

**Dyaco International Inc.**

**Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Dyaco International Inc.

### **Opinion**

We have audited the accompanying financial statements of Dyaco International Inc. (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, 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 audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions for the key audit matters of the financial statements are as follows:

#### Loss on Inventory Obsolescence

As of December 31, 2020, the carrying amounts of inventories held by the Corporation and its subsidiaries which are accounted for by using the equity method were \$710,403 thousand and \$2,431,338 thousand, respectively. The amount of inventories is significant and the valuation of inventories involves significant accounting judgments and estimates made by management, especially when estimating losses from obsolete finished goods and merchandise. Therefore, the estimation of obsolescence loss from finished goods and merchandise was considered to be a key audit matter. For the accounting policies, significant accounting judgments and estimates related to inventory, refer to Notes 4-5 and 5-1. For more information about the Corporation's inventory, refer to Note 10 to the financial statements.

We evaluated the appropriateness of method applied in the calculation of obsolescence loss for finished goods and merchandise at year end. Then, we verified the data used in assumptions against the relevant supporting documents and recalculated the loss provision to ensure its accuracy. In addition, we reviewed the aging report of finished goods and merchandise and compared the allocated historical obsolescence loss with actual disposal of finished goods and merchandise from previous years in order to evaluate the adequacy of inventory losses due to obsolescence.

#### Evaluation of Impairment Loss on Goodwill from the Subsidiaries which Are Accounted for By Using the Equity Method

The book value of the subsidiaries which are accounted for using the equity method included the goodwill of purchase Dongguan Dayu Sports Equipment Co., Ltd., Shelton Corporation (Jiaxing), Ltd., CARDIO fitness GmbH & Co. KG, Dyaco Canada Inc. and Fitness Equipment Services, LLC. As of December 31, 2020, the carrying amount of goodwill was \$478,118 thousand. According to IAS 36 "Impairment of Assets", goodwill arising from the acquisition of a business is subject to an annual impairment test by comparing its carrying amount (including attributable goodwill) with its recoverable amount. The impairment test of goodwill impairment involves significant accounting judgments and estimates made by management, especially when estimating the future cash flows and discount rates used to calculate the present value of a cash-generating unit. Thus, the impairment test of goodwill was considered to be a key audit matter. For the accounting policies, significant accounting judgments and estimates related to goodwill, refer to Notes 4-6 and 5-2. The cash-generating unit of goodwill arising from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 13-2, including the projected future cash flows and discount rates (weighted average cost of capital).

We assessed the professional skills, competencies, and objectivity of independent appraisers hired by management, and also verified the qualifications of appointed appraisers. In addition, we confirmed that nothing would affect the objectivity or restriction of job duties by discussing the job scope and reviewing conditions of appointment with management. We checked whether the method used by the independent appraisers was in accordance with the International Accounting Standards (IAS).

We assessed management's judgments based on the opinion of our financial advisor, especially with regard to material assumptions, (including the prediction of future cash flows and discount rates) used by management to confirm the appropriateness of management's judgments. Our primary audit procedures performed included the following:

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin for assessing the reasonableness of assumptions.
2. We compared the budgeted amounts with actual operating results of the Corporation in 2020 when considering the assessment of reliability prediction for 2021 and future years in order to assess the accuracy of management's historical predictions.

3. We checked if there were significant differences between the weighted average cost of capital calculated by using the same valuation method and the weighted average cost of capital adopted by the Corporation to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

### **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 Corporation'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 Corporation 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 Corporation'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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation'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 auditors' report. However, future events or conditions may cause the Corporation 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 entities or business activities within the Corporation to express an opinion on the 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 for the year ended December 31, 2020, 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 audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2021

*Notice to Readers*

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.*

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

# DYACO INTERNATIONAL INC.

## BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Note 6)	\$ 684,900	6	\$ 559,096	9
Financial assets at fair value through profit or loss (Notes 4, 7 and 32)	2,593	-	-	-
Notes receivable (Notes 4, 9 and 24)	1,829	-	1,232	-
Accounts receivable (Notes 4, 9 and 24)	142,678	1	93,313	2
Accounts receivable from related parties (Notes 4, 24 and 33)	4,189,287	38	1,061,571	18
Other receivables (Notes 4 and 9)	50,847	1	14,506	-
Other receivables from related parties (Notes 4 and 33)	394,894	4	176,980	3
Inventories (Notes 4, 5 and 10)	710,403	7	271,757	4
Prepayments (Note 11)	43,084	-	42,714	1
Other financial assets (Notes 4, 12 and 34)	208,931	2	328,357	5
Other current assets	19,434	-	31,330	1
Total current assets	<u>6,448,880</u>	<u>59</u>	<u>2,580,856</u>	<u>43</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32)	41,141	-	31,860	1
Investments accounted for using the equity method (Notes 4, 5 and 13)	2,348,793	21	1,443,675	24
Property, plant and equipment (Notes 4, 14 and 34)	1,672,688	15	1,690,350	28
Right-of-use assets (Notes 4 and 15)	3,947	-	6,295	-
Investment properties (Notes 4 and 16)	21,327	-	22,206	-
Intangible assets (Notes 4 and 17)	91,538	1	119,356	2
Deferred income tax assets (Notes 4 and 26)	278,657	3	141,565	2
Prepayments for equipment	8,022	-	3,585	-
Refundable deposits	47,325	1	2,847	-
Other non-current assets	5,683	-	5,683	-
Total non-current assets	<u>4,519,121</u>	<u>41</u>	<u>3,467,422</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 10,968,001</u>	<u>100</u>	<u>\$ 6,048,278</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 34)	\$ 1,145,000	10	\$ 1,255,000	21
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32)	1,685	-	2,722	-
Notes payable (Note 20)	780,823	7	308,374	5
Accounts payable (Note 20)	818,672	8	193,541	3
Accounts payable to related parties (Note 33)	1,246,892	11	452,956	7
Other payables (Note 21)	317,082	3	160,282	3
Other payables to related parties (Note 33)	86,080	1	634	-
Current income tax liabilities (Note 26)	355,708	3	48,974	1
Lease liabilities (Notes 4 and 15)	2,062	-	2,312	-
Contract liabilities (Note 24)	29,640	-	4,191	-
Current portion of bonds payable (Notes 4 and 19)	-	-	592,874	10
Current portion of long-term borrowings (Notes 18 and 34)	158,021	2	109,207	2
Other current liabilities	49,421	1	72,180	1
Total current liabilities	<u>4,991,086</u>	<u>46</u>	<u>3,203,247</u>	<u>53</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 19)	462,372	4	-	-
Long-term borrowings (Notes 18 and 34)	752,757	7	744,683	12
Deferred tax liabilities (Notes 4 and 26)	109,087	1	73,070	1
Lease liabilities (Notes 4 and 15)	1,921	-	3,983	-
Long-term payables (Note 21)	25,878	-	68,460	1
Credit balance of investments accounted for using the equity method (Notes 4 and 13)	90,524	1	40,360	1
Net defined benefit liabilities (Notes 4 and 22)	20,399	-	19,563	1
Guarantee deposits received	801	-	767	-
Total non-current liabilities	<u>1,463,739</u>	<u>13</u>	<u>950,886</u>	<u>16</u>
Total liabilities	<u>6,454,825</u>	<u>59</u>	<u>4,154,133</u>	<u>69</u>
<b>EQUITY (Note 23)</b>				
Share capital				
Ordinary shares	1,311,496	12	961,009	16
Advance share capital	15,027	-	-	-
Total share capital	<u>1,326,523</u>	<u>12</u>	<u>961,009</u>	<u>16</u>
Capital surplus	<u>1,986,005</u>	<u>18</u>	<u>758,304</u>	<u>13</u>
Retained earnings				
Legal reserve	152,827	1	133,886	2
Special reserve	105,812	1	79,123	1
Unappropriated earnings	1,390,288	13	239,976	4
Total retained earnings	<u>1,648,927</u>	<u>15</u>	<u>452,985</u>	<u>7</u>
Other equity	(175,628)	(2)	(105,813)	(2)
Treasury shares	(272,651)	(2)	(172,340)	(3)
Total equity	<u>4,513,176</u>	<u>41</u>	<u>1,894,145</u>	<u>31</u>
<b>TOTAL</b>	<u>\$ 10,968,001</u>	<u>100</u>	<u>\$ 6,048,278</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

## DYACO INTERNATIONAL INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 33)	\$ 8,492,324	100	\$ 3,549,315	100
LESS: SALES RETURNS	4,772	-	1,482	-
SALES DISCOUNTS AND ALLOWANCES	<u>1,642</u>	<u>-</u>	<u>2,989</u>	<u>-</u>
NET OPERATING REVENUE	8,485,910	100	3,544,844	100
OPERATING COSTS (Notes 10, 25 and 33)				
Cost of sales	<u>5,887,412</u>	<u>69</u>	<u>2,748,860</u>	<u>78</u>
GROSS PROFIT	2,598,498	31	795,984	22
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>(428,485)</u>	<u>(5)</u>	<u>33,367</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>2,170,013</u>	<u>26</u>	<u>829,351</u>	<u>23</u>
OPERATING EXPENSES (Notes 9, 25 and 33)				
Selling and marketing	432,424	5	270,042	8
General and administrative	206,583	3	161,183	4
Research and development	115,655	1	101,217	3
Expected credit gain	<u>(722)</u>	<u>-</u>	<u>(1,532)</u>	<u>-</u>
Total operating expenses	<u>753,940</u>	<u>9</u>	<u>530,910</u>	<u>15</u>
OTHER OPERATING INCOME (Notes 25 and 33)	<u>249,926</u>	<u>3</u>	<u>60,636</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>1,665,999</u>	<u>20</u>	<u>359,077</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries	140,631	2	(59,882)	(1)
Interest income (Note 33)	5,131	-	2,240	-
Rental income (Note 33)	4,766	-	4,646	-
Other income	4,694	-	1,591	-
Foreign exchange gain or loss, net (Note 25)	(182,314)	(2)	(28,734)	(1)
Gain or loss on valuation of financial instruments	(579)	-	684	-
Other expenses	(925)	-	(20)	-
Interest expense (Note 25)	<u>(35,122)</u>	<u>(1)</u>	<u>(38,224)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(63,718)</u>	<u>(1)</u>	<u>(117,699)</u>	<u>(3)</u>

(Continued)

## DYACO INTERNATIONAL INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 1,602,281	19	\$ 241,378	7
INCOME TAX EXPENSE (Notes 4 and 26)	<u>281,172</u>	<u>3</u>	<u>52,377</u>	<u>1</u>
NET PROFIT	<u>1,321,109</u>	<u>16</u>	<u>189,001</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	(1,058)	-	516	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	206	-	800	-
Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method	(1,259)	-	1,099	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>212</u>	<u>-</u>	<u>(103)</u>	<u>-</u>
	<u>(1,899)</u>	<u>-</u>	<u>2,312</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(68,762)</u>	<u>(1)</u>	<u>(30,961)</u>	<u>(1)</u>
Other comprehensive loss for the period, net of income tax	<u>(70,661)</u>	<u>(1)</u>	<u>(28,649)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,250,448</u>	<u>15</u>	<u>\$ 160,352</u>	<u>5</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 11.69</u>		<u>\$ 2.05</u>	
Diluted	<u>\$ 11.38</u>		<u>\$ 1.82</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)



