness adjustment at any time, making the feet more stable Anti-snap woven fabric Wear-resistant, not easy to break Foot guard design Tie shoelaces in one action 360° waterproof sock design Dynamic waterproof, safe and breathable Water repellent structure on shoe upper Water-repellent, anti-siphon, safe to wear Toe wear-resistant cap Wear-resistant, anti-kick design Natural suede Can be used with suede cleaner, or waterproof and anti-dirt spray Lightweight rubber sole Anti-skid level of safety shoes, providing the grip needed in the complex environment of suburban mountains in Taiwan Half top ankle support design Keep socks and ankle braces dry
 ASO®	Foot Pain Relief Insoles	2022AW	Foot Pain Relief Insoles It can prevent bone spurs from being pressed to the place and cause discomfort. The hardness and thickness of the arch plate are moderate and different from general arch support

Product	Name of products	Year	Description of product features
			<p>insoles.</p> <p>Good arch support can effectively reduce the tension on the plantar fascia when the lower limbs bear weight, and mitigate the damage to the plantar fascia .</p>
	Anti-Fatigue Insoles	2022AW	<p><b>Anti-Fatigue Insoles</b></p> <p>A good pair of anti-fatigue helps you need</p> <p>Tired calves can lead to edema, knee and ankle pain, shin pain, plantar fasciitis, Achilles tendonitis, and even back problems</p> <p>Relaxed and energetic</p> <p>Effective protection of the heel to reduce calf tiredness</p> <p>Nitrogen is usually injected into the airbags to stabilize the internal pressure and provide better shock absorption and stability while protecting the heel fat pad and reducing calf fatigue</p>
	Foot Cleaning Insoles	2023SS	<p><b>Foot Cleaning Insoles</b></p> <p>It is easy for sweaty feet in unventilated shoes to breed bacteria and produce bad odor</p> <p>In the long run, there is a high probability of causing athlete's foot, onychomycosis, and related diseases.</p> <p>The Foot Cleaning Insoles are an air purifier that circulates the air inside shoes to create a sterile environment and bring you a pair of healthy feet.</p>
	Graphene Circulation Trail Shoes	2023SS	<p><b>Graphene Circulation Trail Shoes</b></p> <p>A pair of lightweight trail running shoes suitable for casual beginners and light trail runners to travel in the mountains and forests easily! The shoes provide grip and save effort in hiking activities, allowing people to navigate any terrain with ease.</p> <p>The select textured fly-knitting upper and lightweight anti-hook fabric design make the shoes breathable and comfortable to wear.</p> <p>The upper is water-repellent and abrasion-resistant, and the 360° waterproof sock design is safe and</p>



Product	Name of products	Year	Description of product features
			<p>breathable.</p> <p>Thickened tongue and heel design for enhanced protection.</p> <p>The 3E wide lasts fit the foot shapes of Taiwanese people and provide a large space for the toes to stretch.</p>
	Graphene Circulation Fitness Shoes	2023SS	<p>Graphene Circulation Fitness Shoes</p> <p>Suitable for people who have cold hands and feet and value health and beauty.</p> <p>Good walking gives a good look! Nano technology and graphene create a health cycle. The dual technologies for thermal conductivity ensure good circulation and good metabolism, keeping you in the pink.</p> <p>Taiwan's first pair of nano and graphene insoles</p> <p>Promote circulation Keep your feet warm</p> <p>Provide long-lasting antibacterial and deodorizing effect</p>
	Support Air Cushion Shoes	2023SS	<p>Support Air Cushion Shoes</p> <p>Ideal for those who value body posture and want to walk easily and effortlessly</p> <p>“1 pair of shoes with 2 insoles” The first batch of customers get free jogging and dancing insoles</p> <p>Walk to get in shape now!</p> <p>The ergonomic support and balance design stabilizes gaits and places the center of gravity evenly on both feet, allowing the whole body to be fully stretched and enabling smoother walking!</p> <p>“Dual airbags” provide shock absorption and stress relief for heel protection!</p> <p>Insole - Heel nitrogen airbag: Shock-absorbing airbag to protect the heel fat pad.</p> <p>Outsole - Independent cylinder airbag: Highly-elastic cushioning, stress relief, and protection, making every step comfortable!</p>

Product	Name of products	Year	Description of product features
	Graphene Moving Magnet Massage Shoes	2023AW	<p>Graphene Moving Magnet Massage Shoes</p> <p>Suitable for people with stiff bodies resulting from poor foot circulation caused by standing or sitting for long periods of time</p> <p>Your exclusive mobile masseuse!</p> <p>With a select top-quality genuine leather + fly-knitting upper as well as a shiny metallic gold flying woven design and shoelaces, the shoes are breathable, beautiful and fashionable.</p> <p>The side of the vamp is designed with an additional zipper for you to put/take the shoes on/off easily and safely.</p> <p>Thickened tongue and heel design for comfortable wearing, wear resistance, and enhanced protection.</p> <p>The two smile-like curves + wide lasts that fit the foot shapes of Taiwanese people allow for easy ambulation and flexible toe stretching.</p>
	Stress-Relief Walking Shoes	2023AW	<p>Stress-Relief Walking Shoes</p> <p>Suitable for people who need to stand for long periods of time or carry heavy objects/are easily get tired of their feet</p> <p>Dual stress-relief technologies allow you to move sharply every day!</p> <p>High-quality Nappa cowhide provides a soft and comfortable wearing experience.</p> <p>Hook-and-loop fastener design: It can be adjusted according to your instep heights, allowing you to get the shoes on and off easily in a short period of time.</p> <p>The inner lining is covered with a circular air cushion for comfortable protection.</p> <p>The wide lasts fit the foot shapes of Taiwanese people and ensure flexible toe stretching.</p> <p>Hand-sewn to enhance the stability of the sole for foot protection.</p>
	Ultra-Dynamic Dual-Core Sports Shoes	2023AW	<p>Ultra-Dynamic Dual-Core Sports Shoes</p> <p>A pair of easy-to-walk-in sports shoes</p> <p>Patented knob: Fasten and take off in 3 seconds</p> <p>Recommended for those who love hiking and slow jogging</p>

Product	Name of products	Year	Description of product features
			Sports ankle support: The horseshoe-shaped circular wrapping design stabilizes gaits Waterproof sock design: Provide better moisture protection for feet Full shoe protection: Improve toughness for foot protection Reflective design: Enhance walking safety at night Boat-shaped design for support: Support moving gait and ensure effortless propulsion Dual-core independent cylinders: Provide elasticity when the center of gravity moves forward and provide shock absorption when the center of gravity moves backward Shading providing grip and drainage effect: Adapt to various terrains, provide safety and non-slip effect, and give effortless propulsion

#### B. New patented technologies

The technology and knowledge related to product research and development are important assets of the Company. The Company invests manpower and funds in the innovative research and development of products every year, and values and protects patent-related matters extremely. Therefore, patents are applied for new technologies, materials, and processes, to protect the rights and interests of the Company. Meanwhile, the Company monitors the reports of the patent bulletin, to understand the patents related to footwear, and check the competing products on the market from time to time to ensure the legitimacy of product patents.

#### **List of approved patents in the most recent five years**

Year \ Area and type of patent	Taiwan		Mainland China		The United States	
	Utility model	Design	Utility model	Appearance	Utility model	Appearance
2019	0	2	1	0	0	0
2020	1	9	7	0	0	0
2021	0	4	4	0	0	0
2022	0	2	2	0	0	0
2023	0	5	3	0	0	0
Total	1	22	17	0	0	0

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

##### (1) Short-term business development plan

- A. Analyze customer consumption behaviors through data, to establish customer relationship management system and customer loyalty feedback plan based on customer demand service model; conduct individualized communication to improve existing customer satisfaction, consolidate customer loyalty, and promote continuous repurchase, for increasing the contribution of major customer groups, while building customer segment value.
- B. Strengthen the integration of OmO's virtual and real channels, to provide a seamless and personalized consumption process, while providing diverse contents of store services, by combining with an interactive environment to increase the added value of the store, and achieve retail 4.0 transformation.
- C. Continue to promote the sales of gift certificates to increase cash inflow, reduce capital costs, and effectively solidify the repurchase by the main customer base.
- D. Strengthen diversity and cross-screen marketing communication platforms and interfaces. In addition to channel marketing and event marketing, the communication content corresponding segments are provided through integrated cross-screen marketing channels (LINE, Instagram, and Facebook fan pages), to strengthen digital communication quality, improve the efficiency of marketing information transmission, and increase the exposure of business activities.
- E. Expand corporate group business and group sales business; through cross-industry cooperation and business group operation, to expand the enterprise market different from traditional retail channels with reasonable prices and high quality.
- F. Continue to promote the concept of foot care, adopt the Company's unique "Dynamic Foot Pressure Measurement System" to combine foot care experts and high-quality cooperative manufacturers. In addition to assisting consumers in determining their gait and giving advice on foot care, it also provides a full range of personalized foot care products and services.
- G. Continue to promote and expand medical channels. Through cooperation with medical personnel, in addition to providing consumers with correct health education information, it is also helpful to promote the professionalism and sales of foot health products.
- H. Strengthen R&D technologies and product capabilities, by combining the research and development capacities of the government and academies, the health-promoting products and services are developed starting from foot, to accelerate product innovation and upgrade of the medical equipment development through the application of medical device permit, while continuing to care about the health of consumers via the provision of products and services.
- I. Maintain the health of the Group's cash flows, and evaluate and implement various financial management and investment plans under controllable risks, to pursue stable

returns for increasing the return on shareholders' equity.

J. Utilize the Company's brand awareness and channel strength to deeply cultivate the foot care market, and create "A.S.O Podiatric Health Center" with high-quality products and services.

K. Promote corporate social responsibility (extension and expansion of foundation resources), with the core of truth, goodness, beauty and innovation. Promote health and wonderful life education, implement corporate social responsibility, and accumulate corporate cultural assets.

L. Continue to cultivate and retain talents needed by organizations, including R&D and design, footwear expertise, digital applications, channel sales, and business management.

(2) Long-term business development plan

A. Develop innovative corporate organizations, cultivate digital talents with data capabilities and data exploration, optimize the wage and welfare system and model, cultivate consultant-type store talents, and enhance the overall combat effectiveness.

B. Continue to promote the corporate vision of "health, comfort, beauty, innovation" for the wonderful foot and life of customers, not only for diversified and cross-industry development, but also combining health issues and business opportunities to create a diversified and beautiful life business.

C. Continue to invest in research and development of technologies, to innovate the functions of shoes, socks and leather accessories, for improving the competitiveness of products.

D. Leverage the value of physical stores, to create customized smart stores by combining technologies, and simultaneously integrate foot health consulting services, aggregate internal and external big data to analyze consumer behaviors, for providing customized services and professional advice, optimizing consumers experience and assisting them in addressing their foot health issues.

E. Continue to accelerate product innovation and upgrades, as well as the development of medical equipment; enter the field of medical technology with foot health, integrate the concept of intelligent health management and medical-level product services to create "A.S.O Podiatric Health Center," while forming alliances with medical institutions to enable A.S.O Foot Medicine Health Center to become the best partner of professional medical services and a leader in the field of preventive foot health care.

F. Deploy the health ecosystem, by centering on the A.S.O brand and the trust of consumers. Starting from foot, the Company provides consumers with rich and diversified functional products and foot health consulting services; through the communications of professional knowledge, and provision of high-quality products and service, the health ecosystem with one-step health as pillar is established; ultimately, stores are transformed into community health care stations, and improve customer cognition and recognition through value-added services and professional experience.

G. Through diversified management, the Company's physique is optimized and the product structure is adjusted, while expanding the application of mobile shopping, to create a multi-service platform. Meanwhile, through the value upgrade of the product distribution supply chain, intelligent production and accurate speed distribution are achieved, to continue to touch more consumption willingness.

H. Through the BU transformation of the logistics department and the transformation of service into consultants, SHUI-MU is not only a sales channel, but also an "integrated information service platform" that provides professional advices and multiple services. In the future, by providing the knowledge-based value-added services, the Company will become a life and health consultant for consumers from simple product sales, seeking to establish a professional, high-quality, healthy brand image and product reputation.

## II. Market and sales overview

### (I) Market analysis

#### 1. Locations where products (services) are mainly sold (provided)

Unit: NT\$ thousand; %

Sales area	2023		2022	
	Amount	Ratio	Amount	Ratio
Domestic market	1,178,163	100.00%	1,241,073	100.00%
Export	0	0.00%	0	0.00%
Total	1,178,163	100.00%	1,241,073	100.00%

#### (2) Market share

The Company's main sales market is domestic sales in Taiwan, and it operates in the form of a chain channel of leather shoes. For all channels of the Company's brands in Taiwan, the total number of channels is 105 at the end of December 2022. According to the analysis of the number of stores operated by Taiwanese leather shoe chain companies, the number of the Company's stores ranked No. 3, only after Family Shoes and LA NEW.

The tables for number of channels of the leather shoes brand of SHUI-MU and the channel distribution major competing products:

#### **Statistics of brand channels in major shoe stores as of December 31, 2023**

	A.S.O	LA NEW	Family Shoes	MACANNA	DK
Number of stores	102	127	168	15	60
Number of department stores/ shopping center	3	6	2	15	3
Number of hypermarket	0	0	12	0	0
Total	105	133	182	30	63

Sources: Statistics from the official brand website of each enterprise on December 31, 2023, Yearbook of Chain Stores in Taiwan, and data compiled by the Company.

(3) Future market supply and demand and growth potential

The Company is mainly engaged in the retail of footwear, which is mainly for the domestic demand market in Taiwan. Therefore, the future supply and demand situation and growth of the market are closely related to the domestic economic environment and domestic sales.

**Domestic sales volume (including indirect export sales) and annual growth rate of Taiwan's footwear production**

Unit: thousand pairs

Year	Leather footwear	Plastic footwear	Rubber footwear	Total domestic sales	Annual growth rate
2019	1,420	6,514	1,420	9,354	-6.74%
2020	1,158	6,321	1,511	8,990	-3.89%
2021	1,231	6,161	1,907	9,299	3.44%
2022	937	7,090	2,608	10,635	14.37%
2023	887	6,876	1,399	9,162	-13.85%

Source: Department of Statistics, MOEA, the product statistics for domestic sales volume of shoemaking, inquired from the industrial production, sales, and inventory movement, March 2024

According to Department of Statistics, MOEA, the product statistics for domestic sales volume of shoemaking, inquired from the industrial production In 2023, domestic sales of leather shoes, plastic and rubber footwear were 9,162 thousand pairs, an decrease from 10,635 thousand pairs in 2022, showing a slight decrease in domestic demand.

The Company is a footwear chain channel with self-owned brands. Its development edges are to lead fashion, create comfort, strengthen marketing strategies and improve product quality. In recent years, the Company has promoted the concept of foot care and developed health-promoting products and services starting from feet. Through the provision of products and services, the Company continues to care for the health of consumers and gradually expands the segmentation from other leather shoe chain brands, thereby improving the Company's competitiveness.

The Company has entered its 72st year since its establishment. It insists the business philosophy of "insisting to make the best shoes in Taiwan." The quality of its products and services are well received by consumers. Since 2002, the Company entered the stage of rapid development. In the recent years, it has been transforming toward the direction of health promotion and wonderful life, with the corporate vision of "health, comfort, beauty, and innovation" to promote the wonderful feet and life of customers, and develops towards diversified and cross-industry, while combining health issues and business opportunities to create a diversified and wonderful life business. Meanwhile, by leveraging the value of physical stores, the smart stores are created with the combination of IoT devices and application to optimize the consumer experience, and simultaneously integrate foot health consulting services, aggregate internal and external big data to analyze consumer

behaviors, for providing foot health consulting services and assisting consumers to addressing their foot health issues. Through the BU transformation of the logistics department and the transformation of service into consultants, SHUI-MU is not only a sales channel, but also an "integrated information service platform" that provides professional advice and multiple services. In the future, by providing the knowledge-based value-added services, the Company will become a life and health consultant for consumers from simple product sales, seeking to establish a professional, high-quality, healthy brand image and product reputation.

(4) Competitive edges

**Store expansion ability:**

Since its establishment, SHUI-MU has insisted on focusing on its own business. All stores are leased instead of purchased, to flexibly adjust the location of stores at any time. The professional store expansion team is familiar with the characteristics of business districts in various regions of Taiwan, and grasps the changes in business districts in real time, while using public information and data to manage business district data. Upon the combination of excellent management and logistics teams, not only the location of new sales bases can be quickly, accurately and accurately determined, but also the product structure may be quickly adjusted according to changes in the business district, to generate the best benefits.

**Strengthen merchandise power, brand marketing power and consumer communication:**

The brand image is deeply cultivated with, attentions paid to effective communication with consumers, to strongly convey the brand appeal. Over the years, the quality impression of "one needle, one thread, to be pragmatic" has been deeply rooted in the hearts of the people. Many important milestones in marketing, such as: moving experience in 2000, A.S.O accompanied you at every important moment in life; You A.S.O Beautiful! Emphasis on aesthetics in 2003; endorsement by four supermodels in 2006; emphasis of the A.S.O fashion; love experience of innovative E-generation in 2009; the story of Zhewei's proposal in 2012; SHUI-MU's 60th anniversary, to support your for the whole life; the love legend, to meet love when you walk to the 100th corner in 2013; A.S.O Stress-Relief Walking Shoes accompanies with you in 2014; Making A.S.O leather shoes the national top-product of Taiwanese; A.S.O top-level air cushion shoes, supporting everyone great; micro films of "Time Travel of Love" and "Father's Love, Pay with Love" in 2015 earned more than one million views, to market with movement, and create new memories with the old ones to warm the hearts of every main customer; in 2016, your "fashion beauty," "start from a comfortable pace," let A.S.O's fashion beauty and health be combined. In addition to product quality and fashion design, functional health appeals have been added since 2017, and "foot shape testing" services are provided to promote the concept of "three measurements of foot." In 2018, the Company expanded the promotion



of foot health and launched the first “Dynamic Foot Pressure Measurement System” in the footwear industry. At the same time, it cooperated with the medical industry to provide more professional foot health advice and experience services during the consumption process. In 2019, the Company cooperated with the national coach Tsai, Mu-Shi to design an easy-to-operate elastic band exercise, which was introduced into each store. Through the interaction between trained store staff and community residents, the community health care station took shape. In 2020, the Company began to provide preventive health care services with medical professionals in the stores, and the body balance center was officially established.

In 2020, the A.S.O Podiatric Health Center took shape, and it was expected to be the pillar of communication with consumers, to establish the brand image of the A.S.O Podiatric Health Center. It was expected to actively adjust the media management strategy. In addition to traditional media management, it would emphasize the integrated use of big data, integration of content marketing, community interaction and convergence of virtual and reality, to create a content platform focusing on foot health.

In 2021, in addition to the official operation of the A.S.O Health Nail Center, by cooperating with physicians to provide one-stop medical-level nail health care services, which has become one of the main services of A.S.O Podiatric Health Center. The "Dynamic Foot Pressure Measurement System," which has been implemented since 2018, won the 18th "National Innovation Award for Medical Technology" sponsored by the Development Center for Biotechnology in 2021. The Company won this honor with its traditional industrial background, demonstrating the affirmation of the society for SHUI-MU's efforts in foot health transformation.

In 2022, the Company entered the field of medical technology with foot health. By applying for the medical device permits, it accelerated product innovation and upgrading, as well as the development of medical devices. From therapeutic shoes, insoles, socks, to protective gear, the products are integrated into the ASO+ product series, to provide higher added values. By combining functional healthcare products, and integrating the concept of intelligent health management and medical-grade products and services, the "A.S.O Podiatric Health Center" was built with the aim of whole person, technology, and prevention, to provide one-stop solution for customers with the scientific data linked to the medical and healthcare aspect.

In 2023, the Company joined forces with life insurance companies to turn love into action. This not only deepens our emotional bond with the community, but also further promote our commitment to setting up community health care stations and taking actions to care for the underprivileged. SHUI-MU is not just a shoe store; we are also a member of the community. In Taiwan, we are playing a role in taking care of everyone's feet. We will continue to develop shoes that are most suitable for Taiwanese feet. As a “foot health expert,” the Company uses technological innovation and professionalism to

improve the health of Taiwanese people, and cares for the community to achieve health care, becoming a partner of community residents.

**Technology integration among industry, government, academy and research, and pioneering investment in foot health promotion:**

The original intention of the Company was to "make the best pair of shoes for Taiwanese." Through the active cooperation among industry, government, academy and research, innovate the development and technology integration, to launch various star products. Based on its own core advantages and its judgments on future industrial development trends, the Company's products and services have recently transformed into health promotion. In recent years, combining with data analysis, the Company integrates the industry-academic resources based on historical sales data and R&D experience. Starting from feet, the Company develops products meeting consumer needs, and subsequently integrate a professional medical consultant team, in addition to digitizing gait assessment with technology, to provide the measurements to more people, the two parties also jointly develop health promotion products including customized insoles. In recent years, it has actively entered professional medical institutions and started to provide health promotion services, seeking to become a provider of overall solutions for customers' health promotion.

**Immediate response to marketing management, deep cultivation of local operations, production and sales analysis, and product optimization:**

The Company's sales department values high-quality customer service. In addition to regularly collecting feedbacks from customers and sales departments on a weekly basis, it appropriately adjusts operating strategies consistent to the market benefits, and uses the "performance management system" daily to grasp the most instant performance status and understand operations in real time. By using the Business Intelligence system, the Company analyzes product sales performance, while introducing the CRM system to deeply analyze and understand consumer behaviors and needs, to plan effective business activities.

The sales department also uses the above-mentioned analysis technologies to optimize the products in stores and the deployment in business districts in real time, to actively adjust the marketing positioning. Taking "down-to-earth, expansion of good stores" as the pillar of positioning, as of the publication date of the annual report, the Company still has more than 105 direct stores and counters all over Taiwan. Therefore, the business districts of each store vary greatly from each other. The Company leverage this difference and local characteristics and customs to create differentiated services. For example: the Temple-Front Night Market where the Keelung store is located, the Zhongxiao Dunhua fashion business district in Taipei where the Zhongxiao store is located, the Chenghuang Temple area where Hsinchu store is located, the annual Dajia Mazu tour near the Dajia store, and the tuna hub where the Donggang store is located. The Company

mainly focuses on the standardized management of chain stores, supplemented by "characteristic management of single store" with integration of the local spirit to manage the local community. Meanwhile, the Company implement the optimization of products in the business district via the big data analysis, not only offering the most suitable products for the local consumption, but also feeding back to consumers for their long-term support and love. The Company organizes local activities from time to time, and conducts after-sales phone interviews to track customers, understand customer use conditions and interact with customers in a deeper level, to move customers with heart, and pursue brand recognition, thereby increasing sales and performance

**Innovative merchandise procurement management:**

Effective product procurement and budget management, purchase of the right products, increase in sales rate, and inventory management are the critical issues for the operation of the distribution chain industry. The Company leverage the advantages of local manufacturing, adopts a flexible procurement model to reduces inventory risks, and quickly replenishes goods with regional bike express delivery, to reduce the burden of excessive inventory pressure, thereby greatly increasing sales and reducing inventory. In addition to using the "product grading" system, supplemented with the analysis of local sales data for forecasting procurement quantity to optimize product management, meet consumer preferences across the country, increase sales rate, reduce sluggish inventory, the Company also creates multiple results including "customer satisfaction," "effective control over corporate funds" and "activation of product momentum."

**Outstanding R&D ability of product innovation:**

The Company's research and development of shoe functions has never stopped. In addition to self-developed shoe materials with innovative functions, it also continues to work closely with the Footwear & Recreational Technology Research Institute and ITRI to develop high-functional shoe materials; the Company has successively launched "patented nano antibacterial insoles," "new 4D dual-core gentleman's air cushion shoe series," and "3E durable waling shoes series." Among them, the 3E durable waling shoes series launched have created extraordinary sales success. The follow-up new 3E shoe series have created even more amazing sales figures. For the 23 million people in Taiwan, on average, one person in every 88 owns the 3E Walking Shoes of A.S.O. In addition, the Company insist the pursuit of excellence, and launched the "Million-Step Healthy Shoes" from taking care of customers' foot health, which has also achieved outstanding results.

