



Stock code: 1598

# Dyaco International Inc. 岱宇國際股份有限公司

## HANDBOOK FOR THE 2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS

### MEETING PLACE:

No.1 Gong 1st Road Cyuan Sing Industrial Park  
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### MEETING TIME:

May 28, 2021

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## I. Letter to Shareholders

Dear shareholders:

First of all, thank you for your long-term support and love for Dyaco International Inc.

The rapid spread of the COVID-19 pandemic in the world from 2020 onwards has caused an unprecedented impact on the global economy, breaking all social, political, economic and financial market forecasts, and the United States and European countries were hit harder than Asian countries. Although the pandemic has impacted the fitness industry, it has also set off a new trend of home workout, and home fitness equipment is experiencing an unprecedented surge in demand. At the beginning of 2020, the company acquired Sole Fitness, the No. 1 online fitness brand in North America, and captured the market opportunity of exercise at home against the pandemic. The sales growth in North America was thus doubled, creating the best overall performance and profitability in the history of the company.

The following presents the Company's 2020 results of operations, 2021 business plan and future development strategy.

### 1.1 The business of 2020

#### (1). Results of business plan implementation

In January 2020, the Company acquired Sole Fitness, the No. 1 online fitness brand in North America, and later in March, the COVID-19 pandemic led to a surge in demand for at-home workout, resulting in the growth of more than 160% in the sales in North America and a 124% growth in overall operating revenue in fiscal year 2020 comparing to the same period last year. The new subsidiary, Sole Fitness, contributed to a higher gross profit margin, and the expansion of the overall scale of production and sales contributed to the reduction in production costs and a significant increase in gross profit margin. Because of the good control of operating expenses, the net operating profit was NT\$1.85 billion in fiscal year 2020. As a result of the weakening of U.S. dollar in the fourth quarter, the foreign exchange losses and income tax expense both increased, resulting in the net operating profit after tax of NT\$1.32 billion and the earnings per share of \$11.69.

#### (2). Budget execution

The Company did not disclose its financial projections for 2020, however, the overall operating conditions were affected by the economic environment and market competition and did not perform as well as the Company's internally developed business plan.

#### (3). Financial and Profitability Analysis

##### A. Financial Analysis

Unit: NT \$1,000

|                       | 2020       |      | 2019      |      | Increase<br>(Decrease) |
|-----------------------|------------|------|-----------|------|------------------------|
|                       | Amount     | %    | Amount    | %    | %                      |
| Net Operating Revenue | 13,123,756 | 100% | 5,850,528 | 100% | 124%                   |
| Operating Costs       | 7,639,437  | 58%  | 4,134,129 | 71%  | 85%                    |

|                                     |           |     |           |     |      |
|-------------------------------------|-----------|-----|-----------|-----|------|
| Gross Profit                        | 5,484,319 | 42% | 1,716,399 | 29% | 220% |
| Operating Expenses                  | 3,644,573 | 28% | 1,377,363 | 24% | 165% |
| Other Operating Income and Expenses | 13,164    | -   | -11,331   | 0%  | NA   |
| Profit (Loss) from Operations       | 1,852,910 | 14% | 327,705   | 6%  | 465% |
| Non-Operating Income and Expenses   | -198,006  | -2% | -49,061   | -1% | 304% |
| Profit (Loss) before Income Tax     | 1,654,904 | 13% | 278,644   | 5%  | 494% |
| Income Tax Expense (Benefit)        | 336,848   | 3%  | 58,549    | 1%  | 475% |
| Net Income (Loss)                   | 1,318,056 | 10% | 220,095   | 4%  | 499% |

## B. Profitability Analysis

| Items             |                                     | 2020   | 2019  |
|-------------------|-------------------------------------|--------|-------|
| Liquidity         | Current Ratio                       | 124.92 | 92.88 |
|                   | Quick Ratio                         | 76.69  | 60.40 |
|                   | Times interest earned               | 30.49  | 5.69  |
| Operating ability | Average Collection Turnover (Times) | 6.05   | 5.28  |
|                   | Average Inventory Turnover (Times)  | 3.52   | 3.41  |
| Profitability     | Return on Total Assets (%)          | 13.27  | 3.74  |
|                   | Return on Equity (%)                | 37.05  | 10.18 |
|                   | Net Margin (%)                      | 10.04  | 3.76  |
|                   | Earnings Per Share (NT\$)           | 11.69  | 2.05  |

### (4). Research and development status

The Company's technology sources are based on the integrated development of its R&D team and domestic upstream manufacturers, market demand and research institutions. Through marketing personnel to get close to the market and customers, we can further understand the development trend of products and the application of new technologies, and develop products and technologies. Where necessary, it hires relevant consultants for advice, and cooperates with universities and research institutions in technology development, so that the overall product development efficiency and effectiveness are faster and more effective than those of our competitors. The R&D achievements for fiscal 2020 are listed below:

- A. New models of light commercial motorized treadmill
- B. All-commercial dual-lift electric treadmill.
- C. Self-generating elliptical with a flywheel
- D. Front-wheel drive and rear-wheel drive magnetic resistance exercise bike
- E. Exercise bike with multimedia interactive system
- F. Second generation medical rehabilitation treadmill
- G. Multi-functional plate-loaded machine (active, passive, constant speed)
- H. Digital training tracking system APP

## 1.2 Summary of the Business Plan 2021

### (1). Management policy

- A. Adhering to the core value of "brand, service and innovation," the Company develops products and creates value based on people's needs, is committed to providing consumers with simple, comfortable and safe products, and continuously focusing on improving the quality of people's workouts and leisure life.
- B. What we provide to our customers is not only products, but also brand belief, product creativity and after-sales service experience, so as to build up our relationship with our partners. Based on this framework, we continue to expand the international market share of our self-owned brands SPIRIT and XTERRA, as well as distributing brand SOLE.
- C. Diversified expansion of new products and new brands, such as UFC Mixed Martial Arts brand weight training, fighting and related workout equipment added in 2018, Johnny G new flywheel added in 2019, and Philips brand licensing, for its physical therapy and elderly rehabilitation equipment in the field of medical technology.
- D. Do the right thing on key decisions instead of dwelling on past successes. Dyaco International Inc. will continue to be dedicated to R&D technology innovation, and cooperate with the academic community, in the field of medical rehabilitation equipment, to extend the Company's R&D advantages, so that the Company's products can benefit not only the general public, but also those with mobility difficulties or elders at home, that everyone can take pleasure in sports, so as to take care of more people in need of help. After all, we need a healthy body to have a good quality of life.

### (2). Marketing policy

- A. Build e-commerce marketing tools to increase market share outside the physical channel.
- B. Enhance third-party sales platform materials and search engine resources to increase brand exposure in various countries.
- C. Continuously develop brand agents in various countries and establish brand communication platforms.
- D. Integrate the Company's official websites and fan pages to enhance the Company's image in Taiwan and increase the exposure of domestic products.
- E. Upgrade the functionality of the Company's website and reinforce the impression with product press releases.
- F. Design global physical channel marketing materials in a consistent manner.

### (3). R&D policy

- A. Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
- B. Provide consumers with practical and aesthetically pleasing products at a high price-performance ratio with a certain quality, and further introduce a smart cloud platform.
- C. Break into the field of medical rehabilitation equipment by strengthening cooperation with academia and through cross-industry alliance and develop products for both the elderly and the mobility-impaired.
- D. Develop a new TFT system for light commercial and commercial models.



- E. Combine Internet of Things with wearable devices for the development of sports equipment control instruments with rich entertainment connectivity (APP software and 3C product connectivity control).
- (4). Production policy
- A. Appropriately expand production capacity and boost production efficiency to ensure on-time delivery, quality improvement and cost reduction.
  - B. Integrate industry supply chain, improve management efficiency and quality reliability, set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost and increase added value.
- (5). Future Company Development Strategy
- A. Continuous innovation of product technology

In addition to fitness equipment, Dyaco Inc. will continue to care for people, not only for the general public's sports and leisure quality, but also for that of the elderly and people with limited mobility. Therefore, the Company will continue to strengthen cooperation with academia to develop fitness and rehabilitation equipment that meets the needs of all walks of life, and to enhance the interaction between exercisers and machines through technological innovation, so that everyone is not forced to exercise, but enjoys it and can do it with ease, thus providing people with different feelings and definitions of exercise.
  - B. Development of health and rehabilitation products

Due to the rise of the fitness culture and the advent of an aging society, the health and care industry has stepped out of traditional service industry, with more and more applications of Internet of things (IoT) technology, artificial intelligence (AI) and sensing technology emerging, and the health and care industry booming. Dyaco Inc. has been developing safe rehabilitation equipment over a long period of time, combining R&D innovation, manufacturing technology and scale, and marketing channel strength to provide the world's best rehabilitation equipment, and creating new business opportunities in addition to traditional sports and fitness facilities.

This year, the company has officially launched a series of rehabilitation equipment products and has actively introduced its products into various markets to promote sales.
  - C. Brand development

We are sticking to the core values of "brand, service and innovation" to provide customers with not only products, but also brand belief, product innovation and after-sales service experience to enhance the relationship with our partners. We continue to cultivate brand agents in various countries while establishing brand communication platforms to expand the international market share of our self-owned brands SOLE, SPIRIT, FUEL, XTERRA and authorized brands UFC distributed.
  - D. Upholding principles and beliefs
    - a. The requirements for product quality and the commitment to customers remain unchanged.
    - b. Self-imposed expectation of excellence and innovation in R&D and design remains

unchanged.

- c. The principle of integrating relationships up and down the supply chain to the mutual benefit of the customer and the supplier remains unchanged.
  - d. The belief in promoting the brand and tapping into local channels to benefit more people remains unchanged.
  - e. The principles of nurturing international talent and localizing the management team remain unchanged.
- (6). Affected by External Competitive Environment, Regulatory Environment and Overall Business Environment

Although COVID-19 vaccines may help to terminate the pandemic, the disease will continue to affect the development of the global economy due to the restrictions imposed by various countries and the concern of people about the infection. The government of every country in the world must continue to provide stimulus packages to ensure that the economy can return to the conditions before the pandemic, and it is unlikely that the people in the world will return to normal life immediately with the introduction of vaccines. Many governments are heavily indebted and unable to provide fiscal stimulus while the central banks in those countries have reached the limits of their easing monetary policies. There is no new product or innovative breakthrough to stimulate market demand. In the absence of growth momentum, the global economy can only maintain a slow recovery. There are still many risks and variables for the global economic performance in the future, and enterprises continue to face a challenging business environment which tests their response capability.

Although there are still many uncertainties in the global economy and the assessments of the economic performance in the markets around the world are still conservative, we continue to be optimistic about the company's operations in the future. In particular, the sales explosion in this fiscal year not only helped to increase the brand's market share and awareness but enabled the company to enhance its capabilities in the aspect of marketing, logistics, sales and after-sales service, creating a stronger competitive edge. At the same time, the company was able to leverage its resources and further increase its market share through the upstream and downstream integration.

Overall, with rapid market changes and rising production costs, enterprises are facing increasingly severe challenges in their operations. We believe that by adhering to the Company's core business philosophy of sustainable management and following the Company's path to steadily maneuver itself into position in the local market, we can establish a corporate culture of innovation and growth, implement corporate social responsibility, take care of more people in need of help, and ultimately maintain the original competitive advantage and accumulate more strengths, so that shareholders, customers and employees can share fruitful business results.

Sincerely yours,

Chairman: Lin, Ing-Gin

General Manager: Chen, Ming-Nan

Chief Accountant Officer: Chiu, Yuan-Shen

## II. Company Overview

2.1 Establishment date : 2 June 1990

2.2 Company and group history

| Year | Key Milestones   |
|------|--|
| 1990 | ◆ Dyaco International Inc. was established in Taipei, with a capital of NT\$5,000 thousand.  |
| 1993 | ◆ Cash capital increase of NT\$10,000 thousand and paid-in capital of NT\$15,000 thousand after the capital increase.  |
| 1994 | ◆ Set up a customer service center in Los Angeles, US.   |
| 1999 | ◆ Cash capital increase of NT\$14,000 thousand and paid-in capital of NT\$29,000 thousand after the capital increase.  |
| 2007 | ◆ Cash capital increase of NT\$71,000 thousand and paid-in capital of NT\$100,000 thousand after the capital increase.   |
| 2008 | ◆ Cash capital increase of NT\$150,000 thousand and paid-in capital of NT\$250,000 thousand after the capital increase.<br>◆ Merged with US-based Spirit Manufacturing Inc. and acquired the "SPIRIT" brand.<br>◆ Started its own production by building its own factory and office building in Chuanhsing Industrial Park, Hemi Township, Changhua County.<br>◆ Cash capital increase of NT\$115,100 thousand and paid-in capital of NT\$365,100 thousand after the capital increase.<br>◆ Obtained ISO-9001 quality management system certification. |
| 2009 | ◆ Acquired the second factory in the Chuanhsing industrial district to expand the production capacity.<br>◆ Cash capital increase of NT\$99,000 thousand, capital increase of NT\$15,800 thousand through capitalization of retained earnings, and paid-in capital of NT\$479,900 thousand after the capital increase.   |
| 2010 | ◆ Its product has won the "Best Buy" award in the United States for two consecutive years.<br>◆ It was awarded the Innovative Product Excellence Award for the Flywheel Elliptical Machine.<br>◆ Reinvested in the establishment of Dyaco (Shanghai) Trading Co., LTD. to expand the sales market in China.<br>◆ Received ISO-13485 Quality Management System Certification for Medical Device Industry.   |
| 2011 | ◆ The Flywheel Elliptical Machine won the Taiwan Excellence Award, and the Shake Weight the Taiwan Excellence Award and Innovative Product Excellence Award.<br>◆ Cash capital increase of NT\$15,000 thousand and paid-in capital of NT\$494,900 thousand after the capital increase.   |

| Year | Key Milestones  |
|------|---|
|      | <ul style="list-style-type: none"> <li>◆ Cash capital increase of NT\$15,100 thousand and paid-in capital of NT\$510,000 thousand after the capital increase.</li> <li>◆ Capital increase of NT\$137,700 thousand through capitalization of retained earnings and paid-in capital of NT\$647,700 thousand after the capital increase.</li> <li>◆ Awarded the top 500 import and export excellent companies in 2010.</li> <li>◆ Public issuance of its stock was approved by the Financial Supervisory Commission (FSC).</li> <li>◆ Listing emerging stocks were approved on Oct 24.</li> </ul>  |
| 2012 | <ul style="list-style-type: none"> <li>◆ The Freewheel Race Bike with Additional Exerciser won the Innovative Product Excellence Award.</li> <li>◆ Invested in the establishment of Dyaco Japan Co., Ltd. to expand the Japanese sales market.</li> <li>◆ The US logistics headquarters was officially opened.</li> <li>◆ Capital increase of NT\$33,388 thousand through capitalization of retained earnings and employee bonuses, and paid-in capital of NT\$681,088 thousand after the capital increase.</li> </ul>  |
| 2013 | <ul style="list-style-type: none"> <li>◆ Sports and fitness equipment combined with micro projector playback won the Innovative Product Excellence Award.</li> <li>◆ Acquired Maurice pincopffs Canada Inc.</li> <li>◆ Acquired Dongguan Dayu Sports Equipment Co., Ltd..</li> <li>◆ Acquired Yongan Sports Technology Co., Ltd..</li> <li>◆ Received the third Award for Best Companies to Work for).</li> </ul>   |
| 2014 | <ul style="list-style-type: none"> <li>◆ The Shaper won the Taiwan Excellence Silver Award 2014.</li> <li>◆ The Physiological Feedback's Gait Balance Training Bike won the Innovative Product Excellence Award.</li> <li>◆ Invested in the establishment of Dyaco Germany GmbH to expand the European sales market.</li> </ul>   |
| 2015 | <ul style="list-style-type: none"> <li>◆ Cash capital increase of NT\$100,000 thousand and paid-in capital of NT\$781,088 thousand after the capital increase.</li> <li>◆ Set up the O2O marketing model and established the Group's first physical store under the "Runners" brand.</li> <li>◆ Changhua Chuanhsing factory was renovated and completed, with the central region office building handed over.</li> <li>◆ Capital increase of NT\$39,054 thousand through capitalization of retained earnings and paid-in capital of NT\$820,142 thousand after the capital increase.</li> <li>◆ Established Daan Health Management Consulting Co., Ltd. to develop medical rehabilitation services business.</li> </ul> |
| 2016 | <ul style="list-style-type: none"> <li>◆ Signed a sole strategic partnership agreement on fitness and rehabilitation equipment with the China Institute of Sport Science.</li> </ul>  |

| Year | Key Milestones  |
|------|---|
|      | <ul style="list-style-type: none"> <li>◆ The adjustable span elliptical trainer and multi-trainer - Super Wheel won the Taiwan Excellence Award.</li> <li>◆ All-commercial series of fitness equipment was mass-produced and available on the market.</li> <li>◆ 12th place in the Tiny Giant category of the CommonWealth Magazine's 2016 Excellence in CSR Award.</li> <li>◆ Cash capital increase of NT\$109,360 thousand and paid-in capital of NT\$929,502 thousand after the capital increase.</li> <li>◆ Officially listed and traded on the Taiwan Stock Exchange.</li> </ul>   |
| 2017 | <ul style="list-style-type: none"> <li>◆ Acquired 100% of CARDIOFitness GmbH &amp; Co. KG and CARDIOFitness Verwaltungs GmbH equity in Germany.</li> <li>◆ The Mountaineering Trainer and Medical Rehabilitation Treadmill won the Taiwan Excellence Award.</li> <li>◆ The Company issued its first domestic secured corporate bonds at NT\$600,000 thousand.</li> <li>◆ Acquired 60% of Shelton Corporation (Jiaxing), LTD equity.</li> <li>◆ Took 11th-20th place at the MOHW Health Promotion Administration 2017 Dynamic Workplace Creativity Gold Medal Competition.</li> <li>◆ The SOLE E95s elliptical machine won the 26th Excellence Award.</li> </ul> |
| 2018 | <ul style="list-style-type: none"> <li>◆ Brand licensing partnership with Philips, a global health care technology company, to develop professional medical and rehabilitative fitness equipment products.</li> <li>◆ Established Dyaco UK Ltd. subsidiary to develop the UK and Irish sales market.</li> <li>◆ Established Wing Long Co., Ltd. to develop wine business.</li> <li>◆ The Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award.</li> <li>◆ Certified as a Sports Enterprise by the MOE Sports Administration.</li> </ul>   |
| 2019 | <ul style="list-style-type: none"> <li>◆ SOLE SC300 (XS300) Mountaineering Trainer with Adjustable Strides won the 27th Excellence Award.</li> <li>◆ Third place in the medical device and equipment industry in the 2019 edition of "Taiwan Top 5000 Regional Large Enterprises Ranking" by China Credit Information Service Ltd.</li> <li>◆ Capital increase of NT\$31,133 thousand through capitalization of retained earnings and paid-in capital of NT\$960,635 thousand after the capital increase.</li> </ul>  |
| 2020 | <ul style="list-style-type: none"> <li>◆ Cash capital increase of NT\$190,000 thousand and paid-in capital of NT\$1,150,635 thousand after the capital increase.</li> <li>◆ Set up Sole Inc., a U.S. subsidiary, to acquire 100% of Fitness Equipment Services, LLC equity in the US.</li> <li>◆ The Sole CC81 Cardio Climber Machine Taiwan Excellence Silver Award.</li> <li>◆ The Company issued its second domestic secured corporate bonds at</li> </ul>   |

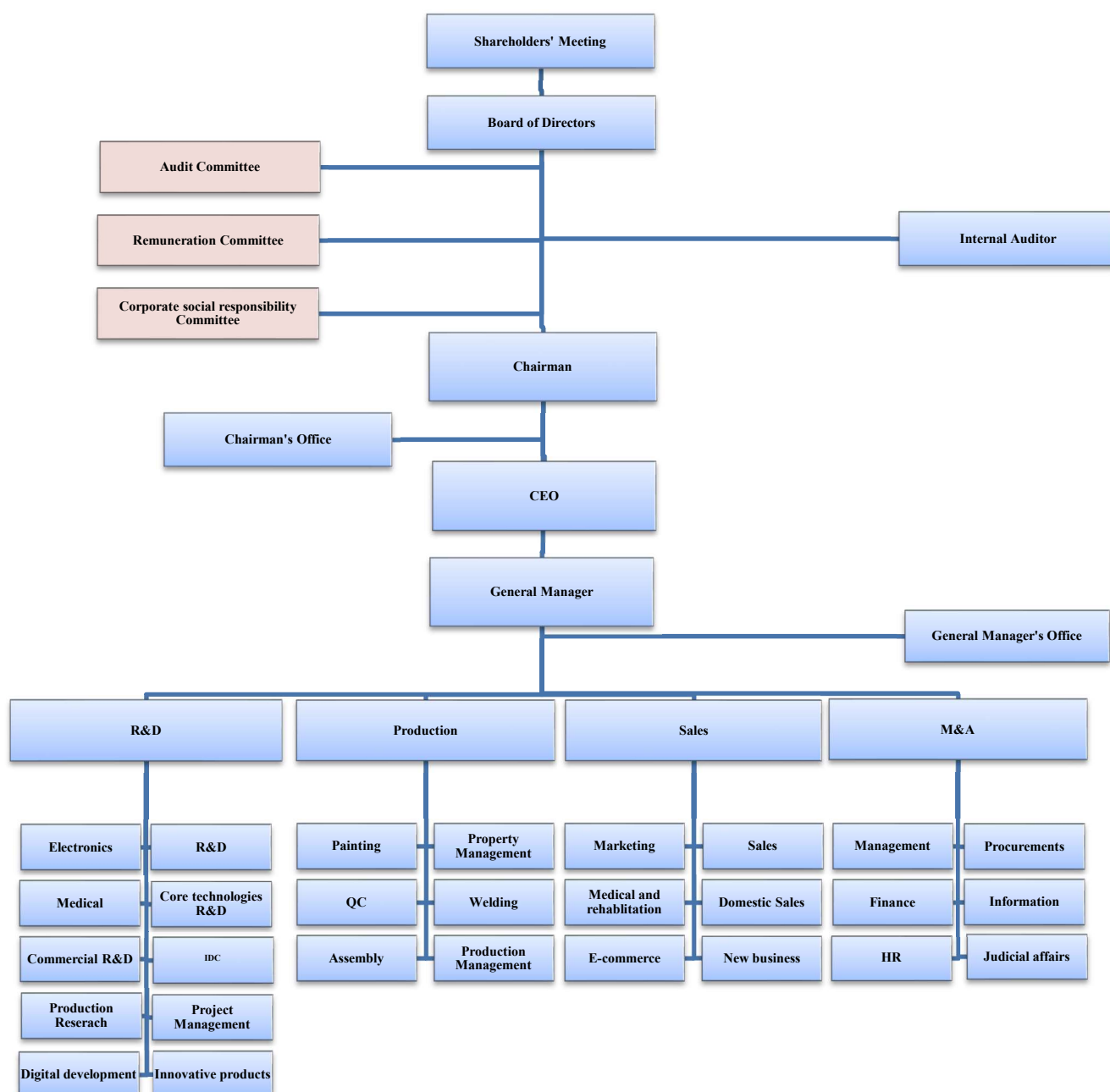


| Year | Key Milestones   |
|------|--|
|      | NT\$603,000 thousand.                                    |
|      | ◆ Merged with PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD.. |

# III. Corporate Governance Report

## 3.1 Company organization

### 3.1.1 Structure



### 3.1.2 Functions

| Name of Department                        | Functions  |
|---|--|
| Chairman's Office                         | Formulate strategies, objectives, and policies business operations   |
| Audit Committee                           | <ul style="list-style-type: none"> <li>Assessment of the effectiveness of the internal control system.</li> <li>Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Acts.</li> <li>Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Acts, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.</li> <li>A matter bearing on the personal interest of a director.</li> <li>A material asset or derivatives transaction.</li> <li>A material monetary loan, endorsement, or provision of guarantee.</li> <li>The offering, issuance, or private placement of any equity-type securities.</li> <li>The hiring or dismissal of an attesting CPA, or the compensation given thereto.</li> <li>The appointment or discharge of a financial, accounting, or internal auditing officer.</li> <li>Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.</li> <li>Any other material matter so required by the company or the Competent Authority.</li> </ul> |
| Remuneration Committee                    | <ul style="list-style-type: none"> <li>The Company's Remuneration Committee periodically reviews the performance and compensation policies, systems, standards and structure of the Company's directors and managers annually.</li> <li>Periodically evaluates the remuneration of the Company's directors and managers.</li> </ul>  |
| Corporate social responsibility Committee | <ul style="list-style-type: none"> <li>To set up the policies of CSR.</li> <li>To review the CSR annual report.</li> <li>To report the annual implementation of CSR for Board.</li> </ul>  |
| Internal Audit                            | <ul style="list-style-type: none"> <li>Responsible for business implementation assessments, audits, supervision and recommendations for improvement of various departments.</li> </ul>   |
| General Manager's Office                  | <ul style="list-style-type: none"> <li>Coordinate the Company's business strategy, business planning, business policy formulation, investment planning and control.</li> <li>Evaluate and control the operation status and internal control of each department, and manage the implementation, planning and coordination of the Company's overall business.</li> </ul>   |
| Finance Department                        | <ul style="list-style-type: none"> <li>Plan and implement the Company's financial management and fund dispatching business.</li> <li>Plan and implement investment related operations.</li> <li>Carry out the business related to customer credit and limit control.</li> <li>Plan and summarize the total annual budget-related operations.</li> <li>Accounting operations and preparation, analysis, control and presentation of accounting statements.</li> <li>Tax planning and declaration procedures.</li> </ul>   |
| Management Department                     | <ul style="list-style-type: none"> <li>Personnel, administration, general affairs, information and fixed assets management and promotion.</li> <li>Staff education and training planning and implementation.</li> <li>The formulation and implementation of administrative management processes, measures and systems.</li> <li>Occupational safety and health, environmental safety, gender work environment security, migrant workers and other related operations and management.</li> <li>Matters related to internal ISO audit and related data file management.</li> </ul>   |
| Information Department                    | <ul style="list-style-type: none"> <li>Provide information hardware and software network, database maintenance and other services.</li> <li>Development and maintenance of enterprise application system and introduction of new information technology.</li> </ul>  |
| Procurement Department                    | <ul style="list-style-type: none"> <li>Basic information establishment and evaluation of suppliers.</li> <li>Price inquiry, comparison, negotiation and ordering of raw materials.</li> <li>Raw material delivery management and control.</li> <li>Processing of outsourcing operations.</li> </ul>  |
| Business Division (business, department)  | <ul style="list-style-type: none"> <li>Plan and implement the achievement of business objectives.</li> <li>Product profit margin and sales price setting</li> </ul>  |

| Name of Department  | Functions  |
|---|--|
| store, domestic sales, medical and rehabilitation department) | <ul style="list-style-type: none"> <li>• Customer development and management.</li> <li>• Customer quotation and order acceptance review and management.</li> <li>• Accounts receivable collection, customer service and complaint handling, driving sales and production coordination.</li> </ul>  |
| Marketing Department  | <ul style="list-style-type: none"> <li>• Market information collection, analysis and feedback to keep abreast of market dynamics.</li> <li>• Plan and implement marketing strategy.</li> <li>• Product image presentation, advertising production and domestic and international exhibitions.</li> </ul>   |
| Production Division (welding, painting, assembly)             | <ul style="list-style-type: none"> <li>• Draft and implement production plans and keep tabs on production progress.</li> <li>• Production line process SOP and education training.</li> <li>• Use and management of raw materials.</li> <li>• Machinery and equipment maintenance.</li> </ul>  |
| Department of Property Management                             | <ul style="list-style-type: none"> <li>• Coordinate the arrangement of raw materials and product import and export, transportation control.</li> <li>• Coordinate the inventory management and record of products.</li> </ul>  |
| Production Management Department                              | <ul style="list-style-type: none"> <li>• Production planning and capacity calculation.</li> <li>• Develop material requirements.</li> <li>• Arrange and control the production schedule.</li> <li>• Handling of production and marketing, delivery date, output and other related matters.</li> </ul>  |
| Quality Control Department                                    | <ul style="list-style-type: none"> <li>• Planning and implementation of company-wide quality assurance.</li> <li>• Quality inspection and control.</li> <li>• Customer complaint handling.</li> <li>• Analysis and improvement of the causes of quality abnormalities.</li> </ul>  |
| R&D Business Division   | <ul style="list-style-type: none"> <li>• Draw up R&amp;D plan process and schedule.</li> <li>• Product design, trial production and reliability verification.</li> <li>• Integrated production management of technical documents and patent application.</li> <li>• Fabrication and management of molds, gauges, jigs.</li> <li>• Production process planning, engineering specification formulation, production procedure formulation, production process and technology retrofitting, document management and control, etc.</li> </ul> |