**DYACO INTERNATIONAL INC.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Share Capital			Retained Earnings			Other Equity		Treasury Shares	Total Equity
	Shares Capital	Advance Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 929,502	\$ -	\$ 738,397	\$ 123,174	\$ 59,258	\$ 145,777	\$ (78,745)	\$ (378)	\$ (172,340)	\$ 1,744,645
Issuance of ordinary shares under employee share options (Note 28)	-	-	17,200	-	-	-	-	-	-	17,200
Changes in capital surplus from investments using the equity method	-	-	1,600	-	-	-	-	-	-	1,600
Appropriation of prior year's earnings										
Legal reserve	-	-	-	10,712	-	(10,712)	-	-	-	-
Special reserve	-	-	-	-	19,865	(19,865)	-	-	-	-
Cash dividends to shareholder - NT\$0.35 per share	-	-	-	-	-	(31,133)	-	-	-	(31,133)
Share dividends to shareholder - NT\$0.35 per share	31,133	-	-	-	-	(31,133)	-	-	-	-
	31,133	-	-	10,712	19,865	(92,843)	-	-	-	(31,133)
Convertible bonds converted to ordinary shares (Note 19)	374	-	1,107	-	-	-	-	-	-	1,481
Net profit for the year ended December 31, 2019	-	-	-	-	-	189,001	-	-	-	189,001
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	413	(30,961)	1,899	-	(28,649)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	189,414	(30,961)	1,899	-	160,352
Disposal of investments in equity instruments designated as at fair value through other comprehensive income from subsidiaries	-	-	-	-	-	(2,372)	-	2,372	-	-
BALANCE AT DECEMBER 31, 2019	961,009	-	758,304	133,886	79,123	239,976	(109,706)	3,893	(172,340)	1,894,145
Issuance of ordinary shares under employee share options (Note 28)	3,000	1,000	121,631	-	-	-	-	-	-	125,631
Equity component of convertible bonds issued by the corporation (Notes 19 and 23)	-	-	12,666	-	-	-	-	-	-	12,666
Changes in capital surplus from investments using the equity method	-	-	558	-	-	-	-	-	-	558
Appropriation of prior year's earnings										
Legal reserve	-	-	-	18,941	-	(18,941)	-	-	-	-
Special reserve	-	-	-	-	26,689	(26,689)	-	-	-	-
Cash dividends to shareholder - NT\$1.15 per share	-	-	-	-	-	(124,321)	-	-	-	(124,321)
	-	-	-	18,941	26,689	(169,951)	-	-	-	(124,321)
Convertible bonds converted to ordinary shares (Note 19)	157,487	14,027	549,273	-	-	-	-	-	-	720,787
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,321,109	-	-	-	1,321,109
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(846)	(68,762)	(1,053)	-	(70,661)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,320,263	(68,762)	(1,053)	-	1,250,448
Issuance of ordinary shares for cash (Note 23)	190,000	-	548,745	-	-	-	-	-	-	738,745
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	-	-	(155,550)	(155,550)
Treasury shares transferred to employees (Note 23)	-	-	(5,172)	-	-	-	-	-	55,239	50,067
BALANCE AT DECEMBER 31, 2020	\$ 1,311,496	\$ 15,027	\$ 1,986,005	\$ 152,827	\$ 105,812	\$ 1,390,288	\$ (178,468)	\$ 2,840	\$ (272,651)	\$ 4,513,176

The accompanying notes are an integral part of the financial statements.

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,602,281	\$ 241,378
Adjustments for:		
Depreciation expense	76,313	79,458
Amortization expense	44,466	40,032
Expected credit loss reversed	(722)	(1,532)
Net loss (gain) on fair value changes of financial instrument at fair value through profit or loss	579	(684)
Interest expense	35,122	38,224
Interest income	(5,131)	(2,240)
Compensation costs of employee share options	109,556	17,200
Share of loss (profit) of subsidiaries accounted for using the equity method	(140,631)	59,882
Gain on disposal of property, plant and equipment	(266)	(15)
Loss on inventories valuation and obsolescence	3,155	-
Unrealized gain on the transactions with subsidiaries	433,270	4,803
Realized gain on the transactions with subsidiaries	(4,785)	(38,170)
Unrealized loss on foreign currency exchange	78,543	36,641
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	24,059
Notes receivable	(597)	2,567
Accounts receivable	(55,605)	3,991
Accounts receivable from related parties	(3,177,128)	(11,794)
Other receivables	(36,341)	3,376
Other receivables from related parties	(211,461)	65,490
Inventories	(441,801)	20,008
Prepayments	(1,115)	(18,762)
Other current assets	11,896	(13,873)
Contract liabilities	26,509	(2,365)
Notes payable	472,449	(157,464)
Accounts payable	625,198	20,209
Accounts payable to related parties	773,234	146,733
Other payables	106,967	20,966
Other payables to related parties	516	(11,945)
Other current liabilities	9,857	17,734
Net defined benefit liabilities	(222)	(166)
Cash generated from operations	334,106	583,741
Interest received	2,514	2,240
Interest paid	(28,124)	(28,954)
Income tax paid	(75,301)	(20,344)
Net cash generated from operating activities	<u>233,195</u>	<u>536,683</u>

(Continued)

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (9,075)	\$ (31,060)
Increase in investments in subsidiaries (Note 13)	(868,701)	(48,144)
Net cash outflow on acquisition of subsidiaries (Note 13)	(230,206)	-
Proceeds from subsidiary's capital reduction	-	58,388
Payments for property, plant and equipment (Note 30)	(60,036)	(24,440)
Proceeds from disposal of property, plant and equipment	480	413
Increase in refundable deposits	(44,478)	(515)
Increase in other receivables from related parties	(3,836)	(67,803)
Payments for intangible assets (Note 30)	(37,701)	(36,067)
Decrease (increase) in other financial assets	<u>119,426</u>	<u>(76,071)</u>
Net cash used in investing activities	<u>(1,134,127)</u>	<u>(225,299)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(110,000)	(81,500)
Proceeds from issuance of convertible bonds	594,648	-
Repayments of bond payables	(100)	-
Proceeds from long-term borrowings	200,000	470,000
Repayments of long-term borrowings	(143,112)	(285,100)
Proceeds from guarantee deposits received	34	100
Repayment of the principal portion of lease liabilities	(2,394)	(1,126)
Cash dividends	(124,321)	(31,133)
Proceeds from issuance of ordinary shares (Note 23)	706,129	32,616
Exercise of employee share options	16,075	-
Payments for buy-back of ordinary shares	(155,550)	-
Proceeds from treasury shares transferred to employees	<u>50,067</u>	<u>-</u>
Net cash generated from financing activities	<u>1,031,476</u>	<u>103,857</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(4,740)</u>	<u>(7,754)</u>
NET INCREASE IN CASH	<u>125,804</u>	<u>407,487</u>
CASH, BEGINNING OF THE YEAR	<u>559,096</u>	<u>151,609</u>
CASH, END OF THE YEAR	<u>\$ 684,900</u>	<u>\$ 559,096</u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

# DYACO INTERNATIONAL INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Dyaco International Inc. (the “Corporation”) was established in 1990. The Corporation mainly manufactures, imports, exports and sells sports equipment and outdoor furniture. The Corporation’s shares have been listed on the Taiwan Stock Exchange since September 20, 2016.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 30, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

As of the date the financial statements were authorized for issue, the Corporation assesses the possible impact that the application of other standards and interpretations did not have material impact on the Corporation’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

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

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

##### **Foreign Currencies**

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Corporation's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

### **Inventories**

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

### **Investments in Subsidiaries**

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are accounted for as equity transactions.

When the Corporation's share of loss of a subsidiary exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. When the Corporation acquires a subsidiary that does not constitute a business, the Corporation appropriately allocates the cost of acquisition to the Corporation's share of the amounts of the identifiable assets acquired (including intangible assets) and liabilities assumed, and the transaction does not give rise to goodwill nor gains.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

### **Property, Plant and Equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation.

Freehold land is not depreciated.

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

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

### **Investment Properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.



## **Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

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

### **a. Financial assets**

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

#### **1) Measurement category**

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

##### **a) Financial assets at FVTPL**

Financial assets classified as at FVTPL are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL are investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

b) Financial assets at amortized cost

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 300 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The Corporation recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### 3) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Financial liabilities

The Corporation derecognizes financial liabilities only when, the Corporation's obligations are discharged or canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### c. Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including cross-currency swap contracts and foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset at FVTPL; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability at FVTPL.

#### d. Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Corporation are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

### **Revenue Recognition**

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

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fitness equipment and outdoor furniture. Sales of these goods are recognized as revenue when the goods are shipped because it is the time when the customer has full the discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

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

b. Revenue from the rendering of services

Revenue is recognized when services are rendered.

### **Leasing**

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

a. The Corporation as lessor

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

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

When a lease includes both land and building elements, the Corporation assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Corporation as lessee

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

Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms.

## **Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan.

## **Share-based Payment Arrangements**

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

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

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

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

### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key Sources of Estimation Uncertainty

a. Write-down of inventories

The obsolete inventory is assessed by performing inventory aging analysis. And the estimation of write-down of inventories is based on cost impairment percentage according to historical experience. In case the actual situation of obsolete inventory is more serious than expected, a material impairment loss may arise.

b. Estimated impairment of goodwill for investments in subsidiaries

Determining whether the goodwill of investments in subsidiaries is impaired requires an estimation of the recoverable amount of the cash-generating units. The calculation of the recoverable amount in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 455	\$ 205
Checking accounts and demand deposits	102,640	48,634
Foreign currency deposits	<u>581,805</u>	<u>510,257</u>
	<u>\$ 684,900</u>	<u>\$ 559,096</u>

The market interest rates of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Demand deposits	0.001%-0.35%	0.001%-0.35%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Convertible bonds options (Note 19)	\$ <u>2,593</u>	\$ <u>-</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Cross-currency swap contracts	\$ 1,685	\$ 2,072
Foreign exchange forward contracts	<u>-</u>	<u>650</u>
	<u>\$ 1,685</u>	<u>\$ 2,722</u>

At the end of the reporting period, outstanding cross-currency swap contracts and foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Cross-currency swap contracts	NTD/USD	2021.06.18-2021.10.12	NTD43,799/USD1,500
<u>December 31, 2019</u>			
Cross-currency swap contracts	NTD/USD	2020.10.29-2020.11.06	NTD150,212/USD5,000
Foreign exchange forward contracts	USD/RMB	2020.01.06-2020.02.11	USD2,900/RMB20,073

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	2020	2019
<u>Non-current</u>		
Foreign investments		
Unlisted shares		
Gomore Inc.	\$ 32,556	\$ 31,860
Uniigym Global Holdings Limited.	<u>8,585</u>	<u>-</u>
	<u>\$ 41,141</u>	<u>\$ 31,860</u>



These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 1,829	\$ 1,232
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 1,829</u>	<u>\$ 1,232</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 226,716	\$ 178,571
Less: Allowance for impairment loss	<u>84,038</u>	<u>85,258</u>
	<u>\$ 142,678</u>	<u>\$ 93,313</u>
<u>Other receivables</u>		
Tax refund receivables	\$ 50,800	\$ 14,408
Others	<u>47</u>	<u>98</u>
	<u>\$ 50,847</u>	<u>\$ 14,506</u>

### a. Notes receivable

The average credit period of sales of goods was 30 to 120 days. In the determination of credit risk, the Corporation takes into consideration any change in credit quality from the invoice date to the reporting date. The Corporation recognizes 100% allowance for impairment loss if notes receivable become overdue.

At the end of the reporting period, there were no overdue notes receivable for which the Corporation recognized allowance for impairment loss.

### b. Accounts receivable

The average credit period of sales of goods was 30 to 120 days. The Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of concluded transactions is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base. The Corporation evaluates the possibility of recoverable amounts based on the past due days of accounts receivable, and measuring the expected credit loss rate by the weighting of the risk of default.