The thematic shoes developed by the Company have won the Taiwan Excellence Award from the Ministry of Economic Affairs for the past four consecutive years, including two creation and invention awards at the 42nd Geneva International Exhibition of Inventions, Switzerland, where the "Women's Nano Shoes" won the "Golden Medal Award," and "Men's Nano Shoes" won the "Bronze Medal Award;" in the 29th Invention & New Product Exposition in Pittsburgh, USA, two creation and invention awards were

won, where “Women’s Nano Shoes” and Men’s Nano Shoes” won the “Golden Medal Award,” respectively. The recognitions from domestic and foreign agencies for the Company’s capability of product R&D create the unlimited values of the Company’s multi-year input in the product R&D.

**Complete supply chain management and efficient logistics distribution mechanism:**

The Company coaches suppliers to carry out "plant renewal," "operation computerization," and "process standardization," to improve supplier production capacity and product yield; the "supplier meetings" are held regularly for positive exchanges, to closely integrate the supply chain, and jointly improve Taiwan Footwear standards. The Company cooperates with numerous suppliers, and each of them has their own production expertise. Such a diverse combination makes the Company's supply chain to be diverse and flexible, conducive to the Company's change of product mixes and rapid response to changes in market trends. Other competitors are less flexible and slower to respond to market changes due to the single type of suppliers or the high proportion of self-production. Meanwhile, the Company has a close and good cooperative relationship with suppliers, and assists suppliers in improving management and technical levels in the process of collaborative production cooperation. For example, through the development of functional materials, it provides the manufacturers of formal shoemaking the assistance in the production of products with leisure functions, and effectively integrates supply chain resources, to improve production levels and respond to market demands.

The Company develops third-party logistics providers, from the purchase of midstream suppliers to the delivery of goods to downstream stores, with a "standardized" and "systematic" model, to properly control freight expenses and improve the accuracy of delivery, so that the accuracy rate of good arrival at terminal stores is close to 100%.

**Professional management team:**

The Company's core business decision-making team has more than 20 years of management experience and capabilities in the footwear industry, and the management has many years of management and sales experience in the footwear or distribution industry. Under the leadership of high-quality management team members, it is expected to continuously enhance the core competitiveness, optimize the product strength and consolidate the customer source, to enhance the Company's competitive advantages.

- (5) Positive and negative factors for future development, and the company's response to such factors.

**Positive factors**

**A. Excellent brand image**

A good brand image represents a kind of guarantee and commitment of an enterprise to the public. It is the embodiment of high-quality and outstanding services of the enterprise. Consumers also tend to buy products with a good images. Since its establishment, the Company has insisted on a sincere and practical attitude, emphasizing

customer-centered services, and insisted the three-win strategy of "customer satisfaction, employee happiness, and enterprise pride," so that consumers enjoy the sincere and heartfelt service, with the praise from customers, to win the trust of consumers. Therefore, the Company has won the number one ideal brand in Taiwan for many years in a row with its outstanding corporate image, and has also won honors such as the Excellent Brand Award in the Commercial Service Industry and the Top 100 Brands in Taiwan.

**B. Integration of online and offline channels to create the synergy of 1+1>2**

The Company's physical distribution bases are all over the country. Meanwhile, it has built and operated its own e-commerce platform. It has successively established LINE and Facebook official accounts, and uses the digital community platform to provide consumers with real-time product information and one-on-one online services to complement the OMO full-time-space consumption experience under the new retailing concept, and improve the consumer satisfaction. In addition, the A.S.O Life Journal specifically issued for million members offers the contents both the intellectual and aesthetic, while providing diverse high-quality products to integrate the virtual and real channels, creating synergies and enhancing corporate competitiveness.

**C. Take shoes, leather goods, and accessories as the three major development pillars, using a multi-brand and multi-channel business model to pursue corporate growth and meet the diverse needs of consumers; actively develop potential business districts, and exert economic scale to maintain market share; Continue to develop its own brand for young women's shoes, BESO, the cultural and creative brand Bo Bonny, the health promotion product brand, Comphy+, and the ASO+ series of medical equipment and footwear to expand different clienteles and increase the profitability of the Group via the integration and utilization of Group's brand.**

**Negative factors and response to such factors**

**A. Difficulty to cultivate personnel in the distribution industry, and the turnover of personnel is high:**

The front-line sales personnel in the retail industry have long and irregular working hours, so the turnover of employees is relatively high, which is one of the Company's operational risks.

Responsive measures

**a. Responsibility center system:**

For each store and counter, the responsibility center system is introduced, to calculate the monthly net profit of each store with a complete central profit and loss, so that excellent store managers can improve the single-store management capability through a series of rigorous education and training with the mindset of operators. They are not limited to sales ability, but also learning and growing for diverse aspects such as personnel management, expense management, business district operation,

customer service management, to improve the operating performance of a single store, while earning more profit-sharing bonuses. They not only earn more incomes for the Company and themselves, but via the profit-sharing system with employees, the more excellent talents are retained for the Group.

The General Logistic Department introduce the departmental responsibility center system, so that the manpower and time costs invested by each management department can be verified by the responsibility center system for the performance indicators of the output, and the service value of the logistics management department can be improved with positive energy.

b. Well-rounded promotion channels and welfare system:

The Company has established a comprehensive career development system for the frontline employees and the back office employees. It conducts regular interim and year-end appraisals every year, to evaluate and adjust personnel promotions based on regular assessments or irregular promotion processes. At the front end of the business, the Company also formulates the clear management function improvement education and training courses, so that employees clearly understand the promotion channels.

The Company values and protects the rights and interests of employees. In addition to handling various insurances and pensions for employees pursuant laws, the awards granted in the year-end party every year are what employees look forward to. The Company organizes employee trips to encourage employees, provide employees with high-quality and safe working environment, and provide employee with shoe discounts; for store and counter personnel, they are entitled to uniforms and shoes, as well as birthday leave. Meanwhile, the Company also hires sports coaches to teach the running skills to the personnel in the General Logistic Department, provide employees with healthy and correct sports knowledge, with a leisure hall at the headquarter for employees to relieve their stress.

B. Rents of stores in major business districts are on the rise:

As the Company's storefronts are mostly at streets, with rising prices, the rents of stores in major business districts tend to rise as well, which is one of the Company's operating risks.

Responsive measures

- a. It is easy for the Company to find replacement stores due to its compact size and flexible requirements for the store space. If the rent increase of a store is too high, after evaluation, an alternative location in the same business district can be found for relocation, to maintain a reasonable rent ratio.
- b. Most of the Company's storefronts have been leased for more than five to ten years, and the good interactions with the landlords are maintained for many years; and the landlord is emotionally attached to the Company's insistence on quality and the story

of entrepreneurship and development for 66 years, the spirit of staying rooted in Taiwan, the high-quality service of the store... and are willing to continue to maintain the cooperative relationship with the Company. When selecting stores, the Company is also looking for landlords who have the same philosophy and are willing to cooperate for a long time, to maintain the stable lease relationship.

- c. The execution of new contract or renewal of contract for stores are all long-term contract for five years, giving the landlords a stable guarantee and conducive to negotiate the rents.
  - d. The Company implements the trial calculation for the reasonable rent assessment for each store, and the business units regularly review the ratio of profit and loss to rent in each store, while checking the changing trend of the business district, to plan the necessary adjustments or relocations in real time.
  - e. The Company has a dedicated department to track the movement of the business district on a regular basis to understand the rent trend of the business district, including the vacancy rate of the business district, the rent price of the store changed, information exchange with other chain industries, market movement and macroeconomic trends, for the accurate assessment.
- C. The retail market in Taiwan is gradually saturated, and competition among peers is fierce

The emergence of online transactions has lowered the threshold for new brands to enter the market. The peers of various footwear brands or agents are also expanding and developing new brands, or setting up new stores and counters, which increases the Company's competitive pressure.

#### Responsive measures

Facing the unfavorable factors caused by the increasing number of competitors, the Company not only continues to invest in product R&D and design, but also focuses on functions as the main claims to avoid the red ocean market, while launching into the blue ocean market with the premise of health and comfort for different products to different clientele. In the future, the Company will focus on foot health promotion and develop more value-added functional products. Meanwhile, it will provide foot health professional consulting services and actual experience through a new generation of store renovated, to increase the value of store services.

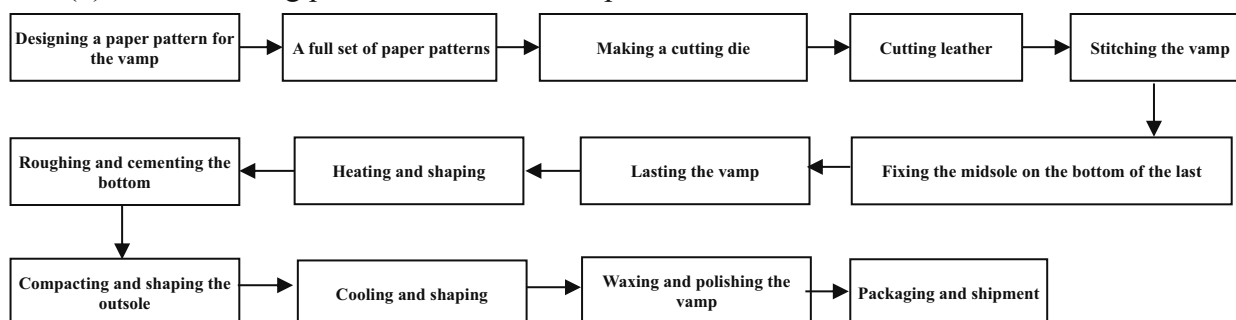
At the same time, the development of the self-owned e-commerce platform channels will be accelerated, to leverage the big data analysis, for providing customized exclusive services, optimizing the convergence of online and offline channels, and enhancing brand value.

## (2) Usage of major products and manufacturing processes

### (1) Main usage of products

Main products	Usages
Footwear	In addition to satisfying customers' needs of guarding coldness, keeping warm, and other basic demands, it also relieves foot stress, prevents foot pain, increases comfort, as well as demonstrate the creativity, fashion, and special shoe functions.
Leather goods	In addition to satisfying the function of carrying various large and small items for customers, it also has functions, fashionable creation, and demonstration of unique personal style.
Complementary products	That is the daily necessities such as socks, slippers, underwear, umbrellas, among other things, not only meeting the general purpose, but also providing more high-quality and considerate design and functions.

## (2) Manufacturing processes for the main products



## (3) The supply of main products:

The Company mainly operates footwear retail channels, focusing on product development and brand management. It engages professional suppliers to produce and manufacture products, and cooperates with major suppliers for a long time. The suppliers' sources of supply and delivery time are stable, with reasonable prices, and the quality has reached the spec standard required by the Company; the two parties have established good and stable supply relationships.

## (IV) Explanation of the reasons for the increase and decrease of major purchase from suppliers and sales to customers in the most recent two years:

- (1) Names of the suppliers accounting for more than 10% of the net purchase amount in any of the recent two years, the purchase amount and ratio, as well as the reason for its increase or decrease:

During the recent two years, the Company's purchases from a single supplier has not accounted for more than 10% of the net purchases.

- (2) Names of the customers accounting for more than 10% of the net sales amount in any of the recent two years, the sales amount and ratio, as well as the reason for its increase or decrease:

During the recent two years, the Company's sales to a single customer has not accounted for more than 10% of the net purchases.

## (V) Table of production volume and value in the most recent two years

The Company is in the trading and retailing industry, and this table is not applicable.



(VI) Table of sale volume and value for the most recent two year

Unit: NTD thousand

Year Sales volume Main products	2023				2022			
	Domestic market		Export		Domestic market		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Shoes	240,664	754,191	0	0	294,852	537,668	0	0
Bags	21,010	55,974	0	0	19,434	41,073	0	0
Socks	287,698	37,475	0	0	263,412	29,955	0	0
Others		330,523	0	0		632,377	0	0
Total		1,178,163	0	0		1,241,073	0	0

III. Employees

Unit: person; %

Year		2022	2023	March 31, 2024
Number of employees	Store sales	315	312	328
	Administrative personnel	10	11	12
	General personnel	78	71	71
	Total	403	394	411
Average age		36.5	36.9	36.7
Average years of service		9.5	9.7	9.4
Education distribution (%)	Doctorate	0%	0%	0%
	Master's	3.23%	3.05%	2.92%
	University/college	50.37%	52.28%	53.77%
	High School	43.92%	42.13%	40.88%
	Below High School	2.48%	2.54%	2.43%

IV. Disbursements for environmental protection:

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

1. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:
2. Setting forth the Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:
3. In the most recent two years and up until the publication of the annual report, in the process

of environmental pollution improvements, any disputes arising and an explanation of the handling procedure adopted: Not applicable.

4. Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:
5. Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming two (2) fiscal years: N/A.

## V. Employer and employee relationships

### (I) Availability and execution of employee welfare, education, training and retirement policies.

Elaborate on the agreements made between employers and employees, and the protection of employees' rights.

#### 1. Employee benefit measures and implementation thereof

The welfare measures provided by the Company: annual performance appraisal bonus, talent recommendation bonus, wedding and funeral subsidies, gift certificates/gift money for three festivals, employee activities organized by the Employee Welfare Committee, labor/ national health insurance, accident insurance, pension contribution, employee shopping discounts, employee uniforms & shoes, domestic and foreign travel, among other things.

#### 2. Personnel's continuing education and training, and implementation thereof

The Company insists the founder's multi-talent development strategy, integrates resources from industry, government, academy, research and medicine, to build a training blueprint, to conduct various digital and in person training programs according to the professional and management function model, including orientations, professional and management functions training, training for management at all levels, and planning the reading club of mid- and senior-level executives for innovations and successor development programs in line with organizational development needs, with a talent evaluation center. For the personnel's training courses in 2023, please refer to page 152-153.

#### 3. Retirement system and implementation status

Since July 1, 2005, the new labor retirement system has been implemented. According to the Labor Pension Act, for these who opt the new system, the Company contributes no less than 6% of the employee's monthly salary to the labor pension

account every month, and the retirement-related matters are handled pursuant to the Labor Pension Act.

4. Labor-management agreement

The Company's various regulations comply with the Labor Standards Act. Up to now, the relationship between labor and management has been harmonious, and there has been no mediation due to labor disputes.

5. Measures to protect employees' rights and interests:

The Company has formulated various management measures, specifying the rights and obligations of employees and welfare items, which are regularly reviewed and amended for the welfare items to protect the rights and interests of all employees.

(II) Losses arising as a result of employment disputes in the last year up until the publication date of this annual report. Please quantify the estimated losses and state any responsive actions, and state the reasons if losses can not be reasonably estimated: none.

VI. Major contracts

Contract nature	Parties involved	Contract start and end dates	Main details	Restrictive clauses
Borrowing contract	Bank of Kaohsiung	2024/03~2025/03	Performance bond of gift certificates Short-term lending	None

## Personnel training courses in 2023

Category	Starting date	Ending date	Category	Training topic	Target attendees	Categories	Total attendees	Training hours (hour)	Attendees x training hours
Online	1/4	1/4	Fundamental training	Orientation for new employees in January	Store sales	Sales	3	3	9
Physical	2/15	2/15	Fundamental training	The 31st class of product and service certification - online evaluation	Store sales	Sales	9	0.5	4.5
Physical	3/2	3/2	Fundamental training	Orientation for new employees in March	Store sales	Sales	6	3	18
Physical	3/12	3/12	Operation discussion	Spring/Summer new product launch and national store manager sales meeting for 2023 Q2	Store managers	Sales	100	8	800
Physical	3/15	3/15	Operation discussion	Spring/Summer new product launch and national store manager sales meeting for 2023 Q2	Deputy store managers	Sales	96	8	768
Physical	3/16	3/16	Operation discussion	Spring/Summer new product launch and national store manager sales meeting for 2023 Q2	Store sales	Sales	82	8	656
Online	4/12	4/12	Fundamental training	Orientation for new employees in April	Store sales	Sales	9		0
Online	5/4	5/4	Fundamental training	Orientation for new employees in May	Store sales	Sales	8	3	24
Physical	5/24	5/24	Fundamental training	The 32nd class of product and service certification	Store sales	Sales	8	8	64
Physical	6/8	6/8	Fundamental training	Orientation for new employees in June	Store sales	Sales	7	3	21
Physical	6/26	6/26	Operation discussion	National store manager operation discussion for Q3 2023	Store managers	Sales	104	8	832
Physical	7/5	7/5	Fundamental training	Orientation for new employees in July	Store sales	Sales	4	3	12
Physical	7/12	7/12	Thematic discussion	Team building training	Department heads, store managers	Sales	61	8	488
Physical	7/18	7/18	Thematic discussion	Team building training	Department heads, store managers	Sales	61	8	488
Online	8/9	8/9	Fundamental training	Orientation for new employees in August	Store sales	Sales	9	3	27
Physical	9/12	9/12	Fundamental training	The 33rd class of product and service certification	Store sales	Sales	22	8	176
Physical	9/11	9/11	Operation discussion	National store manager operation discussion and deputy store manager sales training for Q4 2023	Store managers	Sales	101	8	808
Online	9/14	9/14	Fundamental training	Orientation for new employees in September	Store sales	Sales	9	3	27
Physical	9/19	9/19	Operation discussion	National store manager operation discussion and deputy store manager sales training for Q4 2023	Store sales	Sales	51	8	408

Category	Starting date	Ending date	Category	Training topic	Target attendees	Categories	Total attendees	Training hours (hour)	Attendees x training hours
Physical	9/20	9/20	Operation discussion	National store manager operation discussion and deputy store manager sales training for Q4 2023	Store sales	Sales	59	8	472
Online	9/26	9/26	Fundamental training	The 33rd class of product and service certification - online test	Store sales	Sales	18	0.5	9
Physical	10/11	10/11	Operation discussion	National store manager operation discussion and deputy store manager sales training for Q4 2023	Deputy store managers	Sales	46	8	368
Physical	10/12	10/12	Fundamental training	Orientation for new employees in October	Store sales	Sales	4	3	12
Physical	10/16	10/16	Thematic discussion	Outstanding store manager training	Store managers	Sales	6	8	48
Physical	10/17	10/17	Thematic discussion	Outstanding store manager training	Store managers	Sales	6	8	48
Physical	10/24	10/24	Thematic discussion	Outstanding store manager training	Store managers	Sales	6	8	48
Physical	11/1	11/1	Thematic discussion	National deputy store manager training (V - IX) for Q4	Deputy store managers	Sales	41	8	328
Online	11/15	11/15	Fundamental training	Orientation for new employees in November	Store sales	Sales	5	3	15
Online	12/19	12/19	Operation discussion	National store manager operation discussion for Q1 2024	Store managers	Sales	128	3	384
Online	12/7	12/7	Fundamental training	Orientation for new employees in December	Store sales	Sales	3	3	9
Total						483	79.5	2984	483

## Six. Financial Summary

### I. Condensed Balance Sheet and Statement of Comprehensive Income for the Most Recent Five Fiscal Years

#### (I) Condensed balance sheet - IFRSs

#### Condensed balance sheet (consolidated)

Unit: NTD thousand

Item	Year	Financial information for the last 5 years (Note 1)					Financial data of the current year as of March 31, 2024 (Note 3)
		2019	2020	2021	2022	2023	
Current assets		1,341,527	1,017,068	896,137	832,150	873,210	909,496
Property, plant and equipment		521,292	524,317	484,789	352,067	315,773	304,887
Intangible assets		4,883	11,236	20,728	22,472	20,239	24,733
Other assets		807,749	790,946	575,897	541,191	549,974	548,130
Total assets		2,675,451	2,343,567	1,977,551	1,747,880	1,759,196	1,787,246
Current liabilities	Before dividend	752,397	632,378	652,645	648,108	632,004	645,907
	After distribution (Note 2)	762,417	642,398	652,645	648,108	632,004	645,907
Non-current liabilities		436,577	421,321	306,626	284,862	295,307	298,805
Total liabilities	Before dividend	1,188,974	1,053,699	959,271	932,970	927,311	944,712
	Distribute (Note 2)	1,198,994	1,063,719	959,271	932,970	927,311	944,712
Equity attributable to the owners of the parent company		1,487,537	1,291,207	1,018,107	814,751	831,753	842,403
Share capital		668,000	668,000	668,000	668,000	668,000	668,000
Additional paid-in capital	Before dividend	352,772	342,752	331,289	331,289	331,289	331,289
	Distribute (Note 2)	342,752	332,732	331,289	331,289	331,289	331,289
Retained earnings	Before dividend	468,600	281,123	20,371	(190,247)	(173,227)	(163,742)
	After distribution (Note 2)	468,600	281,123	20,371	(190,247)	(173,227)	(163,742)
Other equity		(1,835)	(668)	(1,553)	5,709	5,691	6,856
Treasury stocks		—	—	—	—	—	—
Non-controlling interests		(1,060)	(1,339)	173	159	132	131
Total equities	Before dividend	1,486,477	1,289,868	1,018,280	814,910	831,885	842,534
	After distribution (Note 2)	1,476,457	1,279,668	1,018,280	814,910	831,885	842,534

Note 1: Consolidated financial information from 2019 to 2023 was audited and certified by an independent accountant.

Note 2: The earnings distribution proposals from 2019 to 2022 were resolved by the shareholders' meetings. The proposal for 2023 deficit compensation was approved upon the resolution of the board of directors on March 12, 2024, and to be resolved by the 2024 shareholders' meeting.

Note 3: The financial data up to March 31, 2024 was reviewed by the CPAs. On May 7, 2024 the Board of Directors resolved not to distribute the first quarterly surplus.

# Condensed Balance Sheet (Parent-Only)

Unit: NTD thousand

Item	Year	Financial information for the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		1,293,160	991,555	845,517	801,606	843,147
The investment under equity method		55,731	50,862	49,797	30,699	31,143
Property, plant and equipment		519,825	523,168	483,941	352,067	315,773
Intangible assets		4,767	11,171	20,684	22,472	20,239
Other assets		806,410	790,233	575,372	540,488	548,774
Total assets		2,679,893	2,366,989	1,975,311	1,747,332	1,759,076
Current liabilities	Before dividend	736,456	630,560	650,987	647,721	632,016
	After distribution (Note 2)	746,476	640,580	650,987	647,721	Not distributed
Non-current liabilities		455,900	445,222	306,217	284,860	295,307
Total liabilities	Before dividend	1,192,356	1,075,782	957,204	932,581	927,323
	After distribution (Note 2)	1,202,376	1,085,802	957,204	932,581	Not distributed
Equity attributable to the owners of the parent company		—	—	—	—	—
Share capital		668,000	668,000	668,000	668,000	668,000
Additional paid-in capital		352,772	342,752	331,289	331,289	331,289
Retained earnings	Before dividend	468,600	281,123	20,371	(190,247)	(173,227)
	After distribution (Note 2)	468,600	281,123	20,371	(190,247)	Not distributed
Other equity		(1,835)	(668)	(1,553)	5,709	
Treasury stocks		—	—	—	—	—
Total equities	Before dividend	1,487,537	1,291,207	1,018,107	814,751	831,753
	After distribution (Note 2)	1,477,517	1,281,187	1,018,107	814,751	Not distributed

Note 1: Parent-only financial information from 2019 to 2023 was audited and certified by an independent accountant.

Note 2: The earnings distribution proposals from 2019 to 2022 were resolved by the shareholders' meetings. The proposal for 2023 deficit compensation was approved upon the resolution of the board of directors on March 12, 2024, and to be resolved by the 2024 shareholders' meeting.