### 3.2 Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices

#### 3.2.1 Director and supervisor information:

30 March 2021; Units: Shares

| Title    | Name            | Gender | Nationality or country of registration | Date of first appointment | Date of appointment | Office term | Shares held at time of appointment |       | Shares currently held |       | Shares currently held by spouse and children |       | Shares held under names of others |        | Experience and academic background  | Positions currently held in DYACO and other companies  | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |      |          | Remark (Note) |
|----------|-----------------|--------|--|---------------------------|---------------------|-------------|------------------------------------|-------|-----------------------|-------|--|-------|-----------------------------------|--------|---|--|---|------|----------|---------------|
|          |                 |        |  |                           |                     |             | No.                                | %     | No.                   | %     | No.  | %     | No.                               | %      |   |  | Title   | Name | Relation |               |
| Chairman | Lin, Ing-Gin    | Male   | ROC                                    | 1990.6.2                  | 2020.5.28           | 3           | 10,063,283                         | 8.74% | 10,053,283            | 7.53% | 663,787                                      | 0.50% | 22,432,841                        | 16.81% | Bachelor of Department of Public Health, National Taiwan University<br>Master of Professional Accounting, University of Texas<br>Founder of Dyaco International Inc | Director of Dyaco International Holding Limited<br>Director of Dyaco UK Ltd.<br>Director of Dyaco Canada Inc.<br>Director of Dyaco (Shanghai) Trading Co., LTD.<br>Director of Dyaco International Holding Limited<br>Director of President Plastic Products MFG. Co., Ltd.<br>President of CHIH-LING INVESTMENT CORPORATION<br>President of Wing Long Co., Ltd. | -   | -    | -        | -             |
| Director | Liao, Liang-Bin | Male   | ROC                                    | 2020.5.28                 | 2020.5.28           | 3           | 1,017,492                          | 0.88% | 1,017,492             | 0.76% | -  | -     | -                                 | -      | Bachelor of Department of Business Administration, Soochow University<br>Director of IBASE Technology INC.<br>Chairman of IBASE Gamiing INC.                        | Chairman of IBASE Gaming INC.  | -   | -    | -        | -             |
| Director | Zhuang, Zhu-Wei | Female | ROC                                    | 2020.5.28                 | 2020.5.28           | 3           | 538,000                            | 0.46% | 1,000,000             | 0.74% | -  | -     | -                                 | -      | Bachelor of Department of Textile Engineering, Feng Chia University<br>General Manager of Chanitex CO., LTD.  | Director and General Manager of Chanitex CO., LTD.   | -   | -    | -        | -             |

| Title                   | Name                                    | Gender | Nation<br>ality or<br>country<br>of<br>registra<br>tion | Date of first<br>appointmen<br>t | Date of<br>appointm<br>ent | Office<br>term | Shares held at time of<br>appointment |       | Shares currently held |       | Shares currently<br>held by spouse<br>and children |       | Shares held under<br>names of others |     | Experience and academic<br>background   | Positions currently<br>held in DYACO and<br>other companies  | Executives,<br>Directors or<br>Supervisors who are<br>spouses or within<br>two degrees of<br>kinship |     |   | Remark<br>(Note) |
|-------------------------|---|--------|---|----------------------------------|----------------------------|----------------|---------------------------------------|-------|-----------------------|-------|--|-------|--------------------------------------|-----|---|--|--|-----|---|------------------|
|                         |   |        |   |                                  |                            |                | No.                                   | %     | No.                   | %     | No.  | %     | No.                                  | No. |   |  | %  | No. | % |                  |
| Director                | Chang,<br>Chih-<br>Chuan<br>(Note<br>1) | Male   | ROC   | 2015.6.26                        | 2020.5.28                  | 3              | 189,000                               | 0.16% | 123,093               | 0.09% | 121,803  | 0.09% | -                                    | -   | EMBA of Tunghai university<br>Chairman of Houli<br>Construction Co., Ltd.   | Chairman of Houli<br>Construction Co., Ltd.  | -  | -   | - | -                |
| Independent<br>Director | Hsieh,<br>Chang-<br>Hung                | Male   | ROC   | 2011.12.9                        | 2021.5.28                  | 3              | -                                     | -     | -                     | -     | -  | -     | -                                    | -   | Professor, Department of<br>Management Science, National<br>Chiao Tung University<br>Director, Department of<br>Management Science, National<br>Chiao Tung University<br>Deputy Chief Secretary of<br>National Science Council<br>Chief Secretary of Ministry of<br>Transoprtation and<br>Communication<br>President of IBF Securities<br>Investment Consultin<br>General Manager of IBF<br>Securities Investment Consultin | -  | -  | -   | - | -                |
| Independent<br>Director | Wang,<br>Kai-Li                         | Male   | ROC   | 2011.12.9                        | 2021.5.28                  | 3              | -                                     | -     | -                     | -     | -  | -     | -                                    | -   | PhD of Economics Sciences,<br>Utah State University U.S.A<br>Adjunct Professor, Department<br>of Financial, National Chung<br>Hsing University<br>Professor, Department of<br>Financial, Tunghai University<br>Director, Department of<br>Financial, Tunghai University<br>Director of EMBA of Tunghai<br>University<br>Committee financial member of<br>Taiwan Economic Association  | Professor, Department<br>of Financial, Tunghai<br>University<br>Chairman of Taiwan<br>Financial Development<br>Association<br>Independent Director<br>of Ginko International<br>Co., Ltd.<br>Independent Director<br>of AKER Co., Ltd. | -  | -   | - | -                |



| Title                | Name  | Gender | Nationality or country of registration | Date of first appointment | Date of appointment | Office term | Shares held at time of appointment |        | Shares currently held |       | Shares currently held by spouse and children |   | Shares held under names of others |   | Experience and academic background   | Positions currently held in DYACO and other companies  | Executives, Directors or Supervisors who are spouses or within two degrees of kinship |     |   | Remark (Note) |
|----------------------|---|--------|--|---------------------------|---------------------|-------------|------------------------------------|--------|-----------------------|-------|--|---|-----------------------------------|---|--|--|---|-----|---|---------------|
|                      |   |        |  |                           |                     |             | No.                                | %      | No.                   | %     | No.  | % | No.                               | % |  |  | %   | No. | % |               |
| Independent Director | Wang, Chih-Cheng                            | Male   | ROC                                    | 2017.5.26                 | 2021.5.28           | 3           | -                                  | -      | -                     | -     | -  | - | -                                 | - | Adjunct Professor, School of Law, National Cheng Kung University<br>Committee member of Foundation of Finance<br>PhD of College of Law, National Chengchi University | Independent Director of CTBC Financial Holding Co., Ltd.<br>Independent Director of Lucky Cement Corporation<br>Director of The Securities and Futures Investors Protection Center<br>Director of The Financial Ombudsman Institution<br>Arbitrator of Chinese Arbitration Association<br>Department head, Department of law, Chinese culture university<br>Distinguished Professor, College of Law, National Chung Cheng University<br>Adjunct Professor, School of Law, Soochow University | -   | -   | - | -             |
| Director             | Yong-Heng Investment Corporation (Note 2)   | -      | ROC                                    | 2017.5.26                 | 2017.5.26           | 3           | 6,104,490                          | 6.57%  | 6,318,057             | 5.49% | -  | - | -                                 | - | -  | -  | -   | -   | - | -             |
|                      | <u>Representative:</u><br>Wang, Ching-Tsung | Male   | ROC                                    | 2017.5.26                 | 2017.5.26           | 3           | -                                  | -      | 66,347                | 0.06% | -  | - | -                                 | - | Bachelor of Department of Business Administration, FengChia University<br>President of Dyaco Interanaional Inc.  | -  | -   | -   | - | -             |
| Director             | Guan-Ying Limited (Note 2)                  | -      | ROC                                    | 2017.5.26                 | 2017.5.26           | 3           | 9,465,572                          | 10.18% | 9,796,727             | 8.51% | -  | - | -                                 | - | -  | -  | -   | -   | - | -             |
|                      | <u>Representative:</u><br>Chou, Mei-Ling    | Female | ROC                                    | 2017.5.26                 | 2017.5.26           | 3           | -                                  | -      | 41,399                | 0.04% | -  | - | -                                 | - | Bachelor of Department of Business Administration, National Taipei University of Business  | Vice Manager of TUM Inc.   | -   | -   | - | -             |

- Note 1 : Director CHANG, CHIH-CHUAN has been a supervisor of the 9th term at the company and was appointed on June 26, 2015. Because the company replaced the supervisors with the audit committee when the directors of the 10th term were elected, he was not elected as a member of the board of the 10th term.
- Note 2 : The members of the board of the 11th term were elected on May 28, 2020, and the former juristic person directors including Yong-Heng Investment Corporation and Guang-Ying Limeited were not elected this time..
- Note 3 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: There is no such case in the company.
- Note 4 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed: None.

3.2.1.1 Major Shareholders of Corporate Shareholder: NA.

3.2.1.2 Major Shareholders of Major Shareholders of Corporations: NA.

3.2.1.3 Professional Qualifications and Independence Analysis of Directors:

| Name  | Qualifications | Has More than 5 Years of Work Experience and the Following Professional Qualifications   |   |   | Conformance to Criteria of Independence (Note) |   |   |   |   |   |   |   |   |    |    |    | Number of Other TWSE/TPEx Listed Companies Where He/She Concurrently Serves as Independent Director |
|---|----------------|--|---|---|--|---|---|---|---|---|---|---|---|----|----|----|---|
|   |                | Instructor or above in Department of Business/Legal/Finance/Accounting or Other Company Affairs-related Subjects at Public/Private University/ College | Judge, Prosecutor, Lawyer, CPA or Professional or Technician with Certificate of National Examination Relating to Other Company Affairs | Work Experience in Business/Legal/Finance/Accounting or Other Company Affairs | 1  | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |   |
| Lin, Ing-Gin  |                |  | ✓   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -   |
| Liao, Liang-Bin   |                |  |   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  |   |
| Zhuang, Zhu-Wei   |                |  |   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  |   |
| Chang, Chih-Chuan   |                |  |   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  |   |
| Hsieh, Chang-Hung   | ✓              |  |   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -   |
| Wang, Kai-Li  | ✓              |  |   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 2   |
| Wang, Chih-Cheng  | ✓              |  | ✓   | ✓   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | 3   |
| YONG-HENG INVESTMENT CORPORATION (Note 2) Representative: Wang, Ching-Tsung |                |  | ✓   |   |  |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -   |
| GUANG-YING LIMITED (Note 2) Representative: Chou, Mei-Ling                  |                |  | ✓   |   | ✓  | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | ✓  | ✓  | -   |

Note 1: Please mark the field "✓" if a Director meets the following conditions in two years prior to the nomination and during his/her term of service.

1. Not employed by Dyaco or an affiliate.
2. Not a director or supervisor of Dyaco or its affiliate. This restriction does not apply to where the person is concurrently an independent director of Dyaco Holdings and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of Dyaco or is ranked in the top 10 in shareholdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of any of the managerial officers in the first subparagraph or the persons in the second and third subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of Dyaco, of a corporate shareholder that ranks among the top five in shareholdings, or of a corporate shareholder that elects its authorized representative as a director or supervisor of Dyaco. This restriction does not apply to cases where the person is concurrently an independent director of Dyaco and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
6. Not a director, supervisor, or employee of a company who is a director of Dyaco or holds the majority of the voting shares. These restrictions do not apply to cases where the person is concurrently an independent director of Dyaco and its parent company or subsidiary or any subsidiary of the same

parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.

7. Not a director, supervisor, or employee of a company or institution who is the Chairman, President or a person with an equivalent position of Dyaco or a spouse thereof. This restriction does not apply to cases where the person is concurrently an independent director of Dyaco and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
8. Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with Dyaco. This restriction does not apply to cases where the specified company or institution holds more than 20% but less than 50% of the shares of Dyaco and the person is concurrently an independent director of Dyaco and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
9. Not a professional individual who is an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that offers audit services or offers commercial, legal, financial, or accounting services for which he/she has received the total remuneration of less than NT\$500,000 over the past two years to Dyaco or its affiliate, nor a spouse thereof. This restriction does not apply to any member of the remuneration committee, public tender offer review committee or merger and acquisition special committee who exercises powers pursuant to the Securities and Exchange Act or Business Mergers And Acquisitions Act.
10. Not a spouse or a relative within the second degree of kinship with any Director.
11. Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
12. Where the person is not elected in the capacity of the government, a corporation, or a representative thereof as provided in Article 27 of the Company Act.

Note 2: The members of the board of the 11th term were elected on May 28, 2020, and the former juristic person directors including Yong-Heng Investment Corporation and Guang-Ying Limeited were not elected this time.

### 3.2.2 President, Executive Vice Presidents, and Senior Vice Presidents of Divisions

30 March 2021; Units: Shares

| Title  | Name               | Gender | Nationality | Elected Date | Shares Held |       | Shares Held by Spouse & Minors |       | Shares Held under Surrogate A/C |   | Education & Key Past Positions  | Positions Held Concurrently   | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions |      |              | Remark (Note) |
|--|--------------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|---------------------------------|---|---|---|---|------|--------------|---------------|
|  |                    |        |             |              | No.         | %     | No.                            | %     | No.                             | % |   |   | Title   | Name | Relationship |               |
| Chief Executive officer                            | Hsu, Wen-Bin       | Male   | ROC         | 2021.01.01   | 204,342     | 0.15% | 35,638                         | 0.03% | -                               | - | Founder of Hsumao Industrial Co., LTD. Executive Assistant of Dyaco International Inc.                                      | -   | -   | -    | -            | -             |
| Presidnet  | Chen, Ming-Nan     | Male   | ROC         | 2017.07.12   | 702,586     | 0.53% | 266,930                        | 0.20% | -                               | - | EMBA of Feng Chia University Vice President, the Research and Development Department of Dyaco International Inc.            | -   | -   | -    | -            | -             |
| Executive V.P. and Chief Financial Officer         | Wu, Mei-Hua        | Female | ROC         | 1998.05.01   | 272,198     | 0.20% | 4,326                          | 0.00% | -                               | - | EMBA of National Taipei University Vice President, the Financial Department of Dyaco International Inc.                     | Supervisor of Dyaco (Shanghai) Trading Co., Ltd.<br>Director of Yong-Heng Investment Corp<br>Director of Chih-Ling Investment Corp<br>President of Daan Health Management Consulting Co., Ltd.<br>Director of Wing Long Co., Ltd.<br>Supervisor of Shelton Corporation (Jiaxing), Ltd.<br>Supervisor of PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD. | -   | -    | -            | -             |
| Executive V.P.                                     | Li, Chi-Jung       | Male   | ROC         | 2014.01.01   | 7,209       | 0.01% | 743                            | 0.00% | -                               | - | President of Tung Keng Enterprise Co., Ltd.   | -   | -   | -    | -            | -             |
| Chief Technical Cheif                              | Brian Keith Murray | Male   | USA         | 2008.04.22   | 34,243      | 0.03% | 23,151                         | 0.02% | -                               | - | BSEE Degree from New York Institute of Technology 、<br>Cybex engineering supervisor 、<br>Diamondback Fitness Vice president | -   | -   | -    | -            | -             |
| Senior V.P. of Production Department               | Lo, Teng-I         | Male   | ROC         | 2017.09.01   | 296,303     | 0.22% | 45,303                         | 0.03% | -                               | - | Bachelor of Chienkuo Technology University  | -   | -   | -    | -            | -             |
| Senior V.P. of Sales Department                    | Hsu, Li-Wen        | Female | ROC         | 1999.07.07   | 88,687      | 0.07% | -                              | -     | -                               | - | EMBA of Tunghai University  | -   | -   | -    | -            | -             |
| Senior V.P. of Research and Development Department | Huang, Hsuan-Fu    | Male   | ROC         | 1997.07.23   | 236         | 0.00% | -                              | -     | -                               | - | Taichung Municipal Wufeng Agicutural and Industrial High School   | -   | -   | -    | -            | -             |
| Senior V.P. of Sales Department                    | Huang, Yu-Chih     | Female | ROC         | 2013.03.05   | 78,913      | 0.06% | -                              | -     | -                               | - | Master of Japanese, Soochow University  | -   | -   | -    | -            | -             |

| Title  | Name             | Gender | Nationality | Elected Date | Shares Held |       | Shares Held by Spouse & Minors |       | Shares Held under Surrogate A/C |   | Education & Key Past Positions   | Positions Held Concurrently  | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions |      |              | Remark (Note) |
|--|------------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|---------------------------------|---|--|--|---|------|--------------|---------------|
|  |                  |        |             |              | No.         | %     | No.                            | %     | No.                             | % |  |  | Title   | Name | Relationship |               |
| Senior V.P. of Financial Department<br>Chief Accountant Officer<br>Chief of Corporate Governance Affairs | Chiu, Yuan-Sheng | Male   | ROC         | 2013.12.27   | 123,582     | 0.09% | -                              | -     | -                               | - | Master of the Department of Financial, Shih Hsin University<br>Manager of the underwriting of TISC Pricewaterhousecoopers Taiwan | Supervisor of Wing Long Co., Ltd.<br>Supervisor of Daan Health Management Consulting Co., Ltd. | -   | -    | -            | -             |
| V.P. of the Management Department  | Lin., Wei-Hsu    | Male   | ROC         | 2008.05.12   | 9,189       | 0.01% | 2,439                          | 0.00% | -                               | - | Master of Business and Information, Hua Fan University   | —  | -   | -    | -            | -             |
| V.P. of Production Management Department   | Li, Mei-Yu       | Female | ROC         | 2012.08.16   | 3,620       | 0.00% | -                              | -     | -                               | - | Bachelor of Chemical Engineering, Cheng Shiu University  | -  | -   | -    | -            | -             |
| V.P. of Medical Rehabilitation Department  | Lin, Shih-Chieh  | Male   | ROC         | 2013.03.05   | 8,000       | 0.01% | -                              | -     | -                               | - | MBA, University of North Alabama<br>Director of Chunghwa Yuming Healthcare Co., Ltd.   | Director of Daan Health Management Consulting Co., Ltd.  | -   | -    | -            | -             |
| V.P. of the Legal and Patent Affairs Department  | Li, Che-Jung     | Male   | ROC         | 2013.06.19   | -           | -     | -                              | -     | -                               | - | Bachelor of Chemical Engineering, Feng Chia University<br>Patent senior engineer of Starconn Electronics                         | —  | -   | -    | -            | -             |
| V.P. of the Accountant Department  | Wu, Shu-Mei      | Female | ROC         | 2016.09.01   | 22,362      | 0.02% | -                              | -     | -                               | - | Master of Accounting, Tamkang University   | -  | -   | -    | -            | -             |
| V.P. of Sales Department   | Ho, Chieh-Shun   | Male   | ROC         | 2017.09.20   | 11,000      | 0.01% | -                              | -     | -                               | - | Master of Business Administration, Manchester Business School<br>President, the Taiwan branch of Gerage Jemnen                   | -  | -   | -    | -            | -             |
| V.P. of the Procurement Department   | Li, Tai-Lan      | Female | ROC         | 2018.11.01   | 21,435      | 0.02% | 22,669                         | 0.02% | -                               | - | Bachelor of Business Administration, Chienkuo Technology University  | -  | -   | -    | -            | -             |

Note 1 : Where the president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed: None.

Note 2 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: There is no such case in the company.



### 3.2.3 Remuneration of Directors, Supervisors, President, and Vice President

#### 3.2.3.1 Remuneration of Directors and Independent Directors

Unit: NT\$1,000; %

| Position             | Name                                      | Remuneration          |                           |                                |                           |                                      |                           |                                  |                           | The Aggregate of A,B,C, and D as Percentage of Net Income |                           | Relevant Remuneration Received by Who are also Employees |                           |                                |                           |                             |                           |                           |                           | The Aggregate of A,B,C,D,E,F and G as Percentage of Net Income |                           | Any OtherCompensations from Other Investees or ParentCash Comany |   |
|----------------------|---|-----------------------|---------------------------|--------------------------------|---------------------------|--------------------------------------|---------------------------|----------------------------------|---------------------------|---|---------------------------|--|---------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|--|---------------------------|--|---|
|                      |   | Base Compensation (A) |                           | Retirement and Resignation (B) |                           | Directors' Compensation (C) (Note 2) |                           | Business-conducting Expenses (D) |                           |   |                           | Salaries, Bonuses and Special Allowances (E)             |                           | Retirement and Resignation (F) |                           | Employees' Compensation (G) |                           |                           |                           |  |                           |  |   |
|                      |   | The Company           | All Consolidated Entities | The Company                    | All Consolidated Entities | The Company                          | All Consolidated Entities | The Company                      | All Consolidated Entities | The Company   | All Consolidated Entities | The Company  | All Consolidated Entities | The Company                    | All Consolidated Entities | The Company                 |                           | All Consolidated Entities |                           | The Company  | All Consolidated Entities |  |   |
|                      |   |                       |                           |                                |                           |                                      |                           |                                  |                           |   |                           |  |                           |                                |                           | The Company                 | All Consolidated Entities | The Company               | All Consolidated Entities |  |                           |  |   |
| Chairman             | Lin, Ing-Gin                              | 3,594                 | 3,594                     | -                              | -                         | -                                    | 1,455                     | 1,455                            | 2,180                     | 2,180   | 0.55                      | 0.55   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.55                      | 0.55   | - |
| Director             | Liao, Liang-Bin                           | -                     | -                         | -                              | -                         | -                                    | 200                       | 200                              | 75                        | 75  | 0.02                      | 0.02   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.02                      | 0.02   | - |
| Director             | Zhuang, Zhu-Wei                           | -                     | -                         | -                              | -                         | -                                    | 200                       | 200                              | 75                        | 75  | 0.02                      | 0.02   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.02                      | 0.02   | - |
| Director             | Chang, Chih-Chuan                         | -                     | -                         | -                              | -                         | -                                    | 200                       | 200                              | 75                        | 75  | 0.02                      | 0.02   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.02                      | 0.02   | - |
| Independent Director | Hsieh, Chang-Hung                         | 600                   | 600                       | -                              | -                         | -                                    | 1,000                     | 1,000                            | 150                       | 150   | 0.13                      | 0.13   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.13                      | 0.13   | - |
| Independent Director | Wang, Kai-Li                              | 600                   | 600                       | -                              | -                         | -                                    | 1,000                     | 1,000                            | 150                       | 150   | 0.13                      | 0.13   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.13                      | 0.13   | - |
| Independent Director | Wang, Chih-Cheng                          | 600                   | 600                       | -                              | -                         | -                                    | 1,000                     | 1,000                            | 150                       | 150   | 0.13                      | 0.13   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.13                      | 0.13   | - |
| Director             | Yong-Heng Investment Corporation (Note 1) | -                     | -                         | -                              | -                         | -                                    | -                         | -                                | -                         | -   | -                         | -  | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | -                         | -  | - |
|                      | Representative: Wang, Ching-Tsung         | -                     | -                         | -                              | -                         | -                                    | -                         | -                                | 60                        | 60  | 0.00                      | 0.00   | 501                       | 501                            | -                         | -                           | -                         | -                         | -                         | -  | 0.04                      | 0.04   | - |
| Director             | Guang-Ying Limeited (Note 1)              | -                     | -                         | -                              | -                         | -                                    | -                         | -                                | -                         | -   | -                         | -  | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | -                         | -  | - |
|                      | Representative:Chou, Mei-Ling             | -                     | -                         | -                              | -                         | -                                    | -                         | -                                | 75                        | 75  | 0.01                      | 0.01   | -                         | -                              | -                         | -                           | -                         | -                         | -                         | -  | 0.01                      | 0.01   | - |

Note 1: The members of the board of the 11th term were elected on May 28, 2020, and the former juristic person directors including Yong-Heng Investment Corporation and Guang-Ying Limeited were not elected this time.

Note 2: Please describe the policies, systems, standards and structure of independent directors' remuneration, and explain the relevance with the amount of remuneration based on their responsibilities, risks, and time investment: Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the directors of the Company shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's board of directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.

Note 3: Except for the disclosure above, remuneration paid to the Company's directors for their services to all the companies listed in the financial statements (e.g., serving as a non-employee adviser): None.