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

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0.05%	0.20%-0.70%	1.84%-7.94%	22.95%-32.94%	44.38%-100%	100%	
Gross carrying amount	\$ 113,497	\$ 28,560	\$ 721	\$ 81	\$ 76	\$ 83,781	\$ 226,716
Loss allowance (Lifetime ECLs)	<u>(62)</u>	<u>(88)</u>	<u>(26)</u>	<u>(25)</u>	<u>(56)</u>	<u>(83,781)</u>	<u>(84,038)</u>
Amortized cost	<u>\$ 113,435</u>	<u>\$ 28,472</u>	<u>\$ 695</u>	<u>\$ 56</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 142,678</u>

December 31, 2019

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0.11%	0.35%-2.03%	3.63%-13.06%	29.23%-38.10%	50.26%-100%	100%	
Gross carrying amount	\$ 86,695	\$ 4,846	\$ 511	\$ 1,967	\$ 403	\$ 84,149	\$ 178,571
Loss allowance (Lifetime ECLs)	<u>(96)</u>	<u>(38)</u>	<u>(43)</u>	<u>(589)</u>	<u>(343)</u>	<u>(84,149)</u>	<u>(85,258)</u>
Amortized cost	<u>\$ 86,599</u>	<u>\$ 4,808</u>	<u>\$ 468</u>	<u>\$ 1,378</u>	<u>\$ 60</u>	<u>\$ -</u>	<u>\$ 93,313</u>

The Corporation's customer New Level UK Ltd. was in severe financial difficulty and went into bankruptcy on February 26, 2018. As of December 31, 2020, accounts receivable from New Level UK Ltd. amounted to NT\$79,163 thousand. Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Corporation recognized loss allowance.

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

	2020	2019
Beginning balance	\$ 85,258	\$ 87,085
Less: Amounts written off	(498)	(295)
Less: Net remeasurement of loss allowance	<u>(722)</u>	<u>(1,532)</u>
Ending balance	<u>\$ 84,038</u>	<u>\$ 85,258</u>

c. Other receivables

Other receivables consist of tax refund receivables and others.

The Corporation adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored.

The Corporation considers the current financial condition of debtors in order to measure twelve-month expected credit losses or lifetime expected credit losses. As of December 31, 2020, the ratio of allowance for impairment loss of other receivables was 0%.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 221,537	\$ 54,434
Work in progress	114,651	50,533
Finished goods	336,034	130,725
Merchandise	<u>38,181</u>	<u>36,065</u>
	<u>\$ 710,403</u>	<u>\$ 271,757</u>

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2020 was \$5,887,412 thousand, including inventory write-downs of \$3,155 thousand and inventory surplus of \$1,347 thousand; and the cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 was \$2,748,860 thousand, including inventory surplus of \$3,275 thousand.

## 11. PREPAYMENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Prepaid expenses	\$ 19,784	\$ 28,075
Prepayments for goods	<u>23,300</u>	<u>14,639</u>
	<u>\$ 43,084</u>	<u>\$ 42,714</u>

## 12. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Restricted deposits	<u>\$ 208,931</u>	<u>\$ 328,357</u>

a. The market interest rates of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Restricted deposits	0.16%-0.30%	0.01%-1.94%

b. The other financial assets pledged as collateral are set out in Note 34.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### a. Investments in subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unlisted companies		
Dyaco International Holding Limited	\$ 1,062,298	\$ 1,365,125
SOLE INC.	926,792	-
President Plastic Products Mfg. Co., Ltd.	258,510	-
Dyaco Europe GmbH	79,979	56,640
Wing Long Co., Ltd.	11,705	10,730
Daan Health Management Consulting Co., Ltd.	9,509	10,888
Dyaco Japan Co., Ltd.	(7,767)	292
Dyaco UK Ltd.	<u>(82,757)</u>	<u>(40,360)</u>
	2,258,269	1,403,315
Add: Credit balance of investments accounted for using the equity method	<u>90,524</u>	<u>40,360</u>
	<u>\$ 2,348,793</u>	<u>\$ 1,443,675</u>
	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Dyaco International Holding Limited	100%	100%
SOLE INC.	100%	-
President Plastic Products Mfg. Co., Ltd.	100%	-
Dyaco Europe GmbH	100%	100%
Wing Long Co., Ltd.	100%	100%
Daan Health Management Consulting Co., Ltd.	100%	100%
Dyaco Japan Co., Ltd.	100%	100%
Dyaco UK Ltd.	100%	100%

- 1) The Corporation acquired interests in subsidiary Wing Long Co., Ltd. for NT\$3,000 thousand and NT\$2,000 thousand in March and December 2020, respectively.
- 2) On January 2, 2020, the board of directors resolved to establish SOLE INC., to purchase 100% equity of Fitness Equipment Services, LLC. Also, the board of directors resolved to acquire interests in SOLE INC. for US\$31,490 thousand (NT\$948,631 thousand). As of December 31, 2020, US\$3,000 thousand (NT\$84,930 thousand) was not paid and recognized as other payables to related parties. In addition, on February 1, 2020, SOLE INC. purchased 100% equity of Fitness Equipment Services, LLC. for US\$31,477 thousand (NT\$948,251 thousand).
- 3) On August 12, 2020, the Corporation purchased 100% equity of President Plastic Products Mfg. Co., Ltd. to acquire land in Dajia District, Taichung City, and planned to build the factory. On December 8, 2020, the Corporation purchased 100% equity of President Plastic Products Mfg. Co., Ltd. for NT\$258,640 thousand. As of December 31, 2020, NT\$28,434 thousand was not paid and recognized as other payables.

For the years ended December 31, 2020 and 2019, the investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments were calculated based on financial statements which have been audited.

b. Estimated impairment of goodwill for investments in subsidiaries

The book value of investment in subsidiary included the goodwill from the acquisition of Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIOfitness GmbH & Co. KG, Dyaco Canada Inc., and Fitness Equipment Services, LLC.

When assessing the impairment, the Corporation distinguishes the minimum identifiable asset from cash inflow. The Corporation and other investments in subsidiaries except for CARDIO fitness GmbH & CO.KG are recognized as a cash generating unit (Group A) and CARDIO fitness GmbH & Co. KG is recognized independently as a cash generating unit (Group B).

On December 31, 2020 and 2019, the management assessed the recoverable amount by value in use of asset's cash-generating unit, and considered financial budget in the future as reference of cash flows. The key assumptions which affected an assessment of the Corporation's recoverable amount and the methods to determine assumed key values are described as follows:

1) Increased rate of main business revenue:

Based on the actual sales situation in the past year, the operating income growth rate of each sales region is considered, and the Corporation's future operating strategy and future market development status are used as the basis for estimating future operating income.

2) Expected gross profit margin:

It is calculated by taking into consideration the average rate of gross profit from sales actually achieved in the past year, and the Corporation's future operating strategy and future market development status as the basis for estimating the expected rate of gross profit from sales.

3) Discount rates

Based on the discounted weighted average capital cost rate (WACC), the discount rate used in the calculation is as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Group A	11.3%	7.3%
Group B	13.2%	8.5%

The Corporation evaluated Group A and B in 2020, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized.

The Corporation evaluated Group A in 2019, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized. For Group B, the recoverable amount was lower than the related carrying amount, and recognized a goodwill impairment loss of \$8,826 thousand as the share of profit or loss of subsidiaries accounted for using the equity method.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportatio n Equipment	Office Equipment	Leasehold Improvements	Total
<u>Cost</u>							
Balance at January 1, 2019	\$ 978,863	\$ 743,389	\$ 382,427	\$ 29,389	\$ 30,340	\$ 3,935	\$ 2,168,343
Additions	-	595	25,680	1,234	616	789	28,914
Reclassification (Note)	-	(24,886)	-	-	-	-	(24,886)
Disposals	-	-	(147)	(1,115)	(521)	(3,798)	(5,581)
Balance at December 31, 2019	<u>978,863</u>	<u>719,098</u>	<u>407,960</u>	<u>29,508</u>	<u>30,435</u>	<u>926</u>	<u>2,166,790</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	-	124,820	236,089	20,848	20,665	3,747	406,169
Depreciation expenses	-	23,739	46,312	2,988	3,674	542	77,255
Reclassification (remark)	-	(1,801)	-	-	-	-	(1,801)
Disposals	-	-	(96)	(822)	(467)	(3,798)	(5,183)
Balance at December 31, 2019	-	<u>146,758</u>	<u>282,305</u>	<u>23,014</u>	<u>23,872</u>	<u>491</u>	<u>476,440</u>
Carrying amounts at December 31, 2019	<u>\$ 978,863</u>	<u>\$ 572,340</u>	<u>\$ 125,655</u>	<u>\$ 6,494</u>	<u>\$ 6,563</u>	<u>\$ 435</u>	<u>\$ 1,690,350</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 978,863	\$ 719,098	\$ 407,960	\$ 29,508	\$ 30,435	\$ 926	\$ 2,166,790
Additions	-	2,352	44,450	7,209	1,023	604	55,638
Disposals	-	-	(1,136)	(3,024)	(978)	-	(5,138)
Balance at December 31, 2020	<u>978,863</u>	<u>721,450</u>	<u>451,274</u>	<u>33,693</u>	<u>30,480</u>	<u>1,530</u>	<u>2,217,290</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	-	146,758	282,305	23,014	23,872	491	476,440
Depreciation expenses	-	22,681	44,508	2,261	2,892	744	73,086
Disposals	-	-	(1,133)	(2,820)	(971)	-	(4,924)
Balance at December 31, 2020	-	<u>169,439</u>	<u>325,680</u>	<u>22,455</u>	<u>25,793</u>	<u>1,235</u>	<u>544,602</u>
Carrying amounts at December 31, 2020	<u>\$ 978,863</u>	<u>\$ 552,011</u>	<u>\$ 125,594</u>	<u>\$ 11,238</u>	<u>\$ 4,687</u>	<u>\$ 295</u>	<u>\$ 1,672,688</u>

Remark: Reclassification to investment properties.

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

Buildings	
Main buildings	15-50 years
Decoration	1-49 years
Machinery equipment	1-11 years
Transportation equipment	2-11 years
Office equipment	1-10 years
Leasehold improvements	1-5 years

Property, plant and equipment used by the Corporation and pledged as collateral for bank borrowings are set out in Note 34.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Buildings	\$ -	\$ 288
Transportation equipment	<u>3,947</u>	<u>6,007</u>
	<u>\$ 3,947</u>	<u>\$ 6,295</u>

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions for right-of-use assets	\$ <u>      -</u>	\$ <u>6,179</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 288	\$ 1,152
Transportation equipment	<u>2,060</u>	<u>172</u>
	<u>\$ 2,348</u>	<u>\$ 1,324</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	\$ <u>2,062</u>	\$ <u>2,312</u>
Non-current	\$ <u>1,921</u>	\$ <u>3,983</u>

Ranges of discount rates for lease liabilities were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Buildings	-	1.62%
Transportation equipment	1.65%	1.65%

c. Material lease-in activities and terms

The Corporation leases company cars and certain buildings for the use of offices with lease terms of 2 to 3 years. The Corporation does not have bargain purchase options to acquire the cars and buildings at the end of the lease terms.

d. Other information

Operating leases relate to leases of investment properties are set out in Note 16.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	\$ <u>1,205</u>	\$ <u>549</u>
Total cash outflow for leases	\$ <u>(3,599)</u>	\$ <u>(1,675)</u>

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

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Reclassification	<u>24,886</u>
Balance at December 31, 2019	<u>24,886</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	-
Reclassification	1,801
Depreciation expenses	<u>879</u>
Balance at December 31, 2019	<u>2,680</u>
Carrying amount at December 31, 2019	<u>\$ 22,206</u>
<u>Cost</u>	
Balance at January 1, 2020 and December 31, 2020	<u>\$ 24,886</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	2,680
Depreciation expenses	<u>879</u>
Balance at December 31, 2020	<u>3,559</u>
Carrying amount at December 31, 2020	<u>\$ 21,327</u>

The investment properties were leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 2,814	\$ 3,399
Year 2	<u>-</u>	<u>195</u>
	<u>\$ 2,814</u>	<u>\$ 3,594</u>

The investment properties used by the Corporation are depreciated on a straight-line basis over 27 to 33 years.

During 2019, the Corporation reclassified property, plant and equipment which are leased out for rental revenue as investment property. As of December 31, 2020 and 2019, the fair value of investment property located in Zhongshan District, Taipei City was \$23,294 thousand and \$32,507 thousand, respectively. The determination of fair value was not performed by independent qualified professional valuers. The management of the Corporation used the market-based evidence of transaction price of property, plant and equipment in determining the fair value.