## (I) Condensed statement of comprehensive income - IFRSs

## Condensed statement of comprehensive income (consolidated)

Unit: NTD thousand

Item	Year	Financial information for the last 5 years (Note)					Financial data of the current year as of March 31, 2024 (Note)
		2019	2020	2021	2022	2023	
Operating revenue		1,580,463	1,366,916	1,084,373	1,241,073	1,178,163	304,208
Operating gross profit		905,152	627,137	492,100	578,089	690,094	184,548
Operating profits and losses		(91,106)	(234,331)	(251,624)	(130,324)	3,761	5,025
Other revenue and expenses		21,104	15,633	8,185	(4,957)	13,250	4,459
Net income before tax		(70,002)	(218,698)	(243,439)	(135,281)	17,011	9,484
Net profit from continuing operations		(53,789)	(187,756)	(260,683)	(210,632)	17,011	9,484
Losses from discontinued operations		—	—	—	—	—	—
Net income (loss)		(53,789)	(187,756)	(260,683)	(210,632)	17,011	9,484
Other comprehensive income (net amount after tax)		1,000	1,167	(885)	7,262	(18)	1,165
Total comprehensive income		(52,789)	(186,589)	(261,568)	(203,370)	16,993	10,649
Net income attributable to parent company shareholders		(53,053)	(187,477)	(260,752)	(210,618)	17,020	9,485
Net profit attributable to non-controlled interests		(736)	(279)	69	(14)	(9)	(1)
Comprehensive profit (loss) attributable to the owners of the parent company		(52,053)	(186,310)	(261,637)	(203,356)	17,002	10,650
Comprehensive income attributable to non-controlling shareholders		(736)	(279)	69	(14)	(9)	(1)
Earnings per share		(0.79)	(2.81)	(3.90)	(3.15)	0.25	0.14

Note: Financial information from 2019 to 2023 was audited and certified by an independent accountant. The financial data up to March 31, 2024 was the consolidated financial report reviewed by the CPAs.



Condensed statement of comprehensive income (parent-only)

Unit: NTD thousand

Item	Year	Financial information for the last 5 years (Note)				
		2019	2020	2021	2022	2023
Operating revenue		1,577,262	1,364,346	1,083,642	1,241,071	1,178,163
Operating gross profit		902,840	630,294	491,935	578,082	690,094
Operating profits and losses		(81,777)	(229,605)	(252,476)	(129,650)	4,237
Other revenue and expenses		12,511	11,186	8,968	(5,919)	12,783
Net profit (loss) before tax		(69,266)	(218,419)	(243,508)	(135,569)	17,020
Net profit (loss) of continuing operations		(53,053)	(187,477)	(260,752)	(210,618)	17,020
Losses from discontinued operations		—	—	—	—	—
Net income (loss)		(53,053)	(187,477)	(260,752)	(210,618)	17,020
Current term other comprehensive profit/loss (net amount after tax)		1,000	1,167	(885)	7,262	(18)
Total comprehensive income		(52,053)	(186,310)	(261,637)	(203,356)	17,002
Earnings per share		(0.79)	(2.81)	(3.90)	(3.15)	0.25

Note: Parent-only financial information from 2019 to 2023 was audited and certified by an independent accountant.

(III) Names of auditors and audit opinions for the most recent five years

Year	Attesting accounting firm	CPA	Audit opinion
108	PwC Taiwan	Wang, Fang-Yu and Wu, Yu-Long	Unqualified opinion
109	KPMG	Chen, Pei-Chih and Yu, Chi-Long	Unqualified opinion
110	KPMG	Chen, Pei-Chih and Yu, Chi-Long	Unqualified opinion
111	KPMG	Chen, Pei-Chih and Yu, Chi-Long	Unqualified opinion
112	KPMG	Chen, Pei-Chih and Yu, Chi-Long	Unqualified opinion

## II. Financial analysis for the previous 5 years

### Financial analysis - IFRS (consolidate)

Analysis		Year	Financial analysis for the most recent five years (Note 1)					Current year as of March 31, 2024 (Note 2)
			2019	2020	2021	2022	2023	
Financial structure (%)	Debt to assets ratio		44.44%	44.96%	48.51%	53.38%	52.71%	52.86
	Long-term Fund for Property, Plant and Equipment		285.15%	246.26%	210.05%	231.46%	263.44%	263.40%
Solvency (%)	Current ratio		178.30%	160.83%	137.31%	128.40%	138.17%	133.41%
	Liquid ratio		50.83%	33.30%	23.06%	12.04%	40.69%	35.94%
	Times Interest Earned Ratio		(3.79)	(15.82)	(24.15)	(21.35)	3.81	6.23
Operating efficiency	Average collection turnover (times)		28.55	21.95	20.00	33.54	46.27	12.01
	Average collection days		12.78	16.62	18.25	10.88	7.89	30.40
	Average inventory turnover (times)		0.73	0.89	0.80	0.92	0.74	0.20
	Average payable turnover (times)		11.64	13.25	9.19	8.60	7.78	2.02
	Days sales outstanding		501.71	410.11	454.57	395.48	490.93	1,788.68
	Property, Plant and Equipment Turnover (Times)		3.03	2.61	2.24	3.53	3.73	1.00
	Total asset turnover (times)		0.59	0.58	0.55	0.71	0.67	0.17
Profitability	Return on assets (%)		-2.08%	-7.37%	-11.17%	-11.05%	1.25%	0.62%
	Return on shareholders' equity (%)		-3.52%	-13.51%	-22.59%	-22.98%	2.07%	1.13%
	Net income before tax		-10.48%	-32.74%	-36.44%	-20.25%	2.55%	1.43%
	Paid-in capital ratio (%)		-3.40%	-13.73%	-24.04%	-16.97%	1.44%	3.12%
	Net profit margin (%)		(0.79)	(2.81)	(3.90)	(3.15)	0.25	0.14
1. Cash flows	Earnings per share (dollars)		37.22%	31.95%	21.80%	13.77%	50.38%	11.22%
	Cash flow ratio (%)		68.50%	101.02%	66.01%	176.80%	349.01%	552.64%
	Cash flow adequacy ratio (%)		16.61%	9.75%	12.11%	9.74%	32.42%	7.23%
Leverage	Cash flow reinvestment ratio (%)		(8.39)	(5.34)	(1.86)	(0.69)	57.00	11.36
	Operating leverage		0.86	1.17	0.96	0.96	(1.65)	1.57
	Financial leverage							

Please describe the variations of financial ratios in the latest two years (variations above 20%)

I. Solvency

Quick ratio: mainly due to the decrease of inventory and prepayments in 2023 from 2022.

Times interest earned ratio: mainly due to the increase in the overall profit for 2023.

II. Operating efficiency

Receivables turnover (time): mainly due to the decrease in average balance of accounts receivable in 2023.

Average collection days: mainly due to the decrease in average balance of accounts receivable in 2023.

Average days in sales: mainly due to the decrease in the cost of goods sold and the decline in inventory turnover in 2023.

III. Profitability

Mainly due to the increase in the net profits before and after tax in 2023 from 2022, resulting from the growth in the overall profit in 2023.

IV. Cash flows

Cash flow ratio: mainly due to the increase in net cash flow from operating activities in 2023 from 2022.

Cash flow adequacy ratio: mainly due to the increase in net cash inflow from operating activities in 2023, and the decline in capital investment and inventory increase from 2022.

Cash reinvestment ratio: mainly due to the increase in net cash inflow from operating activities in 2023 and the decrease in the amount of gross fixed assets in 2023 compared to 2022.

V. Leverage:

Operating leverage: mainly due to the increase in 2023 gross operating profit and operating income.

Financial leverage: mainly due to the increase in 2023 operating income.

Note 1: Information from 2019 to 2023 was audited and certified by an independent accountant.

Note 2: The financial data up to March 31, 2024 was reviewed by the CPAs.

Financial analysis - IFRS (parent-only)

Analysis items (Note 3)		Year	Financial analysis for the most recent five years (Note 1) (Note 2)				
			2019	2020	2021	2022	2023
Financial structure (%)	Debt to assets ratio		44.49%	45.45%	48.46%	53.37%	52.72%
	Long-term Fund for Property, Plant and Equipment		286.16%	246.81%	210.38%	231.42%	263.40%
Solvency (%)	Current ratio		175.59%	157.25%	129.88%	123.76%	133.41%
	Liquid ratio		45.97%	28.77%	15.33%	7.35%	35.94%
	Times Interest Earned Ratio		(3.78)	(15.89)	(24.21)	(21.44)	3.81
Operating efficiency	Average collection turnover (times)		24.56	42.39	19.29	33.52	46.27
	Average collection days		14.86	8.61	18.92	10.89	7.89
	Average inventory turnover (times)		0.73	1.774	0.80	0.92	0.74
	Average payable turnover (times)		14.44	28.37	9.25	8.62	7.78
	Days sales outstanding		501	205.77	455.00	395.48	490.93
	Property, Plant and Equipment Turnover (Times)		3.03	2.61	2.24	3.53	3.73
	Total asset turnover (times)		0.59	0.58	0.55	0.71	0.67
Profitability	Return on assets (%)		-1.70%	-3.61%	-11.65%	-11.06%	1.25%
	Return on shareholders' equity (%)		-3.47%	-29.04%	-22.58%	-22.98%	2.07%
	Net income before tax		-10.37%	-32.70%	-36.45%	-20.29%	2.55%
	Paid-in capital ratio (%)						
	Net profit margin (%)		-3.36%	-13.74%	-24.06%	-16.97%	1.44%
	Earnings per share (dollars)		(0.79)	(2.81)	(3.90)	(3.15)	0.25
Cash flow	Cash flow ratio (%)		40.26%	28.49%	25.82%	13.78%	50.31%
	Cash flow adequacy ratio (%)		72.08%	26.64%	101.87%	178.11%	362.00%
	Cash flow reinvestment ratio (%)		18.81%	12.51%	14.07%	10.23%	14.26%
Leverage	Operating leverage		(11.04)	(3.00)	(2.40)	(0.69)	50.71
	Financial leverage		0.85	0.95	0.96	0.96	(2.34)

Please describe the variations of financial ratios in the latest two years (variations above 20%)

#### I. Solvency

Quick ratio: mainly due to the decrease of inventory and prepayments in 2023 from 2022.

Times interest earned ratio: mainly due to the increase in the overall profit for 2023.

#### II. Operating efficiency

Receivables turnover (time): mainly due to the decrease in average balance of accounts receivable in 2023.

Average collection days: mainly due to the decrease in average balance of accounts receivable in 2023.

Average days in sales: mainly due to the decrease in the cost of goods sold and the decline in inventory turnover in 2023.

#### III. Profitability

Mainly due to the increase in the net profits before and after tax in 2023 from 2022, resulting from the growth in the overall profit in 2023.

#### IV. Cash flows

Cash flow ratio: mainly due to the increase in net cash flow from operating activities in 2023 from 2022.

Cash flow adequacy ratio: mainly due to the increase in net cash inflow from operating activities in 2023, and the decline in capital investment and inventory increase from 2022.

Cash reinvestment ratio: mainly due to the increase in net cash inflow from operating activities in 2023 and the decrease in the amount of gross fixed assets in 2023 compared to 2022.

#### V. Leverage:

Operating leverage: mainly due to the increase in 2023 gross operating profit and operating income.

Financial leverage: mainly due to the increase in 2023 operating income.

Note 1: Parent-only financial information from 2019 to 2023 was audited and certified by an independent accountant.

Note 2: The following are the formulas for the calculation of the financial ratio:

##### 1. Financial structure (%)

(1) Debt to asset ratio = Total liabilities / Total assets.

(2) Long term capital as a percentage of fixed assets = (Shareholders' equity + Long-term liabilities) / Fixed assets - net.

##### 2. Debt servicing capability

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = earnings before tax and interest expenses / current interest expenses.

##### 3. Operating performance

(1) Accounts receivable (including accounts receivable and notes receivable arising from business activities) turnover = net sales / average accounts receivable balance (including accounts receivable and notes receivable arising from business activities).

(2) Average collection days = 365 / accounts receivable turnover.

(3) Inventory turnover = cost of goods sold / average inventory.

(4) Accounts payable (including accounts payable and notes payable arising from business activities) turnover = cost of goods sold / average accounts payable balance (including accounts payable and notes payable arising from business activities).

(5) Average days in sales = 365 / inventory turnover.

(6) Property, plant and equipment turnover = net sales / average net fixed assets.

(7) Total asset turnover = net sales / average total assets.

4. Profitability

(1) Return on total assets = (net income + interest expenses \* (1 - effective tax rate)) / average total assets.

(2) Return on equity = net income after tax / average total equity.

(3) Net profit margin = net income after tax / net sales.

(4) Earnings per share = (income attributable to owners of parent - preferred stock dividends) / weighted average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = net cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = 5-year sum of net cash flow from operating activities / 5-year sum of (capital expenditures + increases in inventory + cash dividends).

(3) Cash reinvestment ratio = (cash 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).

### III. The Audit Committee's Review Report

#### **The Audit Committee's Review Report**

The Audit Committee has reviewed the Company's 2023 financial statements, business report, and the statement of deficit compensation prepared by the Board of Directors, and deemed no inconsistency. Therefore, the report is prepared, pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act as above. Please review.

To

2024 General Shareholders' Meeting of Shui-Mu International Co., Ltd.

SHUI-MU International Co., Ltd.

Convener of the Audit Committee: Wen-Chih Wu

March 12, 2024

IV. The financial report of the most recent year

Please refer to Pages 183 to 237.

V. Latest audited parent-company only financial report of the most recent year

Please refer to Pages 238 to 296.

VI. If the company or its affiliates have experienced financial difficulties, the information shall be disclosed

None.



## Seven. Review and Analysis of Overview of Finance and Financial Performance, and Risk Management

### I. Financial status

#### 1. Comparison and analysis for financial position- IFRS (consolidate)

Unit: NT\$ thousand; %

Item \ Year	2023	2022	Amount of differences	% of difference
Current assets	873,210	832,150	41,060	4.93%
Property, plant and equipment	315,773	352,067	(36,294)	-10.31%
Intangible assets	20,239	22,472	(2,233)	-9.94%
Other non-current assets	549,974	541,191	8,783	1.62%
Total assets	1,759,196	1,747,880	11,316	0.65%
Current liabilities	632,004	648,108	(16,104)	-2.48%
Non-current liabilities	295,307	284,862	10,445	3.67%
Total liabilities	927,311	932,970	(5,659)	-0.61%
Share capital	668,000	668,000	0	0.00%
Additional paid-in capital	331,289	331,289	0	0.00%
Retained earnings	(173,227)	(190,247)	17,020	-8.95%
Other equity	5,691	5,709	(18)	-0.32%
Shareholders' equity	831,885	814,910	16,975	2.08%
Description of material changes (increase or decrease of two consecutive period is greater than 20%, and the amount of change exceeds NT\$10 million) : None.				

## 2. Comparison and analysis for financial position- IFRS (parent-only)

Unit: NT\$ thousand; %

Item \ Year	2023	2022	Amount of differences	% of difference
Current assets	843,147	801,606	(41,541)	-5.18%
Investment under equity method	31,143	30,699	444	1.45%
Property, plant and equipment	315,773	352,067	36,294	10.31%
Intangible assets	20,239	22,472	2,233	9.94%
Other non-current assets	579,888	540,488	(39,400)	-7.29%
Total assets	1,759,076	1,747,332	(11,744)	-0.67%
Current liabilities	632,016	647,721	15,705	2.42%
Non-current liabilities	295,307	284,860	(10,447)	-3.67%
Total liabilities	927,323	932,581	5,258	0.56%
Share capital	668,000	668,000	0	0.00%
Additional paid-in capital	331,289	331,289	0	0.00%
Retained earnings	(173,227)	(190,247)	(17,020)	8.95%
Other equity	5,691	5,709	18	0.32%
Shareholders' equity	831,753	814,751	(17,002)	-2.09%
Description of material changes (increase or decrease of two consecutive period is greater than 20%, and the amount of change exceeds NT\$10 million) : None.				

## II. Financial performance

### 1. Description of material changes in operating revenue, net operating profit, and net income before tax in the most recent two years

International Financial Reporting Standards (consolidated)

Unit: NT\$ thousand; %

Item \ Year	2023	2022	Increase (decrease)	Deviation percentage (%)
Net operating income	1,178,163	1,241,073	(62,910)	-5.07%
Operating cost	488,069	662,984	(174,915)	-26.38%
Operating gross profit	690,094	578,089	112,005	19.38%
Operating expenses	686,333	708,413	(22,080)	-3.12%
Net operating loss	3,761	(130,324)	134,085	-102.89%
Other revenue and expenses	13,250	(4,957)	18,207	-367.30%
Net loss before tax	17,011	(135,281)	152,292	-112.57%
<p>Description of material changes in operating revenue, net operating profit, and net income before tax in the most recent two years (increase or decrease of two consecutive period is greater than 20%, and the amount of change exceeds NT\$10 million):</p> <p>1. Operating cost: Mainly due to the change in the Company's product structure and the increase in the proportion of sales of medical-grade shoe materials, resulting in an increase in gross profit margin.</p> <p>2. Net operating profit (loss): Mainly due to the change in the Company's product structure and the increase in the proportion of sales of medical-grade shoe materials, resulting in an increase in gross profit margin. In addition, the net operating profit increased due to the refinement of operating expenses.</p> <p>3. Non-operating income and expenses: Mainly due to the YoY increase in valuation gain from financial assets measured at fair value through profit or loss.</p>				

2. Description of material changes in operating revenue, net operating profit, and net income before tax in the most recent two years

International Financial Reporting Standards (parent-only)

Unit: NT\$ thousand; %

Item \ Year	2023	2022	Increase (decrease)	Deviation percentage (%)
Net operating income	1,178,163	1,241,071	(62,908)	-5.07%
Operating cost	488,069	662,989	(174,920)	-26.38%
Operating gross profit	690,094	578,082	112,012	19.38%
Operating expenses	685,857	707,732	(21,875)	-3.09%
Net operating loss	4,237	(129,650)	133,887	-103.27%
Other revenue and expenses	12,783	(5,919)	18,702	-315.97%
Net loss before tax	17,020	(135,569)	152,589	-112.55%
<p>Description of material changes in operating revenue, net operating profit, and net income before tax in the most recent two years (increase or decrease of two consecutive period is greater than 20%, and the amount of change exceeds NT\$10 million):</p> <p>1. Operating cost: Mainly due to the change in the Company's product structure and the increase in the proportion of sales of medical-grade shoe materials, resulting in an increase in gross profit margin.</p> <p>2. Net operating profit (loss): Mainly due to the change in the Company's product structure and the increase in the proportion of sales of medical-grade shoe materials, resulting in an increase in gross profit margin. In addition, the net operating profit increased due to the refinement of operating expenses.</p> <p>3. Non-operating income and expenses: Mainly due to the YoY increase in valuation gain from financial assets measured at fair value through profit or loss.</p>				

3. Expected sales volume and basis

The Company sets annual sales targets based on the annual store extension plans of each brand, while considering industrial planning and past operating performance.

4. Possible effect on the future business and finance, and response plans

All business units under each brand of the Company are in the stage of pioneering and growing. In the future, the market share will be extended and the Company's profits will be increased based on the changes in market demands. The future business is expected to grow continuously, and the financial status is also good.

### III. Cash flow

#### 1. Description and analysis of any cash flow changes during the most recent fiscal year,

##### (1) Parent-only

Unit: NTD thousand

Beginning cash balance (1)	Net cash flow from operating activities for the whole year (2)	Net cash flow from investing activities for the whole year (3)	Net cash flow from financing activities for the whole year (4)	Cash surplus (deficit) (1)+(2)+(3)+(4)	Countermeasures for cash deficit	
					Investment plans	Financing plans
131,015	317,937	(53,094)	(140,873)	254,985	—	—
Analysis and description (1) Analysis of changes in cash flows for the most recent years: Operating activities: The net cash inflow from operating activities is mainly due to the increase in inventory, contract liabilities and prepayments in 2023. (2) Remedial measures for projected insufficient cash position and analysis of liquidity: Investment plans: not applicable. Financing plans: not applicable.						

##### (2) Consolidated

Unit: NTD thousand

Beginning cash balance (1)	Net cash flow from operating activities for the whole year (2)	Net cash flow from investing activities for the whole year (3)	Net cash flow from financing activities for the whole year (4)	Effects on exchange rate (5)	Cash surplus (deficit) (1)+(2)+(3)+(4)+(5)	Countermeasures for cash deficit	
						Investment plans	Financing plans
162,553	318,404	(53,936)	(140,875)	(18)	286,128	—	—
Analysis and description (1) Analysis of changes in cash flows for the most recent years: Operating activities: The net cash inflow from operating activities is mainly due to the increase in inventory, contract liabilities and prepayments in 2023. Investing activities: the net cash outflow from investing activities is mainly the increase in the financial assets measured at amortized cost. Financing activities: the net cash outflow from financing activities is mainly the repayment of principal of IFRS 16 leases. (2) Remedial measures for projected insufficient cash position and analysis of liquidity: Investment plans: not applicable. Financing plans: not applicable.							

#### 2. Remedial plans for illiquidity problems: not applicable.

### 3. Liquidity analysis for the coming year

NT\$: thousand					
Opening cash balance	Projected net cash flow from operating activities (Note)	Cash flow for the whole year (Note)	Cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Financing plans
286, 128	231, 818	52, 201	338, 329	—	—

Note: Based on the Company's consolidated budgets, not reviewed by the CPAs.

#### Analysis and description:

##### (1) Analysis of the expected cash flows in the coming year:

A. Operating activities: the main reason is that it is expected that the operation scale continues to grow in 2024, and the issuance of gift certificates, resulting in the increase in working capital; therefore it is estimated that the net cash inflow from operating activities will be NT\$231,818 thousand.

B. Investing activities: it is mainly expected that the financial investment 、operating bases of domestic and foreign business groups will be added or expanded, and old operating bases will be renovated with fixed assets purchased in 2024. The net cash outflow from investing activities will be NT\$41,500 thousand.

C. Financing activities: the net cash outflow from financing activities is mainly the repayment of principal of IFRS 16 leases for NT\$138,117 thousand.

##### 2. Responsive measures and liquidity analysis for cash deficits: not applicable.

#### IV. Material capital expenditures in the last year and impacts on business performance

1. Major capital expenditure utilization and source of capital: none.

2. Expected effect generate: none.

#### V. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year

The Company's reinvestment policy and investment plan for the coming year are mainly based on the shoe retail business related to the Company's business. The Company's reinvestment policy and investment plan for the next year are mainly based on the shoe retail business related to the Company's business.

Unit: NTD thousand

Invested businesses	Business lines	Investment gains and loss	Main reasons of gains and losses	Improvement plan
A.S.O International Co., Ltd.	Investment in various business	977	Shui-Mu Samoa and Shui-Mu Hong Kong are the intermediate point for SHUI-MU to reinvest in China. All subsidiaries in China have been cancelled	The cancellation was approved upon the resolution of the board on December 23, 2022, and it is currently under liquidation.
A.S.O International Holdings Co., Limited	Investment in various business	(302)		
Lovelly International Co., Ltd.	Transactions of shoes, bags, and stationeries	0	No more substantial operation, with only fixed sporadic expenses generated.	Cancelled and liquidated in April 2023
Comphy International Co., Ltd.	Transactions of shoes, bags, and socks	(188)	In the initial stage of developing health-promoting products, it still made losses.	The development is centered at the health promotion, the planning and development of the functional textile products + health promotion product strengthens the community diffusion, and develop cross-border e-commerce and international distribution.
Beso International Co., Ltd.	Transactions of shoes, bags, and daily necessities	0	No more substantial operation, with only fixed sporadic expenses generated.	Cancelled and liquidated in April 2023
Learn Jet International Ltd.	Retail sales of garment, shoes, hats, and apparels	497	Medicare products have gradually gained the attentions of consumers, so they turned from losses to profits.	Focus on foot health as the core of development, and the exclusive professional products are introduced, to promote the personalized health management.

Note: the profit and loss of the period has been recognized by the reinvested subsidiary.

## VI. Risk analysis

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

### (1) Interest rate fluctuations

#### ①Effect upon the Company's revenue and profit:

The Company has sufficient self-owned funds, and the interest expense has been extremely low in the recent two years, so the effect of changes in interest rates on the Company's revenue and profit is not significant.

#### ②Concrete response measures:

As the Company's operating scale and profitability remain stable, the self-owned funds continue to be abundant, and the Company has always maintained good relationships with its banks, the finance is stable and the credit is good, and the Company

can also obtain a better interest rate level. It is expected that changes in the future interest rate will have insignificant effect on the Company's overall operation.