Remuneration Range Table

| Bracket                          | Name of Directors   |   |   |   |
|----------------------------------|---|---|---|---|
|                                  | The Aggregate of A,B,C,and D  |   | The Aggregate of A,B,C,D,E,F,G,H and I  |   |
|                                  | The Company   | All Consolidated Entities   | The Company   | All Consolidated Entities   |
| Under NT\$ 1,000,000             | Yong-Heng Investment Corporation<br>Representative: Wang, Ching-Tsung<br>Guang-Ying Limeited<br>Representative: Chou, Mei-Ling<br>Liao, Liang-Bin<br>Zhuang, Zhu-Wei<br>Chang, Chih-Chuan | Yong-Heng Investment Corporation<br>Representative: Wang, Ching-Tsung<br>Guang-Ying Limeited<br>Representative: Chou, Mei-Ling<br>Liao, Liang-Bin<br>Zhuang, Zhu-Wei<br>Chang, Chih-Chuan | Yong-Heng Investment Corporation<br>Representative: Wang, Ching-Tsung<br>Guang-Ying Limeited<br>Representative: Chou, Mei-Ling<br>Liao, Liang-Bin<br>Zhuang, Zhu-Wei<br>Chang, Chih-Chuan | Yong-Heng Investment Corporation<br>Representative: Wang, Ching-Tsung<br>Guang-Ying Limeited<br>Representative: Chou, Mei-Ling<br>Liao, Liang-Bin<br>Zhuang, Zhu-Wei<br>Chang, Chih-Chuan |
| NT\$1,000,000~NT\$2,000,000      | Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng   | Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng   | Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng   | Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng   |
| NT\$2,000,000~NT\$3,500,000      | -   | -   | -   | -   |
| NT\$3,500,000~NT\$5,000,000      | -   | -   | -   | -   |
| NT\$5,000,000 ~ NT\$10,000,000   | Lin, Ing-Gin  | Lin, Ing-Gin  | Lin, Ing-Gin  | Lin, Ing-Gin  |
| NT\$10,000,000 ~ NT\$15,000,000  | -   | -   | -   | -   |
| NT\$15,000,000 ~ NT\$30,000,000  | -   | -   | -   | -   |
| NT\$30,000,000 ~ NT\$50,000,000  | -   | -   | -   | -   |
| NT\$50,000,000 ~ NT\$100,000,000 | -   | -   | -   | -   |
| Over NT\$100,000,000             | -   | -   | -   | -   |
| Total                            | 9   | 9   | 9   | 9   |

### 3.2.3.2 Remuneration of President, Vice President

Unit:NT\$1,000/ %

| Position              | Name               | Salaries (A)    |                           | Retirement and Resignation (B) |                               | Bonuses and Special Allowances (C) |                           | Employees' Compensation (D) |                 |                           |                 | The Aggregate of A,B,C,and D as Percentage of net income ( % ) |                           | Any Other Compensation s from Other Investees or Parent Company |
|-----------------------|--------------------|-----------------|---------------------------|--------------------------------|-------------------------------|------------------------------------|---------------------------|-----------------------------|-----------------|---------------------------|-----------------|--|---------------------------|---|
|                       |                    | The Com<br>pany | All Consolidated Entities | The Compa<br>ny                | All Consolidate<br>d Entities | The Compa<br>ny                    | All Consolidated Entities | The Company                 |                 | All Consolidated Entities |                 | The Compan<br>y  | All Consolidated Entities |   |
|                       |                    |                 |                           |                                |                               |                                    |                           | Cash Dividends              | Stock Dividends | Cash Dividends            | Stock Dividends |  |                           |   |
| President             | Chen, Ming-Nan     | 13,586          | 13,586                    | 831                            | 831                           | 1,123                              | 1,123-                    | 19,212                      | -               | 19,212                    | -               | 2.63%  | 2.63%                     | -   |
| Executive V.P.        | Wu, Mei-Hua        |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Executive V.P         | Li, Chi-Jung       |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Seinor V.P.           | Hsu, Li-Wen        |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Seinor V.P            | Huang, Hsuan-Fu    |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Seinor V.P            | Huang, Yu-Chih     |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Seinor V.P            | Chiu, Yuan-Sheng   |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Seinor V.P            | Lo, Teng-I         |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |
| Chief Technical Cheif | Brian Keith Murray |                 |                           |                                |                               |                                    |                           |                             |                 |                           |                 |  |                           |   |

Remuneration Range Table

| Bracket                          | Name of President and Vice President  |   |
|----------------------------------|---|---|
|                                  | The Company   | All Consolidated Entities   |
| Under NT\$ 1,000,000             | -   | -   |
| NT\$1,000,000~NT\$2,000,000      | Huang, Yu-Chih  | Huang, Yu-Chih  |
| NT\$2,000,000~NT\$3,500,000      | Huang, Hsuan-Fu   | Huang, Hsuan-Fu   |
| NT\$3,500,000~NT\$5,000,000      | Chen, Ming-Nan 、 Brian Keith Murray 、 Li, Chi-Jung 、 Wu, Mei-Hua 、 Hsu, Li-Wen 、 Hsu, Li-Wen 、 Lo, Teng-I | Chen, Ming-Nan 、 Brian Keith Murray 、 Li, Chi-Jung 、 Wu, Mei-Hua 、 Hsu, Li-Wen 、 Hsu, Li-Wen 、 Lo, Teng-I |
| NT\$5,000,000 ~ NT\$10,000,000   | -   | -   |
| NT\$10,000,000 ~ NT\$15,000,000  | -   | -   |
| NT\$15,000,000 ~ NT\$30,000,000  | -   | -   |
| NT\$30,000,000 ~ NT\$50,000,000  | -   | -   |
| NT\$50,000,000 ~ NT\$100,000,000 | -   | -   |
| Over NT\$100,000,000             | -   | -   |
| Total                            | 9   | 9   |

## 3.2.3.3 Names of executive officers that received employee bonuses and status of the distribution

| Title          | Name               | Stock | Cash  | Total | Ratio accounted compared to the total net income (%) |
|----------------|--------------------|-------|-------|-------|--|
| President      | Chen, Ming-Nan     | -     | 2,059 | 2,059 | 0.15%  |
| Executive V.P. | Wu, Mei-Hua        |       |       |       |  |
| Executive V.P. | Li, Chi-Jung       |       |       |       |  |
| Senior V.P.    | Lo, Teng-I         |       |       |       |  |
| Senior V.P.    | Hsu, Li-Wen        |       |       |       |  |
| Senior V.P.    | Huang, Hsuan-Fu    |       |       |       |  |
| Senior V.P.    | Chiu, Yuan-Sheng   |       |       |       |  |
| Senior V.P.    | Huang, Yu-Chih     |       |       |       |  |
| CTO            | Brian Keith Murray |       |       |       |  |
| V.P.           | Lin, Wei-Hsu       |       |       |       |  |
| V.P.           | Lin, Shih-Chieh    |       |       |       |  |
| V.P.           | Li, Che-Jung       |       |       |       |  |
| V.P.           | Li, Mei-Yu         |       |       |       |  |
| V.P.           | Wu, Shu-Mei        |       |       |       |  |
| V.P.           | Ho, Chieh-Shun     |       |       |       |  |
| V.P.           | Li, Tai-Lan        |       |       |       |  |

3.2.4 Compare and describe separately the analysis of total remunerations paid to the Company's directors, supervisors, president, and vice presidents for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance and future risks:

3.2.4.1 The analysis of total remunerations paid to the Company's directors, supervisors, president, and vice presidents for the past two years as a percentage of the net income after tax

Unit: %

| Items                         | Ratio of the total amount to net income after tax (%) |  |               |  |
|-------------------------------|---|--|---------------|--|
|                               | 2019  |  | 2020          |  |
|                               | Parent Comany   | All companies in the consolidated report | Parent Comany | All companies in the consolidated report |
| Directors                     | 3.59%   | 3.59%                                    | 1.05%         | 1.05%                                    |
| Supervisors                   | -   | -  | -             | -  |
| President and Vice Presidents | 8.61%   | 8.61%                                    | 2.63%         | 2.63%                                    |

Note: Setting up the Audit Committee instead of Supervisors

3.2.4.2 Policy, criteria and composition of remuneration paid to directors, supervisors, general manager and deputy general manager, procedures for fixing remuneration and relevance to operating performance

- A. The Company has a Remuneration Committee which establishes and regularly reviews the policies, systems, standards and structures for the annual and long-term performance evaluation and compensation of directors and managers.
- B. The remuneration paid by the Company to the directors in 2019 refers to the remuneration of the directors for the performance of their business, or employee's compensation for part-timers and the compensation of the directors allocated. Such remuneration is determined according to the power and responsibility of their positions and their contributions, and by taking into consideration the level set by the trade.
- C. The remuneration of the general manager and deputy general manager (grade) is based on salary, bonus and employee bonus, the first two of which are determined in accordance with the Company's personnel regulations, while the last one is subject to the earnings for the year of distribution and the Company's articles of incorporation. Such compensation is determined according to the position held, the responsibility assumed and the extent of contribution made to the Company, and by reference to the standard for similar positions set in the industry.

### 3.3 Implementation of corporate governance

#### 3.3.1 Board Meeting Status

Ten regular board meetings were convened in 2020. The status of attendance by board members was as following :

| Title                | Name                                 | Attendance in person | By proxy | Attendance rate(%) | Remark                         |
|----------------------|--------------------------------------|----------------------|----------|--------------------|--------------------------------|
| Chairman             | Lin, Ing-Gin                         | 10                   | —        | 100%               |                                |
| Director             | Guang-Ying Limited                   | 5                    | —        | 100%               | Resignation dated May 28, 2020 |
|                      | Representative:<br>Chou, Mei-Ling    |                      |          |                    |                                |
| Director             | Yong-Heng Investment Corporation     | 5                    | —        | 100%               | Resignation dated May 28, 2020 |
|                      | Representative:<br>Wang, Ching-Tsung |                      |          |                    |                                |
| Director             | Liao, Liang-Bin                      | 5                    | —        | 100%               | Appointment dated May 28, 2020 |
| Director             | Zhuang, Zhu-Wei                      | 5                    | —        | 100%               | Appointment dated May 28, 2020 |
| Director             | Chang, Chih-Chuan                    | 5                    | —        | 100%               | Appointment dated May 28, 2020 |
| Independent Director | Hsieh, Chang-Hung                    | 10                   | —        | 100%               |                                |
| Independent Director | Wang, Kai-Li                         | 10                   | —        | 100%               |                                |
| Independent Director | Wang, Chih-Cheng                     | 10                   | —        | 100%               |                                |

Other :

3.3.1.1 If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated.

#### A. Matters referred to in Article 14 -3 of the Securities and Exchange Act

| Term  | Matters listed in Article 14-3 of the Securities and Exchange Act  | Other matters involving objections or express reservations by independent directors |
|---|--|---|
| 20th meeting of the 10th-term Board of Directors<br>January 2, 2020   | (1). To merger and acquisition of Fitness Equipment Service, LLC. (SOLE FITNESS).                        | None  |
|   | (2). To set up the subsidiary in U.S..   | None  |
|   | (3). Loaning of Funds for DYACO UK.  | None  |
|   | (4). Loaning of Funds for CARDIO FITNESS.  | None  |
|   | (5). Amendment to the “Regulations Governing Share Repurchase”.  | None  |
|   | Independent directors' opinion: None.  |   |
|   | The Company's handling of independent directors' opinions: None.   |   |
| 21th meeting of the 10th-term Board of Directors<br>February 21, 2020 | Resolution: Passed as proposed after the chairperson consulted all attending directors.                  |   |
|   | (1). Amendment to the “Articles of Incorporation”.   | None  |
|   | (2). Amendment to the “Internal Control Systems” and “Internal audit implementation rules”               | None  |
|   | (3). To apply for bank financing.  | None  |
|   | (4). Issuance of common stock for cash, Uniigym Co. Ltd..  | None  |
|   | (5). Changed the source of debt service for the first domestic secured convertible bonds issued in 2017. | None  |

|   |  |      |
|---|--|------|
|   | (6). The 2 <sup>nd</sup> buyback of the Company's shares.  | None |
|   | Independent directors' opinion: None.  |      |
|   | The Company's handling of independent directors' opinions: None.   |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 4th meeting of the 10th interim Board of Directors March 20, 2020 | (1). The 3rd buyback of the Company's shares.  | None |
|   | Independent directors' opinion: None.  |      |
|   | The Company's handling of independent directors' opinions: None.   |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 22th meeting of the 10th-term Board of Directors March 27, 2020   | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|   | (2). To cash distribute 2019 earnings.   | None |
|   | (3). To distribute 2019 earnings.  | None |
|   | (4). To approved 2019 internal control system statement.   | None |
|   | (5). Amendment to the “Regulations Governing Share Repurchase”.  | None |
|   | (6). Amendment to the “Operational Procedures for Loaning of Company Funds” of the Subsidiaries of the Company.  | None |
|   | Independent directors' opinion: None.  |      |
|   | The Company's handling of independent directors' opinions: None.   |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 23th meeting of the 10th-term Board of Directors May 12, 2020     | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|   | (2). To apply for bank financing.  | None |
|   | (3). To provide endorsements and guarantees for the subsidiary, Wing-long Co, Ltd..  | None |
|   | Independent directors' opinion: None.  |      |
|   | The Company's handling of independent directors' opinions: None.   |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 1st meeting of the 11th-term Board of Directors June 29, 2020     | (1). Enactment of “Procedures for Regulations Governing Share Repurchase”.   | None |
|   | (2). Amendment to the “Internal Control Systems” and “Internal audit implementation rules”   | None |
|   | (3). Issuance of the second domestic secured convertible bonds.  | None |
|   | (4). Loaning of Funds from SPIRIT to SPIRIT DIRECT.  | None |
|   | (5). Transfer of the 1st Company's treasury shares to employees and managers as an incentive.  | None |
|   | (6). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the second quarter of 2020. | None |
|   | Independent directors' opinion: None.  |      |
|   | The Company's handling of independent directors' opinions: None.   |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |

|  |  |      |
|--|--|------|
| 2nd meeting of the 11th-term Board of Directors<br>August 12, 2020   | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|  | (2). To merger and acquisition of President Plastic Products MFG. CO., LTD..   | None |
|  | (3). To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing) Co., Ltd..   | None |
|  | (4). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the third quarter of 2020.  | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 3rd meeting of the 11th-term Board of Directors<br>November 12, 2020 | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|  | (2). Judged for any loan of funds from accounts receivable (to non-related parties) in the current quarter.  | None |
|  | (3). To apply for bank financing.  | None |
|  | (4). To cancelled endorsement for Wing-long Co, Ltd..  | None |
|  | (5). Amendment to the "Internal Control Systems" and "Internal audit implementation rules"   | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
| 4th meeting of the 11th-term Board of Directors<br>December 25, 2020 | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
|  | (1). To cancelled loaning of funds for DYACO UK LIMITED.   | None |
|  | (2). To cancelled loaning of funds for CARDIO Fitness.   | None |
|  | (3). Transfer of the 2nd Company's treasury shares to employees and managers as an incentive.  | None |
|  | (4). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the fourth quarter of 2020. | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |

B. In addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: None.

### 3.3.1.2 The Board of Directors reports on the implementation of corporate governance

| Date & Session  | Corporate Governance Implementation  | Attendance and Directors' Response                  |
|---|--|---|
| The 4th Session of the 11th Board of Directors on December 25, 2020 | (1). Report: Corporate social responsibility (CSR) promotion in 2020.<br>(2). Report: ethical Management promotion in 2020.<br>(3). Report: Communication between various types of stakeholders in 2020.<br>(4). Report: Communication between the governance entity and the CPA in 2020.<br>(5). Report: Planning and implementation of Intellectual Property | All directors present and resolutions acknowledged. |



|  |   |  |
|--|---|--|
|  | Management in 2020.<br>(6). Report: Implementation of Risk management in 2020.<br>(7). Discussion: The procedures of Risk management. |  |
|--|---|--|

3.3.1.3 In the event of directors' recusal from resolutions due to conflicts of interest, the name of the directors, the content of the motion, the reason for the recusal and the participation in the voting:

| Name of the directors  | Date of meeting  | The content of the motion  | The reason for the recusal   | The participation in the voting   |
|--|--|--|--|---|
| Lin, Ing-Gin<br>Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng  | 20th meeting of the 10th-term Board of Directors<br>January 2, 2020  | To evaluates the remuneration of the Company's directors and managers.   | Lin, Ing-Gin<br>Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng  | The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |
| Lin, Ing-Gin<br>Wang, Ching-Tsung<br>Chou, Mei-Ling<br>Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng | 22th meeting of the 10th-term Board of Directors<br>March 27, 2020   | To reviews the 2019 compensation to employee and directors.              | Lin, Ing-Gin<br>Wang, Ching-Tsung<br>Chou, Mei-Ling<br>Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng | The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |
| Lin, Ing-Gin   | 22th meeting of the 10th-term Board of Directors<br>March 27, 2020   | To approve the lifting of non-competition restrictions on new directors. | Lin, Ing-Gin   | The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |
| Lin, Ing-Gin<br>Wang, Ching-Tsung<br>Chou, Mei-Ling<br>Hsieh, Chang-Hung<br>Wang, Kai-L                      | 5th meeting of the 11th-term Board of Directors<br>December 25, 2020 | To evaluates the remuneration of the Company's directors and managers.   | Lin, Ing-Gin<br>Hsieh, Chang-Hung<br>Wang, Kai-Li<br>Wang, Chih-Cheng  | The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |

3.3.1.4 An evaluation of targets for strengthening the functions of the board during the current and immediately preceding fiscal years (e.g. setting up an audit committee, enhancing information transparency, etc):

- A. The Company's board of directors adopted a regulation on board self-evaluation or peer evaluation in 2016, and completed the directors' self-assessment report at the end of 2020. Engaged Chainye consulting Firm to undertake an external review of the Board and functional committees and report the results of the review to the Board on March 4, 2021.
- B. To enhance the transparency of information, the Company issues material operational news in the form of material information..
- C. The Company immediately posts important resolutions on the Market Observation Post System after the board meeting to protect shareholders' rights and interests, and designates a person to be responsible for the collection and disclosure of company information, and establishes a spokesperson system to ensure the timely and proper release of material information for shareholders and stakeholder to refer to information related to the Company's financial business.
- D. The Company regularly arranges for its directors to attend professional training courses. The total number of education and training hours for directors was 51 hours during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

| Name              | Date       | Organizer                               | Course  | Hours | Total Hours |
|-------------------|------------|---|---|-------|-------------|
| Lin, Ing-Gin      | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession.  | 3     | 6           |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |
| Liao, Liang-Bin   | 2020.07.17 | TAIWAN SECURITIES ASSOCIATION           | Discussion on HR in M&A process and the topic of M&A  | 3     | 9           |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession.  | 3     |             |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |
| Zhuang, Zhu-Wei   | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession.  | 3     | 6           |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |
| Chang, Chih-Chuan | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession.  | 3     | 6           |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |
| Hsieh, Chang-Hung | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession.  | 3     | 6           |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |
| Wang, Kai-Li      | 2020.08.06 | Taiwan Corporate Governance Association | Latest case studies on corporate governance practices   | 3     | 6           |
|                   | 2020.11.09 | Taiwan Corporate Governance Association | Directors' fiduciary obligations and business judgment criteria   | 3     |             |
| Wang, Chih-Cheng  | 2020.09.02 | Taiwan Academy of Banking and Finance   | Workshop on Board Operations and Corporate Governance - Development of Corporate Governance Practices and Corporate Intellectual Property Management Strategies | 3     | 12          |
|                   | 2020.09.02 | Taiwan Academy of Banking and Finance   | Workshop on Board Operations and Corporate Governance - Reflections on Risk Management and Prospects for Anti-Money Laundering                                  | 3     |             |
|                   | 2020.11.11 | Taiwan Corporate Governance Association | How directors and supervisors can assist companies in promoting risk management in multinational conglomerates  | 3     |             |
|                   | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from a corporate governance perspective   | 3     |             |

E. The Board of Directors reports on the implementation of corporate governance :

a. Performance assessment and remuneration

Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the directors of the Company shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's board of directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the

Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.

b. The results of Performance assessment

The Company developed a Board self-evaluation or peer evaluation regulation in 2016, and sends a performance self-evaluation questionnaire to all Board members for self-evaluation in December of each year beginning in 2016. External board performance evaluations are performed at least once every three years by an external professional independent organization or a team of external experts, with current year performance evaluations conducted at the end of the year.

c. Internal evaluation:

The evaluation of BOD's members covers the following six area:

- i. Grasping the Company's objectives and tasks.
- ii. Awareness of the responsibilities of the directors.
- iii. Level of participation in the Company's operations.
- iv. Internal relations management and communication.
- v. Expertise and continuing education.
- vi. Internal control.

The overall average score of the Board's self-assessment was 5 out of 4.99 points, with the 2020 evaluation results reported at the board meeting on March 4, 2021.

he evaluation of BOD's covers the following five area:

- i. Participation in the company's operation.
- ii. Improvement on the quality of the board's decision making.
- iii. Makeup and structure of the board of directors.
- iv. Election of directors and continued knowledge development.
- v. Internal control.

The overall average score of the board members' self-assessment was 5 out of 4.98 points, with the 2020 evaluation results reported at the Board meeting on March 4, 2021.

d. External experts evaluation:

The Company engaged Chainye Management Consulting Co to conduct an external evaluation of the overall Board operations, Board members and functional committees for the year 2020. The evaluation was performed through a combination of data analysis (including self-assessment questionnaires and public information) and actual participation in the Company's Board and functional committee meetings.

i. Evaluation scope as follow:

|     |                   |                       |
|-----|-------------------|-----------------------|
| BOD | The member of BOD | Functional committees |
|-----|-------------------|-----------------------|

|  |  |   |
|--|--|---|
| 1. Participation in the company's operation.<br>2. Improvement on the quality of the board's decision making.<br>3. Makeup and structure of the board of directors.<br>4. Election of directors and continued knowledge development.<br>5. Internal control. | 1. Grasping the Company's objectives and tasks.<br>2. Awareness of the responsibilities of the directors.<br>3. Level of participation in the Company's operations.<br>4. Internal relations management and communication.<br>5. Expertise and continuing education.<br>6. Internal control. | 1. Participation in the company's operation.<br>2. Awareness of the responsibilities of the members.<br>3. Improvement on the quality of the functional committees.<br>4. Makeup of the functional committees and election of members..<br>5. Internal control. |
|--|--|---|

ii. The results:

Chainye Management Consulting Co on Jan 8, 2021 issued an assessment, stating that the Board of Directors of the Company has established policies and processes relating to the operation of the Board in compliance with relevant laws and regulations and domestic corporate governance standards in all aspects, that the Board is composed of directors with professional competence and continuing education, that the functions of the Board members and functional committees are operating effectively, and that they are assigned work based on different professions and experience, and have a timely grasp of the Company's operating conditions and risks, and have a high level of participation in the Company's operations, with the overall assessment result being between good and excellent. The results of the above assessment were reported to the Board of Directors on March 4, 2021.

3.3.2 The state of operations of the Audit Committee or the state of participation in board meetings:

- A. Current term of office: From May 28, 2020 to May 27, 2023.
- B. The purpose of the Audit Committee is to assist the Board in fulfilling its role of overseeing the quality and integrity of the Company's performance in relation to accounting, auditing, financial reporting processes and financial controls.
- C. Annual work plan:
  - a. Financial statement.
  - b. The Policies and procedures of audit and accounting.
  - c. Assessment of the effectiveness of the internal control system.
  - d. A material asset or derivatives transaction.
  - e. A material monetary loan, endorsement, or provision of guarantee.
  - f. The offering, issuance, or private placement of any equity-type securities.
  - g. The status of derivatives transaction and investment.
  - h. Regulation Compliance.
  - i. Information Security
  - j. Risk management
  - k. To evaluates the independence and suitability of its certified public accountants (CPA)
  - l. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
  - m. The appointment or discharge of a financial, accounting, or internal auditing officer.
  - n. Communications between the Independent Directors and the CPA
  - o. The performance assessment of audit committee.
- D. Nine regular audit committee meetings were convened in 2020. The status of attendance by committee members was as following:

| Title                | Name              | Attendance in person | By proxy | Attendance rate(%) | Remark                    |
|----------------------|-------------------|----------------------|----------|--------------------|---------------------------|
| Independent Director | Hsieh, Chang-Hung | 9                    | -        | 100%               | Appointed on May 28, 2020 |
| Independent Director | Wang, Kai-Li      | 9                    | -        | 100%               | Appointed on May 28, 2020 |
| Independent Director | Wang, Chih-Cheng  | 9                    | -        | 100%               | Appointed on May 28, 2020 |

Other :

3.3.2.1 Matters listed in Article 14-5 of the Securities and Exchange Act and proposals not approved by the Audit Committee but approved by more than two thirds of the Board members:

A. Matters listed in Article 14-5 of the Securities and Exchange Act.

| Date of Board Meeting  | Contents of resolutions and report  | Matters listed in Article 14-5 of the Securities and Exchange Act |
|--|---|---|
| 20th meeting of the 10th-term Board of Directors January 2, 2020 | (1). To merger and acquisition of Fitness Equipment Service, LLC. (SOLE FITNESS). | None  |
|  | (2). To set up the subsidiary in U.S..  | None  |
|  | (3). Loaning of Funds for DYACO UK.   | None  |
|  | (4). Loaning of Funds for CARDIO FITNESS.   | None  |

|   |   |      |
|---|---|------|
|   | (5). Amendment to the “Regulations Governing Share Repurchase”.   | None |
|   | Independent directors' opinion: None.   |      |
|   | The Company's handling of independent directors' opinions: None.  |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.   |      |
| 21th meeting of the 10th-term Board of Directors<br>February 21, 2020 | (1). Amendment to the “Articles of Incorporation”.  | None |
|   | (2). Amendment to the “Internal Control Systems” and “Internal audit implementation rules”  | None |
|   | (3). To apply for bank financing.   | None |
|   | (4). Issuance of common stock for cash, Uniigym Co. Ltd..   | None |
|   | (5). Changed the source of debt service for the first domestic secured convertible bonds issued in 2017.  | None |
|   | Independent directors' opinion: None.   |      |
|   | The Company's handling of independent directors' opinions: None.  |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.   |      |
| 22th meeting of the 10th-term Board of Directors<br>March 27, 2020    | (1). Loaning of Funds for the Subsidiaries of the Company.  | None |
|   | (2). To cash distribute 2019 earnings.  | None |
|   | (3). To distribute 2019 earnings.   | None |
|   | (4). To approved 2019 internal control system statement.  | None |
|   | (5). Amendment to the “Operational Procedures for Loaning of Company Funds” of the Subsidiaries of the Company.   | None |
|   | Independent directors' opinion: None.   |      |
|   | The Company's handling of independent directors' opinions: None.  |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.   |      |
| 23th meeting of the 10th-term Board of Directors<br>May 12, 2020      | (1). Loaning of Funds for the Subsidiaries of the Company.  | None |
|   | (2). Consolidated Financial Statements for the Three Months Ended March 31, 2020  | None |
|   | (3). To apply for bank financing.   | None |
|   | (4). To provide endorsements and guarantees for the subsidiary, Wing-long Co, Ltd..   | None |
|   | Independent directors' opinion: None.   |      |
|   | The Company's handling of independent directors' opinions: None.  |      |
|   | Resolution: Passed as proposed after the chairperson consulted all attending directors.   |      |
|   |   |      |
| 1st meeting of the 11th-term Board of Directors<br>June 29, 2020      | (1). Enactment of “Procedures for Regulations Governing Share Repurchase”.  | None |
|   | (2). Amendment to the “Internal Control Systems” and “Internal audit implementation rules”  | None |
|   | (3). Issuance of the second domestic secured convertible bonds.   | None |
|   | (4). Loaning of Funds from SPIRIT to SPIRIT DIRECT  | None |
|   | (5). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the second quarter of 2020 | None |

|  |  |      |
|--|--|------|
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 2nd meeting of the 11th-term Board of Directors<br>August 12, 2020   | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|  | (2). Consolidated Financial Statements for the Six Months Ended June 30, 2020  | None |
|  | (3). To merger and acquisition of President Plastic Products MFG. MFG. CO., LTD..  | None |
|  | (4). To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing), Ltd..   | None |
|  | (5). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the third quarter of 2020.  | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 3rd meeting of the 11th-term Board of Directors<br>November 12, 2020 | (1). Loaning of Funds for the Subsidiaries of the Company.   | None |
|  | (2). Judged for any loan of funds from accounts receivable (to non-related parties) in the current quarter.  | None |
|  | (3). Consolidated Financial Statements for the Nine Months Ended September 30, 2020  | None |
|  | (4). To apply for bank financing.  | None |
|  | (5). To cancelled endorsement for Wing-long Co, Ltd..  | None |
|  | (6). Amendment to the “Internal Control Systems” and “Internal audit implementation rules”   | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |
| 4th meeting of the 11th-term Board of Directors<br>December 25, 2020 | (1). 2020 Audit plan.  | None |
|  | (2). To establish the policies and procedures of risk management.  | None |
|  | (3). To cancelled loaning of funds for DYACO UK LIMITED.   | None |
|  | (4). To cancelled loaning of funds for CARDIO Fitness.   | None |
|  | (5). To evaluates the in2020 dependence and suitability of its certified public accountants (CPA).   | None |
|  | (6). Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the fourth quarter of 2020. | None |
|  | Independent directors' opinion: None.  |      |
|  | The Company's handling of independent directors' opinions: None.   |      |
|  | Resolution: Passed as proposed after the chairperson consulted all attending directors.  |      |

B. Other matters which were not approved by the audit committee but were approved by

two-third or more of all directors: None.