## 17. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Royalty</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2019	\$ 46,178	\$ 163,060	\$ 209,238
Additions	<u>14,407</u>	<u>-</u>	<u>14,407</u>
Balance at December 31, 2019	<u>60,585</u>	<u>163,060</u>	<u>223,645</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2019	31,645	32,612	64,257
Amortization expenses	<u>7,420</u>	<u>32,612</u>	<u>40,032</u>
Balance at December 31, 2019	<u>39,065</u>	<u>65,224</u>	<u>104,289</u>
Carrying amounts at December 31, 2019	<u>\$ 21,520</u>	<u>\$ 97,836</u>	<u>\$ 119,356</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 60,585	\$ 163,060	\$ 223,645
Additions	<u>6,630</u>	<u>10,018</u>	<u>16,648</u>
Balance at December 31, 2020	<u>67,215</u>	<u>173,078</u>	<u>240,293</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2020	39,065	65,224	104,298
Amortization expenses	<u>9,122</u>	<u>35,344</u>	<u>44,466</u>
Balance at December 31, 2020	<u>48,187</u>	<u>100,568</u>	<u>148,755</u>
Carrying amounts at December 31, 2020	<u>\$ 19,028</u>	<u>\$ 72,510</u>	<u>\$ 91,538</u>

The Corporation signed royalty agreements for a duration of authorization from January 1, 2018 to December 31, 2023 with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as royalty in intangible assets at the beginning of authorization period, and the related liability was recognized as long-term payable as well as current portion of long-term payable. The interest expenses were calculated by the effective interest method.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-5 years
Royalty	5 years

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Unsecured borrowings	\$ 393,100	\$ 568,100
Secured borrowings	<u>751,900</u>	<u>686,900</u>
	<u>\$ 1,145,000</u>	<u>\$ 1,255,000</u>
Range of interest rates		
Unsecured borrowings	0.68%-1.25%	1.18%-1.50%
Secured borrowings	1.15%-1.63%	1.34%-1.48%

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Mega Bank	\$ 382,900	\$ 277,700
Taishin Bank	187,500	202,500
Taiwan Cooperative Bank	179,267	180,000
Bank SinoPac	134,068	155,753
Chang Hua Bank	<u>27,043</u>	<u>37,937</u>
	910,778	853,890
Less: Current portion	<u>158,021</u>	<u>109,207</u>
	<u>\$ 752,757</u>	<u>\$ 744,683</u>

- 1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of December 31, 2020 and 2019, the borrowings were \$20,400 thousand and \$30,600 thousand, respectively, at the annual borrowing interest rate was 1.38% and 1.65%, respectively. In September 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2024. As of December 31, 2020 and 2019, the borrowings were \$195,500 thousand and \$247,100 thousand, respectively, at the annual borrowing interest rate was 1.40% and 1.65%, respectively. In February 2020, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to February 2025. As of December 31, 2020 the amount of borrowings was \$167,000 thousand, at the annual borrowing interest rate was 1.45%.
- 2) Secured borrowings from Taishin Bank: In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2020 and 2019, the borrowings were \$156,000 thousand and \$162,000 thousand, respectively, at annual interest rate of 1.23% and 1.45%, respectively. In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2024. As of December 31, 2020 and 2019, the borrowings were \$31,500 thousand and \$40,500 thousand, respectively, at annual interest rate of 1.23% and 1.45%, respectively.
- 3) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of December 31, 2020 and 2019, the annual interest rate was 1.40% and 1.48%, respectively.

- 4) Secured borrowings from Bank SinoPac: In 2009, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2020 and 2019, the borrowings were \$33,846 thousand and \$43,077 thousand, respectively, at annual interest rate of 1.44% and 1.71%, respectively. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of December 31, 2020 and 2019, the borrowings were \$90,913 thousand and \$100,081 thousand, respectively, at annual interest rate of 1.26% and 1.51%, respectively. In 2016, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of December 31, 2020 and 2019, the borrowings were \$9,309 thousand and \$12,595 thousand, respectively, at annual interest rate of 1.33% and 1.60%, respectively.
- 5) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of December 31, 2020 and 2019, the annual borrowing interest rates were 1.50% and 2.06%, respectively.

## 19. BONDS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Secured domestic convertible bonds	\$ 462,372	\$ 592,874
Less: Current portion	<u>-</u>	<u>(592,874)</u>
	<u>\$ 462,372</u>	<u>\$ -</u>

- a. On September 20, 2017, the Corporation issued 0% three-year secured domestic convertible bonds at 100.5% of face value of \$600,000 thousand for the first time, with maturity date on September 20, 2020, totaling \$603,000 thousand. The convertible bonds are guaranteed by Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$40.1. Conversion may occur at any time between December 21, 2017 and September 20, 2020.

According to restrictions for first-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from December 21, 2017 to August 11 2020, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The record date that the holder is entitled to sell back the convertible bond in advance is September 20, 2019. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 30-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0025% of face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.31% per annum on initial recognition.

During 2019, the amount of convertible bonds of NT\$1,500 thousand was reclassified to share capital at NT\$374 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$40 thousand and NT\$19 thousand, respectively. The capital surplus - options of NT\$1,147 thousand was recognized on the conversion date.

During 2020, the amount of convertible bonds of NT\$598,400 thousand was reclassified to share capital at NT\$157,487 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$15,762 thousand and NT\$646 thousand, respectively. The capital surplus - options of NT\$456,029 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of \$8,943 thousand)	\$ 594,057
Equity component (less transaction costs allocated to the equity component of \$238 thousand)	(15,802)
Financial liabilities held for trading - selling options	<u>(1,426)</u>
Liability component at the date of issue	576,829
Interest charged at an effective interest rate of 1.31%	17,526
Convertible bonds converted to ordinary shares	<u>(1,481)</u>
Liability component at December 31, 2019	592,874
Interest charged at an effective interest rate of 1.31%	4,980
Convertible bonds converted to ordinary shares	(597,754)
Repayment at September 20, 2020	<u>(100)</u>
Liability component at December 31, 2020	<u>\$ -</u>

Financial liabilities held for trading - selling options are measured at FVTPL. Gain on changes in fair value of financial liabilities held for trading - selling options was \$3,406 thousand for the year ended December 31, 2019.

- b. On August 24, 2020, the Corporation issued 0% three-year secured domestic convertible bonds at 100.5% of face value of \$600,000 thousand for the second time, with maturity date of August 24, 2023, totaling \$603,000 thousand. The convertible bonds are guaranteed by Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$89.9. Conversion may occur at any time between November 25, 2020 and August 24, 2023.

According to restrictions for second-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from November 25, 2020 to July 15, 2023, if the closing price of ordinary shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

During 2020, the amount of convertible bonds of NT\$126,100 thousand was reclassified to advance share capital at NT\$14,027 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$2,662 thousand and NT\$3,067 thousand, respectively. The capital surplus - options of NT\$111,668 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of \$8,352 thousand)	\$ 594,648
Equity component (less transaction costs allocated to the equity component of \$178 thousand)	(12,666)
Financial assets at fair value through profit or loss - options	<u>1,487</u>
Liability component at the date of issue	583,469
Interest charged at an effective interest rate of 0.93%	1,936
Convertible bonds converted to ordinary shares	<u>(123,033)</u>
Liability component at December 31, 2020	<u>\$ 462,372</u>

Financial assets at fair value through profit or loss - options are measured at FVTPL. Gain on changes in fair value of financial assets at fair value through profit or loss - options was \$1,106 thousand for the year ended December 31, 2020.

## 20. NOTES PAYABLE AND ACCOUNTS PAYABLE

### a. Notes payable

The Corporation issues notes payable for payment and business expenditure.

### b. Accounts payable

The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 21. OTHER PAYABLE AND LONG-TERM PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Payables for royalties (Note 17)	\$ 75,130	\$ 53,545
Payables for salaries and bonuses	72,369	39,313
Payables for freight	36,927	13,844
Payables for investments (Note 13 a)	28,434	-
Payables for employee benefits	16,236	2,451
Payables for insurance	11,850	8,918
Payables for labor costs	8,071	7,004
Payables for compensation of employees	7,484	7,765
Payables for remuneration of directors	5,055	1,225
Payables for purchases of equipment	4,289	4,306
Others	<u>51,237</u>	<u>21,911</u>
	<u>\$ 317,082</u>	<u>\$ 160,282</u>
<u>Non-current</u>		
Payables for royalties (Note 17)	<u>\$ 25,878</u>	<u>\$ 68,460</u>

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. However, the pension funded by the Corporation in accordance with the Labor Standards Law was sufficient. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 30,794	\$ 29,207
Fair value of plan assets	<u>(10,395)</u>	<u>(9,644)</u>
Deficit	<u>20,399</u>	<u>19,563</u>
Net defined benefit liabilities	<u>\$ 20,399</u>	<u>\$ 19,563</u>

Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2019	<u>\$ 29,124</u>	<u>\$ (8,879)</u>	<u>\$ 20,245</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>290</u>	<u>(88)</u>	<u>202</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(309)	(309)
Actuarial loss - changes in financial assumptions	767	-	767
Actuarial gain - changes in demographic assumptions	(9)	-	(9)
Actuarial gain - experience adjustments	<u>(965)</u>	<u>-</u>	<u>(965)</u>
Recognized in other comprehensive income	<u>(207)</u>	<u>(309)</u>	<u>(516)</u>
Contributions from employer	<u>-</u>	<u>(368)</u>	<u>(368)</u>
Balance at December 31, 2019	<u>\$ 29,207</u>	<u>\$ (9,644)</u>	<u>\$ 19,563</u> (Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2020	<u>\$ 29,207</u>	<u>\$ (9,644)</u>	<u>\$ 19,563</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>217</u>	<u>(71)</u>	<u>146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(312)	(312)
Actuarial loss - changes in financial assumptions	1,357	-	1,357
Actuarial loss - changes in demographic assumptions	30	-	30
Actuarial gain - experience adjustments	<u>(17)</u>	<u>-</u>	<u>(17)</u>
Recognized in other comprehensive income	<u>1,370</u>	<u>(312)</u>	<u>1,058</u>
Contributions from employer	<u>-</u>	<u>(368)</u>	<u>(368)</u>
Balance at December 31, 2020	<u>\$ 30,794</u>	<u>\$ (10,395)</u>	<u>\$ 20,399</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 42	\$ 59
Selling and marketing expenses	12	16
General and administrative expenses	50	68
Research and development expenses	<u>42</u>	<u>59</u>
	<u>\$ 146</u>	<u>\$ 202</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.30%	0.75%
Expected rate(s) of salary increase	2.00%	2.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (767)</u>	<u>\$ (767)</u>
0.25% decrease	<u>\$ 796</u>	<u>\$ 798</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 781</u>	<u>\$ 786</u>
0.25% decrease	<u>\$ (756)</u>	<u>\$ (759)</u>

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plans for the next year	<u>\$ 505</u>	<u>\$ 367</u>
Average duration of the defined benefit obligation	10 years	10 years

## 23. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>150,000</u>
Share capital authorized	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>131,149</u>	<u>96,100</u>
Ordinary shares issued	<u>\$ 1,311,496</u>	<u>\$ 961,009</u>

A holder of issued ordinary shares with par value of \$10 is entitled to vote and to receive dividends.