(2) Exchange rate fluctuations

The Company's business involves certain non-functional currencies, so foreign currency (USD) denominated asset investments are affected by exchange rate fluctuations, so the Company is subject to exchange rate fluctuations significantly.

① Concrete response measures:

The Company always monitors the fluctuations in the stock and foreign exchange markets, and maintains a good interactive relationship with banks. If the exchange loss increases due to exchange rate changes in the future, the Company will adjust the investment amount in a timely manner. Therefore, the effect of exchange rate changes on the Company's profit and loss is limited.

(3) Inflation

① Analysis of the effect upon the Company

In recent years, affected by the rising prices of related resources and materials around the world, the overall economic environment has shown a slight inflationary trend, but no immediate major effect from the inflation upon the Company so far.

② Concrete response measures:

The Company always monitors the fluctuations of the prices in the raw material markets, and maintains good interactive relationships with the suppliers. If the purchase costs increases due to inflation in the future, the Company will adjust the relevant sales price in a timely manner, so the inflationary pressure has a limited impact on the Company's profit and loss.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

(1) Policies on high-risk and highly leveraged investments and main causes of any profits or losses incurred, and future responsive measures:

The Company focuses on the operation of the core business, and does not engage in high-risk, high-leverage investments. The Company's financial policy is based on the principle of prudence and conservation, and all investments are implemented after cautious evaluation.

(2) Policies on loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

① Since its establishment, the Company has been committed to the operation of the core business, and has not engaged in high-risk and high-leverage investments.

② The Company has the "Procedures for Loaning of Fund" in place, and the operations comply with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies." Information on loaning of funds to



third parties during the most recent year and up to the date of publication of this annual report:

March 31, 2024

Unit: NT\$ thousand

Lender	Borrowing company	Related party	The high balance accumulated up to the month	Ending balance	Drawdown	Interest rate interval	Nature of loaning of funds	Reasons of necessary short-term financing	Appropriated allowance for bad debt	Collateral		Limit of loans to individual borrowers	Limit of total loans
										Name	Value		
SHUI-MU International Co., Ltd.	Comphy International Co., Ltd.	Yes	4,000	4,000	0	1.50%	Short-term loans	Revolving funds	0	None	0	168,481	336,961

Note: The Company resolved to approve the funds loaned to Comphy International in the board meeting on August 9, 2022, and cancelled the loaning limit for Lovely International.

③The Company has established the “Operational Procedures for Making of Endorsements/Guarantees,” and during the most recent year and up to the date of publication of this annual report, the Company did not making endorsement or guarantee.

④The Company has stipulated the operations for engagement in derivative trading in the “Operational Procedures for Acquisition and Disposal of Assets” during the most recent year and up to the date of publication of this annual report, the Company did not engage in derivative trading; where any related operation is conducted in the future, the related regulations will be complied with.

### (III) Future research and development plans, and the projected expenses

The Company's operating goal is to promote the beauty of customers' feet and lives, and is committed to developing healthy, comfortable, easy-to-wear, and beautiful shoes. The Company also invests in the R&D and design of leather goods, bags, and apparel products, to increase the added value of the products with innovative materials and improved functions and structures, while devoting great efforts to the research and analysis of ergonomics for foot as the basis for product development. In the future, the related research and development of products will be conducted according to the Company's business expansion plans to maintain the Company's competitive advantages.

It is planned to improve the personalized multiple service models for foot problems accurately. It is estimated that NT\$4,892 thousand will be invested in research funds in 2023. With numerous "smart technologies," the product sales services is incorporated, including "upgraded research and services for dynamic foot pressure measurement," "foot/last/shoe 3D fitting system development," "introduction of modeling for fully customized 3D printing insole," and many other studies, to concretely implement the experience of promoting health and life, and make the Company to become a professional benchmark of footwear industry in Taiwan.

### (IV) The effect of major policy changes and legal practices, whether domestic or foreign, on the Company's treasury operations and responsive actions:

In recent years, the Company's finances and business has not been affected by changes in important domestic and foreign policies and laws. In addition, regarding domestic and international important policy development trends and legal changes, the Company not only

immediately collects relevant information and for the management as the decision-making reference, but also invites lawyers, accountants and other relevant professional units to consult, or commission them to evaluate, advise and plan response measures, to reduce the effects on the Company's finance and business.

(V) Financial impacts and responsive measures in the event of technological or industrial changes

To cope with changes in technologies, the Company has introduced the digitized system into the Company's various operating processes, with constant updating and improvement, to elevate the Company's operational effectiveness and efficiency, including the connection of store channels, stock-in and out of the logistics management, internal operating processes, and integration of upstream and downstream supply chains, among other things. With the trend of networking technology becoming a daily life, the Company has also expanded into the operation of virtual channels, and has engaged in the e-commerce platform of Yahoo Kimo Shopping Center, bringing new business opportunities for the Company.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate image:

The Company's main brand has been established for nearly 71 years. During the period, it has insisted on excellent quality and services, and complied with relevant laws and regulations. There has been no related reports that are detrimental to the corporate image; the Company has a dedicated public relations department to handle related operations.

(VII) Expected benefits, risks and responsive measures of planned mergers or acquisitions

In case of merger and acquisition, the Company will, pursuant to the "Operational Procedures for Acquisition and Disposal of Assets," with prudential attitude toward assessment, to consider whether the merger brings specific synergy to the Company, to fully secure the Company's interest and the shareholders' rights. The Company had no plan for mergers and acquisitions during the most recent year up to the publication date of this annual report.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

The Company has not established or invested in any plants, and all the products sold are purchased from domestic and foreign excellent OEMs or other traders, so there are no benefit or risk related to expansion of plants.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

1. Risks associated with any consolidation of purchasing operations, and mitigation measures being or to be taken:

The Company purchases from a wide range of sources. There are at least more than 50 suppliers to cooperate with for each quarter, of which ten suppliers are the major providers. The quarterly purchase from the largest supplier accounts for less than  $\pm 10\%$  of the total purchases. From the view of the overall supply chain network, the Company's purchase sources are competitive and there is no risk of consolidated purchases.

2. Risks associated with any consolidation of sales operations, and mitigation measures being or to be taken:

The Company mainly sells via the self-operated channels; with stores and counters all over Taiwan and outlying islands. As of the publication date of the annual report, the total number of counters has reached 104. The sales targets are general consumers, so there is no risk of consolidated sales.

- (X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

There was no instance in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hand.

- (XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: none

- (XII) Litigation and non-contentious cases:

1. Major litigious, non-litigious or administrative disputes that involve the company, and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: none.
2. Major litigious, non-litigious or administrative disputes that involve the r any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company, and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: none.

(XIII) Other material risks and responsive measures: None.

VII. Other Material Issues

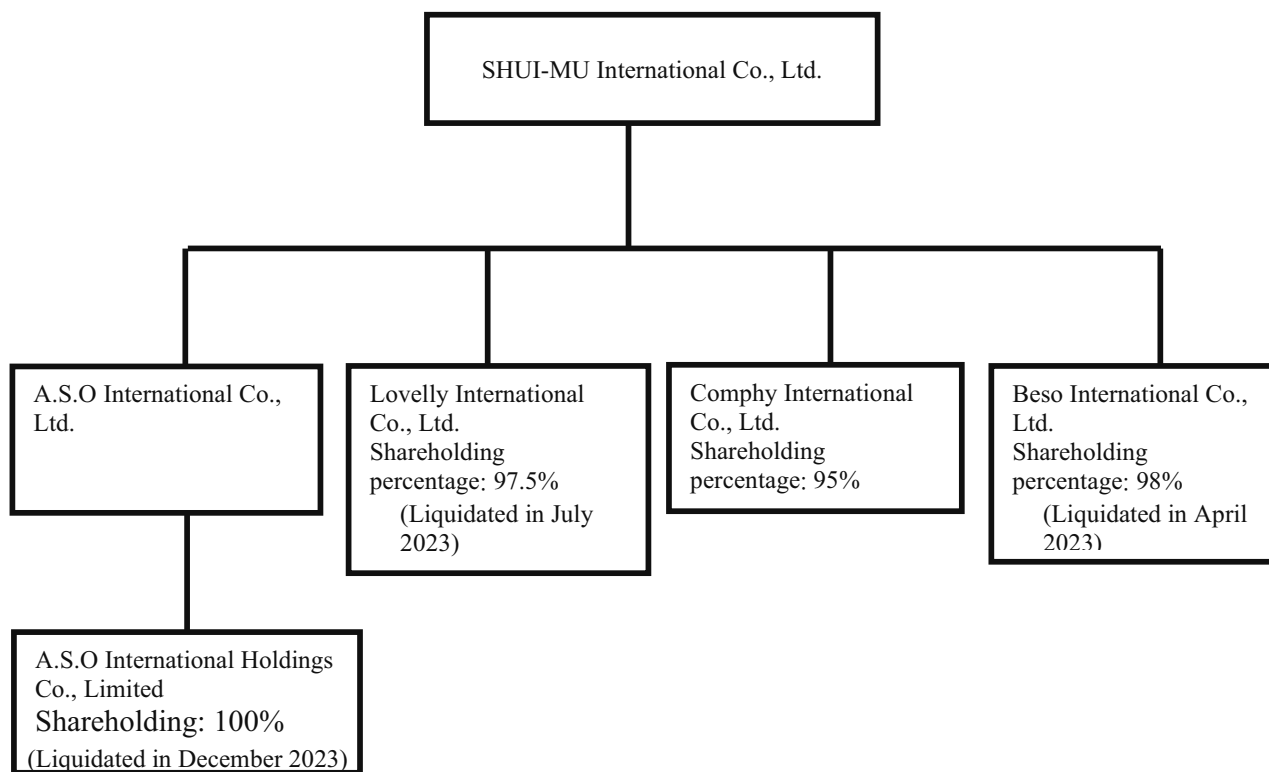
None.

## Eight. Special remarks

### I. Information on affiliated enterprises

#### (I) Consolidated business report

##### 1. Organizational chart of affiliated enterprises(as of December 31, 2022)



## 2. Basic information of affiliated enterprises

December 31, 2023

Name of affiliated enterprise	Establishment Date	Address	Paid-in capital amount	Main Business
A.S.O International Co., Ltd.	2008/11/13	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	USD900 thousand	Investments in various business
A.S.O International Holdings Co., Limited(Note1)	2009/11/30	Rm 2105, 21F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	USD25 thousand	Investments in various business
Lovelly International Co., Ltd. (Note2)	2016/08/08	6F, No. 168, Songjiang Rd., Zhongshan District, Taipei City	NT\$12,000 thousand	Transactions of shoes, bags, and stationeries
Comphy International Co., Ltd.	2017/03/24	6F, No. 168, Songjiang Rd., Zhongshan District, Taipei City	NT\$10,000 thousand	Transactions of shoes, bags, and socks
Beso International Co., Ltd. (Note3)	2017/04/21	6F, No. 168, Songjiang Rd., Zhongshan District, Taipei City	NT\$30,000 thousand	Business of shes, bags, and daily necessities

Note1: Liquidated in December 2023.

Note2: Liquidated in July 2023.

Note3: Liquidated in April 2023.

3. Common shareholders in controlling and controlled companies: none.

4. Businesses covered by affiliated companies

The business covered by affiliated companies mainly are shoes, leather goods, and apparel transactions.

5. The overview of the operations of the affiliates shall clearly describe the financial condition and operational results of each affiliate

December 31, 2023 Unit: thousand shares

Company name	Title	Name or the Name of Representative	Shares held	Holding percentage
A.S.O International Co., Ltd.	Director	SHUI-MU International Co., Ltd. Representative: Joseph Lo	900	100%
A.S.O International Holdings Co., Limited(Note1)	Director	A.S.O International Co., Ltd. Representative: Joseph Lo	—	—
Lovelly International Co., Ltd. (Note2)	Chairman	SHUI-MU International Co., Ltd. Representative: Michelle Kuo	—	—
	Director	SHUI-MU International Co., Ltd. Representative: Mei-Lan Chang	—	—
	Director	SHUI-MU International Co., Ltd. Representative: Li, Han-Yang	—	—
	Supervisor	Li-Ling Lo	—	—
Comphy International Co., Ltd.	Chairman	SHUI-MU International Co., Ltd. Representative: Michelle Kuo	950	95%
	Director	SHUI-MU International Co., Ltd. Representative: Mei-Lan Chang	950	95%
	Director	Li, Han-Yang	50	5%
	Supervisor	Li-Ling Lo	0	0%
Beso International Co., Ltd. (Note3)	Chairman	SHUI-MU International Co., Ltd. Representative: Michelle Kuo	—	—
	Director	SHUI-MU International Co., Ltd. Representative: Mei-Lan Chang	—	—
	Director	SHUI-MU International Co., Ltd. Representative: Li, Han-Yang	—	—
	Supervisor	Li-Ling Lo	—	—

Note1: Liquidated in December 2023.

Note2: Liquidated in July 2023.

Note3: Liquidated in April 2023.

6. Overview of affiliated enterprises' operations

December 31, 2022; Unit: NT\$ thousand; in NT\$ unless otherwise specified

Company name	Paid-in capital amount	Total assets	Total liabilities	net worth	Operating revenue of the period	Operating income (loss) of the period	Current profit and loss (after-tax)	Earnings per share (Note 1) (NT\$) (after tax)
SHUI-MU International Co., Ltd.	668,000	1,759,076	927,323	831,753	1,178,163	4,237	17,020	0.25
A.S.O International Co., Ltd.	USD 900	USD 932	USD 35	USD 897	USD 0	USD (2)	USD 3	—
A.S.O International Holdings Co., Limited	—	—	—	—	—	—	—	—
SHUI-MU (Nanjing) Trading Co., Ltd. (Note 2)	—	—	—	—	—	—	—	—
Lovelly International Co., Ltd.	10,000	2,683	41	2,642	0	(209)	(198)	(0.20)
Comphy International Co., Ltd.	—	—	—	—	—	—	—	—
Beso International Co., Ltd.	668,000	1,759,076	927,323	831,753	1,178,163	4,237	17,020	0.25

Note1: Liquidated in December 2023.

Note2: Liquidated in July 2023.

Note3: Liquidated in April 2023.



(II) Consolidated financial statements of the affiliated enterprises

SHUI-MU International Co., Ltd. and its subsidiaries

Declaration for consolidated financial statements of affiliated companies

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2023 (Jan. 1, 2023- Dec. 31, 2023) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the IFRS 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

It is hereby declared

Company name: SHUI-MU International Co., Ltd.

Person in charge: Joseph Lo

March 12, 2024

(III) Affiliation report: none.

II. Private placement of securities

None.

III. Holding or disposal of shares in the company by the company's subsidiaries

None.

IV. Other matters that require additional description

None.

V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act

The Company had no significant event materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report.



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the Board of Directors of SHUI-MU International Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of SHUI-MU International Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

Please refer to Note 4(o) for the accounting policy on revenue recognition and Note 6(s) for details of revenue from contracts with customers.

Description of key audit matter:

The Group's revenues primarily derive from its retail stores and consist of a high volume of small-value transactions. The sales data transfer process is highly dependent on IT systems. Revenue recognition is the main concern of the users of the financial statements. Therefore, we determined that the revenue recognition is a key audit matter.



How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Understanding the Group's revenue recognition policy and assessing whether it is consistently applied in comparative periods.
- 2) Examining supporting documents for retail sales transactions and the IT control environment related to financial reporting process.
- 3) Inspecting, on a sample basis, the daily cash report and reconciling items.
- 4) Verifying, on a sample basis, whether the cash receipt amount of the daily cash report is consistent with the bank remittance amount.
- 5) Verifying, on a sample basis, whether the sales amount of daily sales report is consistent with the amount recorded in the accounting system.

## 2. Inventory valuation

Please refer to Note 4(h) for the accounting policy on inventories, Note 5 for significant accounting estimates and uncertainty of assumptions related to inventory valuation, and Note 6(f) for details of inventories.

Description of key audit matter:

The Group is primarily engaged in the sale of shoes and other leather products. As the fashion trends and styles change constantly, the risk of inventory obsolescence is higher. Therefore, we determined that inventory valuation is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Verifying whether the Group's accounting policy on the allowance for inventory valuation loss is consistently applied, and assessing the reasonableness of the policy.
- 2) Inspecting supporting documents to test the accuracy of inventory classification according to quarterly changes, and verifying whether the allowance for valuation loss is provided in accordance with the Group's policy.
- 3) Obtaining the net realizable value report to verify whether the calculation logic is used consistently, and testing the assumptions used by inspecting supporting documents.

## Other Matter

SHUI-MU International Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going 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 are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Pei-Chi and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)  
March 12, 2024

#### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
<b>Current Assets</b>					
<b>Current assets:</b>					
1100	Cash and cash equivalents (notes 6(a)(v))	\$ 286,128	16	162,553	9
1110	Current financial assets at fair value through profit or loss (notes 6(b)(v))	30,973	2	30,826	2
1136	Financial assets at amortised cost, net (notes 6(c)(v))	48,670	3	9,100	1
1150	Notes receivable, net (notes 6(d)(s)(v))	446	-	-	-
1170	Accounts receivable, net (notes 6(d)(s)(v))	24,412	1	26,072	1
1200	Other receivables (notes 6(e)(v))	730	-	496	-
1220	Current income assets	51	-	15	-
130X	Inventories (notes 6(f))	456,813	26	570,828	33
1410	Prepayments (Note 7)	24,987	2	32,260	2
	<b>Total current assets</b>	<u>873,210</u>	<u>50</u>	<u>832,150</u>	<u>48</u>
<b>Non-current assets:</b>					
1550	Investments accounted for using equity method	1,100	-	603	-
1600	Property, plant and equipment (notes 6(g) and 8)	315,773	18	352,067	20
1755	Right-of-use assets (note 6(h))	393,613	22	388,759	22
1760	Investment property, net (notes 6(i) and 8)	95,571	6	95,984	6
1780	Intangible assets	20,239	1	22,472	1
1900	Other non-current assets (notes 6(v), 7 and 8)	59,690	3	55,845	3
	<b>Total non-current assets</b>	<u>885,986</u>	<u>50</u>	<u>915,730</u>	<u>52</u>
	<b>Total assets</b>	<u>\$ 1,759,196</u>	<u>100</u>	<u>1,747,880</u>	<u>100</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
	Current contract liabilities (note 6(s))	372,778	21	356,034	20
	Accounts payable (note 6(v))	44,097	3	66,564	4
	Accounts payable to related parties (notes 6(v) and 7)	7,849	1	6,889	1
	Other payables (notes 6(l)(v))	73,816	4	85,405	5
	Other payables to related parties (notes 6(v) and 7)	1,462	-	211	-
	Current provisions (note 6(n))	2,351	-	1,839	-
	Current lease liabilities (notes 6(l)(v))	126,604	7	128,292	7
	Other current liabilities	3,047	-	2,874	-
	<b>Total non-current liabilities</b>	<u>632,004</u>	<u>36</u>	<u>648,108</u>	<u>37</u>
<b>Non-Current liabilities:</b>					
	Non-current provisions (note 6(n))	5,659	1	5,703	-
	Non-current lease liabilities (notes 6(m)(v))	284,887	16	274,342	16
	Other non-current liabilities (note 6(v))	4,761	-	4,817	-
	<b>Total Non-current liabilities</b>	<u>295,307</u>	<u>17</u>	<u>284,862</u>	<u>16</u>
	<b>Total liabilities</b>	<u>927,311</u>	<u>53</u>	<u>932,970</u>	<u>53</u>
<b>Equity (note 6(q)):</b>					
	Ordinary share	668,000	38	668,000	38
	Total capital surplus	331,289	19	331,289	19
	Total retained earnings	(173,227)	(10)	(190,247)	(10)
	<b>Total equity attributable to owners of parent:</b>	<u>831,753</u>	<u>47</u>	<u>814,751</u>	<u>47</u>
	Non-controlling interests	132	-	159	-
	<b>Total equity</b>	<u>831,885</u>	<u>47</u>	<u>814,910</u>	<u>47</u>
	<b>Total liabilities and equity</b>	<u>\$ 1,759,196</u>	<u>100</u>	<u>1,747,880</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL 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)

		2023		2022	
		Amount	%	Amount	%
4000	<b>Operating revenue, net (note 6(s))</b>	\$ 1,178,163	100	1,241,073	100
5000	<b>Operating costs (notes 6(f) and 7)</b>	<u>488,069</u>	<u>42</u>	<u>662,984</u>	<u>53</u>
5900	<b>Gross profit from operations</b>	690,094	58	578,089	47
<b>Operating expenses (notes 6(d)(e)(g)(h)(i)(m)(o)(t) and 7):</b>					
6100	Selling expenses	577,098	49	595,296	48
6200	Administrative expenses	95,545	8	102,270	8
6300	Research and development expenses	13,690	1	11,346	1
6450	Reversal of impairment loss determindes in accordance with IFRS 9	<u>-</u>	<u>-</u>	<u>(499)</u>	<u>-</u>
6000	<b>Total operating expenses</b>	<u>686,333</u>	<u>58</u>	<u>708,413</u>	<u>57</u>
6900	<b>Net operating income (loss)</b>	<u>3,761</u>	<u>-</u>	<u>(130,324)</u>	<u>(10)</u>
<b>Non-operating income and expenses (notes 6(b)(j)(m)(u)(v) and 7):</b>					
7100	Interest income	4,132	-	2,092	-
7010	Other income	12,843	1	13,913	1
7020	Other gains and losses, net	1,825	-	(15,183)	(1)
7050	Finance costs, net	(6,047)	-	(6,052)	(1)
7060	Share of profit (loss) of associates accounted for using equity method, net	<u>497</u>	<u>-</u>	<u>273</u>	<u>-</u>
7000	<b>Total non-operating income and expenses</b>	<u>13,250</u>	<u>1</u>	<u>(4,957)</u>	<u>(1)</u>
7900	<b>Profit (loss) from continuing operations before tax</b>	17,011	1	(135,281)	(11)
7950	Less: Income tax expenses (note 6(p))	<u>-</u>	<u>-</u>	<u>75,351</u>	<u>6</u>
	<b>Profit (loss)</b>	<u>17,011</u>	<u>1</u>	<u>(210,632)</u>	<u>(17)</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(18)	-	7,262	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(18)</u>	<u>-</u>	<u>7,262</u>	<u>1</u>
8300	<b>Other comprehensive income</b>	<u>(18)</u>	<u>-</u>	<u>7,262</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 16,993</u>	<u>1</u>	<u>(203,370)</u>	<u>(16)</u>
	<b>Profit (loss) attributable to:</b>				
8610	Owners of parent	\$ 17,020	1	(210,618)	(17)
8620	Comprehensive income anon-controlling interests	<u>(9)</u>	<u>-</u>	<u>(14)</u>	<u>-</u>
		<u>\$ 17,011</u>	<u>1</u>	<u>(210,632)</u>	<u>(17)</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 17,002	1	(203,356)	(16)
8720	Comprehensive income (loss)	<u>(9)</u>	<u>-</u>	<u>(14)</u>	<u>-</u>
		<u>\$ 16,993</u>	<u>1</u>	<u>(203,370)</u>	<u>(16)</u>
	<b>Earnings (loss) per share (Note 6(r))</b>				
9750	<b>Basic earnings (loss) per share (in dollars)</b>	<u>\$ 0.25</u>		<u>(3.15)</u>	
9850	<b>Diluted earnings (loss) per share (in dollars)</b>	<u>\$ 0.25</u>		<u>(3.15)</u>	

See accompanying notes to consolidated financial statements.