3.3.2.2 If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3.3.2.3 Communications between the independent directors, the Company's chief auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

A. Communications between the Independent Directors and the CPA

| Date         | Communication highlights  |
|--------------|---|
| Nov 18, 2020 | <p><b><u>CPA reports on the content of the communication</u></b></p> <ol style="list-style-type: none"> <li>1. According to the Statement of Auditing Standards No. 62, a CPA shall communicate with the governance arm of the auditee; according to the Statement of Auditing Standards No. 58, a CPA shall communicate with the governance arm over the key audit items in the audit report.</li> <li>2. The scope and method of audit for Dyaco International Group's 2020 annual financial statements.</li> <li>3. Introduced the members of the audit team of Dyaco International Group.</li> <li>4. Declared that our CPAs had complied with the relevant regulations of the National Federation of CPA Associations of Taiwan "Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence" and had not violated independence.</li> <li>5. Explained the precautions against fraud.</li> <li>6. Identified and communicated the key audits of Dyaco International Group for 2020.</li> </ol> <p><b><u>Matters discussed between the independent directors and the CPA</u></b></p> <ol style="list-style-type: none"> <li>1. Key audit items.</li> <li>2. Assessment of risk indicators.</li> </ol> <p><b><u>Summary of Independent Directors' Response</u></b></p> <ol style="list-style-type: none"> <li>1. If a CPA has any difficulties or significant communication issues during the audit, the financial accounting department should do its best to assist.</li> <li>2. The Company evaluates its credit system for receivables from customers and grants different credit terms to different customers according to their scale of operation and creditworthiness, etc.</li> <li>3. The Company's list of related parties should be updated regularly and attention should be paid to the accounting treatment of relevant transactions and to whether any related party transactions are involved.</li> </ol> |

B. Communications between the Independent Directors and the chief internal auditor

The independent Directors review the results of internal audit department on a monthly basis, and the chief internal auditor reports to the Audit Committee and directors on major findings in meetings of Audit Committee and meetings of Board of Directors. The chief internal auditor holds discussions with the Audit Committee after monthly audit report is released. If necessary, relevant supervisors are invited to attend meetings to get their statements regarding important issues and conclusions as well as their suggestions that would be consolidated and reported by the chief internal auditor in the meetings of



Audit Committee and Board of Directors. The instructions of the Audit Committee and Board of Directors would be the guideline for implementation. Communications between the independent directors and the chief internal auditor in 2020.

| Date of the Audit Committee's Meetings | The material items  | Results    | Date of the Audit Committee's Meetings  | The material items   |
|--|---|------------|---|--|
| February 21, 2020                      | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | Report and communication in Audit Report of 2019/12~2020/1.   | The Audit Committee unanimously approved this motion and report to the Board of Directors.   |
| March 27, 2020                         | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | <ul style="list-style-type: none"> <li>● Report and communication in Audit Report of 2020/2.</li> <li>● To approve 2019 internal control system statement.</li> </ul> | <ul style="list-style-type: none"> <li>● The Audit Committee unanimously approved this motion and report to the Board of Directors.</li> <li>● The Audit Committee and the Board of Directors unanimously approved.</li> </ul> |
| May 12, 2020                           | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | Report and communication in Audit Report of 2020/3~2020/4.  | The Audit Committee unanimously approved this motion and report to the Board of Directors.   |
| June 29, 2020                          | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | Report and communication in Audit Report of 2020/5.   | The Audit Committee unanimously approved this motion and report to the Board of Directors.   |
| August 12, 2020                        | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | Report and communication in Audit Report of 2020/6~2020/7.  | The Audit Committee unanimously approved this motion and report to the Board of Directors.   |
| November 12, 2020                      | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | Report and communication in Audit Report of 2020/8~2020/10.   | The Audit Committee unanimously approved this motion and report to the Board of Directors.   |
| December 25, 2020                      | Hsieh, Chang-Hung 、<br>Wang, Kai-Li 、<br>Wang, Chih-Cheng | Liu, Yu-Li | <ul style="list-style-type: none"> <li>● Report and communication in Audit Report of 2020/11.</li> <li>● To approve 2020 internal audit plan.</li> </ul>              | <ul style="list-style-type: none"> <li>● The Audit Committee unanimously approved this motion and report to the Board of Directors.</li> <li>● The Audit Committee and the Board of Directors unanimously approved.</li> </ul> |

#### 3.3.2.4 Evaluation content of Audit Committee

The performance evaluation of Audit Committee members covers the following five areas:

- A. Participation in the company's operation.
- B. Awareness of the responsibilities of the members.
- C. Improvement on the quality of the audit committees.
- D. Makeup of the audit committees and election of members..
- E. Internal control.

The results of the 2020 Audit Committee Member Performance Assessment, with an overall average self-assessment score of 5 out of 5 points, were reported to the Board of Directors on March 4, 2021.

### 3.3.3 The consist of Remuneration committee members and Operating Status

#### 3.3.3.1 Information of Remuneration committee members

| Title                | Name              | Qualifications | Has at least 5 years of work experience and meet one of the following professional qualifications  | Meet the independence criteria (Note ) | Number of other public companies in which the member also serves as a member of their Remuneration Committee | Remark                        |
|----------------------|-------------------|----------------|--|--|--|-------------------------------|
|                      |                   |                | Title Qualifications   | 1 2 3 4 5 6 7 8 9 10                   |  |                               |
| Independent Director | Hsieh, Chang-Hung | ✓              | An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university                                    | ✓                                      | —  | compliant with Qualifications |
| Independent Director | Wang, Kai-Li      | ✓              | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company | ✓                                      | 2  | compliant with Qualifications |
| Other                | Chen, Shih-Hsin   | ✓              | Have work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company  | ✓                                      | —  | compliant with Qualifications |

Note : If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or -59- more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C. Operations of the Remuneration Committee:

#### 3.3.3.2 Current term of office: From May 28, 2020 to May 27, 2023.

Four regular Remuneration Committee meetings were convened in 2020. The status of attendance by committee members was as follows:

| Title            | Name              | Attendance in person | By proxy | Attendance rate (%) | Notes                        |
|------------------|-------------------|----------------------|----------|---------------------|------------------------------|
| Convener         | Hsieh, Chang-Hung | 4                    | -        | 100%                | Re-appointed on May 28, 2020 |
| Committee Member | Wang, Kai-Li      | 4                    | -        | 100%                | Re-appointed on May 28, 2020 |
| Committee Member | Chen, Shih-Hsin   | 4                    | -        | 100%                | Re-appointed on May 28, 2020 |

## Other matters

### A. Proposals and resolutions of the Remuneration Committee meetings and the Company's handling of the members' opinions in the most recent year:

| Remuneration Committee   | Agenda items and resolutions   |
|--|--|
| 8th meeting of the 3th-term Remuneration Committee January 2, 2020   | (1). Amendment to the “Regulations Governing Share Repurchase”.  |
|  | (2). To reviews 2020 the compensation structure.   |
|  | (3). To reviews the 2019 annual bonus of the Company's managers.   |
|  | (4). To evaluates the remuneration of the Company's directors and managers.  |
|  | Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.  |
|  | The Company’s resoponse the Remuneration Committee ‘s opinion: The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |
| 9th meeting of the 3th-term Remuneration Committee March 27, 2020    | (1). To reviews the 2019 compensation to employee and directors.   |
|  | (2). Amendment to the “Regulations Governing Share Repurchase”.  |
|  | Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.  |
|  | The Company’s resoponse the Remuneration Committee ‘s opinion: The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |
| 1st meeting of the 4th-term Remuneration Committee June 29, 2020     | (1). Transfer of the 1st Company's treasury shares to employees and managers as an incentive.  |
|  | Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.  |
|  | The Company’s resoponse the Remuneration Committee ‘s opinion: Passed as proposed consulted all attending directors  |
| 2nd meeting of the 4th-term Remuneration Committee December 25, 2020 | (1). To reviews 2021 the compensation structure.   |
|  | (2). To reviews the 2020 annual bonus of the Company's managers.   |
|  | (3). To evaluates the remuneration of the Company's directors and managers.  |
|  | (4). Transfer of the 2nd Company's treasury shares to employees and managers as an incentive.  |
|  | Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.  |
|  | The Company’s resoponse the Remuneration Committee ‘s opinion: The stakeholders did not participate in the discussion or voting, in accordance with the law, and the proposal was unanimously approved by the rest of the attending directors. |

B. If the Board of Directors will decline to adopt or will modify a recommendation by the Remuneration Committee, the board meeting date, the session, the content of the motion, the result of the Board of Directors' resolution and the Company's handling of the Remuneration Committee's opinions shall be stated (If the compensation approved by the Board of Directors is superior to that suggested by the Committee, the circumstances and reasons for the difference shall be stated): None.

C. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the committee meeting date, the session, the content of the motion, all the members' opinions and the handling thereof shall be stated: None.

D. The results of performance evaluation:

The performance evaluation of Remuneration Committee members covers the following four

areas:

- (1). Participation in the company's operation.
- (2). Awareness of the responsibilities of the members.
- (3). Improvement on the quality of the Remuneration Committee.
- (4). Makeup of the Remuneration Committee and election of members.

The results of the 2020 Remuneration Committee Member Performance Assessment, with an overall average self-assessment score of 5 out of 5 points, were reported to the Board of Directors on March 4, 2021.

### 3.3.4 The composition, duties and operation of the Corporate Social Responsibility (CSR) Committee:

#### 3.3.4.1 The composition of the CSR Committee:

- A. In accordance with the provisions of the Organization Regulations of the Company's CSR Committee, the Committee shall consist of two independent directors as resolved by the Chairperson and the Board of Directors, with the Chairperson of the Board as the Chairman of the Committee and one independent director as the Deputy Chairman. There is also a project executive secretary to report regularly on CSR implementation.
- B. The duties of the CSR Committee:
  - a. Corporate governance: study the changes in the company's internal and external environment and the issues it faces in order to achieve sustainable management, and collect economic information on corporate governance, supply chain, etc.
  - b. Environmental protection: consider the impact of our operations on the ecological benefits and engage in research and development, procurement, production, operations and services to ease the impact of our operations on the natural environment and people.
  - c. Social relations: gather and consolidate issues of concern to staff, community residents, and social groups, etc. and communicate them.
- C. Operations of the Corporate social responsibility Committee:

Two regular CSR Committee meetings were convened in 2020. The status of attendance by committee members was as follows:

| Title            | Name              | specialty            | Attendance in person | By proxy | Attendance rate (%) | Notes                     |
|------------------|-------------------|----------------------|----------------------|----------|---------------------|---------------------------|
| Minister         | Lin, Ing-Gin      | corporate governance | 2                    | -        | 100%                | Appointed on May 28, 2020 |
| Deputy Minister  | Wang, Chih-Cheng  | legal                | 2                    | -        | 100%                | Appointed on May 28, 2020 |
| Committee Member | Hsieh, Chang-Hung | Finance              | 2                    | -        | 100%                | Appointed on May 28, 2020 |
| Committee Member | Wang, Kai-Li      | Management           | 2                    | -        | 100%                | Appointed on May 28, 2020 |

#### Other matters

##### A. Evaluation content of CSR Committee

The performance evaluation of CSR Committee members covers the following four areas:

- a. Participation in the company's operation.
- b. Awareness of the responsibilities of the members.
- c. Improvement on the quality of CSR Committee
- d. Makeup of CSR Committee and election of members.

The results of the 2020 CSR Committee Member Performance Assessment, with an overall average self-assessment score of 5 out of 4.91 points, were reported to the Board of Directors on March 4, 2021.

### 3.3.5 Corporate Governance Director duties and business execution highlights and further education

On March 8, 2019, the Board of Directors of the Company approved the head of corporate governance was assumed by Vice President of Finance Chiu Yuan-sheng, who had more than .three years of experience in the position of finance director in a public company, the main duties of which are to provide the directors with the information required for the execution of business, the latest regulations related to the operation of the Company to assist the directors and the Company to compl with the laws and regulations, and report to the Board of Directors at the end of each year to review the effectiveness of operations.

Corporate Governance Director duties and business execution highlights and in-service education:

- A. The 2020 business promotion is as follows and was presented to the Board of Directors on December 25, 2020:
- The members of the Board of Directors were regularly informed of the latest legal and regulatory amendments in the field of corporate management and corporate governance.
  - Offered at least 6 hours of in-home on-the-job training courses for the board members.
  - Evaluated the purchase of suitable directors' liability insurance.
  - Regularly convened communication meetings between the CPA, independent directors and the head of audit and accounting.
  - The agenda of the board meeting followed the rules of procedure of the board meeting.
  - The agenda of the shareholders' meeting followed the rules of procedure of the shareholders' meeting.
  - 2020 stakeholder communication matters report.
  - To planning and implement 2020 Corporate Governance Review °
- B. The education training courses of Corporate Governance for Chief Corporate Governance during 2020.

| Date       |            | Organizer                           | Course   | Hours | Total Hours |
|------------|------------|-------------------------------------|--|-------|-------------|
| From       | From       |                                     |  |       |             |
| 2020.01.16 | 2020.01.16 | Secience & Technology Law Institute | Improving Corporate Governance Structure through Intellectual Property Management - Awareness Campaign on Intellectual Property Management Obligations for the Board of Directors of Exchange-Listed and OTC-Listed Companies. | 2.5   | 17.5        |
| 2020.08.19 | 2020.08.19 | Securities & Futures Institute      | 2020 Seminar on Understanding Futures Derivatives Hedging and Operating Sound Corporate Sustainability Practices for Exchange-Listed and OTC-Listed Companies.   | 3     |             |
| 2020.10.14 | 2020.10.14 | Securities & Futures Institute      | The 2020 Advocacy Briefing on Prevention of Insider Trading  | 3     |             |
| 2020.10.23 | 2020.10.23 | Taiwan Stock Exchange               | 2020 Corporate Governance  | 3     |             |

|            |            |   |  |   |  |
|------------|------------|---|--|---|--|
|            |            |   | and Anti-corruption Seminar  |   |  |
| 2020.11.12 | 2020.11.12 | Taiwan Corporate Governance Association | The era of restructuring- The salaries of Taiwanese cadre, business mergers and family Succession. | 3 |  |
| 2020.11.12 | 2020.11.12 | Taiwan Corporate Governance Association | ESG risk management from corporate governance perspective  | 3 |  |

3.3.6 Corporate Governance Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” :

| Item  | Implementation Status |    |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summaried Explanation   |   |
| A. Whether the company has formulated and publicized” Corporate Governance Best Practice Principles”, according to “Corporate Governance Best Practice Principles for TWSE/GTSM listed Companies”?                          | V                     |    | The Company has formulated the Corporate Governance Best-Practice Principles for the establishment of a good corporate governance system, which were last amended on February 21, 2020 in accordance with the provisions amended by the competent authorities, and submitted to the Board for approval and implementation, as disclosed on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> for download and reference.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| B. The Company’s shareholding structure and shareholders’ equity<br>a. Whether the company has formulated and implemented internal procedure for handling suggestions, questions, disputes, and litigation of shareholders. | V                     |    | Besides through the stock transfer agency, the Company has internal material information handling and insider trading prevention management procedures in place, and has a spokesperson, acting spokesperson and investment relations department to properly address shareholder and investor suggestions, queries and disputes in order to ensure shareholders' interests.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| b. Whether the company has got hold of the list of major shareholders and their ultimate controllers.   | V                     |    | The Company keeps track of the shareholdings of directors, managers and substantial shareholders holding more than 10% of the shares, and keeps up with the list of substantial shareholders and their ultimate controllers as far as possible through successive shareholder registers, and reports changes in their shareholdings to the Company on a monthly basis, and publishes the list of the top 10 shareholders in the annual report and on the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> .  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| c. Whether the company has established and implemented risk-management and firewall mechanism pertaining to affiliates.   | V                     |    | Regarding supervision of its affiliated companies, the Company has, pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, Regulations Governing Establishment of Internal Control Systems by Public Companies, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, and Regulations Governing the Acquisition and Disposal of Assets by Public Companies, drawn up the Corporate Governance Best-Practice Principles, Internal Control System, Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees, Procedures for the Acquisition or Disposal of Assets, Regulations Governing the Supervision and Management of Subsidiaries, and Regulations Governing the Management of Transactions with Related Parties, Specific Companies and Group Companies, clearly delineating the duties and responsibilities among the Company and its affiliates and building appropriate firewalls based on risk assessment to eliminate unconventional transactions and strictly prohibit conveyance of unjust interests. | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |



| Item  | Implementation Status |                             |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
|---|-----------------------|-----------------------------|---|---|-------|-----------------------------|--------|---|-----|------|---|-----|-----------|-------|-----------------------------|--------------|---|-----|--------------|---|----|--------------|---|----|--------------|-------|-----------------------------|---|
|   | Yes                   | No                          | Summaried Explanation   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| d. Whether the company has formulated internal norms forbidding the company’s insiders to take advantage of unpublicized information in trading in securities.              | V                     |                             | The Company has the "Code of Ethical Conduct," "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and "Internal Material Information Handling and Insider Trading Prevention Management Procedures," under which insiders are not allowed to engage in insider trading with unpublished information of which they are aware, nor are they allowed to leak undisclosed information to others.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| C. Composition and duties of the board of directors<br>a. Whether the board of directors has formulated and achieved diversification for the composition of its membership. | V                     |                             | <p>1. In order to implement the diversity of the Board of Directors, the core items that the directors shall have are set out in the Director Election Regulations, the amendments to which were approved unanimously by the 16th Session of the 9th Board of Directors on March 2, 2017, with the diversity policy published on the Market Observation Post System and the Company’s website at <a href="http://www.dyaco.com">www.dyaco.com</a>.</p> <p>2. The Company has drawn up a policy on diversity in the composition of the Board of Directors in the election of directors. The Company selects directors with the necessary knowledge, skills and qualities to perform their duties based on their professional backgrounds and work areas. In order to achieve the desired objectives of corporate governance, the Board of Directors as a whole shall have the following capabilities:</p> <p>(1) Operational judgement.</p> <p>(2) Accounting and financial analysis skills.</p> <p>(3) Operational management capacity.</p> <p>(4) Crisis management capacity.</p> <p>(5) Industrial knowledge.</p> <p>(6) International market outlook.</p> <p>(7) Leadership.</p> <p>(8) Decision-making capacity.</p> <p>3. The diversity of backgrounds of individual directors of the 11h Board is as follows:</p> <p>(1) The gender composition of the Company's directors is as follows:</p> <table><tr><th>Gender</th><th>Place</th><th>Proportion of all directors</th></tr><tr><td>Female</td><td>1</td><td>14%</td></tr><tr><td>Male</td><td>6</td><td>86%</td></tr></table> <p>The Company places emphasis on gender equality in the composition of the Board of Directors. The short-term target of having at least one woman on the Board of Directors has been achieved; the current proportion of women on the Board is 14%.</p> <p>(2) The age range of the Company's directors is as follows:</p> <table><tr><th>Age range</th><th>Place</th><th>Proportion of all directors</th></tr><tr><td>Age 51 to 60</td><td>5</td><td>72%</td></tr><tr><td>Age 61 to 70</td><td>1</td><td>9%</td></tr><tr><td>Age 71 to 75</td><td>1</td><td>9%</td></tr></table> <p>(3) Directors of the Company in their capacity as employee:</p> <table><tr><th>Directorship</th><th>Place</th><th>Proportion of all directors</th></tr></table> | Gender  | Place | Proportion of all directors | Female | 1 | 14% | Male | 6 | 86% | Age range | Place | Proportion of all directors | Age 51 to 60 | 5 | 72% | Age 61 to 70 | 1 | 9% | Age 71 to 75 | 1 | 9% | Directorship | Place | Proportion of all directors | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| Gender  | Place                 | Proportion of all directors |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Female  | 1                     | 14%                         |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Male  | 6                     | 86%                         |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Age range   | Place                 | Proportion of all directors |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Age 51 to 60  | 5                     | 72%                         |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Age 61 to 70  | 1                     | 9%                          |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Age 71 to 75  | 1                     | 9%                          |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |
| Directorship  | Place                 | Proportion of all directors |   |   |       |                             |        |   |     |      |   |     |           |       |                             |              |   |     |              |   |    |              |   |    |              |       |                             |   |

| Item                   | Implementation Status |  |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
|------------------------|-----------------------|--|---|---|----------------------|------------------------------|---------------------|----------------------------|------|--------------|-------|-----------------------------|----------|---|-----|----------------------|---|-----|--------------|-------|-----------------------------|-----------|---|-----|--------------|---|-----|------------------------|----------------------|--|---------------------------------|--------------------------|----------------------|------------------------------|------------|----------------------------|----------|--|--|--|--|--|--|--|--|--------------|---|---|---|---|---|---|---|---|-----------------|---|---|---|---|--|---|---|---|-----------------|---|---|---|---|--|---|---|---|-------------------|---|--|---|---|--|---|---|---|-------------------|---|---|---|---|--|---|---|---|--------------|---|---|---|---|--|---|---|---|------------------|---|---|---|---|--|---|---|---|--|
|                        | Yes                   | No                                       | Summaried Explanation   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
|                        |                       |  | <table><tr><td>Part-time staff</td><td>0</td><td>0%</td></tr><tr><td>Not part-time staff</td><td>7</td><td>100%</td></tr></table> <p>(4) The directors of the Company are all ROC nationals.</p> <p>(5) The directorships of the Company are as follows:</p> <table><tr><td>Directorship</td><td>Place</td><td>Proportion of all directors</td></tr><tr><td>Director</td><td>4</td><td>57%</td></tr><tr><td>Independent director</td><td>3</td><td>43%</td></tr></table> <p>The Company expects to achieve a balanced composition of ordinary and independent directors on the Board of Directors in order to step up oversight function of the Board. The proportion of independent directors of the Company is over 40% for the current term, and to achieve a balanced composition, the Company will increase the number of independent directorships in the next term, subject to operational circumstances.</p> <p>(6) The terms of office of the independent directors are as follows:</p> <table><tr><td>Directorship</td><td>Place</td><td>Proportion of all directors</td></tr><tr><td>4~6 years</td><td>1</td><td>17%</td></tr><tr><td>Over 9 years</td><td>2</td><td>83%</td></tr></table> <p>(7) The assessment of diversified core items for the directors are as follows:</p> <table><tr><th>Diversified core items</th><th>Operational judgment</th><th>Accounting and financial analysis skills</th><th>Operational management capacity</th><th>Crisis handling capacity</th><th>Industrial knowledge</th><th>International market outlook</th><th>Leadership</th><th>Decision-making capability</th></tr><tr><td>Director</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Lin, Ing-Gin</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Liao, Liang-Bin</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Zhuang, Zhu-Wei</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Chang, Chih-Chuan</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Hsieh, Chang-Hung</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Kai-Li</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Chih-Cheng</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr></table> <p>4. Board membership and key management succession planning :<br/>In planning a succession plan, the Company's successors shall be involved in the sports equipment industry on a long-term basis, and must adhere to the highest principle of integrity in the Company's operation. The Company's General Manager, Chen Ming-nan, has expertise in research and development, management and manufacturing, and Executive Vice President of Finance, Wu Mei-hua, has expertise in financial management. The training mode for senior management succession entails management competencies, professional competencies, personal development plans, including human resources, financial risk, executive master of business administration (EMBA), etc. Through professional competence training, the training is integrated to develop the ability of decision making and judgment.</p> | Part-time staff   | 0                    | 0%                           | Not part-time staff | 7                          | 100% | Directorship | Place | Proportion of all directors | Director | 4 | 57% | Independent director | 3 | 43% | Directorship | Place | Proportion of all directors | 4~6 years | 1 | 17% | Over 9 years | 2 | 83% | Diversified core items | Operational judgment | Accounting and financial analysis skills | Operational management capacity | Crisis handling capacity | Industrial knowledge | International market outlook | Leadership | Decision-making capability | Director |  |  |  |  |  |  |  |  | Lin, Ing-Gin | V | V | V | V | V | V | V | V | Liao, Liang-Bin | V | V | V | V |  | V | V | V | Zhuang, Zhu-Wei | V | V | V | V |  | V | V | V | Chang, Chih-Chuan | V |  | V | V |  | V | V | V | Hsieh, Chang-Hung | V | V | V | V |  | V | V | V | Wang, Kai-Li | V | V | V | V |  | V | V | V | Wang, Chih-Cheng | V | V | V | V |  | V | V | V |  |
| Part-time staff        | 0                     | 0%                                       |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Not part-time staff    | 7                     | 100%                                     |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Directorship           | Place                 | Proportion of all directors              |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Director               | 4                     | 57%                                      |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Independent director   | 3                     | 43%                                      |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Directorship           | Place                 | Proportion of all directors              |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| 4~6 years              | 1                     | 17%                                      |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Over 9 years           | 2                     | 83%                                      |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Diversified core items | Operational judgment  | Accounting and financial analysis skills | Operational management capacity   | Crisis handling capacity  | Industrial knowledge | International market outlook | Leadership          | Decision-making capability |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Director               |                       |  |   |   |                      |                              |                     |                            |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Lin, Ing-Gin           | V                     | V  | V   | V   | V                    | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Liao, Liang-Bin        | V                     | V  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Zhuang, Zhu-Wei        | V                     | V  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Chang, Chih-Chuan      | V                     |  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Hsieh, Chang-Hung      | V                     | V  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Wang, Kai-Li           | V                     | V  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |
| Wang, Chih-Cheng       | V                     | V  | V   | V   |                      | V                            | V                   | V                          |      |              |       |                             |          |   |     |                      |   |     |              |       |                             |           |   |     |              |   |     |                        |                      |  |                                 |                          |                      |                              |            |                            |          |  |  |  |  |  |  |  |  |              |   |   |   |   |   |   |   |   |                 |   |   |   |   |  |   |   |   |                 |   |   |   |   |  |   |   |   |                   |   |  |   |   |  |   |   |   |                   |   |   |   |   |  |   |   |   |              |   |   |   |   |  |   |   |   |                  |   |   |   |   |  |   |   |   |  |

| Item   | Implementation Status |    |  | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|--|-----------------------|----|--|---|
|  | Yes                   | No | Summaried Explanation  |   |
| b. Whether the company has installed on its own various functional committee other than the compensations committee and the auditing committee.  | V                     |    | The Company formed the Corporate Social Responsibility (CSR) Committee in 2018 to deliberate and make recommendations on major issues such as corporate social responsibility of the Company for the reference of the Board of Directors and executive arms in decision-making and implementation. The composition, responsibilities and operation of the CSR Committee are described.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| c. Whether the company has formulated measures and methods for the evaluation of the performance of the board of directors and carryout regular performance evaluation every year.   | V                     |    | <ol style="list-style-type: none"> <li>1. The Company issues a performance self-assessment questionnaire to all Board members in December of each year and performs the current year's performance evaluation at the end of the year.</li> <li>2. For the 2020 Board of Directors' evaluation, please refer to the above.</li> <li>3. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the directors of the Company shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's board of directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.</li> </ol> | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| d. Whether the company has regularly evaluated the independence of certified public accountants.   | V                     |    | The Company evaluates the independence and suitability of its certified public accountants (CPA) once a year, with the results of the most recent two annual evaluations submitted on Dec 10, 2019 and Dec 25, 2020 to the Board of Directors for approval after deliberations by the Audit Committee; please refer to below for details of the 2020 evaluation.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| D. Does the listed company assign a department for corporate governance or a staff in charge of related issues ( include but not restrict providing directors and supervisors with information to conduct business, holding board meeting, AGM, registration and updated registration for the company, composing meeting minutes for board | V                     |    | <ol style="list-style-type: none"> <li>1. On March 8, 2019, the Board of Directors of the Company approved the head of corporate governance was assumed by Vice President of Finance Chiu Yuan-sheng, who had more than three years of experience in the position of finance director in a public company, the main duties of which are to provide the directors with the information necessary for the execution of business, the latest regulations related to the operation of the Company to assist the directors and the Company to comply with the laws and regulations, and report to the Board of Directors at the end of each year to review the effectiveness of operations.</li> <li>2. See the above for the 2020 Corporate Governance Director duties and business execution highlights and further education.</li> </ol>   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |

| Item  | Implementation Status |    |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summaried Explanation   |   |
| meeting and AGM based upon the regulation.  |                       |    |   |   |
| E. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders in its website, in addition to responding properly to key issues in corporate social responsibility concerned by stakeholders. | V                     |    | The Company attaches importance to the balance of rights and obligations among its stakeholders, including authorities, employees, shareholders and investors, customers, suppliers, social groups and community residents, etc. While maintaining good communication with stakeholders, the Company has a section for stakeholders on its website.<br>Communication between various types of stakeholders in 2020 was reported by the head of corporate governance at a December 25, 2020 board meeting and disclosed on the Company's website.  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| F. Whether the company has entrusted professional stock-affairs agent to handle shareholder’ meeting.   | V                     |    | The Company's stock agency to be represented by SinoPac Securities Corporation, which was approved for the record by a letter dated June 3, 2019 from Taiwan Depository & Clearing Corporation.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| G. Information publication<br>a. Whether the company has installed website for publication of information on finance, business and corporate governance.  | V                     |    | Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> .  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| b. Whether the company has publicized information via other methods (such as installation of English-language website, designations of persons in charge of collection and  | V                     |    | 1. Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at <a href="http://www.dyaco.com">www.dyaco.com</a> .<br>2. While the Company’s English-language website is maintained by a dedicated staff, the Company has also established a spokesperson system and an Investor Relations Department to serve shareholders and investors.<br>3. Information relating to shareholders' meetings or juristic person explanatory sessions is published immediately on the Company's website. | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |

| Item  | Implementation Status |    |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summaried Explanation   |   |
| publication of company information, materialization of the system of spokesman and posting of the process of investors’ conference on the company website).   |                       |    |   |   |
| c. Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?   | V                     |    | The Company shall, within a time limit prescribed in Article 36 of the Securities and Exchange Act, announce and report its annual financial reports, first, second and third quarter financial reports, with its operations for each month published as scheduled.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |
| H. Whether the company has other information conducive to understanding the status of corporate governance (including, but not limited to, staffers’ interests, concern for staffers, investor relationship, stakeholders’ rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors. | V                     |    | <ol style="list-style-type: none"> <li>1. Employee rights and benefits, employee care: Please refer to the section on labour relations.</li> <li>2. Investor relations: The Company has spokespersons, acting spokespersons and investor relations divisions whose contact information are publicly available, so that investors can reflect their opinions at any time, with the financial and corporate governance content updated on the Market Observation Post System (MOPS) and the Company's website in real time, which helps to enhance information transparency.</li> <li>3. Supplier relationships: The Company has smooth communication channels and good interaction with its suppliers.</li> <li>4. Rights of stakeholders: stakeholders may communicate with the Company and make suggestions to protect their legal rights and interests.</li> <li>5. Directors' in-service training: the directors of the Company have participated in continuing education on corporate governance per the regulations. Please refer to the above for further details.</li> <li>6. Implementation of risk management policies and risk measurement standards: <ol style="list-style-type: none"> <li>(1) Risk management policies: <ol style="list-style-type: none"> <li>i. Market risk management: avoid excessive concentration of customers and product lines.</li> <li>ii. Credit risk management: Periodically review the creditworthiness of customers, manage accounts receivable, and monitor cash flow and use of funds.</li> </ol> </li> </ol> </li> </ol> | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”               |

| Item                                     | Implementation Status         |                |   | Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons |                  |                |              |                               |               |              |                               |               |  |
|--|-------------------------------|----------------|---|---|------------------|----------------|--------------|-------------------------------|---------------|--------------|-------------------------------|---------------|--|
|  | Yes                           | No             | Summaried Explanation   |   |                  |                |              |                               |               |              |                               |               |  |
|  |                               |                | <p>iii. Operational risk management: establish, amend and promote various standard operating procedures.</p> <p>iv. Enterprise scale risk management: Implement performance management and profit center system and regularly review the economic scale of each product line and subsidiary.</p> <p>(2) Risk management framework:</p> <p>The management of the Company's operational risks is assigned to the relevant arms according to the nature of their business, and is monitored by the Audit Office for the existing or potential risks of each operation.</p> <p>i. Financial: conduct financial dispatching, use funds and establish hedging mechanisms to reduce financial risk; and plan and develop short, medium and long-term financial and investment strategies.</p> <p>ii. Business: conduct product marketing and keep abreast of market trends to abate operational risk.</p> <p>iii. Information: perform network planning, construction, operation and maintenance, continuously monitor network quality, assess information risks and take appropriate response measures to reduce operational risks.</p> <p>iv. Legal: in addition to reviewing the legality of contractual documents, assist in controlling legal risk, complying with the law and handling contractual and litigation disputes to mitigate legal risk.</p> <p>v. Audit: The internal control system is implemented to promote, audit business planning and execution to ensure its continued effectiveness in order to achieve the effectiveness and efficiency of the group's operations, the reliability and timeliness of reporting and compliance with relevant laws and regulations.</p> <p>vi. Board of directors: the highest decision-making body for risk management of the Company and approves risk management policies to ensure effective control of operational risks by taking into account the overall operational risks and business environment.</p> <p>(3) Analysis and assessment of risk issues: Please refer to below, Risk Issues.</p> <p>7. Implementation of customer policy: The Company has set up a customer service department to handle customer complaints and properly identify the problems and responsibilities to ensure the quality of service to customers.</p> <p>8. The directors' insurance policies for directors' and supervisors' liability are as follows:</p> <table><tr><th>Date of most recent Board meeting report</th><th>Insurance period</th><th>Insured amount</th></tr><tr><td>Nov 12, 2019</td><td>Sept 15, 2019 – Sept 15, 2020</td><td>USD 5,000,000</td></tr><tr><td>Nov 12, 2020</td><td>Sept 15, 2020 – Sept 15, 2021</td><td>USD 5,000,000</td></tr></table> | Date of most recent Board meeting report  | Insurance period | Insured amount | Nov 12, 2019 | Sept 15, 2019 – Sept 15, 2020 | USD 5,000,000 | Nov 12, 2020 | Sept 15, 2020 – Sept 15, 2021 | USD 5,000,000 |  |
| Date of most recent Board meeting report | Insurance period              | Insured amount |   |   |                  |                |              |                               |               |              |                               |               |  |
| Nov 12, 2019                             | Sept 15, 2019 – Sept 15, 2020 | USD 5,000,000  |   |   |                  |                |              |                               |               |              |                               |               |  |
| Nov 12, 2020                             | Sept 15, 2020 – Sept 15, 2021 | USD 5,000,000  |   |   |                  |                |              |                               |               |              |                               |               |  |

| Item   | Implementation Status |    |                       | Discrepancy with<br>“Corporate<br>Governance Best-<br>Practice Principles<br>for TWSE/GTSM<br>Listed<br>Companies” and<br>reasons |
|--|-----------------------|----|-----------------------|---|
|  | Yes                   | No | Summaried Explanation |   |
| Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange. |                       |    |                       |   |
| 1. In the 6th Corporate Governance Review, the Company was ranked at 6% to 20%.  |                       |    |                       |   |
| 2. Improvements made   |                       |    |                       |   |
| (1) The annual financial report in English shall be uploaded seven days prior to the regular shareholders' meeting.    |                       |    |                       |   |
| (2) The English version of the Annual Report shall be uploaded seven days before the regular shareholders' meeting.    |                       |    |                       |   |
| 3. Priorities to be reinforced in the future   |                       |    |                       |   |
| (1)Planning to obtain an environmental or energy management system.  |                       |    |                       |   |
| (2)The CSR report requires third party verification.   |                       |    |                       |   |

Note 1 : the independence and suitability of its certified public accountants (CPA)

| Factors         | Items  | Yes/No   |
|-----------------|--|--|
| Self-interest   | 1. Any direct or material indirect financial interest with the Company and its related parties?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 2. Any financing or guarantee with the Company and its related parties or its directors?   | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 3. Considering the possibility of losing customers?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 4. Any close business relationship with the Company and its related parties?   | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 5. Any potential employment relationship with the Company and its related parties?   | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 6. Any contingent fees related to the audits?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Self assessment | 1. Any member of the audit service team currently or within the last two years holding a directorship, managerial position or position of significant influence over the audit of the Company and its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 2. Non-audit services provided to the Company and its related parties directly affecting the material aspects of the audit?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Defend          | 1. Promoting or brokering shares or other securities issued by the Company and its related parties?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 2. Acting as the Company's and its related parties' advocate or coordinate conflicts with other third parties on behalf of the Company and its related parties?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Familiarity     | 1. Any relative relationship with a director, manager, or officer who has significant influence on the audit of the Company and its related parties?   | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 2. Whether a former partner within one year of disassociating from the firm holds any directorships, managerial positions or positions of significant influence over the audit of the Company and its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 3. Accepting any gifts or presents of significant value from the Company, its related parties or its directors or managers?  | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Threatening     | 1. Any request by the Company and its related parties for the CPA to accept improper choices of accounting policies or improper disclosures in the financial statements by management?                                 | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
|                 | 2. Any undue pressure from the Company and its related parties on the CPA to improperly reduce the audits that should be performed in order to keep audit fees down?   | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |

3.3.7 The state of the Company's performance of social responsibilities, any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:

| Item  | Implementation Status              |   |  |  | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |                                    |   |   |                |                   |  |  |                       |                                 |   |   |   |
|---|------------------------------------|---|--|--|---|------------------------------------|---|---|----------------|-------------------|--|--|-----------------------|---------------------------------|---|---|---|
|   | Yes                                | No  | Summaried Explanation  |  |   |                                    |   |   |                |                   |  |  |                       |                                 |   |   |   |
| A.Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company’s operations and formulate relevant risk management policies or strategies based on the principle of materiality? | V                                  |   | <p>In the course of business management, prevention and control of possible risks are carried out, and relevant early warning measures are developed. In accordance with the principle of materiality, the Company conducts risk assessments on environmental, social and corporate governance issues related to its operations, which serve as a reference for the Company's risk management and operational strategies.</p> <p>With regard to environmental issues, in view of the impact of climate change on the corporate operations, the Company has identified climate change and hazardous substances pollution as major risks, and has laid down procedures for the management of energy consumption and greenhouse gas emissions, procedures for the management of environmentally hazardous substances and procedures for the management of suppliers/subcontractors, and has reported to the Board of Directors and the Corporate Social Management Committee regularly. The Company departments conduct business inventory and risk identification for climate change, including analysis of risks and opportunities arising from direct or indirect impacts of extreme weather events, and estimates management costs and financial impacts based on a risk management strategy plan as a core of response actions on climate change. The information collected as described above is used to strengthen the Company's climate change governance and to systematically assess financial correlations in order to mitigate risks and seize business opportunities.</p> <table><tr><th>Risk category</th><th>Climate change risk identification</th><th>Climate change opportunity identification</th><th>Possible business items for company operation</th></tr><tr><td>Energy sources</td><td>Policy incentives</td><td>Priority is given to the selection of equipment in line with government energy conservation subsidies.</td><td>Review the policies of each regional government, purchase equipment that meets the requirements, compile relevant information and submit an application to the government for subsidies.</td></tr><tr><td>Products and services</td><td>Low carbon products or services</td><td>Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.</td><td>Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.</td></tr></table> |  | Risk category   | Climate change risk identification | Climate change opportunity identification | Possible business items for company operation | Energy sources | Policy incentives | Priority is given to the selection of equipment in line with government energy conservation subsidies. | Review the policies of each regional government, purchase equipment that meets the requirements, compile relevant information and submit an application to the government for subsidies. | Products and services | Low carbon products or services | Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products. | Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials. | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| Risk category   | Climate change risk identification | Climate change opportunity identification   | Possible business items for company operation  |  |   |                                    |   |   |                |                   |  |  |                       |                                 |   |   |   |
| Energy sources  | Policy incentives                  | Priority is given to the selection of equipment in line with government energy conservation subsidies.                    | Review the policies of each regional government, purchase equipment that meets the requirements, compile relevant information and submit an application to the government for subsidies.   |  |   |                                    |   |   |                |                   |  |  |                       |                                 |   |   |   |
| Products and services   | Low carbon products or services    | Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products. | Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.  |  |   |                                    |   |   |                |                   |  |  |                       |                                 |   |   |   |



| Item   | Implementation Status |    |   | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summaried Explanation   |   |
|  |                       |    | <p>In addition, reducing energy consumption and efficient and rational use of resources can also minimize the use of harmful substances and mitigate the impact of environmental pollution.</p> <p>In terms of social issues, a safe and healthy working environment for our employees is the Company’s top priority. To ensure the physical and mental health of our employees and to enhance the safety of the workplace environment, we have a "Social Responsibility Management Manual" in place to regulate and promote workplace safety and the importance of physical and mental health of our employees through employee health checks, fire drills and education and training courses.</p> <p>With respect to corporate governance issues, the Company avoids violating the laws and regulations of the competent authorities to jeopardize the Company's reputation by setting up the Audit Committee, the Remuneration Committee and the Corporate Social Responsibility Committee, and establishing the position of Corporate Governance Officer to jointly supervise the Company's compliance with the relevant laws and regulations and implement corporate governance.</p> <p>The Company's senior management regularly assesses and reviews the environmental, social and corporate governance issues related to the above operations to the Audit Committee, the Remuneration Committee and the Corporate Social Responsibility Committee, and reports the results of the assessment to the Board of Directors on a regular basis after the head of corporate governance has compiled the significant risk issues.</p> |   |
| B. Whether the company has instituted unit for pushing fulfillment of corporate social responsibility, either on full-time or part-time basis, in addition to having the board of directors authorize ranking management to handle the issue before reporting the outcome to the board of directors. | V                     |    | <ol style="list-style-type: none"> <li>1. The Company's CSR dedicated staff is the project secretary of the Corporate Social Responsibility Committee, responsible for promoting various programs and formulating CSR policies to be approved by the board of directors.</li> <li>2. The results of CSR promotion in 2020 were presented to the board of directors on December 25, 2020. Please refer to the following "Other important information to help understand the operation of CSR" for the implementation results.</li> <li>3. The Company’s CSR Committee Project Secretary participates in external CSR-related workshops to understand how to implement the United Nations' Global Sustainable Development Goals (SDGs) into CSR, and actively engages in external CSR evaluations to improve itself and enhance its social responsibility.</li> <li>4. The social responsibility education and training courses in 2020 are as follows: <ol style="list-style-type: none"> <li>(1) BSI GRI Standards Report Preparation Course.</li> <li>(2) Mandatory Course in CSR Report Preparation for SMEs.</li> <li>(3) ESG Risk Management Course from Corporate Governance Perspective.</li> <li>(4) Taiwan Stock Exchange: Task Force on Climate-related Financial Disclosures (TCFD) Educational Training.</li> <li>(5) Taipei City Department of Social Welfare: The Foundation's 2020 Social Welfare Charitable Foundation Workshop.</li> </ol> </li> </ol>  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |

| Item   | Implementation Status   |    |  | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
|--|---|----|--|---|-----------------|--------------------------------|---|--|--|--------------------------------|---|---------------------------|--|---|---|---|
|  | Yes   | No | Summaried Explanation  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| C. Environment issues<br>a. Does the company establish an appropriate environmental management system according to its industrial characteristics?   | V   |    | <div>The Company has laid down procedures to respond to environmental management issues related to the Company's business, with the primary objective of reducing and preventing environmental impacts. The Company has established the following environmental management measures:</div> <table><tr><td>Environmental issues</td><td>Coping measures</td></tr><tr><td>Recycling and waste management</td><td>Waste and recyclable materials management procedure</td></tr><tr><td>Pollution prevention and resource conservation</td><td>Environmental operation management procedure</td></tr><tr><td>Hazardous substance management</td><td>Management procedure for environmental hazardous substances</td></tr><tr><td>Water resource management</td><td>Waste water and site boundary noise management procedure</td></tr><tr><td>Energy consumption and greenhouse gas emissions</td><td>Energy consumption and greenhouse gas emission management procedure</td></tr></table> | Environmental issues  | Coping measures | Recycling and waste management | Waste and recyclable materials management procedure | Pollution prevention and resource conservation | Environmental operation management procedure | Hazardous substance management | Management procedure for environmental hazardous substances | Water resource management | Waste water and site boundary noise management procedure | Energy consumption and greenhouse gas emissions | Energy consumption and greenhouse gas emission management procedure | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| Environmental issues   | Coping measures   |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| Recycling and waste management   | Waste and recyclable materials management procedure                 |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| Pollution prevention and resource conservation   | Environmental operation management procedure                        |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| Hazardous substance management   | Management procedure for environmental hazardous substances         |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| Water resource management  | Waste water and site boundary noise management procedure            |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| Energy consumption and greenhouse gas emissions  | Energy consumption and greenhouse gas emission management procedure |    |  |   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| b. Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?   | V   |    | The Company is committed to environmental and corporate sustainable development, and actively promotes energy saving and carbon reduction, including continuous energy and water conservation, upgrading paperless operations, and using environmentally friendly materials for public affairs products to lessen the environmental burden and cut down unnecessary waste of resources.  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |
| c. Whether the company has noticed the effect of climate change on its business activities, conducted check on greenhouse gases, and formulated strategy on energy conservation and carbon/greenhouse gases abatement. | V   |    | As part of our efforts to effectively manage and control greenhouse gas emissions and to reduce energy consumption and use resources efficiently and rationally, the Company has drawn up the "Energy Consumption and Greenhouse Gas Emission Management Procedures."  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |                 |                                |   |  |  |                                |   |                           |  |   |   |   |

| Item  | Implementation Status  |  |   | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
|---|--|--|---|---|--|--|------------------|---|--------------------------------------|---|--|--------------------------------------|----------------------------|---|--------------------------------------|--|---|------|---|--------------|--------------|-------------------------|------------|------------|-----------------|--------------|--------------|---|
|   | Yes  | No                                     | Summaried Explanation   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| d. Has the company counted greenhouse gas emissions, water consumption and toatlweight of waste in the past two years, and formulated policies for energy saving and carbon reduction, water use reduction or other waste management? | V  |  | <div>1. The Company is devoted to promoting energy conservation and carbon reduction in the long term by generating electricity through solar power systems to reduce carbon dioxide (CO<sub>2</sub>) emissions, with the following emission reduction targets:<table><tr><th>Duration</th><th>Period</th><th>Reduction of CO<sub>2</sub> emissions</th></tr><tr><td>Short-range</td><td>2015-2019</td><td>Average annual decrease of 750,000kg</td></tr><tr><td>Medium-range</td><td>2020-2026</td><td>Average annual decrease of 800,000kg</td></tr><tr><td>Long-range</td><td>2026-</td><td>Average annual decrease of 850,000kg</td></tr></table></div> <div>2. The Company reduced its carbon dioxide emissions due to solar power generation by a total of 4,848,747kg from 2015 to 2020, with an average annual reduction of 808,125kg, reaching its medium-range target.</div> <div>3. Carbon dioxide emissions for the past two years are as follows:<table><tr><th>Item</th><th>2019</th><th>2020</th></tr><tr><td>Emissions</td><td>2,155,865 KG</td><td>2,824,925 KG</td></tr><tr><td>Reduction (solar power)</td><td>808,125 KG</td><td>808,125 KG</td></tr><tr><td>Total emissions</td><td>1,347,740 KG</td><td>2,016,840 KG</td></tr></table></div>  | Duration  | Period                                 | Reduction of CO <sub>2</sub> emissions | Short-range      | 2015-2019   | Average annual decrease of 750,000kg | Medium-range  | 2020-2026  | Average annual decrease of 800,000kg | Long-range                 | 2026-   | Average annual decrease of 850,000kg | Item   | 2019  | 2020 | Emissions   | 2,155,865 KG | 2,824,925 KG | Reduction (solar power) | 808,125 KG | 808,125 KG | Total emissions | 1,347,740 KG | 2,016,840 KG | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |
| Duration  | Period   | Reduction of CO <sub>2</sub> emissions |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Short-range   | 2015-2019  | Average annual decrease of 750,000kg   |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Medium-range  | 2020-2026  | Average annual decrease of 800,000kg   |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Long-range  | 2026-  | Average annual decrease of 850,000kg   |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Item  | 2019   | 2020                                   |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Emissions   | 2,155,865 KG   | 2,824,925 KG                           |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Reduction (solar power)   | 808,125 KG   | 808,125 KG                             |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Total emissions   | 1,347,740 KG   | 2,016,840 KG                           |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| D. Social issues<br>a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human right.  | V  |  | <div>The Company has been paying attention to human rights issues and enhancing workplace safety over the years, and has made the following specific management plans with reference to international human rights conventions and workplace safety-related laws and regulations:</div> <table><tr><th>Matters of Concern</th><th>The Company's specific management plan</th><th>2020 cases</th></tr><tr><td>Humane treatment</td><td>Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.</td><td>0</td></tr><tr><td>Eliminating unlawful discrimination to ensure equal opportunities at work</td><td>Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.</td><td>0</td></tr><tr><td>Prohibition of child labor</td><td>Strictly enforce the requirements of social responsibility management regulations and the country's labor standards law, prohibit the use of child labor and establish procedures for managing child and youth labor.</td><td>0</td></tr><tr><td>Freedom of association, collective bargaining, trade union membership and religion</td><td>The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.</td><td>0</td></tr></table> | Matters of Concern  | The Company's specific management plan | 2020 cases                             | Humane treatment | Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment. | 0                                    | Eliminating unlawful discrimination to ensure equal opportunities at work | Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination. | 0                                    | Prohibition of child labor | Strictly enforce the requirements of social responsibility management regulations and the country's labor standards law, prohibit the use of child labor and establish procedures for managing child and youth labor. | 0                                    | Freedom of association, collective bargaining, trade union membership and religion | The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor. | 0    | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” |              |              |                         |            |            |                 |              |              |   |
| Matters of Concern  | The Company's specific management plan   | 2020 cases                             |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Humane treatment  | Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.  | 0                                      |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Eliminating unlawful discrimination to ensure equal opportunities at work   | Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination. | 0                                      |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Prohibition of child labor  | Strictly enforce the requirements of social responsibility management regulations and the country's labor standards law, prohibit the use of child labor and establish procedures for managing child and youth labor.                        | 0                                      |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |
| Freedom of association, collective bargaining, trade union membership and religion  | The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.  | 0                                      |   |   |  |  |                  |   |                                      |   |  |                                      |                            |   |                                      |  |   |      |   |              |              |                         |            |            |                 |              |              |   |

| Item   | Implementation Status |    |   | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summaried Explanation   |   |
| b. Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits), and appropriately reflect the operating performance or results in employee compensation? | V                     |    | The Company explains its employees' obligations to comply with the Company's rules and regulations through internal meetings and advocacy letters on a regular or occasional basis, and keeps records of such advocacy activities. In addition, the Company has instituted the "Personnel Regulations" and "Annual Mid-term and End-of-Term Employee Performance Appraisal Procedures," which shall be followed to handle all reward and punishment cases in a fair and equitable manner, and are included in the annual performance appraisal indicators, so that employees would understand the Company's determination to follow through on each reward and punishment case.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |
| c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for staffers.   | V                     |    | <ol style="list-style-type: none"> <li>1. The Company complies with the regulations related to occupational safety and has a "Social Responsibility Management Manual" to regulate the safety and health of its employees in the work environment.</li> <li>2. Annual health checks and follow-up of abnormalities for staff, with a coverage rate of over 95% per year and annual health checks already conducted in May 2020.</li> <li>3. 8-10 health programs and talks in 2020 and weekly e-mails to promote health and safety.</li> <li>4. Half-yearly fire training in 2020 to enhance disaster prevention education in chemical plants to raise the awareness of personnel to prevent disasters in compliance with Article 13 of the Fire Services Act and Article 15 of the Enforcement Rules of Fire Services Act.</li> <li>5. 558.5 hours of external training and 2,991.5 hours of internal training on workplace safety-related education in 2020.</li> </ol> | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |
| d. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career.  |                       |    | <ol style="list-style-type: none"> <li>1. The Company attaches importance to the long-term career development of its employees, and every year, in addition to the education and training courses required by law, encourages employees to participate in internal and external training to enhance their practical skills.</li> <li>2. Total training hours in 2020 were 3,964 hours for internal training courses and 928.5 hours for external training courses</li> <li>3. .In addition, employees are encouraged to pursue professionalized courses in colleges and universities after work to expand their self-efficacy and provide them with different perspectives on decision-making in the workplace, and thus, there is an in-service training grant program, under which one employee were pursuing their studies in 2020</li> </ol>  | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |

| Item  | Implementation Status |    |  | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summaried Explanation  |   |
| e. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures. | V                     |    | <ol style="list-style-type: none"> <li>1. Customer health and safety<br/>The Company takes quality into account and introduces the ISO operation process, and complies with the relevant governmental regulations on R&amp;D, procurement, production, operation and service process in internal control to ensure the transparency and security of product labeling and service information.</li> <li>2. Customer privacy<br/>According to privacy statements as set out in customer service (personal information guarantee policy), customer's personal information shall only be collected for the purpose of providing transaction-related operations, providing other information or services to users, compiling member statistics, conducting surveys or research on Internet activity, or for other lawful use of information, and only internal business personnel shall have the authority to inquire about and access customer personal information.</li> <li>3. Marketing and labeling</li> <li>4. The Company actively manages products and processes systematically to ensure compliance with international standards, and has passed the latest version of ISO9001 Quality Management System and ISO13485 Medical Device Quality Management System. Furthermore, many of our products conform to international safety certifications, including UL/CSA, CE, GS, ROHS, WEEE, and our products and processes are continually endeavoring to be internationally compliant. The Company has a complaint line and e-mail address for handling complaints or disputes to safeguard consumer rights.</li> <li>5. Consumer protection policy and complaint procedures <ol style="list-style-type: none"> <li>(1) The complaints are received daily and responded to within 36 hours to maintain customers' trust and confidence.</li> <li>(2) The Company provides a customer service description on the Company's website to give customers a better understanding of the services provided by the Company (www.dyaco.com.tw).<br/>The Company has a complaint channel at info@dyaco.com on its website for consumer rights.</li> </ol> </li> </ol> | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |

| Item  | Implementation Status |    |  | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |
|---|-----------------------|----|--|---|
|   | Yes                   | No | Summaried Explanation  |   |
| f. Does the company formulate supplier management policies, requiring suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?   | V                     |    | <ol style="list-style-type: none"> <li>1. A "Supplier/Subcontractor Management Procedure" is in place for all suppliers to sign a Supplier Responsibility Commitment prior to collaboration, pledging to comply with relevant national and local labor regulations and social standards. Evaluation is conducted by the Purchasing Department at least once a year and suppliers that do not meet the Company's environmental, occupational safety and social responsibility management requirements will have their contracts terminated or their supplier status cancelled.</li> <li>2. Regularly advocate that suppliers should work together on environmental protection, safety and health work, etc. to fulfill their corporate social responsibility.</li> <li>3. Implementation and execution in 2020 is as follows: <ol style="list-style-type: none"> <li>(1) As of 2020, there are 61 manufacturers that supply the Company with environmentally friendly and non-toxic RoHS &amp; Reach certifications.</li> <li>(2) A total of 66 suppliers have entered into Hazardous Substance Restriction Guarantees with the Company in 2020.</li> <li>(3) Six suppliers had been investigated in 2020 for electronic materials that did not contain conflict metals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries.</li> </ol> </li> </ol> | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |
| E. Does the company refer to the internationally-accepted reporting standards or guidelines to prepare corporate social responsibility reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?  | V                     |    | Since the Company does not fall into the category required to prepare CSR reports under Article 2 of the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, it has voluntarily prepared 2019 CSR reports in accordance with the GRI Guidelines (Core Compliance) and uploaded them to the Market Observation Post System in September 2020.   | Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”   |
| F. Describe the operation of company’s Corporate Social Responsibility Best Practice Principles, should it exist, and its difference with” Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies.”<br>The Company has formulated the Corporate Social Responsibility Best Practice Principles to fulfill its corporate social responsibility. |                       |    |  |   |

| Item  | Implementation Status  |    |                       | Discrepancy with<br>“Corporate Social<br>Responsibility Best-<br>Practice Principles for<br>TWSE/GTSM Listed<br>Companies” and<br>reasons |
|---|--|----|-----------------------|---|
|   | Yes  | No | Summaried Explanation |   |
| G. Other key information conducive to the understanding of the company’s CSR-related affairs:<br>2020 CSR concrete results: |  |    |                       |   |
| Community involvement, social contribution, social services and social causes   | <ul style="list-style-type: none"><li>● Donated NT\$100,000 and sponsored training equipment worth NT\$200,000 to triathlete Lee Hsiao-yu</li><li>● Donated NT\$100,000 to the Hondao Senior Citizen's Welfare Foundation's 2020 Winter Care Program for Seniors Living Alone</li><li>● Donated NT\$100,000 to the Huashan Social Welfare Foundation for the Feeding the Poor 30 Project</li><li>● Donated NT\$100,000 to the Maria Social Welfare Foundation's Coastal Line Cleaning Service for the Physically and Mentally Challenged and Small Workshops Training Program</li><li>● Donated NT\$100,000 to the Suang Lien Foundation for the Visually Impaired, Taipei City, for the 2020 project to support the visually impaired elderly living alone</li><li>● Sponsored the Spinal Cord Injury Foundation's sports equipment, worth NT\$91,598</li><li>● Sponsored the Taiwan Adaptive Physical Activity Society Carers' Workshop exercise equipment, worth NT\$77,400</li><li>● Sponsored the Ganlin Social Welfare Foundation, Taichung, with sports equipment worth NT\$349,767</li><li>● Sponsored the Huashan Social Welfare Foundation's sports equipment, worth NT\$226,298</li><li>● Sponsored 100 pieces of exercise equipment and massage rollers worth NT\$418,410 to the Hondao Senior Citizen's Welfare Foundation</li><li>● Sponsored the Maria Social Welfare Foundation's sports equipment, worth NT\$117,438</li><li>● Sponsored the Chao Hsing Social Welfare Foundation's sports equipment, worth NT\$113,328</li><li>● Sponsored the Sing Fu Happiness Foundation's sports equipment, worth NT\$135,718</li><li>● Sponsored the First Social Welfare Foundation's sports equipment, worth NT\$271,049</li><li>● Sponsored 100 massage rollers to the Taiwan Alzheimer's Disease Association</li><li>● Sponsored 80 massage rollers to the Taiwan Association of Family Caregivers</li><li>● Sponsored 73 massage rollers to the Suang Lien Foundation for the Visually Impaired, Taipei City</li><li>● Sponsored Taipei Municipal Huajiang Senior High School with sports equipment for teaching purposes, worth NT\$81,194</li><li>● Sponsoring Taipei Municipal Yongchun Senior High School's sports equipment for teaching purposes, worth NT\$136,390</li><li>● Sponsored Miaoli County Jau-Nan Elementary School with sports equipment for teaching purposes, worth NT\$192,963</li><li>● Dyaco Schoolhouse, Cite Culture &amp; Art Foundation &amp; Changhua Children and Families Center reading education program and volunteer training</li></ul> |    |                       |   |
| Other CSR activities  | <ul style="list-style-type: none"><li>● Issuance of Dyaco's 2019 CSR Report as per GRI Standards.</li><li>● MOE Sports Administration Sports Enterprise Certification Award Ceremony.</li><li>● MOE Sports Administration Sportsmanship Award Ceremony.</li></ul>  |    |                       |   |