The Corporation's board of directors resolved to increase cash capital on September 17, 2019 through issuance of 19,000,000 shares, which was approved by the Financial Supervisory Commission on October 28, 2019 in accordance with Rule No. 1080333602. The base date of capital increase was January 13, 2020. The issued price is \$39 and paid-up capital is \$741,000 thousand.



b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 1,269,348	\$ 704,409
Conversion of bonds	568,844	1,147
Treasury shares transaction	37,685	-
<u>May only be used to offset a deficit</u>		
Conversion of employee share options	1,460	1,460
<u>May not be used for any purpose</u>		
Conversion of bonds	10,004	15,762
Employee share options	94,878	32,298
Employee share options in subsidiaries	<u>3,786</u>	<u>3,228</u>
	<u>\$ 1,986,005</u>	<u>\$ 758,304</u>

The capital surplus generated from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

The balance adjustment in capital surplus for the years ended December 31 in 2020 and 2019 was as follows:

	Issuance of Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	Conversion of Employee Share Options	Conversion of Bond-options	Employee Share Options	Employee Share Options in Subsidiaries
Balance at January 1, 2020	\$ 704,409	\$ 1,147	\$ -	\$ 1,460	\$ 15,762	\$ 32,298	\$ 3,228
Increase cash capital	548,745	-	-	-	-	-	-
Convertible bond premium	-	567,697	-	-	(18,424)	-	-
Exercise of employee share options	16,194	-	-	-	-	(4,119)	-
Compensation costs of employee share options (Note)	-	-	-	-	-	109,556	558
Treasury shares transferred to employees	-	-	37,685	-	-	(42,857)	-
Issuance of convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,666</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,269,348</u>	<u>\$ 568,844</u>	<u>\$ 37,685</u>	<u>\$ 1,460</u>	<u>\$ 10,004</u>	<u>\$ 94,878</u>	<u>\$ 3,786</u>
Balance at January 1, 2019	\$ 704,409	\$ -	\$ -	\$ 1,460	\$ 15,802	\$ 15,098	\$ 1,628
Compensation costs of employee share options	-	-	-	-	-	17,200	1,600
Convertible bond premium	<u>-</u>	<u>1,147</u>	<u>-</u>	<u>-</u>	<u>(40)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 704,409</u>	<u>\$ 1,147</u>	<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ 15,762</u>	<u>\$ 32,298</u>	<u>\$ 3,228</u>

Note: On December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer treasury shares to employees. In accordance with the actuarial report, compensation costs recognized by the Corporation were \$61,680 thousand and \$42,857 thousand, respectively, and compensation cost of employees' shares recognized was \$5,577 thousand.

c. Retained earnings and dividend policy

The Corporation has resolved the amended Articles on May 30, 2019, which authorize special resolution the board of directors to distribute the dividends and bonuses, or all or part of the legal reserve and capital surplus in cash and reported to the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings from previous years shall be used by the Corporation's board of directors as the basis for proposing a distribution plan of new issued shares which should be resolved in the shareholders' meeting for the distribution. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 25-d.

The Corporation considered overall business environment, industrial growth, undistributed retained earnings, capital surplus, financial structure, and operating condition for the distribution of earnings in order to maintain stable development and secure equity of investors. The appropriations of earnings should be higher than ten percent of undistributed retained earnings. If the undistributed retained earnings are less than one percent of the paid-in capital, then the earnings shall be transferred to retained earnings and not distributed to shareholders. The Corporation is entitled to distribute bonuses in shares or in cash; cash bonus should not be less than ten percent of total bonuses. If cash bonus will be less than \$1 per share, then the Corporation shall distribute all bonuses in shares.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meeting on May 28, 2020 and May 30, 2019, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> (NT\$)	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 18,941	\$ 10,712		
Special reserve	26,689	19,865		
Cash dividends (Note)	124,321	31,133	\$ 1.15	\$ 0.35
Share dividends	-	31,133	-	0.35

Note: The appropriation of earnings for 2019 has been proposed by the Corporation board of directors and reported to the shareholders' meeting under the dividends policy as set forth in the Articles.

The appropriation of earnings for 2020 had been proposed by the Corporation's board of directors on March 30, 2021. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 132,026	
Special reserve	69,816	
Cash dividends	953,027	\$7.50

The appropriations of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on May 28, 2021.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

The exchange differences on translating the net assets of foreign operations from its functional currency to the Corporation's presentation currency (NTD) are recognized as exchange differences on translating the financial statements of foreign operations under other comprehensive income.

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 3,893	\$ (378)
Recognized for the year		
Unrealized gain (loss) on equity instruments	206	800
Share from subsidiaries accounted for using the equity method	(1,259)	1,099
Cumulative unrealized gain (loss) on equity instruments transferred to retained earnings upon disposal	<u>-</u>	<u>2,372</u>
Balance at December 31	<u>\$ 2,840</u>	<u>\$ 3,893</u>

e. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2019	4,000
Increase during the year	<u>-</u>
Number of shares at December 31, 2019	<u>4,000</u>
Number of shares at January 1, 2020	4,000
Increase during the year	4,565
Decrease during the year	<u>(1,443)</u>
Number of shares at December 31, 2020	<u>7,122</u>

On December 21, 2017, the Corporation's board of directors resolved to redeem 4,000 thousand shares at \$30 to \$50 per share from December 22, 2017 to February 21, 2018. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 4,000 thousand shares, with total cost of \$172,340 thousand.

On February 21, 2020, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$30 to \$50 per share from February 24, 2020 to April 23, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 3,000 thousand shares, with total cost of \$104,927 thousand.

On March 20, 2020, the Corporation's board of directors resolved to redeem 4,500 thousand shares at \$25 to \$45 per share from March 23, 2020 to May 19, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 1,565 thousand shares, with total cost of \$50,623 thousand.

On December 25, 2020 and June 29, 2020, the Corporation's board of directors resolved to transfer 748 thousand and 1,443 thousand shares of treasury shares to employees, respectively.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 24. REVENUE

### a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable (Note 9)	<u>\$ 1,829</u>	<u>\$ 1,232</u>	<u>\$ 3,799</u>
Accounts receivable (Note 9)	<u>\$ 142,678</u>	<u>\$ 93,313</u>	<u>\$ 99,424</u>
Accounts receivable from related parties (Note 33)	<u>\$ 4,189,287</u>	<u>\$ 1,061,571</u>	<u>\$ 1,074,821</u>
Contract liabilities			
Sale of goods	<u>\$ 29,640</u>	<u>\$ 4,191</u>	<u>\$ 7,241</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Corporation's performance and the respective customer's payment.

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 4,191</u>	<u>\$ 7,138</u>

b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Sale of goods	\$ 7,920,362	\$ 3,517,000
Others	<u>565,548</u>	<u>27,844</u>
	<u>\$ 8,485,910</u>	<u>\$ 3,544,844</u>

c. Partially completed contracts

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Sale of goods		
From January 2019 to December 2019	\$ -	\$ 4,191
From January 2020 to December 2020	<u>29,640</u>	<u>-</u>
	<u>\$ 29,640</u>	<u>\$ 4,191</u>

## 25. NET PROFIT

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 73,086	\$ 77,255
Right-of-use assets	2,348	1,324
Investment properties	879	879
Intangible assets	<u>44,466</u>	<u>40,032</u>
	<u>\$ 120,779</u>	<u>\$ 119,490</u>
An analysis of depreciation by function		
Operating costs	\$ 59,398	\$ 62,157
Operating expenses	16,036	16,422
Other operating income and expenses	<u>879</u>	<u>879</u>
	<u>\$ 76,313</u>	<u>\$ 79,458</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>44,466</u>	<u>40,032</u>
	<u>\$ 44,466</u>	<u>\$ 40,032</u>

b. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Product service revenue	\$ 249,660	\$ 60,621
Gain on disposal of property, plant and equipment	<u>266</u>	<u>15</u>
	<u>\$ 249,926</u>	<u>\$ 60,636</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 22)		
Defined contribution plan	\$ 16,554	\$ 15,824
Defined benefit plans	<u>146</u>	<u>202</u>
	<u>16,700</u>	<u>16,026</u>
Compensation of employees	558,197	372,495
Labor and national health insurance expenses	34,155	35,421
Other employee benefits	19,391	12,751
Emoluments of directors	<u>13,439</u>	<u>7,898</u>
	<u>625,182</u>	<u>428,565</u>
 Total employee benefits expense	 <u>\$ 641,882</u>	 <u>\$ 444,591</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 287,065	\$ 199,339
Operating expenses	<u>354,817</u>	<u>245,252</u>
	<u>\$ 641,882</u>	<u>\$ 444,591</u>

d. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2020 and 2019 which had been approved by the Corporation's board of directors on March 30, 2021 and March 27, 2020, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	1.00%	1.00%
Remuneration of directors	0.31%	0.50%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 16,236	\$ 2,451
Remuneration of directors	5,055	1,225

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 58,074	\$ 74,927
Foreign exchange losses	<u>(240,388)</u>	<u>(103,661)</u>
Net losses	<u>\$ (182,314)</u>	<u>\$ (28,734)</u>

f. Interest expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 28,124	\$ 30,456
Interest on convertible bonds	6,916	7,746
Interest on lease liabilities	<u>82</u>	<u>22</u>
	<u>\$ 35,122</u>	<u>\$ 38,224</u>

## 26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 388,405	\$ 64,994
Adjustments for prior periods	<u>(6,370)</u>	<u>2,838</u>
	382,035	67,832
Deferred tax		
In respect of the current year	<u>(100,863)</u>	<u>(15,455)</u>
Income tax expense recognized in profit or loss	<u>\$ 281,172</u>	<u>\$ 52,377</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	\$ <u>1,602,281</u>	\$ <u>241,378</u>
Income tax expense calculated at the statutory rate	\$ 320,456	\$ 48,276
Nondeductible expenses in determining taxable income	1,115	749
Investment credits	(14,322)	-
Adjustments for prior years' tax	(6,370)	2,838
Unrealized deductible temporary differences	(648)	(1,741)
Adjustments for deferred tax between the Corporation's transaction	<u>(19,059)</u>	<u>2,255</u>
Income tax expense recognized in profit or loss	\$ <u>281,172</u>	\$ <u>52,377</u>

b. Income tax recognized in other comprehensive income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plan	\$ <u>212</u>	\$ <u>(103)</u>

c. Current tax assets and liabilities

	<b><u>December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Current tax liabilities		
Income tax payable	\$ <u>355,708</u>	\$ <u>48,974</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 17,890	\$ 113,048	\$ -	\$ 130,938
Investment loss recognized under the equity method	85,395	6,924	-	92,319
Allowance for impairment loss	14,887	-	-	14,887
Write-down of inventories	10,126	630	-	10,756

(Continued)



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Defined benefit obligations	\$ 3,944	\$ (34)	\$ 212	\$ 4,122
Unrealized financial instrument loss, net	-	116	-	116
Unrealized foreign exchange loss, net	7,328	16,253	-	23,581
Payables for annual leave	1,554	(57)	-	1,497
Provisions	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
	<u>\$ 141,565</u>	<u>\$ 136,880</u>	<u>\$ 212</u>	<u>\$ 278,657</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain recognized under the equity method	\$ 72,930	\$ 36,157	\$ -	\$ 109,087
Unrealized financial instrument gain, net	<u>140</u>	<u>(140)</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,070</u>	<u>\$ 36,017</u>	<u>\$ -</u>	<u>\$ 109,087</u> (Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 25,183	\$ (7,293)	\$ -	\$ 17,890
Investment loss recognized under the equity method	51,751	33,644	-	85,395
Allowance for impairment loss	13,793	1,094	-	14,887
Write-down of inventories	9,791	335	-	10,126
Defined benefit obligations	4,086	(39)	(103)	3,944
Unrealized financial instrument loss, net	1,409	5,919	-	7,328
Payables for annual leave	1,553	1	-	1,554
Provisions	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
	<u>\$ 108,007</u>	<u>\$ 33,661</u>	<u>\$ (103)</u>	<u>\$ 141,565</u> (Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment gain recognized under the equity method	\$ 50,568	\$ 22,362	\$ -	\$ 72,930
Unrealized financial instrument gain, net	<u>4,296</u>	<u>(4,156)</u>	<u>-</u>	<u>140</u>
	<u>\$ 54,864</u>	<u>\$ 18,206</u>	<u>\$ -</u>	<u>\$ 73,070</u> (Concluded)

e. Income tax assessments

The income tax returns of the Corporation through 2018 have been assessed by the tax authorities.