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

**SHUI-MU INTERNATIONAL 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)**

	Equity attributable to owners of parent						Total other equity interest						
	Retained earnings						Exchange differences on translation of financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total retained earnings							
<b>Balance at January 1, 2022</b>	\$ 668,000	331,289	252,097	668	(232,394)	20,371	(1,553)	1,018,107	173	1,018,280			
Loss	-	-	-	-	(210,618)	(210,618)	-	(210,618)	(14)	(210,632)			
Other comprehensive income	-	-	-	-	-	-	7,262	7,262	-	7,262			
Total comprehensive income	-	-	-	-	-	-	7,262	(203,356)	(14)	(203,370)			
Appropriation and distribution of retained earnings:													
Legal reserve used to offset accumulated deficits	-	-	(231,726)	-	231,726	-	-	-	-	-			
Special reserve used to offset accumulated deficits	-	-	-	(668)	668	-	-	-	-	-			
Balance at December 31, 2022	668,000	331,289	20,371	-	(210,618)	(190,247)	5,709	814,751	159	814,910			
Profit	-	-	-	-	17,020	17,020	-	17,020	(9)	17,011			
Other comprehensive income	-	-	-	-	-	-	(18)	(18)	-	(18)			
Total comprehensive income	-	-	-	-	17,020	17,020	(18)	17,002	(9)	16,993			
Appropriation and distribution of retained earnings:													
Legal reserve used to offset accumulated deficits	-	-	(20,371)	-	20,371	-	-	-	-	-			
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(18)	(18)			
<b>Balance at December 31, 2023</b>	\$ 668,000	331,289	-	-	(173,227)	(173,227)	5,691	831,753	132	831,885			

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 17,011	(135,281)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	189,713	195,892
Amortization expense	4,117	4,239
Expected credit gain	-	(499)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(4,115)	9,573
Interest expense	6,047	6,052
Interest income	(4,132)	(2,092)
Dividend income	(544)	(775)
Share of loss (profit) of associates accounted for using equity method	(497)	(273)
Loss on disposal of property, plant and equipment	1,203	3,175
Loss (gain) on lease modification	242	(57)
<b>Total adjustments to reconcile profit (loss)</b>	<b>192,034</b>	<b>215,235</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	3,968	704
Notes receivable	(446)	-
Accounts receivable	1,660	21,860
Other receivable	(144)	1,274
Inventories	114,015	(7,234)
Prepayments	7,273	(4,453)
Contract liabilities	16,744	8,640
Notes payable	-	(4)
Accounts payable	(22,467)	(11,059)
Accounts payable to related parties	960	3,722
Other payable	(11,589)	1,717
Other payable to related parties	1,251	(184)
Other current liabilities	173	(1,392)
<b>Total adjustments</b>	<b>303,432</b>	<b>228,826</b>
Cash inflow generated from operations	320,443	93,545
Interest received	4,044	2,089
Interest paid	(6,047)	(6,052)
Income taxes paid	(36)	(306)
<b>Net cash flows from operating activities</b>	<b>318,404</b>	<b>89,276</b>
<b>Cash flows from (used in) investing activities:</b>		
(Increase) decrease financial assets at amortised cost	(39,570)	23,590
Acquisition of property, plant and equipment	(9,161)	(17,210)
Increase in refundable deposits	(319)	(5)
Acquisition of intangible assets	(1,884)	(1,583)
Prepayments for investments	(3,526)	-
Decrease in other non-current assets	-	95
Dividends received	542	747
Changes in non-controlling interests	(18)	-
<b>Net cash flows (used in) from investing activities</b>	<b>(53,936)</b>	<b>5,634</b>
<b>Cash flows from (used in) financing activities:</b>		
(Decrease) increase in guarantee deposits received	(54)	1,744
Payment of lease liabilities	(140,819)	(143,273)
Decrease in other non-current liabilities	(2)	(407)
<b>Net cash flows used in financing activities</b>	<b>(140,875)</b>	<b>(141,936)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(18)</b>	<b>7,262</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>123,575</b>	<b>(39,764)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>162,553</b>	<b>202,317</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 286,128</b>	<b>162,553</b>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**SHUI-MU INTERNATIONAL 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**

- (a) SHUI-MU International Co., Ltd. (the “Company”) was incorporated on August 25, 2003 and registered with the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is 6 F, No. 168, Songjiang Rd., Zhongshan Dist., Taipei City. The major business activities of the Company is wholesale and retail of shoes and bags.
- (b) The Company's stocks were approved for trading on Taipei Exchange's emerging stock board on September 3, 2012. The Company was approved for listing by Taiwan Stock Exchange in June 2014 and was officially listed in September 2014.

**(2) Approval date and procedures of the consolidated financial statements:**

These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

**(4) Summary of material accounting policies:**

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

### (c) Basis of consolidation

#### (i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

#### (ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Principal activity	Shareholding		Description
			December 31, 2023	December 31, 2022	
SHUI-MU International Co., Ltd.	A.S.O. International Co., Ltd.	Investment holding	100.00 %	100.00 %	
SHUI-MU International Co., Ltd.	Lovelly International Co., Ltd.	Sale of shoes, bags, and stationery	- %	97.50 %	Note 1
SHUI-MU International Co., Ltd.	Comphy International Company Limited	Sale of shoes, bags, and socks	95.00 %	95.00 %	
SHUI-MU International Co., Ltd.	BESO International Co., Ltd.	Sale of shoes, bags, and daily necessities	- %	98.00 %	Note 2
A.S.O. International Co., Ltd.	A.S.O. International Holdings Co., Limited	Investment holding	- %	100.00 %	Note 3

Note 1: The liquidation process of Lovelly International Co., Ltd. had been completed in July 2023.

Note 2: The liquidation process of BESO International Co., Ltd. had been completed in April 2023.

Note 3: A.S.O. International Holdings Co., Ltd. was dissolved and liquidated in November 2023.

#### (iii) Subsidiaries excluded from the consolidated financial statements: None.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

(Continued)



**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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## SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

##### 2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) buildings	55 years
2) transportation equipment	3 years
3) office equipment	3~5 years
4) leasehold improvement	1~10 years
5) other equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including trademarks and computer software that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Trademarks	10 years
2) Computer software	3~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group sells shoes and leather products. The Group recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product. The Group sells gift certificates that are non-refundable and have no expiry date. When gift certificates are redeemed and the obligation to supply goods is fulfilled, revenue is recognized based on the amount of gift certificates redeemed relative to the total amount expected to be redeemed.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Customer loyalty program

The Group operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Group considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Group has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

3) Service revenue

The Group provides shoes repair services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed to date as a proportion of the total work expected to be performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Government grants

The Group recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- 1) the same taxable entity; or
- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(t) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

#### **(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventory:

Inventories are stated at the lower of cost or net realizable value. The Group estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventory.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ 3,801	3,960
Checking accounts	302	1,607
Demand deposits	220,579	149,086
Time deposits	<u>61,446</u>	<u>7,900</u>
	<b><u>\$ 286,128</u></b>	<b><u>162,553</u></b>

(i) The Group transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it expects that the probability of counterparty default is remote.

(ii) Please refer to note 6(w) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Fund beneficiary certificates	\$ 18,688	15,979
Stock listed on domestic markets	<u>12,285</u>	<u>14,847</u>
	<b><u>\$ 30,973</u></b>	<b><u>30,826</u></b>

(i) For the years ended December 31, 2023 and 2022, net gains (losses) on financial assets at fair value through profit or loss were \$4,115 thousand and \$(9,573) thousand, respectively. Please refer to note 6(u).

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# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(ii) As of December 31, 2023 and 2022, none of the financial assets at fair value through profit or loss had not been pledged as collateral.

(iii) Please refer to note 6(v) for market risk information in relation to financial assets at fair value through profit or loss.

(c) Financial assets measured at amortized cost

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current:		
Time deposits with maturity over 3 months	\$ <b>48,670</b>	<b>39,880</b>

(i) None of the financial assets measured at amortized costs held by the Group were pledged or collateralized as of December 31, 2023 and 2022.

(ii) Please refer to note 6(v) for credit risk information in relation to financial assets measured at amortized costs.

(d) Accounts receivable and notes receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ 446	-
Accounts receivable	25,311	26,971
Less: loss allowance	(899)	(899)
	<b>\$ 24,858</b>	<b>26,072</b>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 24,738	0%~0.03%	-
Past due within 90 days	75	0%~0.03%	-
Past due over 91 days	944	95.23%	899
	<b>\$ 25,757</b>		<b>899</b>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 25,759	0%~0.03%	-
Past due within 90 days	265	0%~0.03%	-
Past due over 91 days	947	94.93%	899
	<b>\$ 26,971</b>		<b>899</b>

The movement in the allowance for accounts receivable was as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance on January 1	\$ 899	899
Impairment losses recognized	-	1
Amounts written off	-	(1)
Balance on December 31	<b>\$ 899</b>	<b>899</b>

None of the accounts receivable held by the Group were pledged or collateralized as of December 31, 2023 and 2022.

For further credit risk information, please refer to note 6(v).

(e) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other receivables	\$ 947	456
Less: loss allowance	(217)	(217)
	<b>\$ 730</b>	<b>239</b>

The movement in the allowance for other receivables was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Balance on January 1	\$ 217	717
Impairment losses reversed	-	(500)
	<b>\$ 217</b>	<b>217</b>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Merchandise	\$ 591,053	721,877
Less: Loss allowances	<u>(134,240)</u>	<u>(151,049)</u>
	<b><u>\$ 456,813</u></b>	<b><u>570,828</u></b>

The details of the cost of sales were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Inventory that has been sold	\$ 461,749	615,677
Write-down and write-off of inventories	17,102	39,140
Repair costs	6,446	6,012
Service costs	<u>2,772</u>	<u>2,155</u>
	<b><u>\$ 488,069</u></b>	<b><u>662,984</u></b>

None of inventories held by the Group were pledged as collateral as of December 31, 2023 and 2022.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Transportati on equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Other equipment</b>	<b>Total</b>
Cost :							
Balance at January 1, 2023	\$ 80,599	44,387	1,230	36,609	452,576	61,639	677,040
Additions	-	-	-	2,845	4,214	3,013	10,072
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,663)</u>	<u>(3,924)</u>	<u>(439)</u>	<u>(6,026)</u>
Balance at December 31, 2023	<b><u>\$ 80,599</u></b>	<b><u>44,387</u></b>	<b><u>1,230</u></b>	<b><u>37,791</u></b>	<b><u>452,866</u></b>	<b><u>64,213</u></b>	<b><u>681,086</u></b>
Balance at January 1, 2022	\$ 161,199	67,463	1,230	37,636	449,021	60,259	776,808
Additions	-	-	-	1,731	13,824	1,655	17,210
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(663)</u>	<u>(10,269)</u>	<u>(275)</u>	<u>(11,207)</u>
Classification to investment property	(80,600)	(23,076)	-	-	-	-	(103,676)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,095)</u>	<u>-</u>	<u>-</u>	<u>(2,095)</u>
Balance at December 31, 2022	<b><u>\$ 80,599</u></b>	<b><u>44,387</u></b>	<b><u>1,230</u></b>	<b><u>36,609</u></b>	<b><u>452,576</u></b>	<b><u>61,639</u></b>	<b><u>677,040</u></b>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Transportati on equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
Deprecitation:							
Balance at January 1, 2023	\$ -	14,796	1,230	27,434	232,482	49,031	324,973
Depreciation	-	792	-	4,119	35,242	5,010	45,163
Disposal	-	-	-	(1,663)	(2,721)	(439)	(4,823)
Balance at December 31, 2023	<u>\$ -</u>	<u>15,588</u>	<u>1,230</u>	<u>29,890</u>	<u>265,003</u>	<u>53,602</u>	<u>365,313</u>
Balance at January 1, 2022	\$ -	21,283	1,230	23,920	202,640	42,946	292,019
Depreciation	-	999	-	4,886	36,982	6,333	49,200
Classification to investment property	-	(7,486)	-	-	-	-	(7,486)
Disposal	-	-	-	(644)	(7,140)	(248)	(8,032)
Reclassification	-	-	-	(728)	-	-	(728)
Balance at December 31, 2022	<u>\$ -</u>	<u>14,796</u>	<u>1,230</u>	<u>27,434</u>	<u>232,482</u>	<u>49,031</u>	<u>324,973</u>
Carrying amounts:							
Balance at December 31, 2023	<u>\$ 80,599</u>	<u>28,799</u>	<u>-</u>	<u>7,901</u>	<u>187,863</u>	<u>10,611</u>	<u>315,773</u>
Balance at January 1, 2022	<u>\$ 161,199</u>	<u>46,180</u>	<u>-</u>	<u>13,716</u>	<u>246,381</u>	<u>17,313</u>	<u>484,789</u>
Balance at December 31, 2022	<u>\$ 80,599</u>	<u>29,591</u>	<u>-</u>	<u>9,175</u>	<u>220,094</u>	<u>12,608</u>	<u>352,067</u>

(i) As of December 31, 2023 and 2022, the property, plant and equipment of the Group had been pledged as collateral for issuance of gift certificates to financial institutions; please refer to note 8.

(ii) Reclassification to investment property

The Group leased its owned property to a third party since June 29, 2022. The property was reclassified to investment property at its carrying amount when the use of the property changed. Please refer to note 6(i).

(h) Right-of-use assets

The cost and depreciation of leased building and other equipment of the Group were as follows:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost: :			
Balance at January 1, 2023	\$ 784,470	4,907	789,377
Additions	153,238	49	153,287
Reductions	(161,443)	-	(161,443)
Balance at December 31, 2023	<u>\$ 776,265</u>	<u>4,956</u>	<u>781,221</u>
Balance at January 1, 2022	\$ 770,540	4,810	775,350
Additions	116,442	97	116,539
Reductions	(102,512)	-	(102,512)
Balance at December 31, 2022	<u>\$ 784,470</u>	<u>4,907</u>	<u>789,377</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	<b>Buildings</b>	<b>Other equipment</b>	<b>Total</b>
Depreciation:			
Balance at January 1, 2023	\$ 395,938	4,680	400,618
Depreciation	144,034	103	144,137
Reductions	(157,147)	-	(157,147)
Balance at December 31, 2023	<u>\$ 382,825</u>	<u>4,783</u>	<u>387,608</u>
Balance at January 1, 2022	\$ 350,018	4,339	354,357
Depreciation	146,145	341	146,486
Reductions	(100,225)	-	(100,225)
Balance at December 31, 2022	<u>\$ 395,938</u>	<u>4,680</u>	<u>400,618</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 393,440</u>	<u>173</u>	<u>393,613</u>
Balance at January 1, 2022	<u>\$ 420,522</u>	<u>471</u>	<u>420,993</u>
Balance at December 31, 2022	<u>\$ 388,532</u>	<u>227</u>	<u>388,759</u>

### (i) Investment property

Investment property comprises office buildings that are owned by the Group and leased to third parties under operating leases. The leases of investment properties contain an initial non-cancellable lease term of 10 years. The lease provide the lessee with options to extend at the end of the term.

The movements of investment property of the Group for the years ended December 31, 2023 and 2022, were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Cost:			
Balance at January 1, 2023	<u>\$ 80,600</u>	<u>23,076</u>	<u>103,676</u>
Balance at December 31, 2023	<u>\$ 80,600</u>	<u>23,076</u>	<u>103,676</u>
Balance at January 1, 2022	\$ -	-	-
Reclassification from property, plant and equipment	80,600	23,076	103,676
Balance at December 31, 2022	<u>\$ 80,600</u>	<u>23,076</u>	<u>103,676</u>
Depreciation:			
Balance at January 1, 2023	\$ -	7,692	7,692
Depreciation	-	413	413
Balance at December 31, 2023	<u>\$ -</u>	<u>8,105</u>	<u>8,105</u>

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# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Balance at January 1, 2022	\$ -	-	-
Reclassification from property, plant and equipment	-	7,486	7,486
Depreciation	-	206	206
Balance at December 31, 2022	<u>\$ -</u>	<u>7,692</u>	<u>7,692</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 80,600</u>	<u>14,971</u>	<u>95,571</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 80,600</u>	<u>15,384</u>	<u>95,984</u>
Fair value:			
Balance at December 31, 2023			<u>\$ 265,810</u>
Balance at December 31, 2022			<u>\$ 265,930</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach and income approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The valuation model considers the present value of net cash flows to be generated from the property, and the expected net cash flows are discounted using risk-adjusted discount rates. For the years ended December 31, 2023 and 2022, the rates of return are all 2.72%.

As of December 31, 2023 and 2022, the investment property of the Group had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

### (j) Operating lease

The Group leased out its investment property. The Group classified these leases as operating leases because it did not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 7,387	7,387
One to five years	29,547	29,547
More than five years	27,701	35,087
	<b>\$ 64,635</b>	<b>72,021</b>

For the years ended December 31, 2023 and 2022, rental income from investment properties was \$7,298 thousand and \$1,824 thousand, respectively.

(k) Short-term borrowing

The details of short-term borrowings were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Secured bank loans	\$ -	-
Unused facilities	<b>\$ 350,000</b>	<b>350,000</b>
Range of interest rates	-	-

(l) Other payable

The details of other payables were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Salaries payable	\$ 26,631	31,992
Payables on equipment	5,198	13,194
Other accrued expenses and others	41,987	40,219
	<b>\$ 73,816</b>	<b>85,405</b>

(m) Lease liabilities

The carrying values of the lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<b>\$ 126,604</b>	<b>128,292</b>
Non-current	<b>\$ 284,887</b>	<b>274,342</b>

For the maturity analysis, please refer to note 6(v).

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	\$ <u><u>6,014</u></u>	<u><u>6,034</u></u>
Expenses relating to short-term leases	\$ <u><u>16,797</u></u>	<u><u>20,461</u></u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ <u><u>163,630</u></u>	<u><u>169,768</u></u>

(i) Real estate leases

The Group leases building for its warehouses and retail stores. The leases of warehouses typically run for a period of 5 years, and of retail stores for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases equipment with lease terms of three years. The Group will acquire all the equipment at the end of the lease term.

(n) Provisions

The details of decommissioning liabilities were as follows:

	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 7,542	7,649
Provisions recognized (reversed) during the year	<u>468</u>	<u>(107)</u>
Balance at December 31	\$ <u><u>8,010</u></u>	<u><u>7,542</u></u>

The carrying amount of provisions were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	\$ <u><u>2,351</u></u>	<u><u>1,839</u></u>
Non-current	\$ <u><u>5,659</u></u>	<u><u>5,703</u></u>

According to applicable agreements, The Group bears dismantling, removing the asset and restoring the site obligations for certain stores in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(o) Employee benefits

Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$11,972 thousand and \$12,870 thousand in 2023 and 2022.

(p) Income taxes

(i) Income tax expenses

1) The components of income tax were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current tax expense	\$ -	302
Deferred tax expense	-	75,049
Income tax expense	<u>\$ -</u>	<u>75,351</u>

2) There was no income tax recognized directly in equity for 2023 and 2022.

Reconciliation of income tax and income before tax in 2023 and 2022, was as follows:

	<b>2023</b>	<b>2022</b>
Profit (loss) excluding income tax	\$ 17,011	(135,281)
Income tax using the Company domestic tax rate	3,402	(27,056)
Tax-exempt income	(106)	-
Changes in unrecognized temporary differences	(3,236)	100,211
Underestimated income tax in prior periods	-	264
Others	(60)	1,932
Income tax expense	<u>\$ -</u>	<u>75,351</u>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Deferred tax assets and liabilities

1) Unrecognized Deferred Tax Liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
The carryforward of unused tax losses	<b>\$ 154,296</b>	<b>154,027</b>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

2) Recognized deferred tax assets

Changes in the amount of deferred tax assets follows:

	<b>Inventory provision</b>	<b>Unused tax losses and others</b>	<b>Total</b>
January 1, 2023	\$ -	-	-
December 31, 2023	\$ -		
January 1, 2022	\$ 20,118	54,931	75,049
Recognized in profit or loss	(20,118)	(54,931)	(75,049)
December 31, 2022	\$ -	-	-

3) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Capital of ordinary shares

(i) Issuance of ordinary shares

As of December 31, 2023 and 2022, the number of authorized ordinary shares were both 80,000 thousand shares, amounting to \$800,000 thousand with par value of \$10 per share, and \$66,800 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Surplus arising from bond conversion option	\$ 330,033	330,033
Capital surplus—premium from combination	1,256	1,256
	<b>\$ 331,289</b>	<b>331,289</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed at the close of each quarter, according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating programs and estimated future cash flows in determining the stock or cash dividends to be paid, and profits may be distributed by cash dividends or stock dividends. The cash dividends shall not be lower than 10% of total dividends. The aforementioned percentage of earnings distribution is subject to resolution by the shareholders' meeting for adjustments depending on current year's profit and capital position.

In accordance with the Article 240, paragraph 5 of the Company Act, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute the dividends and bonus or legal reserves and capital surpluses, entirely or partially, as cash dividends, and report to the shareholders' meeting.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
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1) Legal reserve

When the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings appropriation and distribution

A resolution was passed during the general meeting of shareholders held on June 19, 2023 to offset the accumulated deficit with legal reserve of \$20,371 thousand.

A resolution was passed during the general meeting of shareholders held on June 14, 2022 to offset the accumulated deficit with legal reserve of \$231,726 thousand and special reserve of \$668 thousand, respectively.

(iv) Other equity (net of tax)

	<b>Exchange differences on translation foreign financial statments</b>
Balance at January 1, 2023	\$ 5,709
Exchange differences on foreign operations	(18)
Balance at December 31, 2023	<u><u>\$ 5,691</u></u>
Balance at January 1, 2022	\$ (1,553)
Exchange differences on foreign operations	7,262
Balance at December 31, 2022	<u><u>\$ 5,709</u></u>

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# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (r) Earnings (loss) per share

The details on the calculation of basic loss per share as of December 31, 2023 and 2022 was based on the profit (loss) attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, as follows:

#### (i) Loss attributable to ordinary shareholders of the Company

	<b>2023</b>	<b>2022</b>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u><b>17,020</b></u>	<u><b>(210,618)</b></u>

#### (ii) Weighted average number of ordinary share

	<b>2023</b>	<b>2022</b>
Wighted overage number of ordinary shares (in thousand share)	<u><b>66,800</b></u>	<u><b>66,800</b></u>

The Company has no potential dilutive ordinary shares for the years ended December 31, 2023 and 2022.

### (s) Revenue from contracts with customers

#### (i) Details of revenue

	<b>2023</b>	<b>2022</b>
Primary geographical markets:		
Taiwan	\$ <u><b>1,178,163</b></u>	<u><b>1,241,073</b></u>

Revenue of the Group is from selling products including shoes and bags and its repair business. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The geographical market is in Taiwan.

#### (ii) Contract balances

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable	\$ 446	-	-
Trade receivabless	25,311	26,971	48,832
Less: allowance for impairment	(899)	(899)	(899)
	<u><b>\$ 24,858</b></u>	<u><b>26,072</b></u>	<u><b>47,933</b></u>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Contract liabilities:			
Unearned revenue from gift certificates	\$ 359,393	342,564	336,191
Customer loyalty programs	<u>13,385</u>	<u>13,470</u>	<u>11,203</u>
	<b><u>\$ 372,778</u></b>	<b><u>356,034</u></b>	<b><u>347,394</u></b>

For details on trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that was included in the contract liability balance at the beginning of the period were \$46,157 thousand and \$54,068 thousand, respectively.

For gift certificates that the Group issued with no expiry date, the Group recognizes revenue when customers redeem the gift certificates.

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Employee compensation and directors remuneration

In accordance with the articles of incorporation, the Company should contribute 1% to 10% of the profit as employee compensation and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

Due to accumulated deficit in 2023 and 2022, there were no estimated amounts of employee compensation and directors' remuneration. Related information would be available at the Market Observation Post System website.