### 3.3.8 The Company's performance of ethical management and the measures taken:

| Item   | Implementation Status |    |   | Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summaried Explanation   |   |
| A. Formulate policy and program for ethical corporate management<br>a. Whether the company has explicitly express the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of directors and management have fulfilled the commitment to the policy of ethical corporate management.  | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has revised the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to state its policy of business with integrity.</li> <li>2. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and other relevant laws and regulations, and the relevant internal regulations and internal control system shall be jointly followed by employees.</li> <li>3. The Company has stipulated in the rules of procedure of the board meeting that directors shall recuse themselves from any matters in which they have an interest.</li> </ol> | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| B. Whether the company has established an assessment mechanism for the risk dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has stepped up its efforts to educate its purchasing staff to consult and compare prices with multiple suppliers when making purchases, and adjusts the contents of purchasing staff's work from time to time as necessary.</li> <li>2. To prevent dishonest acts such as improper donations, sponsorships, illegal political contributions, etc., the Company has established the "Corporate Governance Best-Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" for the handling of major donations, which shall be submitted to the Board of Directors for approval.</li> </ol>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| C. Does the company specify the operating procedures, behavior guidance system in the plan to prevent dishonesty, and the implement it, and regularly review and revise the pre-disclosure plan?   | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has revised the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to prevent dishonest conduct.</li> <li>2. The Company has set up a section for stakeholders on the Company's website (www.dyaco.com), where complaints about any misconduct can be filed, and the reception office will immediately investigate and take disciplinary action in accordance with the Company's "Personnel Regulations" and other relevant regulations.</li> <li>3. No complaints about unethical conduct in 2020.</li> </ol>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| A. Materialize ethical corporate management<br>a. Whether the company has evaluated the track record on the integrity of business partners and whether the contracts with business partners include an article on behavioral integrity.  | V                     |    | The Company's business activities are based on the principles of honesty, transparency and accountability. Accordingly, the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" state that agents, customers, suppliers or other business partners shall jointly observe the policy of ethical management.   | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |



| Item  | Implementation Status |    |   | Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|---|-----------------------|----|---|---|
|   | Yes                   | No | Summaried Explanation   |   |
| b. Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation? | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has designated the Management Department as a dedicated arm under the Board of Directors, which revises the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and regularly reports to the Board of Directors on the implementation of the principles, urges the Company to prevent unethical acts, and reviews the effectiveness of its implementation and continuous improvement from time to time to ensure the performance of the ethical management policy.</li> <li>2. A report on the promotion of ethical management for 2020 was made to the Board of Directors on December 25, 2020.</li> <li>3. The Company has implemented the policy of conducting business with integrity, with a summary of the relevant implementation in fiscal 2020 as follows:               <ol style="list-style-type: none"> <li>(1) The 2020 educational training related to ethical business practices includes various regulatory advocacy (see Note 1) for a total of 97 hours.</li> <li>(2) There is a complaint and reporting system under the Corporate Governance Best-Practice Principles, the Ethical Corporate Management Best Practice Principles, and the Operating Procedures and Conduct Guidelines for Ethical Corporate Management, and a protection mechanism for whistleblowers, with 0 external whistleblowing cases and 0 internal whistleblowing cases in 2020 received.</li> </ol> </li> </ol> | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.   | V                     |    | <ol style="list-style-type: none"> <li>1. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company's dedicated arm in a timely manner through various channels (www.dyaco.com).</li> <li>2. The Company has the rules of procedure of the board meeting, under which a director or a juristic person he/she represents who has an interest in the agenda items at the meeting shall state their interest at the board meeting, and shall not join the discussion and voting, nor shall they exercise their voting rights on behalf of other directors. In addition, directors are required to recuse themselves from the meeting in which they have an interest in order to avoid conflicts of interest.</li> </ol>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| d. Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified public account under its entrustment.  | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has an accounting system and a dedicated accounting arm, and financial reports are audited or reviewed by a CPA to ensure the fairness of the financial statements.</li> <li>2. The Company establishes an internal audit system and a self-inspection system to maintain an effective and appropriate internal control system.</li> </ol>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| e. Whether the company had held internal or external education and training regularly on ethical corporate management.  | V                     |    | <ol style="list-style-type: none"> <li>1. The Company has designated the Management Department as a dedicated arm to promote the concept of ethical management from time to time, and has made this policy available on the Company's website at www.dyaco.com.</li> <li>2. The 2020 educational training regarding ethical business practices includes various regulatory advocacy for a total of 97 hours.</li> </ol>   | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |

| Item   | Implementation Status |    |   | Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|--|-----------------------|----|---|---|
|  | Yes                   | No | Summaried Explanation   |   |
| <p>B. Status of the company's reporting system:</p> <p>a. Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channel, in addition to designation of specific person handling the reporting.</p> | V                     |    | <p>1. The Company provides a channel for employees to make suggestions to expand communication and management, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. If an employee submits a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in accordance with the principle of confidentiality and protection of the whistleblower.</p> <p>2. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company's dedicated arm in a timely manner through various channels (www.dyaco.com).</p>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| <p>b. Whether the company has instituted standard operating procedure for handling reported items and related confidentiality mechanism.</p>   | V                     |    | <p>1. The Company provides a channel for employees to make suggestions to expand communication and management, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company's dedicated arm in a timely manner through various channels (www.dyaco.com).</p> <p>2. If an employee files a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in a confidential manner to protect the whistleblower under the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management."</p> | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| <p>c. Whether the company has adopted measures to protect informants from improper treatment.</p>  | V                     |    | <p>In the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," it is stated that the Company shall protect the privacy and other personal interests of the parties concerned during the investigation of the complaint cases, and the personnel involved in the investigation and deliberation shall be responsible for the confidentiality of the complaint, and violators shall be punished in accordance with the provisions of the Company's Personnel Regulations.</p>  | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |
| <p>C. Intensifying information disclosure</p> <p>a. Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles" on its website and the implementation effect.</p>   | V                     |    | <p>The Company discloses information on the implementation of the Ethical Corporate Management Best Practice Principles on the Market Observation Post System and the Company's website at www.dyaco.com.</p>   | Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"              |

| Item   | Implementation Status |    |                       | Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|--|-----------------------|----|-----------------------|---|
|  | Yes                   | No | Summaried Explanation |   |
| D.Should the company formulate own ethical corporate management principles according to “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Company”, specify its execution and difference with the principles.<br>The Company has instituted the "Ethical Corporate Management Best Practice Principles" to establish good business practices and fulfill its social responsibility, with no material differences between the operation and the principles. |                       |    |                       |   |
| E. Other key information conducive to the understanding of the company’s ethical corporate management (Such as review and revision to the company’s ethical corporat management) :<br>The Company operates in good faith and takes into account the needs of its stakeholders.   |                       |    |                       |   |

Note 1: The 2020 educational training regarding ethical business practices

| Courses  | Hours | Number of people |
|--|-------|------------------|
| CSR Report, GRI Standards certification and advanced analysis course.  | 12    | 1                |
| The FSC's audit practice on the laws and regulations and compliance in relation to shareholder meetings and corporate mergers and acquisitions.                | 6     | 1                |
| Labor Incident Act course by lawyer Shen Yi-hsuan.   | 3.5   | 2                |
| The practical operation after the implementation of the Company Act and the analysis of the latest interpretative letters or directives.                       | 6     | 1                |
| Policy analysis for companies enhancing their preparation of financial reports and a discussion on internal audit and internal control practices.              | 6     | 1                |
| Practices of cost reduction and profit boost.  | 6     | 1                |
| Labor Incident Act: A practical analysis of HR management litigation risks.  | 4     | 1                |
| 2020 Seminar on Understanding Futures Derivatives Hedging and Operating Sound Corporate Sustainability Practices for Exchange-Listed and OTC-Listed Companies. | 2.5   | 2                |
| 2020 Corporate Governance and Corporate Integrity Directors and Supervisors Info Session.  | 3     | 3                |
| CSR Report, GRI Standards certification and advanced analysis course.  | 3     | 3                |
| The FSC's audit practice on the laws and regulations and compliance in relation to shareholder meetings and corporate mergers and acquisitions.                | 3     | 1                |
| Labor Incident Act course by lawyer Shen Yi-hsuan.   | 3     | 4                |

### 3.3.9 Implementation of internal control system:

#### 3.3.9.1 Internal Control System Statement

#### **DYACO INTERNATIONAL INC.**

#### **Internal Control System Statement**

Date: March 30, 2021

In 2020, the Company conducted an internal audit of its internal control system and hereby declares the following:

The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.

There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications, and 5. monitoring activities. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2019 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

This statement was passed by the Board of Directors on March 30, 2021, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Dyaco International Inc.

Chairman: Lin, Ing-Gin

Gerneral manager: Chen, Ming-Nan

3.3.9.2 If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

3.3.9.3 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations in the past year and up to the date of report, and the results of the penalty may have a material effect on shareholders equity or stock price, specify the contents of the penalty, major deficiencies and improvement: None.

3.3.10 Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

3.3.10.1 Material resolutions of a shareholders meeting:

| Date       | Type                         | Material Motions  | Resolutions   |
|------------|------------------------------|---|---|
| 2020.05.28 | Regular shareholders meeting | <b>Report matters</b>   |   |
|            |                              | To approve the proposal for casg distribution of 2019 earnings. | Acknowledged.<br>The Board of Directors on March 27, 2020 decided to distribute cash dividends to shareholders in the amount of NT\$124,321,065 (NT\$1.15004667 per share), and set July 19, 2020 as the ex-dividend date and Aug 12, 2020 as the cash dividend payment date, which were completed based on the above schedule.   |
|            |                              | <b>Ratifications matters</b>                                    |   |
|            |                              | 1. To accept 2019 Business Report and Financial Statements.     | The proposal was adopted by shareholders meeting at May 28, 2020.   |
|            |                              | 2. To approve the proposal for distribution of 2019 earnings.   | 1. The proposal was adopted by shareholders meeting at May 28, 2020.<br>2. For the 2019 financial statements, the Company recorded net income after tax of \$189,000,289, used defined benefit calculations for remeasurement to include retained earnings of \$412,746, provided for legal reserve of \$18,941,304 and special reserve of \$26,888,608, and added to the opening undistributed earnings of \$71,652,577, the total available for distribution was \$215,435,700. The proposed distribution of cash dividends to common stock is \$124,321,065.<br>3. A motion for the distribution of cash dividends can be found in the first |

| Date | Type | Material Motions   | Resolutions   |
|------|------|--|---|
|      |      |  | proposal of the aforementioned report.  |
|      |      | <b>Discussion matters</b>  |   |
|      |      | 1. Amendment to the “Articles of Incorporation”.                         | The proposal was adopted by a vote.   |
|      |      | 2. Amendment to the “Rules of Procedure for Shareholders Meetings”       | The proposal was adopted by a vote.   |
|      |      | <b>Election matters</b>  |   |
|      |      | Election of the 11th Directors   | 1. The proposal was adopted by a vote.<br>2. Following the approval at the shareholders' meeting, an application for change of registration was made to the Ministry of Economic Affairs and was approved by the ministry on June 4, 2020 with its Jing-Shou-Shang-Zi letter No. 10901095310. |
|      |      | <b>Other matters</b>   |   |
|      |      | To approve the lifting of non-competition restrictions on new directors. | The proposal was adopted by a vote.   |

### 3.3.10.2 Material resolutions of board meeting:

| Date and Term  | Material motions  | Resolution                                  |
|--|---|---|
| 20th meeting of the 11th-term Board of Directors January 2, 2020                   | (1) To merger and acquisition of Fitness Equipment Service, LLC. (SOLE FITNESS).                        | Passed as proposed all attending directors. |
|  | (2) To set up the subsidiary in U.S..   | Passed as proposed all attending directors. |
|  | (3) Loaning of Funds for DYACO UK.  | Passed as proposed all attending directors. |
|  | (4) Loaning of Funds for CARDIO FITNESS.  | Passed as proposed all attending directors. |
|  | (5) Amendment to the “Regulations Governing Share Repurchase”.  | Passed as proposed all attending directors. |
| 21th meeting of the 10th-term Board of Directors February 21, 2020                 | (1) Amendment to the “Articles of Incorporation”.   | Passed as proposed all attending directors. |
|  | (2) Amendment to the “Internal Control Systems” and “Internal audit implementation rules”               | Passed as proposed all attending directors. |
|  | (3) To apply for bank financing.  | Passed as proposed all attending directors. |
|  | (4) Issuance of common stock for cash, Uniigym Co. Ltd..  | Passed as proposed all attending directors. |
|  | (5) Changed the source of debt service for the first domestic secured convertible bonds issued in 2017. | Passed as proposed all attending directors. |
|  | (6) The 2 <sup>nd</sup> buyback of the Company's shares.  | Passed as proposed all attending directors. |
| 4 <sup>th</sup> meeting of the 10th-term interim Board of Directors March 20, 2020 | (1) The 3rd buyback of the Company's shares.  | Passed as proposed all attending directors. |
| 22th meeting of the 10th-term Board of Directors March 27, 2020                    | (1) Loaning of Funds for the Subsidiaries of the Company.   | Passed as proposed all attending directors. |
|  | (2) To cash distribute 2019 earnings.   | Passed as proposed all attending directors. |
|  | (3) To distribute 2019 earnings.  | Passed as proposed all attending directors. |
|  | (4) To approved 2019 internal control system statement.   | Passed as proposed all attending directors. |
|  | (5) Amendment to the “Regulations Governing Share Repurchase”.  | Passed as proposed all attending directors. |

| Date and Term   | Material motions  | Resolution                                  |
|---|---|---|
|   | (6) Amendment to the“Operational Procedures for Loaning of Company Funds”of the Subsidiaries of the Company.  | Passed as proposed all attending directors. |
| 23th meeting of the 10th-term Board of Directors May 12, 2020                 | (1) Loaning of Funds for the Subsidiaries of the Company.   | Passed as proposed all attending directors. |
|   | (2) To apply for bank financing.  | Passed as proposed all attending directors. |
|   | (3) To provide endorsements and guarantees for the subsidiary, Wing Long Co., Ltd..   | Passed as proposed all attending directors. |
| 1 <sup>ST</sup> meeting of the 11th-term Board of Directors June 29, 2020     | (1) Enactment of “Procedures for Regulations Governing Share Repurchase”.   | Passed as proposed all attending directors. |
|   | (2) Amendment to the “Internal Control Systems” and “Internal audit implementation rules”   | Passed as proposed all attending directors. |
|   | (3) Issuance of the second domestic secured convertible bonds.  | Passed as proposed all attending directors. |
|   | (4) Loaning of Funds from SPIRIT to SPIRIT DIRECT.  | Passed as proposed all attending directors. |
|   | (5) Transfer of the 1st Company's treasury shares to employees as an incentive.   | Passed as proposed all attending directors. |
|   | (6) Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the second quarter of 2020. | Passed as proposed all attending directors. |
| 2 <sup>nd</sup> meeting of the 11th-term Board of Directors August 12, 2020   | (1) Loaning of Funds for the Subsidiaries of the Company.   | Passed as proposed all attending directors. |
|   | (2) To merger and acquisition of President Plastic Products MFG. MFG. CO., LTD..  | Passed as proposed all attending directors. |
|   | (3) To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing)., Ltd..  | Passed as proposed all attending directors. |
|   | (4) Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the third quarter of 2020.  | Passed as proposed all attending directors. |
| 3 <sup>rd</sup> meeting of the 11th-term Board of Directors November 12, 2020 | (1) Loaning of Funds for the Subsidiaries of the Company.   | Passed as proposed all attending directors. |
|   | (2) Judged for any loan of funds from accounts receivable (to non-related parties) in the current quarter.  | Passed as proposed all attending directors. |
|   | (3) To apply for bank financing.  | Passed as proposed all attending directors. |
|   | (4) To cancelled endorsement for Wing-long Co, Ltd..  | Passed as proposed all attending directors. |
|   | (5) Amendment to the “Internal Control Systems” and “Internal audit implementation rules”   | Passed as proposed all attending directors. |
| 4 <sup>th</sup> meeting of the 11th-term Board of Directors December 25, 2020 | (1) To cancelled loaning of funds for DYACO UK LIMITED.   | Passed as proposed all attending directors. |
|   | (2) To cancelled loaning of funds for CARDIO Fitness.   | Passed as proposed all attending directors. |
|   | (3) Treasury stock transferred to employees.  | Passed as proposed all attending directors. |
|   | (4) Fixed a capital increase base date for the first domestic conversion of guaranteed convertible bonds into common shares, the exercise of employee stock options, and the issue of new shares in the fourth quarter of 2020. | Passed as proposed all attending directors. |
|   | (5) To evaluate the 2020 independence of the appointed external auditors.   | Passed as proposed all attending directors. |

- 3.3.11 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report: None.
- 3.3.12 During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed: None.

#### 3.4 CPA'S fee information

| Name of accounting firm | Name of accountants                            | Audit period        | Remark |
|-------------------------|--|---------------------|--------|
| Deloitte & Touche       | Mr. Hsieh Chien-Hsin and Ms.<br>CHEN, Chao-Mei | 2020/1/1~2020/12/31 | None   |

#### Range of Accountants' Fees

Unit:NT\$1,000

| Numerical range of amounts \ Fee items |  | Audit fees | Non-audit fees | Total |
|--|--|------------|----------------|-------|
| 1                                      | Below NT\$2,000,000                      | -          | 400            | -     |
| 2                                      | NT\$2,000,000 (inclusive)~NT\$4,000,000  | -          | -              | -     |
| 3                                      | NT\$4,000,000 (inclusive)~NT\$6,000,000  | 4,828      | -              | 5,228 |
| 4                                      | NT\$6,000,000 (inclusive)~NT\$8,000,000  | -          | -              | -     |
| 5                                      | NT\$8,000,000 (inclusive)~NT\$10,000,000 | -          | -              | -     |
| 6                                      | Above NT\$10,000,000 (inclusive)         | -          | -              | -     |

- The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: : None.
- Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
- The audit fee is reduced by over 15% compared with the previous year: None.
- The non-audit fees were incurred for the 2020 transfer pricing report and the issuance of the second domestic corporate bond prospectus.



### 3.5 Information on the replacement of CPA:

#### 3.5.1 About the former CPA

|  |  |   |                                    |
|--|--|---|------------------------------------|
| Date of Change   | Approved by the Board of Directors on March 14, 2019                 |   |                                    |
| Reason for change and explanation  | Due to the internal organizational adjustment of the accounting firm |   |                                    |
| State whether the Appointment is Terminated or Rejected by the Appointor or CPAs       | Status   |   | Accountant                         |
|  | The Parties  |   | Appointor                          |
|  | Appointment terminated automatically                                 |   | N/A                                |
|  | Appointment rejected (discontinued)                                  |   | N/A                                |
| Reasons for issuing audit reports other than unqualified opinion in the last two years | N/A  |   |                                    |
| Is there any disagreement in opinion with the issuer                                   | Yes  |   | Accounting principle or practice   |
|  |  |   | Disclosure of financial statements |
|  |  |   | Auditing scope or procedures       |
|  |  |   | Other                              |
|  | No   | V |                                    |
|  | Description:None   |   |                                    |
| Supplementary Disclosure   | None   |   |                                    |

#### 3.5.2 About the successor CPA

|  |   |
|--|---|
| Accounting firm name:  | Deloitte & Touche Taiwan                    |
| Name of CPA  | Ms. Chen, Chao-Mei and Mr. Hsieh Chien-Hsin |
| Date of appointment  | March 14, 2019                              |
| Prior to the appointment, any inquiry or consultation and results on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report | N/A   |
| Written opinions from the successor CPAs that are different from the former CPA's opinions   | N/A   |

3.5.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: Not applicable.

3.6 Whether the Chairman, General Manager, and managers responsible for financial and accounting affairs of the Company once worked in the affiliated firm or enterprise of the certified public accountant in the last year: Not applicable.

3.7 Directors, supervisors, technical shareholders, managers, technology and research and development personnel, and shareholders holding more than 5% of outstanding shares that transferred or pledged their shares in the most recent year and up to the printing date of the annual report.

3.7.1 Directors, supervisors, technical shareholders, managers, technology and research and development personnel, and shareholders holding more than 5% of outstanding shares that transferred or pledged their shares in the most recent year and up to the printing date of the annual report:

Unit: shares

| Title  | Name  | 2020                                |                             | Mar. 1, 2021                        |                             |
|--|---|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|
|  |   | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) |
| Chairman   | Lin, Ing-Gin  | (10,000)                            | (750,000)                   | 0                                   | 0                           |
| Director   | Liao, Liang-Bin(Note 1)   | 0                                   | 0                           | 0                                   | 1,017,000                   |
| Director   | Zhuang, Zhu-Wei(Note 1)   | 0                                   | 0                           | 0                                   | 0                           |
| Director   | Chang, Chih-Chuan(Note 1)   | 0                                   | 0                           | 0                                   | 0                           |
| Independent Director   | Hsieh, Chang-Hung   | 0                                   | 0                           | 0                                   | 0                           |
| Independent Director   | Wang, Kai-Li  | 0                                   | 0                           | 0                                   | 0                           |
| Independent Director   | Wang, Chih-Cheng  | 0                                   | 0                           | 0                                   | 0                           |
| CEO  | Hsu, wen-bin (Note 2)   | 0                                   | 0                           | 16,000                              | 0                           |
| General Manager  | Chen, Ming-Nan  | 12,000                              | 0                           | (2,000)                             | 0                           |
| Executive V.P. and Chief Financial Officer                                       | Wu, Mei-Hua   | (153,000)                           | 0                           | 20,000                              | 0                           |
| Executive V.P.   | Li, Chi-Jung  | 5,000                               | 0                           | 2,000                               | 0                           |
| Senior V.P.<br>Chief Accountant Officer<br>Chief of Corporate Governance Affairs | Chiu, Yuan-Sheng  | 38,000                              | 0                           | 10,000                              | 0                           |
| Senior V.P.  | Huang, Hsuan-Fu   | (81,000)                            | 0                           | 0                                   | 0                           |
| Senior V.P.  | Hsu, Li-Wen   | (14,000)                            | 0                           | 20,000                              | 0                           |
| Senior V.P.t   | Huang, Yu-Chih  | 1,000                               | 0                           | 2,000                               | 0                           |
| Senior V.P.  | Lo, Teng-I  | (286,000)                           | 0                           | (2,000)                             | 0                           |
| CTO  | Brian Keith Murray  | (10,000)                            | 0                           | 5,000                               | 0                           |
| V.P.   | Lin, Wei-Hsu  | 4,026                               | 0                           | 5,000                               | 0                           |
| V.P.   | Li, Che-Jung  | 0                                   | 0                           | 5,000                               | 0                           |
| V.P.   | Li, Mei-Yu  | (39,000)                            | 0                           | 10,000                              | 0                           |
| V.P.   | Lin, Shih-Chieh   | 0                                   | 0                           | 0                                   | 0                           |
| V.P.   | Wu, Shu-Mei   | (45,000)                            | 0                           | 20,000                              | 0                           |
| V.P.   | Ho, Chieh-Shun  | 8,914                               | 0                           | 1,000                               | 0                           |
| V.P.   | Li, Tai-Lan   | (30,000)                            | 0                           | (8,000)                             | 0                           |
| Director   | YONG-HENG INVESTMENT CORPORATION<br>Representative: Wang, Ching-Tsung(Note 3) | 0                                   | 1,500,000                   | 0                                   | 0                           |
| Director   | GUANG-YING LIMITED<br>Representative: Chou, Mei-Ling(Note 3)                  | 331,155                             | (1,250,000)                 | 0                                   | 0                           |
| V.P.   | Lin, I-Chun(Note 4)   | 0                                   | 0                           | 0                                   | 0                           |

Note 1: Appointment dated May 28, 2020

Note 2: Appointment dated January 1, 2021

Note 3: Resignation dated May 28, 2020

Note 4: Resignation dated February 3, 2020

3.7.2 Where the counterparty in any such transfer of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred:

| Name           | Reason of Transfer | Date of Transaction | Transferee                         | Relationship between Transferee the Company, Directors, Supervisors and Shareholders with more than 10% shareholding | Shares | Transaction Price(NT\$) |
|----------------|--------------------|---------------------|------------------------------------|--|--------|-------------------------|
| Wu, Mei-Hua    | Donation           | 2020.06.30          | Chang, Ching-Wen                   | None   | 40,000 | 54.10                   |
| Lin, Ing-Gin   | Donation           | 2020.11.24          | Taipei Dyaco charitable foundation | None   | 10,000 | 10.00                   |
| Chen, Ming-Nan | Donation           | 2020.11.20          | Chen, Po-Wei                       | None   | 18,000 | 120.00                  |
| Wu, Huei-Jen   | Donation           | 2020.11.20          | Chen, Po-Wei                       | None   | 18,000 | 120.00                  |