## 27. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net profit for the period is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Profit for the year attributable to owners of the Corporation	\$ <u>1,321,109</u>	\$ <u>189,001</u>
Earnings used in the computation of basic earnings per share	\$ 1,321,109	\$ 189,001
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax) and gain on financial assets at FVTPL	<u>4,647</u>	<u>6,197</u>
Earnings used in the computation of diluted earnings per share	\$ <u>1,325,756</u>	\$ <u>195,198</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	113,033	92,069
Effect of potentially dilutive ordinary shares		
Compensation of employees	155	65
Convertible bonds	1,874	14,963
Employee share options*	<u>1,485</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>116,547</u>	<u>107,097</u>

- \* The employee share options for the year ended December 31, 2019 were not used in the computation of diluted earnings per share due to anti-dilutive effect.

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share options

Qualified employees of the Corporation and its subsidiaries were granted 4,000 options in December 2017. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 6 years and exercisable at the following schedule after the second anniversary from the grant date.

- 1) The options are exercisable at fifty percent after the second anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the third anniversary from the grant date.
- 3) The options are fully exercisable after the fourth anniversary from the grant date.

The options were granted at an exercise price equal to the closing price of the Corporation's ordinary shares at the grant date. For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
<b>Employee Share Options</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	4,000	\$ 40.45	4,000	\$ 42.95
Options exercised	<u>(400)</u>	40.45	<u>-</u>	-
Balance at December 31	<u>3,600</u>		<u>4,000</u>	
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 10.42</u>		<u>\$ 10.42</u>	

As of the balance sheet date, outstanding options were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Range of exercise price (\$)	\$ 40.1	\$ 41.6
Weighted-average remaining contractual life (in years)	3 years	4 years

Options granted in December 2017 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>December 2017</b>
Grant-date share price	\$42.95
Exercise price	\$42.95
Expected volatility	28.17%
Expected life (in years)	4-5 years
Expected dividend yield	-
Risk-free interest rate	0.63%-0.71%

Expected volatility was based on the annualized standard deviation of daily returns of the Corporation's historical share price over the expected life of the employee share options.

The abovementioned employee share option certificate was exercised by the holder, and recognized the capital reserve - ordinary shares premium of \$12,075 thousand.

Compensation costs recognized by the Corporation and its subsidiaries were \$5,019 thousand and \$558 thousand for the year ended December 31, 2020, respectively.

Compensation costs recognized by the Corporation and its subsidiaries were \$17,200 thousand and \$1,600 thousand for the year ended December 31, 2019, respectively.

b. Treasury shares transferred to employees

1) The first treasury shares transferred to employees in 2020

Qualified employees of the Corporation were granted 1,443 thousand treasury share options on July 3, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

<b>Employee Share Options</b>	<b>For the Year Ended December 31, 2020</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	\$ -	\$ -
Options granted	1,443	34.80
Options exercised	<u>(1,443)</u>	34.80
Balance at December 31	<u>=====</u> -	
Options exercisable, end of period	<u>=====</u> -	
Weighted-average fair value of options granted (\$)	<u>\$ 29.70</u>	

The base date of employee share options was July 3, 2020. Employees exercised the treasury share options from July 3 to July 17, 2020, and the weighted average share price of the treasury share options exercised is \$34.80 on the day of exercise.

Options granted in July 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>July 2020</b>
Grant-date share price	\$64.50
Exercise price	\$34.80
Expected volatility	41.81%
Expected life (in days)	15 days
Risk-free interest rate	0.29%

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Corporation was \$42,857 thousand for the year ended December 31, 2020.

2) The second treasury shares transferred to employees in 2020

Qualified employees of the Corporation were granted 748 thousand treasury share options on December 25, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

<b>Employee Share Options</b>	<b>For the Year Ended December 31, 2020</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	-	\$ -
Options granted	<u>748</u>	30.54
Balance at December 31	<u><u>748</u></u>	
Options exercisable, end of period	<u><u>748</u></u>	
Weighted-average fair value of options granted (\$)	<u><u>\$ 82.46</u></u>	

Options granted in December 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>December 2020</b>
Grant-date share price	\$113.00
Exercise price	\$30.54
Expected volatility	61.05%
Expected life (in days)	24 days
Risk-free interest rate	0.18%

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation cost recognized by the Corporation was \$61,680 thousand for the year ended December 31, 2020.

## 29. ACQUISITION OF A SUBSIDIARY THAT DOES NOT CONSTITUTE A BUSINESS

Due to the demand of production capacity for business expansion, on December 8, 2020, the Corporation acquired 100% of the equity shares of President Plastic Products MFG. Co., Ltd. at a consideration of \$258,640 thousand. In accordance with IFRS 3, the Corporation evaluated and concluded that the acquired shares of President Plastic Products MFG. Co., Ltd. did not constitute a business; therefore, the share purchase transaction is accounted for as acquisition of a group of assets. For details about the disposal of President Plastic Products MFG. Co., Ltd., refer to Note 33 to the Corporation's financial statements for the year ended December 31, 2020.

## 30. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Corporation entered into the following partial cash transactions:

### a. From cash investing activities

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 55,638	\$ 28,914
Changes in prepayments for purchases of equipment	4,381	(168)
Changes in payables for purchase of equipment	<u>17</u>	<u>(4,306)</u>
Cash paid	<u>\$ 60,036</u>	<u>\$ 24,440</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 16,648	\$ 14,407
Changes in payables for royalties	20,997	25,202
Changes in prepayments for purchases of plant and equipment	<u>56</u>	<u>(3,542)</u>
Cash paid	<u>\$ 37,701</u>	<u>\$ 36,067</u>

### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			Assets Component	Equity Component	Interests	
Short-term borrowings	\$ 1,255,000	\$ (110,000)	\$ -	\$ -	\$ -	\$ 1,145,000
Bonds payable	592,874	594,548	1,487	(733,453)	6,916	462,372
Long-term borrowings	853,890	56,888	-	-	-	910,778
Guarantee deposits received	767	34	-	-	-	801
Lease liabilities	<u>6,295</u>	<u>(2,394)</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>3,983</u>
	<u>\$ 2,708,826</u>	<u>\$ 539,076</u>	<u>\$ 1,487</u>	<u>\$ (733,453)</u>	<u>\$ 6,998</u>	<u>\$ 2,522,934</u>

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Equity Component	Interests	
Short-term borrowings	\$ 1,336,500	\$ (81,500)	\$ -	\$ -	\$ -	\$ 1,255,000
Bonds payable	586,609	-	-	(1,481)	7,746	592,874
Long-term borrowings	668,990	184,900	-	-	-	853,890
Guarantee deposits received	667	100	-	-	-	767
Lease liabilities	<u>1,220</u>	<u>(1,126)</u>	<u>6,179</u>	<u>-</u>	<u>22</u>	<u>6,295</u>
	<u>\$ 2,593,986</u>	<u>\$ 102,374</u>	<u>\$ 6,179</u>	<u>\$ (1,481)</u>	<u>\$ 7,768</u>	<u>\$ 2,708,826</u>

### 31. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

### 32. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Corporation believes the carrying amounts of the financial assets and financial liabilities not carried at fair value except for bonds payable are approximately equal to their fair values.

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	<u>\$ 462,372</u>	<u>\$ -</u>	<u>\$ 466,792</u>	<u>\$ -</u>	<u>\$ 466,792</u>

December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	<u>\$ 592,874</u>	<u>\$ -</u>	<u>\$ 597,180</u>	<u>\$ -</u>	<u>\$ 597,180</u>

The fair values of the financial liabilities included in the Level 2 categories above have been determined in accordance with a binomial-tree model for convertible bond pricing.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Convertible bonds option	\$ -	\$ 2,593	\$ -	\$ 2,593
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 41,141	\$ 41,141
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 1,685	\$ -	\$ 1,685

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 31,860	\$ 31,860
Financial liabilities at FVTPL				
Derivative financial assets				
Swap contracts	\$ -	\$ 2,072	\$ -	\$ 2,072
Foreign exchange forward contracts	-	650	-	650
	\$ -	\$ 2,722	\$ -	\$ 2,722

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2020

<u>Financial assets</u>	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2020	\$ 31,860
Purchases	9,075
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	206
Balance at December 31, 2020	<u>\$ 41,141</u>



For the year ended December 31, 2019

	<b>Financial Assets at FVTOCI</b>
<u>Financial assets</u>	
Balance at January 1, 2019	\$ -
Purchases	31,060
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	<u>800</u>
Balance at December 31, 2019	<u>\$ 31,860</u>

3) Valuation techniques and assumptions applied for fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Foreign unlisted shares	The fair values of non-publicly traded equity investments are mainly determined by using the income approach and asset approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The asset approach measures the total value of individual assets and individual liabilities included in the valuation objectives.
Derivative financial instruments - swap contracts and foreign exchange forward contracts	Swap contracts and foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - put options	Binomial-tree model for convertible bond pricing:  The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.

The use of estimates and hypotheses of the Corporation's valuation method is consistent with the market participants, when pricing such financial instruments.

c. Categories of financial instruments

	<u>December 31</u>	
	2020	2019
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 2,593	\$ -
Financial assets at amortized cost (Note 1)	5,669,891	2,223,494
Financial assets at FVTOCI - equity instruments	41,141	31,860
<u>Financial liabilities</u>		
FVTPL		
Held for trading	1,685	2,722
Amortized cost (Note 2)	5,681,369	3,827,091

Note 1: The balances included financial assets measured at amortized cost, which comprised cash, notes receivable, accounts receivable, accounts receivable from related parties, other receivables from related parties, partial other receivables, other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, accounts payable to related parties, other payable to related parties, bonds payable, long-term borrowings, other non-current liabilities, partial other payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Corporation's major financial instruments include accounts receivable, accounts payable, and borrowings. The Corporation's corporate treasury function coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk.

The Corporation seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Corporation's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities are set out in Note 36.

Sensitivity analysis

The Corporation is mainly exposed to the U.S. dollars, Renminbi, Euro and British Pound.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency strengthening (weakening) 5% against the relevant currency.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (242,137)	\$ (72,369)	\$ 10,809	\$ 15,560

	<b>EUR Impact</b>		<b>GBP Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (4,902)	\$ (4,421)	\$ (9,994)	\$ (7,007)

b) Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 208,923	\$ 328,353
Financial liabilities	1,542,363	1,556,174
Cash flow interest rate risk		
Financial assets	683,754	558,755
Financial liabilities	1,080,778	1,273,890

Sensitivity analysis

The sensitivity analysis below was based on the Corporation's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$993 thousand and \$1,788 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Corporation adopts a policy of doing business with a counterparty with good reputation.

The credit risk of the Corporation arises mainly from the top five customers. The accounts receivable from the above customers accounted for 30.57% of total accounts receivable as of December 31, 2020.

For the year ended of December 31, 2019, the Corporation transacts with large number of unrelated customers and thus, credit risk is not highly concentrated.

### 3) Liquidity risk

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

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized short-term bank loan facilities of \$1,593,000 thousand and \$720,000 thousand, respectively.

The following table details the Corporation's contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The table includes both interest and principal cash flows.