(u) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	<b>2023</b>	<b>2022</b>
Interest income from bank deposits	<b><u>\$ 4,132</u></b>	<b><u>2,092</u></b>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Other income

The details of other income were as follows:

	<u>2023</u>	<u>2022</u>
Rental income	\$ 11,786	7,625
Dividend income	544	775
Government grants and others	<u>513</u>	<u>5,513</u>
	<u><b>\$ 12,843</b></u>	<u><b>13,913</b></u>

(iii) Other gains and losses

The details of other gain and losses were as follows:

	<u>2023</u>	<u>2022</u>
Gains (losses) on financial assets at fair value through profit or loss	\$ 4,115	(9,573)
Foreign exchange gains	2	(894)
Losses on disposals of investment property	(1,203)	(3,175)
(Losses) gains on lease modifications	(242)	57
Others	<u>(847)</u>	<u>(1,598)</u>
	<u><b>\$ 1,825</b></u>	<u><b>(15,183)</b></u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense – borrowing from related parties	\$ -	10
Interest expense – lease	6,014	6,034
Interest expense – others	<u>33</u>	<u>8</u>
	<u><b>\$ 6,047</b></u>	<u><b>6,052</b></u>

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Financial instruments

(i) Types of financial instruments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets mandatorily massured at fair value through or profit or loss:		
Financial assets measured at amortized cost	\$ 30,973	30,826
Cash and cash equivalents	286,128	162,553
Financial assets measured at amortized cost - current	48,670	9,100
Notes receivable, net	446	-
Accounts receivable, net	24,412	26,072
Other receivables	730	496
Other non-current assets - refundable deposits	56,164	55,845
Subtotal	416,550	254,066
	<b>\$ 447,523</b>	<b>284,892</b>

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities measured at amortized cost:		
Accounts payable	\$ 44,097	66,564
Accounts payable to related parties	7,849	6,889
Other payables	73,816	85,405
Other payables to related parties	1,462	211
Current lease liabilities	126,604	128,292
Non-current lease liabilities	284,887	274,342
Other non-current liabilities - guarantee deposits received	4,761	4,815
	<b>\$ 543,476</b>	<b>566,518</b>

(ii) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

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**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Concentration of credit risk

The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographic spread. In order to reduce credit risk, the Group evaluate the financial status of customers regularly without requiring its customers to provide collateral.

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities:						
Accounts payable (including related parties)	\$ 51,946	51,946	51,946	-	-	-
Other payables (including related parties)	75,278	75,278	75,278	-	-	-
Lease liabilities	<u>411,491</u>	<u>426,844</u>	<u>132,822</u>	<u>101,233</u>	<u>177,033</u>	<u>15,756</u>
	<u><b>\$ 538,715</b></u>	<u><b>554,068</b></u>	<u><b>260,046</b></u>	<u><b>101,233</b></u>	<u><b>177,033</b></u>	<u><b>15,756</b></u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities:						
Accounts payable (including related parties)	\$ 73,453	73,453	73,453	-	-	-
Other payables (including related parties)	85,616	85,616	85,616	-	-	-
Lease liabilities	<u>402,634</u>	<u>414,430</u>	<u>133,166</u>	<u>98,866</u>	<u>152,044</u>	<u>30,354</u>
	<u><b>\$ 561,703</b></u>	<u><b>573,499</b></u>	<u><b>292,235</b></u>	<u><b>98,866</b></u>	<u><b>152,044</b></u>	<u><b>30,354</b></u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
(Foreign currency functionate currency)							
USD : TWD	\$	138	30.750	4,237	143	30.710	4,392

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. For the years ended December 31, 2023 and 2022, the sensitivity analysis for the changes in the foreign currency exchange rates were as follows:

2023				
Sensitivity analysis				
	Increasing/ Decreasing		Net income	Other comprehensive income
<u>Financial asset:</u>				
<u>Monetary items</u>				
USD ; TWD	1%	\$	42	-
2022				
Sensitivity analysis				
	Increasing/ Decreasing		Net income	Other comprehensive income
<u>Financial asset:</u>				
<u>Monetary items</u>				
USD ; TWD	1%	\$	44	-

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$2 thousand and \$(894) thousand, respectively.

(v) Price risk

- 1) The Group is exposed to equity price risk due to the investments in equity securities, accounted for financial assets at fair value through profit or loss. In order to manage price risk of equity investment, the Group sets a limit to invest in a diversified portfolio.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- 2) The Group primarily invests in domestic equity instruments, and the prices of these equity instruments may be affected by uncertainty of the future values. If the interest rate increases/decreases by 1%, the Group's loss before tax will decrease/increase by \$310 thousand and \$308 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors that remain constant.

### (vi) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, and lease liabilities):

		December 31, 2023			
		Fair value			Total
	Book Value	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Financial assets accusatorily measured at fair value through profit or loss	\$ <u>30,973</u>	<u>30,973</u>	<u>-</u>	<u>-</u>	<u>30,973</u>
		December 31, 2022			
		Fair value			Total
	Book Value	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Financial assets accusatorily measured at fair value through profit or loss	\$ <u>30,826</u>	<u>30,826</u>	<u>-</u>	<u>-</u>	<u>30,826</u>

#### 2) Valuation techniques for financial instruments measured at fair value

##### A. Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

##### B. Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2023 and 2022.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(w) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Trade and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Investments

The Group holds its bank deposits in different financial institutions to manage the exposure to credit risk of each institution to prevent concentration risk.

#### 3) Guarantees

As of December 31, 2023 and 2022, the Group has not provided any guarantees to companies outside the group.

#### (iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2023 and 2022, the Group's unused credit line were both amounted to \$350,000 thousand.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### 1) Exchange rate risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the NTD, USD, and CNY.

##### 2) Interest rate risk

The Group does not have any significant liability with a floating interest rate, and changes in market interest rate do not have any significant impact on the future cash flow of the Group.

#### (x) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)



# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 927,311	932,970
Less: cash and cash equivalents	(286,128)	(162,553)
Net debt	<b>\$ 641,183</b>	<b>770,417</b>
Total equity	<b>\$ 831,885</b>	<b>814,910</b>
Debt-to-equity ratio	<b>77.08%</b>	<b>94.54%</b>

There were no changes in the Group's approach to capital management as of December 31, 2023.

(y) Financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022 were acquisition of right-of-use assets by leasing. Please refer to notes 6(h) and 6(m).

### (7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
All directors, general manager and deputy general managers, etc.	Key management personnel
Shuang Yueh Footwear Ltd.	An entity controlled by key management personnel
Yueh Ya Chuan Co., Ltd.	An entity controlled by key management personnel
Learn Jet International Ltd.	An associate

(b) Significant transactions with related parties

(i) Purchases

1) Operating costs

The amounts of significant sales by the Group to related parties were as follows:

	<b>2023</b>	<b>2022</b>
Purchases:		
An entity controlled by key management personnel	\$ 68,100	16,653
An associate	23,620	21,418
	<b>\$ 91,720</b>	<b>38,071</b>

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

2) Accounts payable to related parties

The payables to related parties were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
An entity controlled by key management personnel	\$ 5,794	4,153
An associate	2,055	2,736
Total	<u><u>\$ 7,849</u></u>	<u><u>6,889</u></u>

3) Prepayment to related parties

The prepayments to related parties were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
An associate	<u><u>\$ 56</u></u>	<u><u>3,280</u></u>

(ii) Other transactions

1) Operating costs-repairs

The amounts of repairing costs by the Group from related parties were as follows:

	<b>2023</b>	<b>2022</b>
An entity controlled by key management	<u><u>\$ 988</u></u>	<u><u>969</u></u>

2) Operating expense

The amounts of cleaning fee, telephones fee, building management fee, utility fee, service expense, postage expense, and rental expense were as follows:

	<b>2023</b>	<b>2022</b>
An entity controlled by key management		
Shuang Yueh Footwear Ltd.	\$ 3,055	2,541
Yueh Ya Chuan Co., Ltd.	220	44
An associate	<u>741</u>	<u>169</u>
Total	<u><u>\$ 4,016</u></u>	<u><u>2,754</u></u>

3) Rental income

	<b>2023</b>	<b>2022</b>
An associate	<u><u>\$ -</u></u>	<u><u>14</u></u>

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Property transactions

The purchase price of real property, plant and equipment acquired by the Group from related parties is as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
An associate	\$ <b>450</b>	<b>-</b>

5) Other payables to related parties

The details of other payables incurred by the Group due to the above-mentioned related party transactions are as follows:

	<b>2023</b>	<b>2023</b>
An entity controlled by key management personnel	\$ 211	211
An associate	1,251	-
Total	\$ <b>1,462</b>	<b>211</b>

6) Prepayments for investments (included in other non-current assets)

A resolution was passed during the board's meeting in 2023 to acquire 100% equity interest of Shuang Yueh Footwear Ltd. from the key management personnel of the Company with the purchase price of \$3,526 thousand. As of December 31, 2023, the ownership transfer process has yet to be completed, so it is included in other non-current assets.

(iii) Borrowings from Related Parties (included in non-current other liabilities)

In order to meet the working capital need, the Group borrowed from key management personnel with an interest rate of 2.48%. On December 31, 2023 and 2022, the Group's borrowing balances from related parties were both \$0 thousand. For the years ended December 31, 2023 and 2022, the interest expenses were \$0 thousand and \$10 thousand, respectively, recorded in finance costs.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 12,675	15,277
Post-employment benefits	305	321
	\$ <b>12,980</b>	<b>15,598</b>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (8) Pledged assets:

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land and buildings	Issuance of gift certificates and loans facility	\$ 109,398	110,190
Investment property	Issuance of gift certificates and loans facility	95,571	95,984
Refundable deposits (included in other non-current assets)	Lease deposits and tenders	56,164	55,845
		<b>\$ 261,133</b>	<b>262,019</b>

### (9) Commitments and contingencies:None

### (10) Losses Due to Major Disasters:None

### (11) Subsequent Events:None

### (12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

	<b>For the years ended December 31</b>					
	<b>2023</b>			<b>2022</b>		
	<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Cost of Sale</b>	<b>Operating Expense</b>	<b>Total</b>
<b>By item</b>						
Employee benefits						
Salary	-	246,160	246,160	-	249,924	249,924
Labor and health insurance	-	25,637	25,637	-	26,686	26,686
Pension	-	11,972	11,972	-	12,870	12,870
Remuneration of directors	-	3,675	3,675	-	3,948	3,948
Others	-	15,074	15,074	-	15,569	15,569
Depreciation	-	189,713	189,713	-	195,892	195,892
Amortization	-	4,117	4,117	-	4,239	4,239

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (13) Other disclosures:

#### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

#### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	SHUI-MU International Co., Ltd.	Comply International Company Limited	Other receivables	Yes	4,000	4,000	-	1.5%	Note 3	-	Operating capital	-	None	-	166,351	332,701

Note 1: The numbers are as follows:

- The Company is numbered “0”.
- The investees are sequentially numbered from “1”.

Note 2: Highest balance of financing to other parties during the year.

Note 3: Entities with short-term financing needs.

Note 4: (1) The ceiling on total loans granted by the Company shall not exceed 40% of the net worth of its audited or reviewed financial statements.

(2) For entities that the Company has business with, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed the transaction amount within a year. The transaction amount is the higher amount of purchases or sales.

(3) For entities with short-term financing needs, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 20% of the Company’s net worth.

(4) For loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, the ceiling on total loans granted shall not exceed 100% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 60% of the Company’s net worth.

#### (ii) Guarantees and endorsements for other parties:None.

#### (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
SHUI-MU International Co., Ltd.	Beneficiary certificates-Neuberger Berman Bond-Plus Income and Growth Multi-Asset Class Fund N(TWD)	None	Current financial assets at fair value through profit or loss	1,494,080	9,816	-	9,816	
"	Beneficiary certificates-PineBridge Global Emerging Market High Yield Bond Fund N(TWD)	"	"	562,936	3,022	-	3,022	

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
"	Beneficiary certificates-TCB Environmental & Socially Responsible Multi-Asset Fund A(TWD)	"	"	300,000	2,838	-	2,838	
"	Beneficiary certificates-Neuberger Berman U.S. Short-Term Non-Investment Grade Bond Fund T-Month Allocation (TWD)	"	"	303,644	3,012	-	3,012	
"	Stock listed on domestic market-Information Technology Total Services Co., Ltd.	"	"	5,000	248	- %	248	
"	Stock listed on domestic market -Taiwan Semiconductor Manufacturing Company Limited	"	"	10,000	5,930	- %	5,930	
"	Stock listed on domestic market -ASUSTeK Computer Inc.	"	"	3,000	1,468	- %	1,468	
"	Stock listed on domestic market -Feng Tay Enterprises Co., Ltd.	"	"	672	118	- %	118	
"	Stock listed on domestic market -CHLITINA Holding Limited	"	"	2,000	391	- %	391	
"	Stock listed on domestic market -Macronix International Co., Ltd.	"	"	10,000	314	- %	314	
"	Stock listed on domestic market -Walsin Technology Corp.	"	"	2,000	246	- %	246	
"	Stock listed on domestic market-Tainan Spinning Co., Ltd.	"	"	5,000	79	- %	79	
"	Stock listed on domestic market -China Steel Corporation	"	"	2,000	54	- %	54	
"	Stock listed on domestic market -Wan Hai Lines, Ltd.	"	"	7,590	417	- %	417	
"	Stock listed on domestic market-Yang Ming Marine Transport Corp.	"	"	6,000	308	- %	308	
"	Stock listed on domestic market-YAGEO Corporation	"	"	4,327	2,583	- %	2,583	
"	Stock listed on domestic market-Eastern Media International Corporation	"	"	5,676	129	- %	129	

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

Unit: thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
SHUI-MU International Co., Ltd.	A.S.O. International Co., Ltd.	Samoa	Investment holding	142,385	142,385	900	100.00 %	27,533	100.00 %	977	977	
"	Lovelly International Co., Ltd.	Taiwan	Sale of shoes, bags, and stationery	-	11,700	-	- %	-	97.50 %	-	-	Note 2
"	Comphy International Company Limited	Taiwan	Sale of shoes, bags, and socks	9,500	9,500	950	95.00 %	2,510	95.00 %	(197)	(188)	
"	BESO International Co., Ltd.	Taiwan	Sale of shoes, bags, and daily necessities	-	29,400	-	- %	-	98.00 %	-	-	Note 3
"	Learn Jet International Ltd.	Taiwan	Sale of clothing, shoes, hat	700	700	-	34.00 %	1,100	34.00 %	1,489	497	
A.S.O. International Co., Ltd.	A.S.O. International Holdings Co., Ltd.	Hong Kong	Investment holding	-	57,427	-	- %	-	100.00 %	(302)	(302)	Notes 1 and 4

Note 1: Investment income (losses) were recognized by investees of the Company.

Note 2: The liquidation process of Lovelly International Co., Ltd. had been completed in July 2023.

Note 3: The liquidation process of BESO International Co., Ltd. had been completed in April 2023.

Note 4: A.S.O. International Holdings Co., Ltd was dissolved and liquidated in November 2023.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023 (Note 2) (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 1)
214,233	214,233	499,051

Note 1: Upper limit is 60% of the Company's net worth according to the regulation.

Note 2: A.S.O Shanghai Trading Co., Ltd. was dissolved and liquidated in 2020, and its residual capital amounting to \$406 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to \$178,424 thousand was included in the accumulated investment amounts.

Note 3: A.S.O Nanjing Trading Co., Ltd. was dissolved and liquidated in 2022, and its residual capital amounting to \$24,255 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to \$35,809 thousand was included in the accumulated investment amounts.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Unit: shares		
Shareholder's Name	Shareholding	Percentage
Jung-Yueh Lo	7,392,500	11.06 %
Yueh-Chiao Lin	6,498,560	9.72 %
Yueh Ya Chuan Co., Ltd.	6,410,452	9.59 %
Yeh-O Lo	4,803,202	7.19 %
Lo Mommy A-Dou Charitable Trust Fund	3,442,338	5.15 %

(Continued)



# SHUI-MU INTERNATIONAL CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (14) Segment information

The Group operates business only in a single industry. The chief operating decision-maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable segment. This segment is mainly involved in wholesale and retail of shoes and bags.

#### (a) Product and services information

Revenue from the external customers of the Group was as follows:

<u>Product and services</u>	<u>2023</u>	<u>2022</u>
Sales	\$ 1,170,011	1,232,536
Repair services	6,706	6,840
Other	1,446	1,697
Total	<u>\$ 1,178,163</u>	<u>1,241,073</u>

#### (b) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<u>Geographic information</u>	<u>2023</u>	<u>2022</u>
Revenue from external customers:		
Taiwan	<u>\$ 1,178,163</u>	<u>1,241,073</u>
Non-current assets:		
Taiwan	<u>\$ 825,196</u>	<u>859,282</u>

#### (c) Major customers

For the years ended December 31, 2023 and 2022, there were no customers that individually exceeded 10% of the operating revenue of the consolidated statements of comprehensive income.



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

To the Board of Directors of SHUI-MU International Co., Ltd.:

### Opinion

We have audited the financial statements of SHUI-MU International Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue recognition

Please refer to Note 4(p) for the accounting policy on revenue recognition and Note 6(t) for details of revenue from contracts with customers.

Description of key audit matter:

The Company's revenues primarily derive from its retail stores and consist of a high volume of small-value transactions. The sales data transfer process is highly dependent on IT systems. Revenue recognition is the main concern of the users of the financial statements. Therefore, we determined that the revenue recognition is a key audit matter.



How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Understanding the Company's revenue recognition policy and assessing whether it is consistently applied in comparative periods.
- 2) Examining supporting documents for retail sales transactions and the IT control environment related to financial reporting process.
- 3) Inspecting, on a sample basis, the daily cash report and reconciling items.
- 4) Verifying, on a sample basis, whether the cash receipt amount of the daily cash report is consistent with the bank remittance amount.
- 5) Verifying, on a sample basis, whether the sales amount of daily sales report is consistent with the amount recorded in the accounting system.

## 2. Inventory valuation

Please refer to Note 4(g) for the accounting policy on inventories, Note 5 for significant accounting estimates and uncertainty of assumptions related to inventory valuation, and Note 6(f) for details of inventories.

Description of key audit matter:

The Company is primarily engaged in the sale of shoes and other leather products. As the fashion trends and styles change constantly, the risk of inventory obsolescence is higher. Therefore, we determined that inventory valuation is a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included:

- 1) Verifying whether the Company's accounting policy on the allowance for inventory valuation loss is consistently applied, and assessing the reasonableness of the policy.
- 2) Inspecting supporting documents to test the accuracy of inventory classification according to quarterly changes, and verifying whether the allowance for valuation loss is provided in accordance with the Company's policy.
- 3) Obtaining the net realizable value report to verify whether the calculation logic is used consistently, and testing the assumptions used by inspecting supporting documents.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.



## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen, Pei-Chi and Yu, Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2024

#### **Notes to Readers**

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

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

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022			December 31, 2023		December 31, 2022	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Assets</b>					<b>Liabilities and Equity</b>				
<b>Current assets:</b>					<b>Current liabilities:</b>				
1100 Cash and cash equivalents (notes 6(a)(w))	\$	254,985	15	7	2130 Current contract liabilities (note 6(o))	\$	372,778	21	356,034
1110 Current financial assets at fair value through profit or loss (notes 6(b)(w))		30,973	2	2	2170 Accounts payable (Note 6(w))		44,097	3	66,563
1136 Financial assets measured at amortized cost-current (notes 6(e)(w))		48,670	3	1	2180 Accounts payable to related parties (notes 6(w) and 7)		7,849	1	6,889
1150 Notes receivable, net (notes 6(d)(i)(w))		446	-	-	2200 Other payables (notes 6(m)(w))		73,816	4	84,925
1170 Accounts receivable, net (notes 6(d)(i)(w))		24,411	1	1	2220 Other payables to related parties (notes 6(w) and 7)		1,474	-	307
1180 Accounts receivable due from related parties, net (notes 6(w) and 7)		-	-	31	2250 Current provisions (note 6(o))		2,351	-	1,839
1200 Other receivables (notes 6(e)(w))		689	-	-	2280 Current lease liabilities (notes 6(n)(w))		126,604	7	128,292
1210 Other receivables due from related parties (notes 6(w) and 7)		1,140	-	-	2300 Other current liabilities		3,047	-	2,872
1220 Current income tax assets		51	-	15	<b>Total Current liabilities</b>		632,016	36	647,721
130X Inventories (note 6(f))		456,813	26	33	<b>Non-current liabilities:</b>				
1410 Prepayments (note 7)		24,969	1	2	2550 Non-current provisions (note 6(o))		5,659	-	5,703
<b>Total current assets</b>		843,147	48	46	2580 Non-current lease liabilities (notes 6(n)(w))		284,887	16	274,342
<b>Non-current assets:</b>					2600 Other non-current liabilities (note 6(w))		4,761	1	4,815
1550 Investments accounted for using equity method (note 6(g))		31,143	2	2	<b>Total Non-current liabilities</b>		295,307	17	284,860
1600 Property, plant and equipment (notes 6(h) and 8)		315,773	18	20	<b>Total liabilities</b>		927,323	53	932,581
1755 Right-of-use assets (note 6(i))		393,613	23	22	<b>Equity (note 6(r)):</b>				
1760 Investment property, net (notes 6(j) and 8)		95,571	5	6	Ordinary share		668,000	38	668,000
1780 Intangible assets		20,239	1	1	Capital surplus		331,289	19	331,289
1900 Other non-current assets (notes 6(w), 7 and 8)		59,590	3	3	Retained earnings		(173,227)	(10)	(190,247)
<b>Total non-current assets</b>		915,929	52	54	Other equity		5,691	-	5,709
<b>Total assets</b>		<b>1,759,076</b>	<b>100</b>	<b>100</b>	<b>Total equity</b>		831,753	47	814,751
					<b>Total liabilities and equity</b>		<b>1,759,076</b>	<b>100</b>	<b>1,747,332</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars , except for Earnings Per Share)

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue, net (note 6(t))	\$ 1,178,163	100	1,241,071	100
5000	Operating costs (notes 6(f) and 7)	<u>488,069</u>	<u>42</u>	<u>662,989</u>	<u>53</u>
5900	Gross profit from operations	690,094	58	578,082	47
<b>Operating expenses (notes 6(d)(e)(h)(i)(j)(n)(p)(u) and 7):</b>					
6100	Selling expenses	577,098	49	595,773	48
6200	Administrative expenses	95,069	8	100,612	8
6300	Research and development expenses	13,690	1	11,846	1
6450	Reversal of impairment loss determined in accordance with IFRS 9	<u>-</u>	<u>-</u>	<u>(499)</u>	<u>-</u>
6000	<b>Total operating expenses</b>	<u>685,857</u>	<u>58</u>	<u>707,732</u>	<u>57</u>
6900	<b>Net operating income (loss)</b>	<u>4,237</u>	<u>-</u>	<u>(129,650)</u>	<u>(10)</u>
<b>Non-operating income and expenses (notes 6(b)(k)(n)(v)(w) and 7):</b>					
7100	Interest income	2,764	-	1,670	-
7010	Other income	12,843	1	12,624	1
7020	Other gains and losses, net	1,937	-	(13,206)	(1)
7050	Finance costs, net	(6,047)	-	(6,042)	(1)
7070	Share of profit (loss) of subsidiaries and associates accounted for using equity method, net	<u>1,286</u>	<u>-</u>	<u>(965)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>12,783</u>	<u>1</u>	<u>(5,919)</u>	<u>(1)</u>
7900	<b>Profit (loss) before tax</b>	17,020	1	(135,569)	(11)
7950	Less: Income tax expenses (note 6(q))	<u>-</u>	<u>-</u>	<u>75,049</u>	<u>6</u>
	<b>Profit (loss)</b>	<u>17,020</u>	<u>1</u>	<u>(210,618)</u>	<u>(17)</u>
8300	<b>Other comprehensive income:</b>				
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign financial statements	(18)	-	7,262	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>(18)</u>	<u>-</u>	<u>7,262</u>	<u>1</u>
8300	<b>Other comprehensive income</b>	<u>(18)</u>	<u>-</u>	<u>7,262</u>	<u>1</u>
8500	<b>Comprehensive income</b>	<u>\$ 17,002</u>	<u>1</u>	<u>(203,356)</u>	<u>(16)</u>
<b>Earnings (loss) per share (note 6(s))</b>					
9750	<b>Basic earnings (loss) per share (in dollars)</b>	<u>\$ 0.25</u>		<u>(3.15)</u>	
9850	<b>Diluted earnings (loss) per share (in dollars)</b>	<u>\$ 0.25</u>		<u>(3.15)</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022  
(Expressed in thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest
						Exchange differences on translation of foreign financial statements
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total retained earnings
<b>Balance at January 1, 2022</b>	\$ 668,000	331,289	252,097	668	(232,394)	20,371
Loss	-	-	-	-	(210,618)	(210,618)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	7,262
Appropriation and distribution of retained earnings:						
Legal reserve used to offset accumulated deficits	-	-	-	-	(210,618)	(210,618)
Special reserve used to offset accumulated deficits	-	-	(231,726)	-	231,726	-
Balance at December 31, 2022	668,000	331,289	20,371	-	(210,618)	(190,247)
Profit	-	-	-	-	17,020	17,020
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	17,020	(18)
Appropriation and distribution of retained earnings:						
Legal reserve used to offset accumulated deficits	-	-	(20,371)	-	20,371	(18)
<b>Balance at December 31, 2023</b>	\$ 668,000	331,289	-	-	(173,227)	5,691
						831,753

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)  
SHUI-MU INTERNATIONAL CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 17,020	(135,569)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	189,713	195,084
Amortization expense	4,117	4,196
Expected credit gain	-	(499)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(4,115)	9,573
Interest expense	6,047	6,042
Interest income	(2,764)	(1,670)
Dividend income	(544)	(775)
Share of loss (profit) of associates and subsidiaries accounted for using equity method	(1,286)	965
Loss on disposal of property, plant and equipment	1,203	3,135
Loss (gain) on lease modification	242	(57)
<b>Total adjustments to reconcile profit (loss)</b>	<b>192,613</b>	<b>215,994</b>
<b>Changes in operating assets and liabilities:</b>		
Financial assets at fair value through profit or loss	3,968	704
Notes receivable	(446)	-
Accounts receivable	1,644	21,851
Accounts receivable due from related parties	31	23
Other receivables	(143)	824
Inventories	114,015	(7,234)
Prepayments	7,131	(4,221)
Contract liabilities	16,744	8,640
Notes payable	-	(4)
Accounts payable	(22,466)	(10,703)
Accounts payable to related parties	960	3,722
Other payables	(11,109)	2,444
Other payables to related parties	1,167	(221)
Other current liabilities	175	(1,167)
<b>Total adjustments</b>	<b>304,284</b>	<b>230,652</b>
Cash inflow generated from operations	321,304	95,083
Interest received	2,716	1,667
Interest paid	(6,047)	(6,042)
Income taxes paid	(36)	(4)
<b>Net cash flows from operating activities</b>	<b>317,937</b>	<b>90,704</b>
<b>Cash flows from (used in) investing activities:</b>		
(Increase) decrease in financial assets at amortized cost	(39,570)	23,590
Proceeds from disposal of investments accounted for using equity method	824	-
Proceeds from capital reduction of investments accounted for using equity method	-	24,255
Acquisition of property, plant and equipment	(9,161)	(17,210)
Increase in refundable deposits	(319)	(5)
Acquisition of intangible assets	(1,884)	(1,583)
Increase in prepayments for investments	(3,526)	-
Dividends received	542	747
<b>Net cash flows (used in) from investing activities</b>	<b>(53,094)</b>	<b>29,794</b>
<b>Cash flows from (used in) financing activities:</b>		
(Decrease) increase in guarantee deposits received	(54)	1,744
Payment of lease liabilities	(140,819)	(143,273)
<b>Net cash flows used in financing activities</b>	<b>(140,873)</b>	<b>(141,529)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>123,970</b>	<b>(21,031)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>131,015</b>	<b>152,046</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 254,985</b>	<b>131,015</b>

See accompanying notes to parent company only financial statements.