3.7.3 Where the counterparty in any such pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares pledged:None.

### 3.8 Information Disclosing the Relationship between any of the Company's Top Ten Shareholders:

March 30, 2021 / Unit: shares

| Name  | Shareholding |       | Spouse & Minor |       | Shareholding by Nominee Arrangement |        | The relationship between any of the Company's Top Ten Share Holders |                | Remarks |
|---|--------------|-------|----------------|-------|-------------------------------------|--------|---|----------------|---------|
|   | shares       | %     | shares         | %     | shares                              | %      | Name  | Relation       |         |
| Lin, Ing-Gin  | 10,053,283   | 7.53% | 663,787        | 0.50% | 22,432,841                          | 16.81% | GUANG-YING LIMITED  | Representative | -       |
|   |              |       |                |       |                                     |        | YONG-HENG INVESTMENT CORPORATION                                    | President      |         |
|   |              |       |                |       |                                     |        | CHIH-LING INVESTMENT CORPORATION                                    | President      |         |
| GUANG-YING LIMITED<br>Representative: Lin, Ing-Gin                          | 9,796,727    | 7.34% | -              | -     | -                                   | -      | Lin, Ing-Gin  | Representative | -       |
| CHUAN-FENG INVESTMENT CORPORATION<br>Representative: Yang, Tao              | 8,132,882    | 6.09% | -              | -     | -                                   | -      | -   | -              | -       |
|   | -            | -     | -              | -     | -                                   | -      | -   | -              | -       |
| Ho, I-HSING INVESTMENT CORPORATION<br>Representative: Yang, Hsiu-Yu         | 6,865,725    | 5.15% | -              | -     | -                                   | -      | -   | -              | -       |
|   | -            | -     | 1,770,015      | 1.33% | -                                   | -      | -   | -              | -       |
| Dyaco International Inc.  | 6,374,000    | 4.78% | -              | -     | -                                   | -      | Lin, Ing-Gin  | Representative | -       |
| YONG-HENG INVESTMENT CORPORATION<br>Representative: Lin, Ing-Gin            | 6,318,057    | 4.73% | -              | -     | -                                   | -      | Lin, Ing-Gin  | Representative | -       |
| CHIH-LING INVESTMENT CORPORATION<br>Representative: Lin, Ing-Gin            | 6,318,057    | 4.73% | -              | -     | -                                   | -      | -   | -              | -       |
| Fubon Life Assurance Co.,LTD  | 3,810,000    | 2.86% | -              | -     | -                                   | -      | -   | -              | -       |
| Chanitex Co., Ltd.  | 2,533,000    | 1.90% |                |       |                                     |        |   |                |         |
| Bank SinoPac as Custodian for WILLIAM TAYLOR MAC FARLANE Investment Account | 2,207,000    | 1.65% | -              | -     | -                                   | -      | -   | -              | -       |

### 3.9 Long-Term Investments Ownership

December 31, 2020: Unit: 1,000 Shares

| Investee                                       | Ownership by DYACO |     | Direct/ Indirect Ownership by Directors, Supervisors and Management |     | Total Investment |     |
|--|--------------------|-----|---|-----|------------------|-----|
|  | shares             | %   | shares  | %   | shares           | %   |
| Dyaco International Holding Limited            | 290,634            | 100 | -   | -   | 290,634          | 100 |
| Fuel Spirit International Inc.                 | -                  | -   | 12,400  | 100 | 12,400           | 100 |
| Dyaco Europe GmbH                              | -                  | 100 | -   | -   | -                | 100 |
| CARDIO fitness GmbH& Co. KG                    | -                  | -   | -   | 100 | -                | 100 |
| CARDIO fitness Verwaltungs GmbH                | -                  | -   | -   | 100 | -                | 100 |
| Dyaco UK Ltd.                                  | -                  | 100 | -   | -   | -                | 100 |
| Spirit Manufacturing Inc.                      | -                  | -   | 1,667.5 shares  | 100 | 1,667.5 shares   | 100 |
| Spirit Direct, LLC                             | -                  | -   | -   | 100 | -                | 100 |
| Dyaco Commercial & Medical North America, LLC. | -                  | -   | -   | 100 | -                | 100 |
| Sole Inc.                                      | -                  | 100 | -   | -   | -                | 100 |
| Fitness Equipment Service, LLC                 | -                  | -   | -   | 100 | -                | 100 |
| Dyaco Canada Inc.                              | -                  | -   | 1,000 Shares  | 100 | 1,000 Shares     | 100 |
| 株式会社ダイ ヤコジャパン                                  | 1,020 Shares       | 100 | -   | -   | 1,020 Shares     | 100 |
| Dyaco (Shanghai) Trading Co., LTD.             | -                  | -   | -   | 100 | -                | 100 |
| Dyaco Health Technology (Beijing) Co., Ltd.    | -                  | -   | -   | 100 | -                | 100 |
| Shelton Corporation (Jiaxing), LTD             | -                  | -   | -   | 60  | -                | 60  |
| Wing Long Co., Ltd.                            | 2,000              | 100 | -   | -   | 2,000            | 100 |
| President Plastic Products MFG. Co., Ltd.      | 1,110              | 100 | -   | -   | 1,110            | 100 |
| Daan Health Management Consulting Co., Ltd.    | 1,000              | 100 | -   | -   | 1,000            | 100 |

## IV. Capital Overview

### 4.1 Capital and shareholding

#### 4.1.1 Sources of capital

March 30, 2021

Unit: 1,000 shares; NT\$1,000

| Year/Month | Issue Price (NT\$) | Authorized Capital |           | Paid-in Capital  |           | Remark   |  |         |
|------------|--------------------|--------------------|-----------|------------------|-----------|--|--|---------|
|            |                    | Number of Shares   | AMT       | Number of Shares | AMT       | Capital  | Subscriptions paid with property other than cash | Other   |
| 2007.05    | 10                 | 10,000             | 100,000   | 10,000           | 100,000   | Cash capital 71,000,000  | -  | Note 1  |
| 2008.04    | 10                 | 25,000             | 250,000   | 25,000           | 250,000   | Cash capital 150,000,000   | -  | Note 2  |
| 2008.12    | 10                 | 36,510             | 365,100   | 36,510           | 365,100   | Cash capital 115,100,000   | -  | Note 3  |
| 2009.12    | 10                 | 70,000             | 700,000   | 47,990           | 479,900   | Capital increase of 15,800,000 from capital surplus and Cash capital 99,000,000  | -  | Note 4  |
| 2011.04    | 20                 | 70,000             | 700,000   | 49,490           | 494,900   | Cash capital 15,000,000  | -  | Note 5  |
| 2011.06    | 40                 | 70,000             | 700,000   | 51,000           | 510,000   | Cash capital 15,100,000  | -  | Note 6  |
| 2011.08    | 10                 | 100,000            | 1,000,000 | 64,770           | 647,700   | Capital increase of 137,700,000 from capital surplus   | -  | Note 7  |
| 2012.10    | 10                 | 100,000            | 1,000,000 | 68,109           | 681,088   | Capital increase of 33,388,000 from capital surplus  | -  | Note 8  |
| 2015.03    | 33                 | 100,000            | 1,000,000 | 78,109           | 781,088   | Cash capital 100,000,000   | -  | Note 9  |
| 2015.09    | 10                 | 100,000            | 1,000,000 | 82,014           | 820,142   | Capital increase of 39,054,000 from capital surplus  | -  | Note 10 |
| 2016.09    | 10                 | 100,000            | 1,000,000 | 92,950           | 929,502   | Cash capital 109,360,000   | -  | Note 11 |
| 2019.09    | 10                 | 150,000            | 1,500,000 | 96,063           | 960,635   | Capital increase of 31,133,000 from capital surplus  | -  | Note 12 |
| 2019.11    | 10                 | 150,000            | 1,500,000 | 96,101           | 961,009   | Share capital of 374,000 converted from convertible corporate bonds  | -  | Note 13 |
| 2020.01    | 39                 | 150,000            | 1,500,000 | 115,101          | 1,151,009 | Cash capital 190,000,000   | -  | Note 14 |
| 2020.07    | 10                 | 200,000            | 2,000,000 | 120,982          | 1,209,820 | Share capital of 58,311,170 converted from convertible corporate bonds and 500,000 converted from employee stock option certificates   | -  | Note 15 |
| 2020.10    | 10                 | 200,000            | 2,000,000 | 131,150          | 1,311,496 | Share capital of 99,176,440 converted from convertible corporate bonds and 2,500,000 converted from employee stock option certificates | -  | Note 16 |
| 2021.01    | 10                 | 200,000            | 2,000,000 | 132,652          | 1,326,523 | Share capital of 14,026,000 converted from convertible corporate bonds and 1,000,000 converted from employee stock option certificates | -  | Note 17 |

Note 1: Fu-Shang-Jian No. 09684564210 dated May 21, 2007  
 Note 3: Fu-Chan-Ye-Shang No. 09880098210 dated January 17, 2009  
 Note 5: Fu-Chan-Ye-Shang No. 10083293020 dated May 23, 2011  
 Note 7: Jing-Shou-Shang-Zi No. 10001175310 dated August 1, 2011  
 Note 9: Jing-Shou-Shang-Zi No. 10401038990 dated March 10, 2015  
 Note 11: Jing-Shou-Shang-Zi No. 10501249020 dated October 24, 2016  
 Note 13: Jing-Shou-Shang-Zi No. 10801154540 dated November 4, 2019  
 Note 15: Jing-Shou-Shang-Zi No. 10901124080 dated July 17, 2020  
 Note 17: Jing-Shou-Shang-Zi No. 11001009390 dated January 21, 2021

Note 2: Fu-Chan-Ye-Shang No. 09784102410 dated May 9, 2009  
 Note 4: Fu-Chan-Ye-Shang No. 09891466720 dated December 22, 2009  
 Note 6: Jing-Shou-Shang-Zi No. 10001159860 dated July 18, 2011  
 Note 8: Jing-Shou-Shang-Zi No. 10101205290 dated October 5, 2012  
 Note 10: Jing-Shou-Shang-Zi No. 10401183000 dated September 1, 2015  
 Note 12: Jing-Shou-Shang-Zi No. 10801121560 dated September 5, 2019  
 Note 14: Jing-Shou-Shang-Zi No. 10901011200 dated January 30, 2020  
 Note 16: Jing-Shou-Shang-Zi No. 10901196870 dated October 20, 2020

March 30, 2021; Unit: Shares

| Share Type   | Authorized Capital |                  |              | Remarks |
|--------------|--------------------|------------------|--------------|---------|
|              | Issued Shares      | Un-issued Shares | Total Shares |         |
| Common Share | 132,652,308        | 67,347,692       | 200,000,000  | -       |

#### 4.1.2 Status of Shareholders

March 30, 2021/ Unit: Shares

| Item                   | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Treasury stock | Total       |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|----------------|-------------|
| Number of shareholders | -                   | 17                     | 58                     | 7,721                    | 80                                     | 1              | 7,877       |
| Shareholding (shares)  | -                   | 4,950,000              | 41,967,857             | 67,070,179               | 13,082,218                             | 6,374,000      | 133,444,254 |
| Percentage             | -                   | 3.71%                  | 31.45%                 | 50.26%                   | 9.80%                                  | 4.78%          | 100.00%     |

#### 4.1.3 Shareholding Distribution Status

4.1.3.1 Common Stock Distribution Status: The par value for each share is NT\$10.

March 30, 2021

| Class of Shareholding (Unit: Shares) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------------|------------------------|-----------------------|------------|
| 1-999                                | 835                    | 132,603               | 0.10%      |
| 1,000-5,000                          | 5,731                  | 10,464,802            | 7.84%      |
| 5,001-10,000                         | 601                    | 4,782,508             | 3.57%      |
| 10,001-15,000                        | 172                    | 2,228,672             | 1.67%      |
| 15,001-20,000                        | 147                    | 2,730,162             | 2.05%      |
| 20,001-30,000                        | 94                     | 2,447,004             | 1.83%      |
| 30,001-50,000                        | 107                    | 4,411,727             | 3.31%      |
| 50,001-100,000                       | 85                     | 6,049,460             | 4.53%      |
| 100,001-200,000                      | 41                     | 6,003,999             | 4.50%      |
| 200,001-400,000                      | 28                     | 7,840,165             | 5.88%      |
| 400,001-600,000                      | 6                      | 2,862,940             | 2.15%      |
| 600,001-800,000                      | 7                      | 4,798,014             | 3.60%      |
| 800,001-1,000,000                    | 5                      | 4,360,307             | 3.27%      |
| Over 1,000,001                       | 18                     | 74,331,891            | 55.70%     |
| Total                                | 7,877                  | 133,444,254           | 100.00%    |

4.1.3.2 Preferred stock Distribution Status: Not applicable.

#### 4.1.4 List of Major Shareholders

March 30, 2021

| Major Shareholders' Name  | Shares     | Percentage |
|---|------------|------------|
| Lin, Ing-Gin  | 10,053,283 | 7.53%      |
| GUANG-YING LIMITED  | 9,796,727  | 7.34%      |
| CHUAN-FENG INVESTMENT CORPORATION   | 8,132,882  | 6.09%      |
| Ho, I-HSING INVESTMENT CORPORATION  | 6,865,725  | 5.15%      |
| Dyaco International Inc.  | 6,374,000  | 4.78%      |
| YONG-HENG INVESTMENT CORPORATION  | 6,318,057  | 4.73%      |
| CHIH-LING INVESTMENT CORPORATION  | 6,318,057  | 4.73%      |
| Fubon Life Assurance Co., Ltd   | 3,810,000  | 2.86%      |
| Chanitex Co., Ltd   | 2,533,000  | 1.90%      |
| Bank SinoPac as Custodian for WILLIAM TAYLOR MAC FARLANE Investment Account | 2,207,000  | 1.65%      |

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

| Item                   |   |                                  | 2019       | 2020    |
|------------------------|---|----------------------------------|------------|---------|
| Market Price per Share | Highest Market Price                      |                                  | 47.65      | 162.00  |
|                        | Lowest Market Price                       |                                  | 33.10      | 29.70   |
|                        | Average Market Price                      |                                  | 39.53      | 77.22   |
| Net Worth per Share    | Before Distribution                       |                                  | 24.38      | 43.08   |
|                        | After Distribution                        |                                  | 23.03      | -       |
| Earnings per Share     | Weighted Average Shares (thousand Shares) |                                  | 92,069     | 113,033 |
|                        | Earnings per Share                        | Before Adjusted                  | 2.05       | 11.69   |
|                        |   | After Adjusted                   | 2.05       | -       |
| Dividends per Share    | Cash Dividends                            |                                  | 1.15004667 | 7.50    |
|                        | Stock Dividends                           | Dividends from Retained Earnings | 0.35       | -       |
|                        |   | Dividends from Capital Surplus   | -          | -       |
|                        | Accumulated Undistributed Dividends       |                                  | -          | -       |
| Return on Investment   | Price/Earnings Ratio                      |                                  | 19.28      | 6.61    |
|                        | Price/Dividend Ratio                      |                                  | 34.37      | 10.30   |
|                        | Cash Dividend Yield Rate                  |                                  | 2.91%      | 9.71%   |

Note 1: Price/Earnings Ratio=Average Market Price/ Earnings per Share.

Note 2: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 3: Cash Dividend Yield Rate= Cash Dividend Yield Rate / Average Market Price.

#### 4.1.6 Company dividend policy and implementation status

##### 4.1.6.1 Dividend policy as set out in the Articles of Incorporation:

In accordance with the Company's Articles of Incorporation, if there is any earnings in the Company's annual accounts, the Company shall first pay taxes and make up for accumulated deficits, and the next 10% shall be set aside as legal reserve, and special reserve shall be appropriated or reversed as required by law or by the competent authorities; if there is any earnings, the remaining balance, plus the accumulated undistributed earnings from previous years, shall be distributed by the Board of Directors upon a resolution of the shareholders' meeting.



The Company's dividend policy is to distribute dividends in accordance with the overall operating environment and the growth characteristics of the industry, taking into account factors such as undistributed earnings, capital reserves, financial structure and operating conditions, in order to stabilize business development and protect investors' interests. The Company shall distribute the earnings in an amount not less than 10% of the distributable earnings for the year; however, if the amount of distributable earnings is less than 1% of the paid-in capital, it may be transferred to retained earnings without distribution. Shareholder bonuses may be distributed in the form of cash or stock dividends, of which cash dividends are limited to not less than 10% of the current year's shareholder bonus, except that stock dividends may be paid in full if the cash dividend is less than \$1 per share.

#### 4.1.6.2 Distribution of dividends proposed for the year:

The Company's 2020 annual earnings distribution has been approved by the Board of Directors' resolution on March 30, 2021, with shareholders' bonus of NT\$953,026,905 and cash dividend of NT\$7.5 per share allotted, and the distribution is calculated using the unconditional rounding below Yuan.

A resolution on the distribution of earnings for 2020 is pending at the shareholders' meeting expected to be held on May 28, 2021.

#### 4.1.7 Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share: Not applicable.

#### 4.1.8 Compensation of employees, directors and supervisors

##### 4.1.8.1 The proportion or scope of compensation for employees, directors and supervisors contained in the Articles of Incorporation:

In accordance with the current Articles of Incorporation, the Company shall distribute compensation to employees at a rate not less than 1% of the current year's earnings and to directors at a rate not more than 5% of the current year's earnings, but shall make up for any accumulated losses of the Company. The aforementioned earnings for the year represent the current year's pre-tax earnings before distributions of compensation to employees and directors. The distribution of compensation to employees and directors shall be made by a resolution of the Board of Directors with the approval of a majority of the presenting directors with at least two-thirds of the directors presenting and shall be reported to the shareholders' meeting. Employee compensation may be in the form of stock or cash and may be paid to employees of the Company who meet certain criteria.

##### 4.1.8.2 The basis of valuation of compensation to employees, directors and supervisors, the calculation of compensation to employees based on the number of shares distributed by stock, and the accounting treatment of actual distributions that differ from the estimated amounts:

1. If the Board of Directors approves a change in the amount of compensation for employees and directors and supervisors, the difference shall be treated as a change in accounting estimates and recorded as profit or loss for the following year, without affecting the recognized financial statements.
2. The distribution of compensation as approved by the Board of Directors:  
The amount of compensation for employees and directors distributed in cash or stock. If there is a discrepancy between the estimated amount and the amount recognized in the year of expense, the number of discrepancies, the reason for the discrepancy and the circumstances of the case should be disclosed.

On March 30, 2021, the Company's Compensation Committee approved the distribution of employee compensation of \$16,235,721 and director compensation of \$5,054,929, which was approved by the Board of Directors and submitted to the 2021 shareholders' meeting in accordance with relevant regulations.

3. Discrepancies between the actual and estimated amounts of employee compensation distributions are treated as changes in estimates.
  - (1) The amount of compensation for employees distributed by shares as a percentage of net income after tax and total compensation for employees for the period.
  - (2) The proposed distribution of employee compensation is entirely in cash and is therefore not applicable.

#### 4.1.8.3 Report of the shareholders' meeting on the distribution of compensation and the results.

The Company's 2020 earnings distribution proposal will be submitted to the shareholders' meeting on May 28, 2021.

#### 4.1.8.4 The discrepancies between the actual distribution of compensation to employees and directors and supervisors (including the number, amount and price of shares distributed), and the recognized compensation to employees and directors and supervisors in the preceding year shall be explained, the reasons for the discrepancies and the circumstances surrounding the distribution:

The 2018 employee compensation of \$2,450,530 and director compensation of \$1,225,264 has been fully paid in cash and no distribution of director compensation. There is no discrepancy between the Company's actual distribution and the amount recognized.

#### 4.1.9 Repurchase Shares Status:

##### 4.1.9.1 The Company are compliance with Article 28-2, paragraph 3 of the Securities and Exchange Act. and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.

##### 4.1.9.2 Status of repurchasing its own shares at a centralized securities exchange market or at the place of business of a securities firm:

##### (1) Buyback of Treasury Stock (Completed)

| Batch of Buyback                                      | 1 <sup>st</sup>                      | 2 <sup>nd</sup>                      | 3 <sup>rd</sup>                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| Purpose   | For transferring shares to employees | For transferring shares to employees | For transferring shares to employees |
| Period  | 2017/12/22~2018/02/21                | 2020/02/27~2020/03/20                | 2020/03/20~2020/05/19                |
| Price Range   | NT\$ 40.45~ NT\$ 44.80               | NT\$ 30.15~ NT\$ 36.97               | NT\$ 31.44~ NT\$ 32.93               |
| Type and Quantity bought back                         | Common Share/4,000,000 Shares        | Common Share /3,000,000 Shares       | Common Share /1,565,000 Shares       |
| Value bought back                                     | NT\$ 172,339,773                     | NT\$ 194,927,935                     | NT\$50,663,964                       |
| Quantity Bought back to expected quantity buyback (%) | 100%                                 | 100%                                 | 34.78%                               |
| Quantity written off and transferred                  | 2,191,000 shares                     | 0 shares                             | 0 shares                             |
| Cumulative shareholdings                              | 8,565,000 shares                     | 8,565,000 shares                     | 8,565,000 shares                     |
| Cumulative shareholderings to total issued shares (%) | 6.46%                                | 6.46%                                | 6.46%                                |

## 4.2 Issuance of corporate bonds

### 4.2.1 Status of corporate bonds

Unit: NT\$1,000

|  |  |   |
|--|--|---|
| Type of Corporate Bond   | 1 <sup>st</sup> domestic secured convertible corporate bonds   |   |
| Issue date   | 2017/9/20  |   |
| Par Value  | NT\$ 100,000   |   |
| Issue and Trading Place  | Taipei Exchange  |   |
| Issue Price  | According to face amount   |   |
| Total Amount   | NT\$ 600,000,000   |   |
| Interest Rate  | 0%   |   |
| Duration   | 3 Years  |   |
| Assurance Institution  | Bank SinoPac   |   |
| Assignee   | Cathay United Bank   |   |
| Underwriting Institution   | Cathay Securities Corporation  |   |
| Signed Lawyer  | Handsome Attorneys-at-Law Ya-Wen Chiu  |   |
| Signed Accountants   | Deloitte & Touche Taiwan<br>Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi   |   |
| Repayment  | Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, or exercise repurchase rights the Company's common shares in accordance with Article 20 of these Terms, or exercise early redemption right the Company's common shares in accordance with Article 19 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity. |   |
| Outstanding Amount   | None   |   |
| Redemption or Advanced Repayment   | Please refer to the Company's terms of issuance and conversion of corporate bonds with Article 19 and Article 20 .   |   |
| Restrictive Clauses  | N/A  |   |
| Credit Rating Institution<br>Credit Rating Date and<br>The outcome of the Rating | None   |   |
| Other rights attached  | Amount converted to common shares as of the date of report   | As of the termination date of the OTC listing Sept 20, 2020, the convertible bonds amounting to NT\$599,000,000 was in place, with the remaining NT\$100,000 due for principal repayment. |
|  | Issuance and conversion method   | Please refer to the Company's terms of issuance and conversion of corporate bonds.  |
| Shares Dilution & Influence on Stockholders' Equity                              | None   |   |
| Entrust Institution of Exchange Object   | N/A  |   |

Unit: NT\$1,000

|  |  |  |
|--|--|--|
| Type of Corporate Bond   |  | 2 <sup>nd</sup> domestic secured convertible corporate bonds   |
| Issue date   |  | 2020/8/24  |
| Par Value  |  | NT\$ 100,000   |
| Issue and Trading Place  |  | Taipei Exchange  |
| Issue Price  |  | According to face amount   |
| Total Amount   |  | NT\$ 600,000,000   |
| Interest Rate  |  | 0%   |
| Duration   |  | 3 Years  |
| Assurance Institution  |  | Bank SinoPac   |
| Assignee   |  | Cathay United Bank   |
| Underwriting Institution   |  | Cathay Securities Corporation  |
| Signed Lawyer  |  | Handsome Attorneys-at-Law Ya-Wen Chiu  |
| Signed Accountants   |  | Deloitte & Touche Taiwan<br>Ms. Chen, Chao-Mei and Mr. Hsieh Chien-Hsin  |
| Repayment  |  | Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, or exercise repurchase rights the Company's common shares in accordance with Article 18 of these Terms, or exercise early redemption right the Company's common shares in accordance with Article 17 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity. |
| Outstanding Amount   |  | NT\$ 424,100 thousand dollars  |
| Redemption or Advanced Repayment   |  | Please refer to the Company's terms of issuance and conversion of corporate bonds with Article 17 and Article 18 .   |
| Restrictive Clauses  |  | N/A  |
| Credit Rating Institution<br>Credit Rating Date and<br>The outcome of the Rating |  | None   |
| Other rights attached  | Amount converted to common shares as of the date of report | NT\$ 175,900 thousand dollars  |
|  | Issuance and conversion method                             | Please refer to the Company's terms of issuance and conversion of corporate bonds.   |
| Shares Dilution & Influence on Stockholders' Equity                              |  | None   |
| Entrust Institution of Exchange Object   |  | N/A  |

## 4.2.2 Information on convertible corporate bonds:

Unit: NT\$

| Type of Corporate Bonds                        |                  | 1 <sup>st</sup> domestic secured convertible corporate bonds |                      |
|--|------------------|--|----------------------|
| Year   |                  | 2020   | As of March 30, 2021 |
| ITem   | Max              | 177.00   | 144.10               |
|  | Low              | 110.55   | 115.00               |
|  | Average          | 148.15   | 124.93               |
|  | Conversion price | 89.90  |                      |
| Issuance date and conversion price at issuance |                  | August 24, 2020<br>89.90                                     |                      |
| Fulfilling the conversion obligation           |                  | Issuing new shares   |                      |

4.3 Issuance of preferred shares: None.

4.4 Issuance of global depositary receipts (GDR): None.

#### 4.5 Issuance of employee stock warrants:

4.5.1 Unexpired employee subscription warrants issued by the company in existence as of the date of publication of the annual report, and shall explain the effect of such warrants upon shareholders' equity:

| Employee stock warrants                              | First issuance of employee stock warrants  |
|--|--|
| Date of approval by competent authorities            | May 18, 2017   |
| Issuance date  | December 21, 2017  |
| Units granted  | 4,000,000 shares   |
| Units granted to total shares issued and outstanding | 4.30%  |
| Duration   | 6 years  |
| Exercise   | Issuancing new shares  |
| Vesting schedule and quota (%)                       | 50 percent for 2 years after the date of grant, 75 percent for 3 years after the date of grant and 100 percent for 4 years after the date of grant. The impact on shareholders' equity is limited as the warrants dilute year by year. |
| Units exercised (shares)                             | 638,000  |
| Amount exercised (NT\$)                              | 25,618,800   |
| Units unexercised (shares)                           | 2,562,000  |
| Exercise price for unexercised units                 | 40.10元   |
| Units unexercised to total outstanding shares (%)    | 1.92%  |
| Impact on shareholders' equity                       | The Company issues employee stock option certificates to attract and retain the necessary professional talent and to motivate employees and enhance their cohesion for the benefit of the Company's shareholders.                      |

Note 1: The Company issued its first employee stock option certificate, which was approved by the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No.1060017456 dated May 18, 2017, to issue 4,000,000 units, each of which may be subscribed for one share.