#### December 31, 2020

	<b>Weighted Average Effective Interest Rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing		\$ 780,972	\$ 1,920,295	\$ 360,944	\$ -	\$ -
Variable interest rate liabilities	1.15%-1.50%	63,172	126,381	139,767	472,916	308,735
Fixed interest rate liabilities	0.68%-1.63%	100,038	392,183	557,909	488,250	-
Lease liabilities	1.65%	<u>176</u>	<u>352</u>	<u>1,582</u>	<u>1,934</u>	<u>-</u>
		<u>\$ 944,358</u>	<u>\$ 2,439,211</u>	<u>\$ 1,060,202</u>	<u>\$ 963,100</u>	<u>\$ 308,735</u>

#### December 31, 2019

	<b>Weighted Average Effective Interest Rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing		\$ 292,012	\$ 602,516	\$ 108,794	\$ -	\$ -
Variable interest rate liabilities	1.45%-1.79%	369,094	18,190	141,923	416,268	328,415
Fixed interest rate liabilities	1.18%-1.48%	437,482	180,403	863,534	68,460	-
Lease liabilities	1.62%-1.65%	<u>270</u>	<u>542</u>	<u>2,152</u>	<u>4,043</u>	<u>-</u>
		<u>\$ 1,098,858</u>	<u>\$ 801,651</u>	<u>\$ 1,116,403</u>	<u>\$ 488,771</u>	<u>\$ 328,415</u>

The following table details the Corporation's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

#### December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,079)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	<b>On</b>				
	<b>Demand or</b>				
	<b>Less than</b>	<b>1-3 Months</b>	<b>3 Months</b>	<b>1-5 Years</b>	<b>5+ Years</b>
	<b>1 Month</b>		<b>to 1 Year</b>		
<u>Net settled</u>					
Swap contracts	\$ -	\$ -	\$ 4,348	\$ -	\$ -
Foreign exchange forward contracts	<u>356</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 356</u>	<u>\$ 271</u>	<u>\$ 4,348</u>	<u>\$ -</u>	<u>\$ -</u>

4) Financing facilities

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	\$ 393,100	\$ 568,100
Amount unused	<u>640,000</u>	<u>430,000</u>
	<u>\$ 1,033,100</u>	<u>\$ 998,100</u>
Secured bank overdraft facilities		
Amount used	\$ 1,662,678	\$ 1,540,790
Amount unused	<u>953,000</u>	<u>290,000</u>
	<u>\$ 2,615,678</u>	<u>\$ 1,830,790</u>

**33. RELATED PARTY TRANSACTIONS**

a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Subsidiaries	
Dyaco International Holding Limited	Subsidiary
Dyaco Japan Co., Ltd	Subsidiary
Dyaco Europe GmbH	Subsidiary
Daan Health Management Consulting Co., Ltd.	Subsidiary
Wing Long Co., Ltd.	Subsidiary
Dyaco UK Ltd.	Subsidiary
SOLE INC.	Subsidiary since January 2020
President Plastic Products MFG. CO., LTD.	Subsidiary since December 8, 2020
Fuel-Spirit International Inc.	Indirect subsidiary
Dyaco (Shanghai) Trading Co., Ltd.	Indirect subsidiary
Dyaco Health Technology (Beijing) Co., Ltd.	Indirect subsidiary
Spirit Manufacturing Inc.	Indirect subsidiary

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Spirit Direct, LLC.	Indirect subsidiary
Dyaco Commercial & Medical North America, LLC.	Indirect subsidiary
CARDIO Fitness GmbH & Co. KG	Indirect subsidiary
CARDIO Fitness Verwaltungs GmbH	Indirect subsidiary
Dyaco Canada Inc.	Indirect subsidiary
Shelton Corporation (Jiaying), Ltd.	Indirect subsidiary
Fitness Equipment Services LLC.	Indirect subsidiary since February 2020 (Concluded)

The transaction terms on flexible basis were agreed between the Corporation and the related parties. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed as follows.

b. Sales of goods

Line Item	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2020	2019
	<u>Subsidiaries</u>		
Sales	Spirit Manufacturing Inc.	\$ 5,240,205	\$ 2,143,587
	Fitness Equipment Services, LLC.	1,546,394	-
	Others	<u>782,117</u>	<u>551,106</u>
		<u>\$ 7,568,716</u>	<u>\$ 2,694,693</u>

c. Purchases of goods

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2020	2019
	<u>Subsidiaries</u>	
Shelton Corporation (Jiaying), Ltd.	<u>\$ 2,382,534</u>	<u>\$ 996,543</u>

d. Operation expense - advertising

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2020	2019
	<u>Subsidiaries</u>	
Others	<u>\$ 3,438</u>	<u>\$ -</u>

e. Operation expense - others

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2020	2019
	<u>Subsidiaries</u>	
Others	<u>\$ 519</u>	<u>\$ 606</u>

f. Other income and expense - product service income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Fitness Equipment Services, LLC.	\$ 114,076	\$ -
Spirit Manufacturing Inc.	72,028	60,621
Fuel-Spirit International Inc.	<u>63,556</u>	<u>-</u>
	<u>\$ 249,660</u>	<u>\$ 60,621</u>

Payments received by the Corporation for providing product-related technical and manpower support to subsidiaries.

g. Non-operating income and expense - interest income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Dyaco UK Ltd.	\$ 2,399	\$ -
Dyaco Europe GmbH	1,137	-
Others	<u>47</u>	<u>-</u>
	<u>\$ 3,583</u>	<u>\$ -</u>

h. Non-operating income and expense - rental income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Others	<u>\$ 24</u>	<u>\$ 24</u>

Rental payment received monthly by the Corporation for leasing plant to subsidiaries.

i. Accounts receivable from related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Spirit Manufacturing Inc.	\$ 2,224,332	\$ 798,518
Fitness Equipment Services LLC.	1,548,263	-
Dyaco (Shanghai) Trading Co., Ltd.	162,661	116,024
Others	<u>254,031</u>	<u>147,029</u>
	<u>\$ 4,189,287</u>	<u>\$ 1,061,571</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized.

j. Other receivables from related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Fitness Equipment Services, LLC.	\$ 114,479	\$ -
Dyaco UK Ltd.	114,409	113,005
Spirit Manufacturing Inc.	71,770	-
Fuel-Spirit International Inc.	49,614	16,993
Dyaco Europe GmbH	26,039	34,532
Dyaco Japan Co., Ltd	18,320	12,450
Others	<u>263</u>	<u>-</u>
	<u>\$ 394,894</u>	<u>\$ 176,980</u>

The balance on December 31, 2020 was mainly due to product service income of \$47,419 thousand and advance payment of \$2,195 thousand to Fuel-Spirit International Inc., others are product service income to Spirit Manufacturing Inc. and Fitness Equipment Services, LLC. The balance on December 31, 2020 was advance payment of \$16,993 thousand to Fuel-Spirit International Inc.

Due to the accounts receivable from related parties exceeded the credit period of Dyaco UK Ltd. and Dyaco Europe GmbH, the Corporation transferred them to other receivables, and recognized as financing provided. The balance of financing provided was \$156,151 thousand and \$159,987 thousand on December 31, 2020 and 2019, respectively. For related information, please refer to Note 37 and Table 1.

k. Accounts payable to related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
Shelton Corporation (Jiaxing), Ltd.	<u>\$ 1,246,892</u>	<u>\$ 452,956</u>

The outstanding accounts payable to related parties are unsecured.

l. Other payables to related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Subsidiaries</u>		
SOLE INC.	\$ 84,930	\$ -
Wing Long Co., Ltd	1,134	618
Fuel-Spirit International Inc.	<u>16</u>	<u>16</u>
	<u>\$ 86,080</u>	<u>\$ 634</u>

Other payables to related parties were mainly payables for investments to SOLE INC.



m. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 42,434	\$ 24,493
Post-employment benefits	<u>831</u>	<u>925</u>
	<u>\$ 43,265</u>	<u>\$ 25,418</u>

The remuneration of directors and key executives determined by the remuneration committee was based on the performance of individuals and market trends.

**34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 1,530,793	\$ 1,551,083
Pledged deposits - current	<u>208,931</u>	<u>328,357</u>
	<u>\$ 1,739,724</u>	<u>\$ 1,879,440</u>

**35. OTHER ITEMS**

As of the approval date of the financial statements, the Corporation has not been significantly impacted by the COVID-19 pandemic. The Corporation will continue to evaluate the impact of the pandemic on its operations.

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

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

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 170,339	28.4800 (USD:NTD)	\$ 4,851,268
RMB	55,746	4.3770 (RMB:NTD)	244,002
EUR	2,828	35.0200 (EUR:NTD)	99,027
GBP	5,138	38.9000 (GBP:NTD)	199,872
Non-monetary items			
USD	33,986	28.4800 (USD:NTD)	967,933
HKD	289,218	3.6730 (HKD:NTD)	1,062,298
EUR	2,284	35.0200 (EUR:NTD)	79,979
<u>Financial liabilities</u>			
Monetary items			
USD	299	28.4800 (USD:NTD)	8,525
RMB	105,138	4.3770 (RMB:NTD)	460,190
EUR	28	35.0200 (EUR:NTD)	981
Non-monetary items			
GBP	2,127	38.9000 (GBP:NTD)	82,757
JPY	28,111	0.2763 (JPY:NTD)	7,767

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,478	29.9800 (USD:NTD)	\$ 1,543,298
RMB	32,852	4.3050 (RMB:NTD)	141,428
EUR	2,660	33.5900 (EUR:NTD)	89,365
GBP	3,500	39.3600 (GBP:NTD)	140,130
Non-monetary items			
HKD	354,670	3.8490 (HKD:NTD)	1,365,125
EUR	1,686	33.5900 (EUR:NTD)	56,640
JPY	1,060	0.2760 (JPY:NTD)	292
<u>Financial liabilities</u>			
Monetary items			
USD	299	29.9800 (USD:NTD)	8,974
RMB	105,138	4.3050 (RMB:NTD)	452,620
EUR	28	33.5900 (EUR:NTD)	941
Non-monetary items			
GBP	1,025	39.3600 (GBP:NTD)	40,360

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$182,314 thousand and \$28,733 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

### 37. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
  - 1) Financing provided to others: Table 1
  - 2) Endorsements/guarantees provided: Table 2
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6
  - 9) Trading in derivative instruments: Notes 7 and 32
- b. Information on investees (excluding investees in mainland China): Table 7
- c. Information on investments in mainland China
  - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9
    - c) The amount of property transactions and the amount of the resultant gains or losses: None

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10

## DYACO INTERNATIONAL INC.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note	
													Item	Value				
0	Dyaco International Inc.	Dyaco Japan Co., Ltd.	Other receivables from related parties	Yes	\$ 19,705 (JPY 71,316 thousand)	\$ 18,320 (JPY 66,306 thousand)	\$ 18,320 (JPY 66,306 thousand)	-	Business transaction	\$ 26,175	-	\$ -	-	\$ -	\$ 26,175 (Note 2)	\$ 1,805,270 (Note 4)		
		Dyaco Europe GmbH	Other receivables from related parties	Yes	58,970 (EUR 1,684 thousand)	25,921 (EUR 740 thousand)	25,921 (EUR 740 thousand)	-	Business transaction	59,902	-	-	-	-	59,902 (Note 2)	1,805,270 (Note 4)		
		CARDIO Fitness GmbH & Co. KG	Other receivables from related parties	Yes	14,245 (EUR 407 thousand)	-	-	-	Business transaction	45,573	-	-	-	-	45,573 (Note 2)	1,805,270 (Note 4)		
		CARDIO Fitness GmbH & Co. KG	Other receivables from related parties	Yes	17,510 (EUR 500 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	-	1,805,270 (Note 1)	1,805,270 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	19,450 (GBP 500 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	-	1,805,270 (Note 1)	1,805,270 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	143,456 (GBP 3,688 thousand)	111,910 (GBP 2,877 thousand)	111,910 (GBP 2,877 thousand)	-	Business transaction	191,910	-	-	-	-	-	191,910 (Note 2)	1,805,270 (Note 4)	
1	Dyaco Europe GmbH	CARDIO Fitness GmbH & Co. KG	Other receivables from related parties	Yes	9,455 (EUR 270 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	85,893 (Note 3)	85,893 (Note 3)		
2	SOLE INC.	Fitness Equipment Services, LLC.	Other receivables from related parties	Yes	85,440 (US\$ 3,000 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	202,113 (Note 3)	202,113 (Note 3)		
3	Spirit Manufacturing Inc.	Fitness Equipment Services, LLC.	Other receivables from related parties	Yes	256,320 (US\$ 9,000 thousand)	-	-	-	Short-term financing	-	Operating turnover	-	-	-	338,586 (Note 3)	338,586 (Note 3)		
		Spirit Direct, LLC.	Other receivables from related parties	Yes	2,848 (US\$ 100 thousand)	2,848 (US\$ 100 thousand)	2,848 (US\$ 100 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	338,586 (Note 3)	338,586 (Note 3)		

Note 1: The maximum financing of a parent to a subsidiary in which the parent entity directly and indirectly holds over 90% voting shares is limited to 40% of the net value of the parent entity; the maximum financing to other individual corporations is limited to 20% of the net value of the parent entity.