**SHUI-MU INTERNATIONAL CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in thousands of New Taiwan Dollars, unless otherwise specified)**

**(1) Company history**

- (a) SHUI-MU International Co., Ltd. (the “Company”) was incorporated on August 25, 2003 and registered with the Ministry of Economic Affairs, ROC. The address of the Company’s registered office is 6 F, No. 168, Songjiang Rd., Zhongshan Dist., Taipei City. The major business activities of the Company is wholesale and retail of shoes and bags.
- (b) The Company's stocks were approved for trading on Taipei Exchange's emerging stock board on September 3, 2012. The Company was approved for listing by Taiwan Stock Exchange in June 2014 and was officially listed in September 2014.

**(2) Approval date and procedures of the financial statements:**

These financial statements were authorized for issue by the Board of Directors on March 12, 2024.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

#### (4) Summary of material accounting policies:

The material accounting policies presented in the parent company only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for financial assets at fair value through profit or loss are measured at fair value, the parent company only financial statements have been prepared on a historical cost basis.

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

- (c) Foreign currencies

- (i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(Continued)

## **SHUI-MU INTERNATIONAL CO., LTD.**

### **Notes to the Financial Statements**

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income.

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

(Continued)

## **SHUI-MU INTERNATIONAL CO., LTD.**

### **Notes to the Financial Statements**

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### **2) Fair value through profit or loss (FVTPL)**

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### **3) Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

## **SHUI-MU INTERNATIONAL CO., LTD.**

### **Notes to the Financial Statements**

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

#### **4) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

#### **(ii) Financial liabilities and equity instruments**

##### **1) Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

## **SHUI-MU INTERNATIONAL CO., LTD.**

### **Notes to the Financial Statements**

#### **2) Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

#### **3) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **(g) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **(h) Investment in associates**

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)



## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

#### (i) Investment in subsidiaries

The Company uses the equity method on investees over which the Company has control when preparing the parent-company-only financial statements. The profit or loss for the period and other comprehensive income presented in individual financial statements shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the individual financial statements shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

#### (j) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### (iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) buildings	55 years
2) transportation equipment	5 years
3) office equipment	3~5 years
4) leasehold improvement	1~10 years
5) other equipment	3~10 years

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (ii) As a lessor

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

#### (l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

#### (m) Intangible assets

##### (i) Recognition and measurement

Other intangible assets, including trademarks and computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### (iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- |                      |              |
|----------------------|--------------|
| 1) Trademarks        | 10 years     |
| 2) Computer software | 3 ~ 10 years |

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

#### (n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

## **SHUI-MU INTERNATIONAL CO., LTD.**

### **Notes to the Financial Statements**

(o) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue from contracts with customers

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company sells shoes and leather products. The Company recognizes revenue when a customer takes possession of the product. Payment of the transaction price is due immediately when the customer purchases the product. The Company sells gift certificates that are non-refundable and have no expiry date. When gift certificates are redeemed and the obligation to supply goods is fulfilled, revenue is recognized based on the amount of gift certificates redeemed relative to the total amount expected to be redeemed.

2) Customer loyalty program

The Company operates a customer loyalty program to its retail customers. Retail customers obtain points for purchases made, which entitle them to discount on future purchases. The Company considers that the points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. The Company has recognized contract liability at the time of sale on the basis of the principle mentioned above. Revenue from the award points is recognized when the points are redeemed or when they expire.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

#### 3) Service revenue

The Company provides shoes repair services to customers. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the work performed to date as a proportion of the total work expected to be performed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

#### (ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

#### (q) Government grants

The Company recognizes an unconditional government grant in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

#### (r) Employee benefits

##### (i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

##### (ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (s) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.; such reductions are reversed when the probability of future taxable profits improves.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

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# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

(u) Operating segments

The Company discloses the operating segment information in the consolidated financial statements; therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the parent company only financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventory:

Inventories are stated at the lower of cost or net realizable value. The Company estimates the net realizable value of inventory for normal waste, obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is determined mainly based on assumptions of future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventory.

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ 3,801	3,960
Checking accounts	302	1,607
Demand deposits	217,992	117,548
Time deposits	32,890	7,900
	<b><u>\$ 254,985</u></b>	<b><u>131,015</u></b>

(i) The Company transacts with a variety of financial institutions, all with high credit quality, to disperse credit risk, so it expects that the probability of counterparty default is remote.

(ii) Please refer to note 6(w) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(Continued)



**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(b) Financial assests at fair value through profit or loss

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Fund beneficiary certificates	\$ 18,688	15,979
Stock listed on domestic markets	<u>12,285</u>	<u>14,847</u>
	<b><u>\$ 30,973</u></b>	<b><u>30,826</u></b>

- (i) For the years ended December 31, 2023 and 2022, net gains (losses) on financial assets at fair value through profit or loss were \$4,115 thousand and \$(9,573) thousand, respectively. Please refer to note 6(v).
- (ii) As of December 31, 2023 and 2022, none of the financial assests at fair value through profit or loss had not been pledged as collateral.
- (iii) Please refer to note 6(w) for market risk information in relation to financial assets at fair value through profit or loss.

(c) Financial assets measured at amortized cost

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current:		
Time deposits with maturity over 3 months	<b><u>\$ 48,670</u></b>	<b><u>9,100</u></b>

- (i) None of the financial assets measured at amortized costs held by the Company were pledged or collateralized as of December 31, 2023 and 2022.
- (ii) Please refer to note 6(w) for credit risk information in relation to financial assets measured at amortized costs.

(d) Notes receivable and accounts receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ 446	-
Accounts receivable	25,310	26,954
Less: loss allowance	<u>(899)</u>	<u>(899)</u>
	<b><u>\$ 24,857</u></b>	<b><u>26,055</u></b>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes receivable and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 24,738	0%~0.03%	-
Past due within 90 days	75	0%~0.03%	-
Past due over 91 days	943	95.33%	899
	<b>\$ 25,756</b>		<b>899</b>

	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 25,751	0%~0.03%	-
Past due within 90 days	265	0%~0.03%	-
Past due over 91 days	938	95.84%	899
	<b>\$ 26,954</b>		<b>899</b>

The movement in the allowance for notes receivable and accounts receivable was as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance on January 1	\$ 899	899
Impairment losses recognized	-	1
Amounts written off	-	(1)
Balance on December 31	<b>\$ 899</b>	<b>899</b>

None of the notes receivable and accounts receivable held by the Company were pledged or collateralized as of December 31, 2023 and 2022.

For further credit risk information, please refer to note 6(w).

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(e) Other receivables

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other receivables	\$ 906	713
Less: Loss allowance	<u>217</u>	<u>217</u>
	<b><u>\$ 689</u></b>	<b><u>496</u></b>

The movement in the allowance for other receivables was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Balance on January 1	\$ 217	717
Impairment losses reversed	<u>-</u>	<u>(500)</u>
Balance on December 31	<b><u>\$ 217</u></b>	<b><u>217</u></b>

(f) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Merchandise	\$ 591,053	721,877
Less: Loss allowance	<u>(134,240)</u>	<u>(151,049)</u>
	<b><u>\$ 456,813</u></b>	<b><u>570,828</u></b>

The details of the cost of sales were as follows:

	<b>For the years ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Inventory that has been sold	\$ 461,749	615,682
Write-down and write-off of inventories	17,102	39,140
Repair costs	6,446	6,012
Service costs	<u>2,772</u>	<u>2,155</u>
	<b><u>\$ 488,069</u></b>	<b><u>662,989</u></b>

None of inventories held by the Company were pledged as collateral as of December 31, 2023 and 2022.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (g) Investments accounted for using equity method

A summary of the Company's financial information about investments accounted for using equity method at the reporting date was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries–		
A.S.O. International Co., Ltd.	\$ 27,533	26,574
Comphy International Company Limited	2,510	2,697
BESO International Co., Ltd.	-	672
Lovelly International Co., Ltd.	-	153
Associates	<u>1,100</u>	<u>603</u>
	<b><u>\$ 31,143</u></b>	<b><u>30,699</u></b>

### (i) Subsidiaries

Please refer to the consolidated financial statements.

### (ii) Collateral

None of the investments accounted for using method held by the Company was pledged as collateral as of December 31, 2023 and 2022.

### (h) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022, were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Leasehold improvements</b>	<b>Other equipment</b>	<b>Total</b>
Cost :							
Balance at January 1, 2023	\$ 80,599	44,387	1,230	36,610	452,577	61,639	677,042
Additions	-	-	-	2,844	4,214	3,014	10,072
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,663)</u>	<u>(3,925)</u>	<u>(440)</u>	<u>(6,028)</u>
Balance at December 31, 2023	<b><u>\$ 80,599</u></b>	<b><u>44,387</u></b>	<b><u>1,230</u></b>	<b><u>37,791</u></b>	<b><u>452,866</u></b>	<b><u>64,213</u></b>	<b><u>681,086</u></b>
Balance at January 1, 2022	\$ 161,199	67,463	1,230	37,346	447,507	59,984	774,729
Additions	-	-	-	1,731	13,824	1,655	17,210
Disposal	-	-	-	(372)	(8,754)	-	(9,126)
Reclassification to investment property	(80,600)	(23,076)	-	-	-	-	(103,676)
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,095)</u>	<u>-</u>	<u>-</u>	<u>(2,095)</u>
Balance at December 31, 2022	<b><u>\$ 80,599</u></b>	<b><u>44,387</u></b>	<b><u>1,230</u></b>	<b><u>36,610</u></b>	<b><u>452,577</u></b>	<b><u>61,639</u></b>	<b><u>677,042</u></b>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment</u>	<u>Total</u>
Depreciation:							
Balance at January 1, 2023	\$ -	14,796	1,230	27,434	232,483	49,032	324,975
Depreciation	-	792	-	4,119	35,242	5,010	45,163
Disposal	-	-	-	(1,663)	(2,722)	(440)	(4,825)
Balance at December 31, 2023	<u>\$ -</u>	<u>15,588</u>	<u>1,230</u>	<u>29,890</u>	<u>265,003</u>	<u>53,602</u>	<u>365,313</u>
Balance at January 1, 2022	\$ -	21,283	1,230	23,657	201,892	42,726	290,788
Depreciation	-	999	-	4,873	36,214	6,306	48,392
Disposal	-	-	-	(368)	(5,623)	-	(5,991)
Reclassification to investment property	-	(7,486)	-	-	-	-	(7,486)
Reclassification	-	-	-	(728)	-	-	(728)
Balance at December 31, 2022	<u>\$ -</u>	<u>14,796</u>	<u>1,230</u>	<u>27,434</u>	<u>232,483</u>	<u>49,032</u>	<u>324,975</u>
Carrying amounts:							
Balance at December 31, 2023	<u>\$ 80,599</u>	<u>28,799</u>	<u>-</u>	<u>7,901</u>	<u>187,863</u>	<u>10,611</u>	<u>315,773</u>
Balance at January 1, 2022	<u>\$ 161,199</u>	<u>46,180</u>	<u>-</u>	<u>13,689</u>	<u>245,615</u>	<u>17,258</u>	<u>483,941</u>
Balance at December 31, 2022	<u>\$ 80,599</u>	<u>29,591</u>	<u>-</u>	<u>9,176</u>	<u>220,094</u>	<u>12,607</u>	<u>352,067</u>

(i) As of December 31, 2023 and 2022, the property, plant and equipment of the Company had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

(ii) Reclassification to investment property

The Company leased its owned property to a third party since June 29, 2022. The property was reclassified to investment property at its carrying amount when the use of the property changed. Please refer to note 6(j).

(i) Right-of-use assets

The cost and depreciation of leased building and construction and other equipment of the Company were as follows:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 784,470	4,907	789,377
Additions	153,238	49	153,287
Reductions	(161,443)	-	(161,443)
Balance at December 31, 2023	<u>\$ 776,265</u>	<u>4,956</u>	<u>781,221</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

	<b>Buildings</b>	<b>Other equipment</b>	<b>Total</b>
Balance at January 1, 2022	\$ 770,540	4,810	775,350
Additions	116,442	97	116,539
Reductions	(102,512)	-	(102,512)
Balance at December 31, 2022	<u>\$ 784,470</u>	<u>4,907</u>	<u>789,377</u>
Depreciation:			
Balance at January 1, 2023	\$ 395,938	4,680	400,618
Depreciation	144,034	103	144,137
Reductions	(157,147)	-	(157,147)
Balance at December 31, 2023	<u>\$ 382,825</u>	<u>4,783</u>	<u>387,608</u>
Balance at January 1, 2022	\$ 350,018	4,339	354,357
Depreciation	146,145	341	146,486
Reductions	(100,225)	-	(100,225)
Balance at December 31, 2022	<u>\$ 395,938</u>	<u>4,680</u>	<u>400,618</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 393,440</u>	<u>173</u>	<u>393,613</u>
Balance at January 1, 2022	<u>\$ 420,522</u>	<u>471</u>	<u>420,993</u>
Balance at December 31, 2022	<u>\$ 388,532</u>	<u>227</u>	<u>388,759</u>

### (j) Investment property

Investment property comprises office buildings that are owned by the Company and leased to third parties under operating leases. The leases of investment properties contain an initial non-cancellable lease term of 10 years. The lease provide the lessee with options to extend at the end of the term.

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Cost:			
Balance at January 1, 2023	\$ 80,600	23,076	103,676
Balance at December 31, 2023	<u>\$ 80,600</u>	<u>23,076</u>	<u>103,676</u>
Balance at January 1, 2022	\$ -	-	-
Reclassification from property, plant and equipment	80,600	23,076	103,676
Balance at December 31, 2022	<u>\$ 80,600</u>	<u>23,076</u>	<u>103,676</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ -	7,692	7,692
Depreciation	<u>-</u>	<u>413</u>	<u>413</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>8,105</u>	<u>8,105</u>
Balance at January 1, 2022	\$ -	-	-
Reclassification from property, plant and equipment	-	7,486	7,486
Depreciation	<u>-</u>	<u>206</u>	<u>206</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>7,692</u>	<u>7,692</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 80,600</u>	<u>14,971</u>	<u>95,571</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 80,600</u>	<u>15,384</u>	<u>95,984</u>
Fair value:			
Balance at December 31, 2023			<u>\$ 265,810</u>
Balance at December 31, 2022			<u>\$ 265,930</u>

The fair value of investment properties was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the market approach and income approach. The yield method under the income approach would have been used if there was no active market for the investment properties. The valuation model considers the present value of net cash flows to be generated from the property, and the expected net cash flows are discounted using risk-adjusted discount rates. For the years ended December 31, 2023 and 2022, the rates of return are all 2.72%.

As of December 31, 2023 and 2022, the investment property of the Company had been pledged as collateral for issuance of gift certificates and loans facility to financial institutions; please refer to note 8.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (k) Operating lease

The Company leased out its investment property. The Company classified these leases as operating leases because it did not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) Investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Less than one year	\$ 7,387	7,387
One to five years	29,547	29,547
More than five years	27,701	35,087
	<b>\$ 64,635</b>	<b>72,021</b>

For the years ended December 31, 2023 and 2022, rental income from investment properties was \$7,298 thousand and \$1,824 thousand, respectively.

### (l) Short-term borrowings

The details of short-term borrowings were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Secured bank loans	\$ -	-
Unused facilities	\$ 350,000	350,000
Range of interest rates	-	

For the collateral for short-term borrowings, please refer to note 8.

### (m) Other payables

The details of other payables were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Salaries payable	\$ 26,631	31,971
Payables on equipment	5,198	13,194
Other accrued expenses and others	41,987	39,760
	<b>\$ 73,816</b>	<b>84,925</b>

(Continued)



**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(n) Lease liabilities

The carrying values of the lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>126,604</u>	<u>128,292</u>
Non-current	\$ <u>284,887</u>	<u>274,342</u>

For the maturity analysis, please refer to note 6(w).

The amounts recognized in profit or loss were as follows:

	2023	2022
Interest on lease liabilities	\$ <u>6,014</u>	<u>6,034</u>
Expenses relating to short term leases	\$ <u>16,797</u>	<u>20,461</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	2023	2022
Total cash outflow for leases	\$ <u>163,630</u>	<u>169,768</u>

(i) Real estate leases

The Company leases buildings for its warehouses and retail stores. The leases of warehouses typically run for a period of 5 years, and of retail stores for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(i) Other leases

The Company leases equipment, with lease terms of three years. The Company will acquire all the equipment at the end of the lease.

(o) Provisions

The details of decommissioning liabilities were as follows:

	2023	2022
Balance at January 1	\$ 7,542	7,649
Provisions recognized (reversed) during the year	468	(107)
Balance at December 31	\$ <u>8,010</u>	<u>7,542</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

The carrying amount of provisions were as follows:

	December 31, 2023	December 31, 2022
Current	\$ <u>2,351</u>	<u>1,839</u>
Non-current	\$ <u>5,659</u>	<u>5,703</u>

According to applicable agreements, the Company bears dismantling, removing the asset and restoring the site obligations for certain stores in the future. A provision is recognized for the present value of costs to be incurred for dismantling, removing the asset and restoring the site.

(p) Employee benefits

Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$11,942 thousand and \$12,831 thousand for the years ended December 31, 2023 and 2022, respectively.

(q) Income taxes

(i) Income tax expense

The components of income tax were as follows:

	For the years ended December 31, 2023	2022
Current tax expense	\$ -	-
Deferred tax expense	-	75,049
Income tax expense	\$ <u>-</u>	<u>75,049</u>

Reconciliation of income tax and profit (loss) before tax for 2023 and 2022 was as follows:

	2023	2022
Profit (loss) excluding income tax	\$ 17,020	(135,569)
Income tax using the Company's domestic tax rate	3,404	(27,114)
Tax-exempt income	(106)	-
Change in unrecognized temporary differences	(3,236)	100,211
Others	(62)	1,952
Income tax expense	\$ <u>-</u>	<u>75,049</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (ii) Deferred tax assets and liabilities

#### 1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
The carryforward of unused tax losses	\$ <u>154,296</u>	<u>154,027</u>

The R.O.C Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

#### 2) Recognized deferred tax assets

Changes in the amount of deferred tax assets for 2023 and 2022 were as follows:

	Inventory provisions	Unused tax losses and others	Total
January 1, 2023	\$ -	-	-
December 31, 2023	\$ -	-	-
January 1, 2022	\$ 20,118	54,931	75,049
Recognized in profit or loss	(20,118)	(54,931)	(75,049)
December 31, 2022	\$ -	-	-

#### 3) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

### (r) Capital and other equity

#### (i) Issuance of ordinary shares

As of December 31, 2023 and 2022, the number of authorized ordinary shares were both 80,000 thousand shares, amounting to \$800,000 thousand with par value of \$10 per share, and 66,800 thousand of ordinary shares were issued. All issued shares were paid up upon issuance.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (ii) Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Paid in capital in excess of par value	\$ 330,033	330,033
Difference arising from subsidiary's share price and its carrying value	<u>1,256</u>	<u>1,256</u>
	<b><u>\$ 331,289</u></b>	<b><u>331,289</u></b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

### (iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed at the close of each quarter, according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating programs and estimated future cash flows in determining the stock or cash dividends to be paid, and profits may be distributed by cash dividends or stock dividends. The cash dividends shall not be lower than 10% of total dividends. The aforementioned percentage of earnings distribution is subject to resolution by the shareholders' meeting for adjustments depending on current year's profit and capital position.

In accordance with the Article 240, paragraph 5 of the Company Act, the Company authorizes the Board of Directors, with the presence of more than two-thirds of the directors and the approval of a majority of the directors, to distribute the dividends and bonus or legal reserves and capital surpluses, entirely or partially, as cash dividends, and report to the shareholders' meeting.

#### 1) Legal reserve

When the Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**

**Notes to the Financial Statements**

2) Special reserve

In accordance with the requirements issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings appropriation and distribution

A resolution was passed during the general meeting of shareholders held on June 19, 2023 to offset the accumulated deficit with legal reserve of \$20,371 thousand.

A resolution was passed during the general meeting of shareholders held on June 14, 2022 to offset the accumulated deficit with legal reserve of \$231,726 thousand and special reserve of \$668 thousand, respectively.

(iv) Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2023	\$ 5,709
Exchange differences on foreign operations	(18)
Balance at December 31, 2023	<u><u>\$ 5,691</u></u>
	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2022	\$ (1,553)
Exchange differences on foreign operations	7,262
Balance at December 31, 2022	<u><u>\$ 5,709</u></u>

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(s) Earnings (loss) per share

The details on the calculation of basic earnings (loss) per share as of December 31, 2023 and 2022 was based on the profit (loss) attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, as follows:

(i) Profit (loss) attributable to ordinary shareholders of the Company

	<u>2023</u>	<u>2022</u>
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>17,020</u>	<u>(210,618)</u>

(ii) Weighted average number of ordinary shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares (in thousand shares)	<u>66,800</u>	<u>66,800</u>

The Company has no potential dilutive ordinary shares for the years ended December 31, 2023 and 2022.

(t) Revenue from contracts with customers

(i) Details of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets :		
Taiwan	\$ <u>1,178,163</u>	<u>1,241,071</u>

Revenue of the Company is from selling products including shoes and bags and its repair business, the Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The geographical market is in Taiwan.

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes receivables	\$ 446	-	-
Trade receivables	25,310	26,954	48,806
Less: allowance for impairment	<u>(899)</u>	<u>(899)</u>	<u>(899)</u>
	<u>\$ 24,857</u>	<u>26,055</u>	<u>47,907</u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities:			
Unearned revenue from gift certificates	\$ 359,393	342,564	336,191
Customer loyalty programs	<u>13,385</u>	<u>13,470</u>	<u>11,203</u>
	<u>\$ 372,778</u>	<u>356,034</u>	<u>347,394</u>

For details on notes and trade receivables and allowance for impairment, please refer to note 6(d).

The amount of revenue recognized for the years ended December 31, 2023 that was included in the contract liability balance at the beginning of the period were \$46,157 thousand and \$54,068 thousand, respectively.

For gift certificates that the Company issued with no expiry date, the Company recognizes revenue when customers redeem the gift certificates.

The change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

### (u) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute no less than 10% of the profit as employee compensation and less than 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

Due to accumulated deficit in 2023 and 2022, there were no estimated amounts of employee compensation and directors' remuneration. Related information would be available at the Market Observation Post System website.

### (v) Non-operating income and expenses

#### (i) Interest income

The details of interest income were as follows:

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	<u>\$ 2,764</u>	<u>1,670</u>

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(ii) Other income

The details of other income were as follows:

	<u>2023</u>	<u>2022</u>
Rental income	\$ 11,786	7,611
Dividend income	544	775
Government grants and others	<u>513</u>	<u>4,238</u>
	<u><u>\$ 12,843</u></u>	<u><u>12,624</u></u>

(iii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2023</u>	<u>2022</u>
Gains (losses) on financial assets at fair value through profit or loss	\$ 4,115	(9,573)
Foreign exchange gains	2	360
Losses on disposals of investment property	(1,203)	(3,135)
(Losses) gains on lease modifications	(242)	57
Others	<u>(735)</u>	<u>(915)</u>
	<u><u>\$ 1,937</u></u>	<u><u>(13,206)</u></u>

(iv) Finance costs

The details of finance costs were as follows:

	<u>2023</u>	<u>2022</u>
Interest expense – lease	\$ 6,014	6,034
Interest expense – others	<u>33</u>	<u>8</u>
	<u><u>\$ 6,047</u></u>	<u><u>6,042</u></u>

(Continued)



**SHUI-MU INTERNATIONAL CO., LTD.**

**Notes to the Financial Statements**

(w) Financial instruments

(i) Types of financial instruments

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss	\$ 30,973	30,826
Financial assets measured at amortized cost:		
Cash and cash equivalents	254,985	131,015
Financial assets measured at amortized cost - current	48,670	9,100
Notes receivable, net	446	-
Accounts receivable, net	24,411	26,055
Accounts receivable due from related parties, net	-	31
Other receivables	689	496
Other receivables due from related parties	1,140	1,140
Other non-current assets - refundable deposits	56,064	55,745
Subtotal	<u>386,405</u>	<u>223,582</u>
	<b>\$ 417,378</b>	<b>254,408</b>
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities measured at amortized cost:		
Accounts payable	\$ 44,097	66,563
Accounts payable to related parties	7,849	6,889
Other payables	73,816	84,925
Other payables to related parties	1,474	307
Current lease liabilities	126,604	128,292
Non-current lease liabilities	284,887	274,342
Other non-current liabilities - guarantee deposits received	4,761	4,815
	<u><b>\$ 543,488</b></u>	<u><b>566,133</b></u>

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (ii) Credit risk

#### 1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

#### 2) Concentration of credit risk

The Company believes that there is no significant concentration of credit risk due to the Company's large number of customers and their wide geographic spread. In order to reduce credit risk, the Company evaluate the financial status of customers regularly without requiring its customers to provide collateral.

### (iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~2 years</u>	<u>2~5 years</u>	<u>Over 5 years</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 51,946	51,946	51,946	-	-	-
Other payables (including related parties)	75,290	75,290	75,290	-	-	-
Lease liabilities	<u>411,491</u>	<u>426,844</u>	<u>132,822</u>	<u>101,233</u>	<u>177,033</u>	<u>15,756</u>
	<u><b>\$ 538,727</b></u>	<u><b>554,080</b></u>	<u><b>260,058</b></u>	<u><b>101,233</b></u>	<u><b>177,033</b></u>	<u><b>15,756</b></u>
<b>December 31, 2022</b>						
Non-derivative financial liabilities						
Accounts payable (including related parties)	\$ 73,452	73,452	73,452	-	-	-
Other payables (including related parties)	85,232	85,232	85,232	-	-	-
Lease liabilities	<u>402,634</u>	<u>414,430</u>	<u>133,166</u>	<u>98,866</u>	<u>152,044</u>	<u>30,354</u>
	<u><b>\$ 561,318</b></u>	<u><b>573,114</b></u>	<u><b>291,850</b></u>	<u><b>98,866</b></u>	<u><b>152,044</b></u>	<u><b>30,354</b></u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amount.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
(Foreign currency: functional currency)						
USD:NTD	\$	138	30.705	143	30.710	4,392

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents. For the years ended December 31, 2023 and 2022, the sensitivity analyses for the changes in the foreign currency exchange rates were as follows:

	2023		
	Sensitivity analysis		
	Increasing/ decreasing	Net income	Other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$	42
			-
	2022		
	Sensitivity analysis		
	Increasing/ decreasing	Net income	Other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$	44
			-

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For years 2023 and 2022, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$2 thousand and \$360 thousand, respectively.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (v) Price risk

- 1) The Company is exposed to equity price risk due to the investments in equity securities, accounted for financial assets at fair value through profit or loss. In order to manage price risk of equity investment, the Company sets a limit to invest in a diversified portfolio.
- 2) The Company primarily invests in domestic equity instruments, and the prices of these equity instruments may be affected by uncertainty of the future values. If the interest rate increases/decreases by 1%, the Company's profit (loss) before tax will decrease/increase by \$310 thousand and \$308 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors that remain constant.

### (vi) Fair value of financial instruments

#### 1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss, is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, and lease liabilities):

		December 31, 2023			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>30,973</u>	<u>30,973</u>	<u>-</u>	<u>-</u>	<u>30,973</u>
		December 31, 2022			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ <u>30,826</u>	<u>30,826</u>	<u>-</u>	<u>-</u>	<u>30,826</u>

#### 2) Valuation techniques for financial instruments measured at fair value

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

#### 3) Transfers between Level 1 and Level 2

There were no transfers in either direction for the years ended December 31, 2023 and 2022.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

#### (x) Financial risk management

##### (i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying parent-company-only financial statements.

##### (ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

##### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

##### 1) Trade and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

(Continued)

## SHUI-MU INTERNATIONAL CO., LTD.

### Notes to the Financial Statements

#### 2) Investments

The Company holds its bank deposits in different financial institutions to manage the exposure to credit risk of each institution to prevent concentration risk.

#### 3) Guarantees

As of December 31, 2023 and 2022, the Company has not provided any guarantees to companies outside the group.

#### (iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line were both amounted to \$350,000 thousand.

#### (v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### 1) Exchange rate risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the NTD, USD, and CNY.

##### 2) Interest rate risk

The Company does not have any significant liability with a floating interest rate, and changes in market interest rate do not have any significant impact on the future cash flow of the Company.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (y) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company's debt-to-equity ratios at the end of the reporting periods were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	\$ 927,323	932,581
Less: cash and cash equivalents	(254,985)	(131,015)
Net debt	<u>\$ 672,338</u>	<u>801,566</u>
Total equity	<u>\$ 831,753</u>	<u>814,751</u>
Debt-to-equity ratio	<u>80.83 %</u>	<u>98.38 %</u>

There were no changes in the Company's approach to capital management as of December 31, 2023.

### (z) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022 were acquisition of right-of-use assets by leasing. Please refer to notes 6(i) and 6(n).

## (7) Related-party transactions

### (a) Names and relationship with the Company

The followings are entities that have had transactions with related party during the periods covered in the parent company only financial statements.

<b>Name of related party</b>	<b>Relationship with the Company</b>
Shuang Yueh Footwear Ltd	An entity controlled by key management personnel
Yueh Ya Chuan Co., Ltd.	An entity controlled by key management personnel
A.S.O. International Co., Ltd.	A subsidiary
Comphy International Company Limited	A subsidiary
Learn Jet International Ltd.	An associate
All directors, general manager and deputy general manager, etc.	Key management personnel of the Company

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(b) Significant transactions with related parties

(i) Sales

1) Accounts receivable due from related parties

Details of accounts receivable resulting from sales that been collected by a subsidiary on behalf of the Company.

<u>Account title</u>	<u>Type of related parties</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable due from related parties	A subsidiary	\$ -	31

(ii) Purchases

1) Operating costs

The amounts of significant purchases (including purchase allowances) by the Company from related parties were as follows:

	<u>2023</u>	<u>2022</u>
Purchases:		
An entity controlled by key management personnel	\$ 68,100	16,653
A subsidiary	-	49
An associate	23,620	21,418
	<u>\$ 91,720</u>	<u>38,120</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

2) Accounts payable to related parties

Payables to related parties resulting from the above transactions were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payable to related parties:		
An entity controlled by key management personnel	\$ 5,794	4,153
An associate	2,055	2,736
Total	<u>\$ 7,849</u>	<u>6,889</u>

(Continued)



# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### 3) Prepayments to related parties

The prepayments to related parties resulting from the above transactions were as follows:

	December 31, 2023	December 31, 2022
An associate	\$ <u>56</u>	<u>3,280</u>

### (iii) Other transactions

#### 1) Operating costs – repairs

The amounts of repairing costs by the Company from related parties were as follows:

	December 31, 2023	December 31, 2022
An entity controlled by key management personnel	\$ <u>988</u>	<u>969</u>

#### 2) Operating expenses

The amounts of cleaning fee, telephones fee, building management fee, utility fee, service expense, postage expense, and rental expense were as follows:

	2023	2022
An entity controlled by key management personnel:		
Shuang Yueh Footwear Ltd.	\$ 3,055	2,541
Yueh Ya Chuan Co., Ltd.	220	44
A subsidiary	-	1,889
An associate	<u>741</u>	<u>169</u>
Total	\$ <u>4,016</u>	<u>4,643</u>

#### 3) Rental income

	December 31, 2023	December 31, 2023
A subsidiary	\$ <u>-</u>	<u>940</u>

The Company subleased its retail store to its subsidiary.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### 4) Property transactions

The purchases price of property, plant and equipment purchased from related parties were as follows:

	<b>2023</b>	<b>2022</b>
An associate	\$ <b>450</b>	<b>-</b>

### 5) Other payables to related parties

Details of other payables to related parties resulting from the above transactions and transactions on behalf of the Company were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
An associate	\$ 1,251	-
An entity controlled by key management personnel	211	211
A Subsidiary	12	96
Total	<b>\$ 1,474</b>	<b>307</b>

### 6) Other receivables due from related parties

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
A subsidiary	<b>\$ 1,140</b>	<b>1,140</b>

The above balance was the residual capital of a subsidiary that has yet to be remitted back.

### 7) Prepayments for investments (included in other non-current assets)

A resolution was passed during the board's meeting in 2023 to acquire 100% equity interest of Shuang Yueh Footwear Ltd. from the key management personnel of the Company with the purchase price of \$3,526 thousand. As of December 31, 2023, the ownership transfer process has yet to be completed, so it is included in other non-current assets.

### (c) Key management personnel compensation

Key management personnel compensation comprised:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 12,675	15,277
Post-employment benefits	305	321
	<b>\$ 12,980</b>	<b>15,598</b>

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Land and buildings	Issuance of gift certificates and loans facility	\$ 109,398	110,190
Investment property	Issuance of gift certificates and loans facility	95,571	95,984
Refundable deposits (included in other non-current assets)	Lease deposits and tenders	56,064	55,745
		<b>\$ 261,033</b>	<b>261,919</b>

**(9) Commitments and contingencies:None**

**(10) Losses Due to Major Disasters:None**

**(11) Subsequent Events:None**

**(12) Other:**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary			246,160	246,160		249,381	249,381
Labor and health insurance			25,553	25,553		26,612	26,612
Pension	-		11,942	11,942	-	12,831	12,831
Remuneration of directors	-		3,675	3,675	-	3,948	3,948
Others	-		15,074	15,074	-	15,540	15,540
Depreciation	-		189,713	189,713	-	195,084	195,084
Amortization	-		4,117	4,117	-	4,196	4,196

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

The Company's headcount and employees benefit expenses for the years 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Number of employees	<u><u>487</u></u>	<u><u>510</u></u>
Number of non-employee directors	<u><u>5</u></u>	<u><u>5</u></u>
Average employee benefits	<u><u>\$ 620</u></u>	<u><u>603</u></u>
Average salary	<u><u>\$ 511</u></u>	<u><u>494</u></u>
Adjustment of average employee salaries	<u><u>3.44 %</u></u>	<u><u>5.56 %</u></u>
Supervisor's remuneration	<u><u>\$ -</u></u>	<u><u>-</u></u>

The Company's salary and remuneration policy for directors, managers, and employees is as follows:

(i) Directors:

The remuneration of directors of the Company is complied with "Remuneration of Directors and Functional Committees Principles". The procedures of determining the remuneration is based on "Rules for Performance Evaluation of the Board". In addition to the Company's operational performance, future operational risk and development trends of the industry, the achievement rate of individual performance and contribution to the Company's operational performance are taken into account for determining reasonable remuneration.

(ii) Managers and employees:

The remuneration of managers and employees is determined based on the Company's rules for salaries and conducting employee performance evaluations, taking into account the individual's position and responsibility, contribution to the Company, and industry standards.

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

### (13) Other disclosures:

#### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

#### (i) Loans to other parties:

Number (note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (note 2)	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 5)	Maximum limit of fund financing (Note 5)
													Item	Value		
0	SHUI-MU International Co., Ltd.	Comphy International Company Limited	Other receivables	Yes	4,000	4,000	-	1.5%	Note 3	-	Operating capital	-	None	-	166,351	332,701

Note 1: The numbers are as follows:

- The Company is numbered “0”.
- The investees are sequentially numbered from “1”.

Note 2: Highest balance of financing to other parties during the year.

Note 3: Entities with short-term financing needs.

Note 4: Pursuant to Article No.167 issued by the Securities & Futures Institute in March 2004, accounts receivable exceeding specific period of time of regular credit term should be disclosed in the information of Loans to other parties.

- Note 5: (1) The ceiling on total loans granted by the Company shall not exceed 40% of the net worth of its audited or reviewed financial statements.  
(2) For entities that the Company has business with, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed the transaction amount within a year. The transaction amount is the higher amount of purchases or sales.  
(3) For entities with short-term financing needs, the ceiling on total loans granted by the Company shall not exceed 20% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 20% of the Company’s net worth.  
(4) For loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, the ceiling on total loans granted shall not exceed 100% of the Company’s net worth; the ceiling on loans granted to each entity shall not exceed 60% of the Company’s net worth.

#### (ii) Guarantees and endorsements for other parties: None.

#### (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	December 31, 2022				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
SHUI-MU International Co., Ltd.	Beneficiary certificates-Neuberger Berman Bond-Plus Income and Growth Multi-Asset Class Fund N(TWD)	None	Current financial assets at fair value through profit or loss	1,494,080	9,816	-	9,816	
"	Beneficiary certificates-PineBridge Global Emerging Market High Yield Bond Fund N(TWD)	"	"	562,936	3,022	-	3,022	
"	Beneficiary certificates-TCB Environmental & Socially Responsible Multi-Asset Fund A(TWD)	"	"	300,000	2,838	-	2,838	
"	Beneficiary certificates-Neuberger Berman U.S. Short-Term Non-Investment Grade Bond Fund T-Month Allocation (TWD)	"	"	303,644	3,012	-	3,012	
"	Stock listed on domestic market-Information Technology Total Services Co., Ltd.	"	"	5,000	248	- %	248	
"	Stock listed on domestic market - Taiwan Semiconductor Manufacturing Company Limited	"	"	10,000	5,930	- %	5,930	
"	Stock listed on domestic market - ASUSTeK Computer Inc.	"	"	3,000	1,468	- %	1,468	
"	Stock listed on domestic market - Feng Tay Enterprises Co., Ltd.	"	"	672	118	- %	118	
"	Stock listed on domestic market - CHLITINA Holding Limited	"	"	2,000	391	- %	391	
"	Stock listed on domestic market - Macronix International Co., Ltd.	"	"	10,000	314	- %	314	
"	Stock listed on domestic market - Walsin Technology Corp.	"	"	2,000	246	- %	246	
"	Stock listed on domestic market-Tainan Spinning Co., Ltd.	"	"	5,000	79	- %	79	
"	Stock listed on domestic market - China Steel Corporation	"	"	2,000	54	- %	54	

(Continued)

# SHUI-MU INTERNATIONAL CO., LTD.

## Notes to the Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	December 31, 2022				Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value	
"	Stock listed on domestic market - Wan Hai Lines, Ltd.	"	"	7,590	417	- %	417	
"	Stock listed on domestic market- Yang Ming Marine Transport Corp.	"	"	6,000	308	- %	308	
"	Stock listed on domestic market- YAGEO Corporation	"	"	4,327	2,583	- %	2,583	
"	Stock listed on domestic market- Eastern Media International Corporation	"	"	5,676	129	- %	129	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (excluding information on investees in Mainland China):

Unit: thousand shares

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
SHUI-MU International Co., Ltd.	A.S.O. International Co., Ltd.	Samoa	Investment holding	142,385	142,385	900	100.00 %	27,533	977	977	
"	Lovelly International Co., Ltd.	Taiwan	Sale of shoes, bags, and stationery	-	11,700	-	- %	-	-	-	Note 2
"	Comphy International Company Limited	Taiwan	Sale of shoes, bags, and socks	9,500	9,500	950	95.00 %	2,510	(197)	(188)	
"	BESO International Co., Ltd.	Taiwan	Sale of shoes, bags, and daily necessities	-	29,400	-	- %	-	-	-	Note 3
"	Learn Jet International Ltd.	Taiwan	Sale of clothing, shoes, hat	700	700	-	34.00 %	1,100	1,489	497	
A.S.O. International Co., Ltd.	A.S.O. International Holdings Co., Ltd.	Hong Kong	Investment holding	-	57,427	-	- %	-	(302)	(302)	Notes 1 and 4

Note 1: Investment income (losses) were recognized by investees of the Company.

Note 2: The liquidation process of Lovely International Co., Ltd. had been completed in July 2023.

Note 3: The liquidation process of BESO International Co., Ltd. had been completed in April 2023.

Note 4: A.S.O. International Holdings Co., Ltd was dissolved and liquidated in November 2023.

(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information: :None..

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.**  
**Notes to the Financial Statements**

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023 (Note 2)(Note 3)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 1)
214,233	214,233	499,051

Note 1: Upper limit is 60% of the Company's net worth according to the regulation.

Note 2: A.S.O Shanghai Trading Co., Ltd. was dissolved and liquidated in 2020, and its residual capital amounting to \$406 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to \$178,424 thousand was included in the accumulated

Note 3: A.S.O Nanjing Trading Co., Ltd. was dissolved and liquidated in 2022, and its residual capital amounting to \$24,255 thousand was remitted back to Taiwan. The remittance to Mainland China amounting to \$35,809 thousand was included in the accumulated investment amounts.

(iii) Significant transactions: None.

(d) Major shareholders

Unit: shares

Shareholder's Name	Shareholding	Shares	Percentage
Jung-Yueh Lo		7,392,500	11.06 %
Yueh-Chiao Lin		6,498,560	9.72 %
Yueh Ya Chuan CO., LTD.		6,410,452	9.59 %
Yeh-O Lo		4,803,202	7.19 %
Lo Mommy A-Dou Charitable Trust Fund		3,442,338	5.15 %

**(14) Segment information:**

Please refer to the consolidated financial statements of the Company and its subsidiaries as of December 31, 2023 and for the years then ended.

(Continued)

**SHUI-MU INTERNATIONAL CO., LTD.****Statement of cash and cash equivalents****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Description</b>	<b>Amount</b>
Cash	Petty Cash	\$ 3,801
Checking accounts and demand deposits-NTD		215,057
Demand deposits-foreign currency (Note)		
"	USD: 102,415.18	3,145
"	CNY: 5,729.23	25
"	AUD: 34.64	1
"	EUR: 1,955.94	66
Time deposits-NTD	Maturity dates: 2024/1/13~2024/2/25	
	Interest rate: 1.090%~1.120%	32,890
Total		<u><u>\$ 254,985</u></u>

Note: The aforementioned foreign currency was valued at the rate on December 31, 2023.

USD : NTD=1 : 30.705

CNY : NTD=1 : 4.327

AUD : NTD=1 : 20.98

EUR : NTD=1:33.98



**SHUI-MU INTERNATIONAL CO., LTD.**

**Statement of inventories**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>		<b>Market value basis</b>
	<b>Cost</b>	<b>Net realizable value</b>	
Merchandise	\$ 591,053	597,999	Net realizable value
Less: Loss allowances	(134,240)		"
Total	<u>\$ 456,813</u>		

**SHUI-MU INTERNATIONAL CO., LTD.****Statement of operating revenue****For the year ended December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Quantity</b>	<b>Amount</b>	<b>Note</b>
Sales revenue			
Shoes	241 thousand pairs	\$ 754,191	
Bag	21 thousand items	55,974	
Socks	287 thousand pairs	37,475	
Insoles	57 thousand pairs	169,133	
Others		<u>153,238</u>	
Subtotal		<u>1,170,011</u>	
Repair revenue		6,706	
Service revenue		27	
Other operating revenue		<u>1,419</u>	
Total		<u><u>\$ 1,178,163</u></u>	

**SHUI-MU INTERNATIONAL CO., LTD.**

**Statement of cost of revenue**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>	<b>Note</b>
Inventory, beginning of year	\$ 721,877	
Add: Purchases	372,194	
Less: Inventory, end of year	(591,053)	
Reclassified into expense	(7,357)	
Losses of write-off of inventories	<u>(33,912)</u>	
Cost of inventories sold	461,749	
Write-down (reversal of allowance) of inventories	(16,810)	
Losses of write-off of inventories	<u>33,912</u>	
Cost of sales	478,851	
Repair costs	6,446	
Service costs	<u>2,772</u>	
Operating costs	<u><u>\$ 488,069</u></u>	

**SHUI-MU INTERNATIONAL CO., LTD.**

**Statement of operating expenses**

**For the year ended December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Research and development expenses</b>	<b>Total</b>	<b>Note</b>
Payroll	\$ 206,811	34,291	5,058	246,160	
Depreciation	183,331	5,582	387	189,300	
Others (Note)	186,956	55,196	8,245	250,397	
Total	<u>\$ 577,098</u>	<u>95,069</u>	<u>13,690</u>	<u>685,857</u>	

Note: Amounts less than 5% of the account balance are not disclosed individually.

Property, plant and equipment, please refer to Note 6(h).

Accumulated depreciation of property, plant and equipment, please refer to Note 6(h).

Right-of-use assets, please refer to Note 6(i).

Accumulated depreciation of right-of-use assets, please refer to Note 6(i).

Investment property, please refer to Note 6(j)

Accumulated depreciation of investment property, please refer to Note 6(j).

Lease liabilities, please refer Note 6(n).

Non-operating income and expenses, please refer to Note 6(v).

Finance costs, please refer to Note 6(v).

A summary of current-period employee benefits, depreciation, and amortization, by function, please refer to Note 12.

**SHUI-MU International Co., Ltd.**

**Chairman: JUNG-YUEH,Lo**