Note 2: The amount of financing provided to companies with which the parent entity has business transactions is limited to the transaction amount.

Note 3: The maximum financing to companies in which the parent entity directly and indirectly holds 100% voting shares is limited to net value of the lender, the maximum financing allowed to other corporations is limited to 40% of the net value of the lender.

Note 4: The maximum financing allowed is limited to 40% of the net value of the parent entity.

Note 5: The maximum balance for the period and ending balances were approved by the board of directors.

## DYACO INTERNATIONAL INC.

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable (Note 1)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/Guarantee Given on Behalf of Companies in Mainland China (Note 3)	Note
		Name	Relationship											
0	Dyaco International Inc.	Fuel-Spirit International Inc.	Indirectly held subsidiary	\$ 2,256,588	\$ 25,632 (US\$ 900 thousand)	\$ 25,632 (US\$ 900 thousand)	\$ -	\$ -	0.57	\$ 2,256,588	Y	-	-	
		Shelton Corporation (Jiaying), Ltd.	Indirectly held subsidiary	451,318	56,960 (US\$ 2,000 thousand)	56,960 (US\$ 2,000 thousand)	28,480 (US\$ 1,000 thousand)	-	1.26	451,318	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	2,256,588	1,167 (GBP 30 thousand)	1,167 (GBP 30 thousand)	449 (GBP 12 thousand)	-	0.03	2,256,588	Y	-	-	
		Wing Long Co., Ltd.	Directly held subsidiary	2,256,588	10,000	-	-	-	-	-	2,256,588	Y	-	-

Note 1: The maximum amount of endorsement provided to a subsidiary in which the guarantor directly and indirectly holds over 90% voting shares is limited to 50% of the net value of the guarantor the maximum amount of endorsement provided to other individual corporations is limited to 10% of the net value of the guarantor and the total amount provided is limited to 50% of net value of the guarantor.

Note 2: The maximum balance for the period and ending balances were approved by the board of directors.

Note 3: "Y" means the endorsement/guarantee is given by a parent entity on behalf of subsidiaries, or given by subsidiaries on behalf of a parent entity or on behalf of companies in mainland China.

## DYACO INTERNATIONAL INC.

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2020				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Dyaco International Inc.	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	\$ 32,556 (US\$ 1,000 thousand)	10.0	\$ 32,556 (US\$ 1,000 thousand)	Note 1
	Uniigym Global Holdings Limited.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	8,585 (US\$ 300 thousand)	2.5	8,585 (US\$ 300 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	5,087 (RMB 1,162 thousand)	2.5	5,087 (RMB 1,162 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	4,936 (RMB 1,128 thousand)	9.0	4,936 (RMB 1,128 thousand)	Note 1

Note 1: The fair value of unlisted shares classified as financial assets at FVTOCI without quoted price of the shares was calculated by fair value method.

Note 2: For the information on investments in subsidiaries, refer to Tables 7 and 8.

## DYACO INTERNATIONAL INC.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Dyaco International Inc.	Fitness Equipment Services, LLC.	Investments accounted for using equity method	Fitness Equipment Services, LLC.	None	-	\$ -	-	\$ 948,251 (Note)	-	\$ -	\$ -	\$ -	-	\$ 948,251 (Note)

Note: Means the initial capitalization amount.



**TABLE 5**

**DYACO INTERNATIONAL INC.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note)	
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Sales	\$ 5,240,205	62	Flexible	Based on mutual agreement	Flexible	\$ 2,224,332	51	
	Shelton Corporation (Jiaying), Ltd.	Indirectly held subsidiary	Purchase	2,382,534	44	Flexible	Based on mutual agreement	Flexible	(1,246,892)	44	
	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Sales	1,546,393	18	Flexible	Based on mutual agreement	Flexible	1,548,263	36	
	Dyaco Canada Inc.	Indirectly held subsidiary	Sales	316,408	4	Flexible	Based on mutual agreement	Flexible	92,979	2	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	254,033	3	Flexible	Based on mutual agreement	Flexible	162,661	4	
Spirit Manufacturing Inc.	Fitness Equipment Services, LLC.	Ultimate parent is Dyaco International Inc.	Sales	3,560,525	57	Flexible	Based on mutual agreement	Flexible	1,081,400	58	
Shelton Corporation (Jiaying), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	253,350	33	Flexible	Based on mutual agreement	Flexible	115,465	4	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	5,240,205	100	Flexible	Based on mutual agreement	Flexible	(2,224,332)	92	
Shelton Corporation (Jiaying), Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	Ultimate parent is Dyaco International Inc.	Sales	103,712	13	Flexible	Based on mutual agreement	Flexible	40,448	3	
Shelton Corporation (Jiaying), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	2,382,534	75	Flexible	Based on mutual agreement	Flexible	1,246,892	82	
Fitness Equipment Services, LLC	Dyaco International Inc.	Ultimate parent	Purchase	1,546,394	30	Flexible	Based on mutual agreement	Flexible	(1,548,263)	59	
Dyaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	316,408	60	Flexible	Based on mutual agreement	Flexible	(92,979)	70	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	254,033	72	Flexible	Based on mutual agreement	Flexible	(162,661)	78	

(Continued)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note)	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	\$ 253,530	100	Flexible	Based on mutual agreement	Flexible	\$ (115,465)	99	
Fitness Equipment Services, LLC.	Spirit Manufacturing Inc.	Ultimate parent is Dyaco International Inc.	Purchase	3,560,525	69	Flexible	Based on mutual agreement	Flexible	(1,081,400)	41	
Dyaco (Shanghai) Trading Co., Ltd.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	103,712	29	Flexible	Based on mutual agreement	Flexible	(40,448)	11	

Note: The rate is calculated in accordance with individual financial statements.

(Concluded)

## DYACO INTERNATIONAL INC.

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivables From Related Party		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Financial Statement Accounts	Ending Balance		Amount	Actions Taken		
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	\$ 2,224,332	3.47%	\$ -	-	\$ 1,503,244	\$ -
	Fitness Equipment Services, LLC.	Indirectly held subsidiary	Accounts receivable	1,548,263	2.00%	-	-	339,852	-
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	162,661	1.82%	-	-	44,995	-
Spirit Manufacturing Inc.	Fitness Equipment Services, LLC.	Ultimate parent is Dyaco International Inc.	Accounts receivable	1,081,400	4.70%	-	-	1,025,000	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	1,246,892	2.80%	-	-	1,015,764	-
	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Accounts receivable	115,465	2.92%	-	-	115,362	-
Dyaco International Inc.	Dyaco UK Ltd.	Directly held subsidiary	Other receivables	114,409	Note	-	-	-	-

Note: Other receivables refer to financing provided including interest receivable.

## DYACO INTERNATIONAL INC.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount (Note 1)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	\$ 1,128,018	\$ 1,128,018	290,634,628	100	\$ 1,062,298	\$ 149,295	\$ 149,704 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	358,161	-	100	79,979	16,592	16,592
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	9,509	(1,379)	(1,379)
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	(7,767)	(8,106)	(8,106)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	20,000	15,000	2,000,000	100	11,705	(4,025)	(4,025)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	80,574	-	100	(82,757)	(43,105)	(43,105)
	SOLE INC.	America	Investment	948,631	-	-	100	926,792	58,252	31,080 (Note 3)
	President Plastic Products Mfg. Co., Ltd.	Taiwan	Manufacturing and selling	258,640	-	1,110,000	100	258,510	(130)	(130)
Dyaco Europe GmbH.	CARDIO fitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	84,372 (EUR 2,409 thousand)	29,936 (EUR 888 thousand)	25,278 (EUR 750 thousand) (Note 4)
	CARDIO fitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	973 (EUR 28 thousand)	(28) (EUR -1)	(28) (EUR -1)
SOLE INC.	Fitness Equipment Services, LLC.	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	-	-	100	139,241 (US\$ 4,889 thousand)	78,946 (US\$ 2,672 thousand)	78,946 (US\$ 2,672 thousand)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	379,727 (US\$ 12,400 thousand)	379,727 (US\$ 12,400 thousand)	12,400,000	100	679,733 (HK\$ 185,062 thousand)	146,196 (HK\$ 38,382 thousand)	146,196 (HK\$ 38,382 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	265,734 (US\$ 8,890 thousand)	265,734 (US\$ 8,890 thousand)	1,667.50	100	297,801 (US\$ 11,889 thousand)	75,206 (US\$ 2,545 thousand)	75,206 (US\$ 2,545 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	234,956 (US\$ 8,250 thousand)	50,942 (US\$ 1,724 thousand)	50,679 (US\$ 1,715 thousand) (Note 5)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US\$ 2,000 thousand)	62,118 (US\$ 2,000 thousand)	-	100	(35,417) (US\$ -1,244 thousand)	(6,337) (US\$ -214 thousand)	(6,337) (US\$ -214 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	4,924 (US\$ 173 thousand)	(28,771) (US\$ -974 thousand)	(28,771) (US\$ -974 thousand)

Note 1: The investees' financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 2: Including share of profit of \$149,295 thousand and realized profits of \$409 thousand from upstream intercompany transactions.

Note 3: Including share of profit of \$58,252 thousand minus amortization of investment premium of \$27,172 thousand.

Note 4: Including share of profit of \$29,936 thousand minus amortization of investment premium of \$4,658 thousand.

Note 5: Including share of profit of \$50,942 thousand minus amortization of investment premium of \$263 thousand.

## DYACO INTERNATIONAL INC.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2020
						Outward	Inward						
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	\$ 88,780 (US\$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	\$ 88,780 (US\$ 3,000 thousand)	\$ -	\$ -	\$ 88,780 (US\$ 3,000 thousand)	\$ 4,737 (HK\$ 1,244 thousand)	100	\$ 4,737 (HK\$ 1,244 thousand)	\$ 175,160 (HK\$ 47,689 thousand)	\$ -
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	659,471 (HK\$ 21,830 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (HK\$ 21,830 thousand)	5,746 (HK\$ 1,508 thousand)	60	(8,990) (HK\$ -2,360 thousand) (Note 3)	679,354 (HK\$ 184,959 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(969) (RMB -226 thousand)	100	(969) (RMB -226 thousand)	9,872 (RMB 1,055 thousand)	-
	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	-	40	-	5,252 (RMB 1,200 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
\$ 748,251 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

Note 1: The investment company required in third region is Dyaco International Holding Limited.

Note 2: The investees' financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

Note 3: Including 60% share of profit of \$3,448 thousand minus amortization of investment premium of \$8,027 thousand and unrealized profits of \$4,411 thousand from side stream intercompany transactions.

Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

Note 5: Reinvested RMB1,200 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

Note 6: According to Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China announced by Ministry of Economic Affairs (MOEA), the Corporation is not subject to an upper limit due to obtaining supporting document for operation headquarters of the company issued by Industrial Development Bureau, MOEA.

## DYACO INTERNATIONAL INC.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Investor Company	Investee Company	Transaction Type	Purchase/Sale		Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Amount (Note 2)	% (Note 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	Sales Purchase	\$ (254,033) 2,382,534	3 44	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 162,661 (1,246,892)	4 44	\$ 18,424 4,167	

Note 1: The rate is calculated in accordance with individual financial statements of each company.

**DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lin, Ing-Gin	10,053,283	7.57
Guang-Ying Limited	9,796,727	7.38
Fubon Life Insurance Co., Ltd.	9,675,000	7.29
Chuan-Feng Investment Corporation	8,166,882	6.15
Dyaco International Inc.	7,122,000	5.36
Ho, I-Hsing Investment Corporation	6,865,725	5.17

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and preferred stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.