#### 4.5.2 List of Executives and the Top 10 Employees Receiving Employee Stock Options:

| Title                       | Name                 | No. of Option Share) | Option Shares as a Percentage of Shares Issued | Exercised               |              |        |   | Unexercised             |              |         |   |
|-----------------------------|----------------------|----------------------|--|-------------------------|--------------|--------|---|-------------------------|--------------|---------|---|
|                             |                      |                      |  | No. of Shares Converted | Strike Price | Amount | Converted Shares as a Percentage of Shares Issued | No. of Shares Converted | Strike Price | Amount  | Converted Shares as a Percentage of Shares Issued |
| Consultant                  | Wang, Ching-Tsung    | 4,000                | 3.48%  | -                       | -            | -      | -   | 4,000                   | 40.80        | 163,200 | 3.48%   |
| President                   | Chen, Ming-Nan       |                      |  |                         |              |        |   |                         |              |         |   |
| CEO                         | Ting, Ping-I(Note)   |                      |  |                         |              |        |   |                         |              |         |   |
| Executive V.P. and CFO      | Wu, Mei-Hua          |                      |  |                         |              |        |   |                         |              |         |   |
| Executive V.P.              | Li, Chi-Jung         |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Lo, Teng-I           |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Wang, Hong-Yo (Note) |                      |  |                         |              |        |   |                         |              |         |   |
| CTO                         | Brian Keith Murray   |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Hsu, Li-Wen          |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Huang, Hsuan-Fu      |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Chiu, Yuan-Sheng     |                      |  |                         |              |        |   |                         |              |         |   |
| Senior V.P.                 | Huang, Yu-Chih       |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Ko, Yu-Wen (Note)    |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Li, Mei-Yu           |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Lin, Hsin-Bao        |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Wu, Shu-Mei          |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Li, Che-Jung         |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Lin, Wei-Hsu         |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Lin, I-Chun (Note)   |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Liu, Yu-Ching        |                      |  |                         |              |        |   |                         |              |         |   |
| V.P.                        | Lin, Shih-Chieh      |                      |  |                         |              |        |   |                         |              |         |   |
| President of the Subsidiary | Chen, Ting-Chung     |                      |  |                         |              |        |   |                         |              |         |   |
| Chairman of the Subsidiary  | Chem, Heien-Ming     |                      |  |                         |              |        |   |                         |              |         |   |
| V.P. of the Subsidiary      | Hsu, Huo-Yin         |                      |  |                         |              |        |   |                         |              |         |   |

Note: Job adjustment and resignation.

4.6 Issuance of new restricted employee shares: None.

4.7 Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

4.8 Financing plans and implementation :

There was no financing plans and implementation during the most recent year and as at the date of the annual report.

## I. Business Overview

### 5.1 Business Activities

#### 5.1.1 Business scope:

##### 5.1.1.1 Major business activities:

|         |   |
|---------|---|
| CA02990 | Other Fabricated Metal Products Manufacturing Not Elsewhere Classified  |
| CC01080 | Electronic Parts and Components Manufacturing   |
| CC01990 | Electrical Machinery, Supplies Manufacturing  |
| CF01011 | Medical Materials and Equipment Manufacturing   |
| CH01010 | Sporting and Athletic Articles Manufacturing  |
| CN01010 | Furniture and Fixtures Manufacturing  |
| F108031 | Wholesale of Drugs, Medical Goods   |
| F109070 | Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles                        |
| F205040 | Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures  |
| F208031 | Retail sale of Medical Equipments   |
| F209060 | Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles                      |
| F219010 | Retail Sale of Electronic Materials   |
| F401010 | International Trade   |
| CN01010 | Furniture and Fixtures Manufacturing  |
| F401171 | Alcohol Drink Import  |
| J801030 | Athletics and Recreational Sports Stadium   |
| ZZ99999 | All business items that are not prohibited or restricted by law, except those that are subject to special approval. |

##### 5.1.1.2 Percentage of sales revenue:

Unit:NT\$1,000; %

| Items \ Year      | 2019      |                             | 2020       |                             |
|-------------------|-----------|-----------------------------|------------|-----------------------------|
|                   | Amount    | Percentage of sales revenue | Amount     | Percentage of sales revenue |
| Treadmill         | 2,530,716 | 43.25%                      | 6,545,399  | 49.87%                      |
| Elliptical        | 1,091,179 | 18.65%                      | 3,260,187  | 24.84%                      |
| Bike              | 780,277   | 13.34%                      | 1,656,183  | 12.62%                      |
| Outdoor Furniture | 742,865   | 12.70%                      | 440,833    | 3.36%                       |
| Others            | 705,491   | 12.06%                      | 1,221,154  | 9.30%                       |
| Total             | 5,850,528 | 100.00%                     | 13,123,756 | 100.00%                     |

##### 5.1.1.3 Current goods and services

5.1.1.4 The Company's main products are electric treadmills, elliptical machines, exercise bikes and other fitness equipment, medical rehabilitation equipment and lightweight fitness equipment development, manufacturing and sales, with new products planned to be developed including:

| R&D Program  | Areas of Application  |
|--|---|
| Sports equipment that combines IoT with wearable devices | Recently, the concept of the Internet of Things (IoT) has caught on and wearable device technology is maturing. At present, there are plans to develop various sports equipment by combining the concept of IoT and wearable devices, so that the sports equipment hardware and software computing, exercise programs, health status monitoring are revolutionized.   |
| Treadmill DC energy saving system                        | Currently, all high-end products in the industry are based on AC inverters, but the AC inverter system with lower speed has poorer performance and less stable power output. The new DC brushless motor and DC inverter system with a high efficiency processor are re-matched to achieve a stable full speed efficiency, which in turn saves energy.   |
| Sports equipment linked to APP cloud platform            | After development, it allows consumers to download the app, which can be used to connect to sports equipment for workout planning and recording, and to get data analysis of sports patterns, sales distribution and product reliability through Bluetooth connection in the background. With this app, future product design, marketing and production can be more closely aligned with the needs of users.  |
| MS Kinect balance assessment and training system Phase 2 | The current balance assessment systems on the market use extremely expensive force plates, so much so that most hospitals can only use subjective man-made assessment. The Company plans to use MS Kinect to provide an affordable Balance Assessment System solution that can be used universally by small and medium-sized hospitals and even rehab clinics.<br>The continuation of the previous system, together with a foot sensor as a further high-precision sensing application, will significantly increase the measurement accuracy and application level. |
| UBE upper extremity movement assessment system           | Designed for patients with general upper extremity movement disorders, patients with sports injuries, and users who need upper extremity exercise, this product not only provides exercise and rehabilitation functions, but also provides evaluation of left and right limb strength and speed.  |

### 5.1.2 Industry overview

#### 5.1.2.1 Fitness equipments

##### A. Global industry developments overview

With exercise becoming popular worldwide and the COVID-19 pandemic raging in 2020, fitness at home is now the norm. To be free from location and time constraints, indoor exercise and fitness equipment provides users with the opportunity to work out in fitness centers and at home when they are unable to do so outdoors or refrain from gathering in training facilities with many people. The fitness equipment market is mainly segmented into "home market", "light commercial market" and "commercial market". The commercial market sales model is mostly sold through commercial procurement channels to clubs, fitness centers, hospitals, etc., and requires a large financial system to back it up. At present, a few large international companies (such as Life Fitness, Techno Gym and Precor) hold the majority of the market share; the light commercial market is mostly sold in public spaces such as small gyms and community buildings; while home market has two main types of products with simple functions, small size and large size, professional functions and high durability, and the sales model is sold through specialty stores, large chain stores, general retail channels, etc. The home market currently has many small and medium-sized manufacturers to join the market, resulting in the fragmentation of the home fitness equipment market and a highly competitive pattern.

According to the Allied Market Research industry report, the global fitness equipment market was estimated to reach US\$11.5 billion in 2019 and was forecast to grow at a compound annual rate of



3.5% from 2020 to 2027, bringing an estimated global market size to US\$15.2 billion by 2027. However, in the wake of COVID-19, the global fitness equipment market grew by approximately 25% in 2020, and is projected to rise at a compound rate of around 5.3% per year from 2020 to 2027, reaching an estimated global market size of US\$19.3 billion by 2027, according to an industry research report published by Research and Markets in April 2021. In addition, according to an at-home workout equipment industry report released by Research and Markets in March 2021, the demand for home gym equipment market increased to approximately US\$16.4 billion in 2020 and is forecast to grow at a compound rate of 2.75% per year from 2020 to 2026. In recent years, sports equipment hardware has been connected to software services, mainly through wearable devices, interactive teaching and sports apps combined with artificial intelligence (AI) technology applications to enhance product services, thus contributing to the digital transformation of the sports industry in the aftermath of the 2020 pandemic. Based on Grand View Research's January 2020 report on the sports-related apps and other software services industry, the global sports-related app market size was estimated to be approximately US\$4.4 billion in 2020 and is forecast to rise at a compound annual rate of 21.6% from 2021 to 2027, while Research and Markets forecasts the market to reach about US\$15.59 billion by 2028, indicating a significant increase in demand for software services.

With the rapid spread of the COVID-19 disease worldwide in 2020 and despite the introduction of vaccines in response to the outbreak in 2021, there is still much uncertainty about the economic outlook due to the occurrence of coronavirus variants and the escalation in the number of infections, which depends on the availability and effectiveness of the vaccines in mitigating the pandemic. The International Monetary Fund's (IMF) April 2021 World Economic Outlook reports that the key to substantial overall growth in 2021 and 2022 compared to 2020 will be the different fiscal policies that countries put in place to maintain the stability of their economies. Moreover, as experts expect vaccine stability and popularity, global economic activity is expected to pick up in the second half of 2021, with growth rates of 6.0% in 2021 and 4.4% in 2022, while the growth rate for advanced countries is projected to increase to 5.1% in 2021 and 3.6% in 2022. In the US, the Company's main market, economic activity is predicted to grow at a rate of 6.4% in 2021 and at a slower rate of 3.5% in 2022 as a result of the revitalization program, while the Eurozone countries are also expected to rebound considerably with growth rates of 4.4% and 3.8% in 2021 and 2022 respectively. China's economic growth rate is one of the few countries to remain positive at 2.3% per annum in 2020, projected to rise to 8.4% and 5.6% in 2021 and 2022 respectively, as the global economy regains momentum and demand increases.

#### Overview of the World Economic Outlook Projections

|                           | Real GDP; % |            |            |
|---------------------------|-------------|------------|------------|
|                           | 2020        | 2021       | 2022       |
| <b>World Output</b>       | <b>-3.3</b> | <b>6.0</b> | <b>4.4</b> |
| <b>Advanced Economies</b> | <b>-4.7</b> | <b>5.1</b> | <b>3.6</b> |
| United States             | -3.5        | 6.4        | 3.5        |
| Euro Area                 | -6.6        | 4.4        | 3.8        |

|   |             |            |            |
|---|-------------|------------|------------|
| Germany   | -4.9        | 3.6        | 3.4        |
| United Kingdom                                      | -9.9        | 5.3        | 5.1        |
| Japan   | -4.8        | 3.3        | 2.5        |
| Canada  | -5.4        | 5.0        | 4.7        |
| <b>Emerging Market and<br/>Developing Economies</b> | <b>-2.2</b> | <b>6.7</b> | <b>5.0</b> |
| China   | 2.3         | 8.4        | 5.6        |
| India   | -8.0        | 12.5       | 6.9        |
| Russia  | -3.1        | 3.8        | 3.8        |
| Brazil  | -4.1        | 3.7        | 2.6        |

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Source: : The World Economic Outlook (WEO) is published by International Monetary Fund

## B. Major market developments overview

The fitness equipment industry is highly correlated with the economic development and demographic structure of the country. From a regional perspective, North America and Europe are currently the most important demand markets for sports and fitness equipment in the world, with a combined market share of nearly 60%. The North American market mainly comprises the United States and Canada, while the European region is dominated by Germany, the United Kingdom, and France, which also indicates a high concentration of demand for fitness equipment market.

### a. The North American market

According to Esticast Research, North America is the world's largest single market for fitness equipment, with a market size of US\$4 billion in 2016, and the North American fitness equipment market is expected to reach a size of US\$5 billion by 2024, growing at a compound annual growth rate of 2.6% from 2017 to 2024, with related data indicating that its demand market is continuing to thrive.

It is also predicted in the Allied Market Research's industry report that North America and Canada have the largest number of fitness clubs in the world, and the global fitness equipment market will continue to grow in both the home and commercial markets from 2018 to 2025, with breakthrough growth in the amounts of membership and fitness clubs.

IHRSA (The International Health, Racquet&Sportclub Association) 2019 Industry Report, the number of fitness clubs in the United States increased by 2.8% in 2018, and the number of fitness club members increased from 45.6 million in 2008 to 62.4 million in 2018, with a 37.1% growth rate. With the U.S. accounting for about 1/3 of the global fitness industry's \$9.4 billion in annual sales in 2018, the overall commercial market can be said to be maintaining steady growth momentum while also continuing to drive the industry's rising market value.

According to the Data Bridge Market Research report, the North American fitness equipment market is predicted to register a compound annual growth rate of 2.7% from 2020 to 2027.

As reported by Healthline, the average home gym equipment purchase in the U.S. during the quarantine period was about US\$95.79, and about 64% of people surveyed said they exercised at home more than ever before as the pandemic raged on. Further, a report issued by Research and Markets in April 2021 indicates that under the fallout of the COVID-19 pandemic in 2020,

the brick-and-mortar retail sector in the US saw a decline of over 60%, while online sales spiked by nearly 35%, with some products even skyrocketing by over 85%.

b. The European market

According to the European Health & Fitness Market report, Germany, the United Kingdom, France, Italy, and Spain are the top five countries in terms of the Eurozone's fitness market revenue, accounting for 65% of the total European fitness market. And Germany, for the first time in the history, is the number one in the Eurozone fitness market, mainly due to the depreciation of the pound relative to the euro. According to a Data Bridge Market Research's related industry report, the market value of European fitness equipment is expected to increase from \$4.9 billion in 2017 to a size of \$7.9 billion by 2025, a compound annual growth rate of about 6.3%.

According to Data Bridge Market Research report, the market value of fitness equipment in Europe is anticipated to grow at an annual compound rate of 2.83% from 2020 to 2027.

c. Other markets

According to Allied Market Research, Asia has the highest growth rate in the world, with a projected compound annual growth rate of 6.7% from 2018 to 2025. In addition, according to China iiMedia Research's (2019 China Fitness Equipment Industry Research and Development Trend Forecast Report), annual sales of China's fitness equipment industry grew from RMB25.2 billion in 2010 to RMB38.8 billion in 2017 and is expected to reach RMB47 billion in 2020. The market value of workout equipment in Asia Pacific is projected to increase at a compound annual growth rate of 7.8% from 2020 to 2027, as indicated in a industry report by Data Bridge Market Research.

C. Domestic industry developments overview

Taiwan joined the production of fitness equipment in 1980, and was recognized by international famous manufacturers in 1990, and introduced foreign fitness equipment production technology, mass production by OEM. Later, due to the low cost of production in China and Southeast Asian countries, Taiwan fitness equipment manufacturers are taking fewer orders. Under unfavorable market conditions, Taiwan's fitness equipment industry began to take ODM as the development goal, to fight for the ODM of large enterprises, and to solid self-research and development ability. The domestic fitness equipment industry is transforming from labor-intensive industries to capital-intensive and technology-intensive industry. In 1997, our country's sports and leisure industry began to expand its export sales in a large number of countries, with low wage costs and constantly improving production technology to enter the international market, the amount of export sales grew significantly, at this stage sports and leisure became one of the main products of our country's export sales, and has become the world's most important supply country for sports and leisure.

According to Department of Statistics in March 2021 the value of indoor fitness equipment output increased by 35.1% annually in 2020, driven by the prevalence of sports and fitness concepts worldwide and the success of the industry in tapping into the international famous resorts and large chain fitness club.

In addition, according to customs import and export trade statistics, from 2016 to 2020, the export value of Taiwan's sports equipment (this includes general physical exercise, gymnastics or athletic

competition items and equipment) has increased year by year, and the export value in 2020 even reached a record high of US\$1.4 billion, as the following table:

Unit:US\$

| Year | AMT           | Increase (Decrease)% |
|------|---------------|----------------------|
| 2016 | 791,178,618   | 4.70                 |
| 2017 | 840,700,705   | 6.30                 |
| 2018 | 894,882,170   | 6.05                 |
| 2019 | 1,053,732,239 | 17.75                |
| 2020 | 1,423,599,425 | 35.10                |

Source: Bureau of Foreign Trade

Taiwan's excellent quality standards and price advantages have enabled many industries to occupy an important position in the world, and the fitness equipment industry is also a competitive industry in the world. The main characteristics of Taiwan's fitness equipment industry include mature development in manufacturing technology, process improvement, institutional design and styling, complete processing system and flexible production operations, OEM/ODM oriented and export-oriented, etc.

As our country has a complete industrial processing system, coupled with an adequate supply of raw materials, it is relatively advantageous for our manufacturers to enter high quality, medium and high unit price related products and develop their own brand name in this way. Moreover, most of the relevant manufacturers in our country are small and medium-sized enterprises (SMEs), which makes them more flexible and adaptable compared to other international manufacturers. However, in recent years, in order to increase product sales opportunities, in addition to cooperating with large foreign brands, in order to enhance corporate image and added value of products, strengthen the competitiveness of enterprises, and accelerate the upgrading and transformation of enterprises, some Taiwan fitness equipment manufacturers are moving in the direction of OBM, in order to actually grasp the relationship between external channels and consumers, in order to achieve the goal of sustainable management.

#### 5.1.2.2 Outdoor furniture

The global demand for outdoor leisure furniture is mainly in Europe and the United States, due to the better economic development in Europe and the United States, the national average annual income is high, they have enough spending power for outdoor leisure furniture, and European and American people are more concerned about the quality of life, and the pursuit of leisure life comfort level, living in the house mostly has a courtyard or terrace can be placed outdoor leisure furniture, so the main consumer groups in the market is still European and American families as the largest volume.

The earliest outdoor leisure furniture purchased by consumers was a set of tables and chairs. At this stage, in addition to the traditional tables and chairs, umbrella seats, tents and swinging chairs have also been developed. As outdoor leisure furniture is placed outdoors, its use will be influenced by the climatic conditions, while in Europe and the United States, the four seasons are clear, when it is the end of winter and the temperature begins to warm up, the consumer demand for outdoor leisure furniture will gradually increase, and its purchase season is concentrated at the end of spring

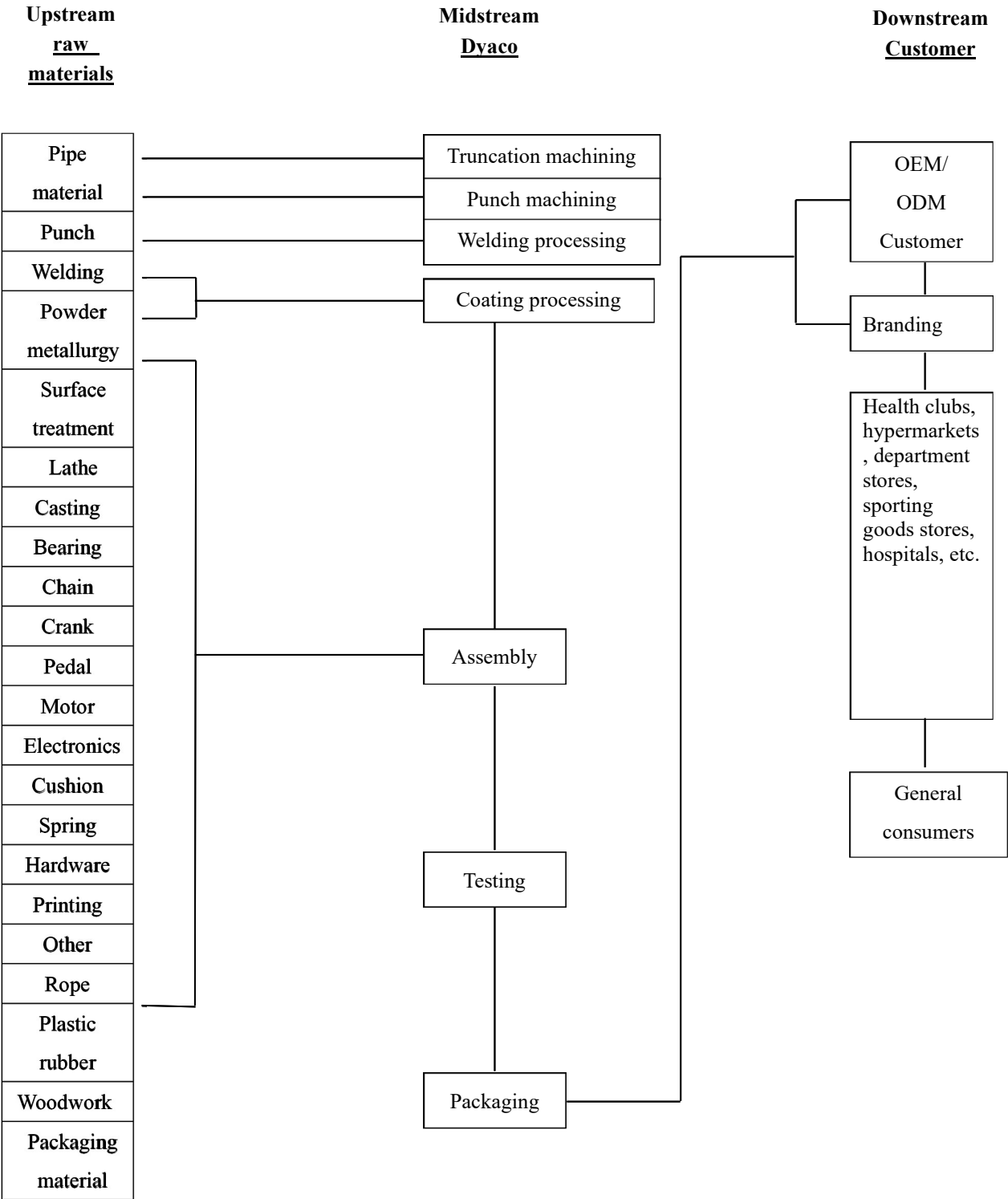
and throughout the summer. In order to meet the public's demand for outdoor leisure furniture, the major channel stores start selling outdoor leisure furniture products at the end of the first quarter of each year and the sales period will continue until the end of summer. The peak production season is concentrated between October and April of the following year. Due to the above-mentioned seasonal effects, the off-peak and peak seasons of the industry are more noticeable.

As outdoor leisure furniture is left outdoors for a long time, it is susceptible to the effects of the weather and shortens its useful life. In addition, consumers' preferred colors and styles change rapidly, so the life cycle of outdoor leisure furniture products is not long. According to a survey conducted by Casual Living, a professional outdoor leisure furniture research organization, the average consumer will replace their original outdoor leisure furniture after 2-4 years of use. The industry has matured and stabilized so far, and in the future, the major markets for outdoor leisure furniture will remain concentrated in countries such as the United States, Canada and Europe, where a stable market size has been formed and the market is more mature. In addition to the demand for outdoor leisure furniture in Europe and the United States, there are also emerging markets such as Asia, Oceania, Africa and South America. Although the demand for outdoor leisure furniture in emerging markets is not as great as that in Europe and the United States, there is more room for growth in this market, which will drive the continued growth of the global outdoor leisure furniture industry.

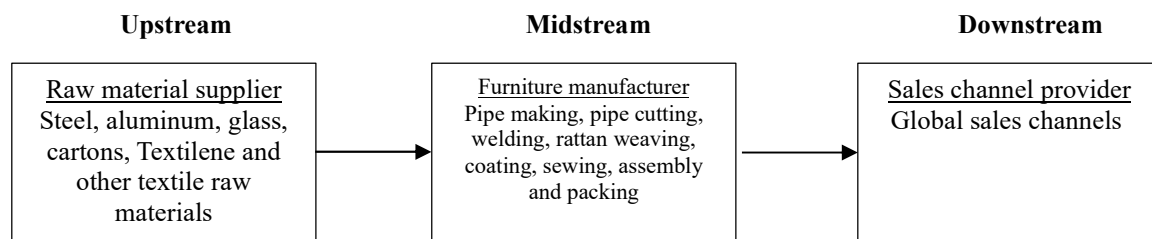
The global outdoor furniture market is predicted to expand at an annual compound rate of 2.8% from 2021 to 2027, with the market size growing from US\$21.67 billion to US\$25.58 billion, as indicated by Absolute Report. Mordor Intelligence's industry research report identifies the Asia-Pacific as a fast-growing region in the coming years, including China, Malaysia, South Korea, Singapore and India.

5.1.3 Upstream, midstream and downstream correlation of industry

5.1.3.1 Fitness equipment



### 5.1.3.2 Outdoor leisure furniture



### 5.1.4 Product development trends

#### 5.1.4.1 Fitness equipment

In the past, fitness equipment users were mostly motivated by muscle building or weight control, but with the influence of technology, economic advancement and an aging society, more and more users are taking up fitness activities for other reasons. With the advancement of production technology and the popularity of fitness equipment, the difference between home and commercial workout equipment is becoming more and more blurred, and today's consumers tend to purchase fitness equipment that meets their actual needs based on function and quality. With regard to the supply and demand of fitness equipment in recent years, the following trends are projected for the future development of the industry:

##### A. Low-load exercise equipment

With the increasing awareness of exercise among the elderly and women, the number of fitness equipment users over the age of 45 is on the rise. As a way to prevent the occurrence of sports injuries, low-load exercise equipment is widely advocated for users of different ethnic groups and age groups, such as seniors, children, office workers, women, disabled people, rehabilitation patients, special patients (with knee arthritis, heart disease), etc. Customized fitness equipment that meets the needs of this low-load health workout will be even more desirable.

##### B. Towards humanized and personalized design

To allow users to exercise in the most comfortable and safe condition, the fitness equipment gradually incorporates technology into the design, changing the previous steel, hard appearance, all details are oriented towards the ergonomic needs, and the structure is easier to operate and use. The models with user-friendly and personalized trainer function can not only keep track of the user's individual physical needs, ranging from time control and exercise volume consumption to a choice of exercise target interval and exercise mode, but also provide the user with progressive guidance through the equipment to achieve the effectiveness of fitness exercise and motivate the user to continue to use.

##### C. Integrating electronic technology development

Compared with the rapid development of consumer electronics, there is still room for improvement in the degree of integration of electronic products in fitness equipment. Due to the technological advancement and affordability of electronic products, the use of electronic technology to assist and monitor the workout process will become more popular. The new generation of products with emphasis on program control, body condition monitoring, real-time information feedback and other functions will test the ability of fitness equipment

manufacturers to integrate electronic technology.

#### D. Environmental and energy efficiency

With global warming, climate change and energy depletion, there is a growing awareness of the need to save energy and reduce carbon emissions. People may not be able to do so in everything they do in life, but when spending money on consumer goods or luxury goods, they can take into account the reduction of carbon footprint, how to save electricity, weight, consumables, parts and assembly, so that the product itself can be recognized to a certain extent, and from which comfort can be drawn.

##### 5.1.4.2 Outdoor furniture

The demand for outdoor leisure furniture is mainly driven by factors such as consumer usage demand, lifestyle habits and usage environment. As the product is placed outdoors, its durability will be shortened by the weather, and consumer preferences may change as the market trends vary from year to year, resulting in a higher renewal rate of outdoor leisure furniture products.

##### 5.1.5 Product competition

###### 5.1.5.1 Fitness equipments

The fitness equipment industry has entered a mature stage, with a high concentration of product demand and an increasing influence of the brand effect, and a growing trend of brand concentration. Competition between brands will bring about a change in the nature of competition in the industry and the polarization of prices in the past. When purchasing fitness equipment, consumers will not only consider the actual demand of exercise as a factor in purchasing, but also attach importance to the brand image and product appearance design. Therefore, in order to cater to customer needs and maintain brand image, manufacturers will continue to roll out new products in terms of appearance, specification design and functionality, expecting to differentiate themselves from their competitors, but this will also lead to a relative shortening of a product life cycle. As such, in addition to channel mastery, innovative R&D and design capabilities are also a key factor in maintaining competitiveness in the fitness industry. Since the United States remains by far the largest consumer market for the global fitness equipment industry, most of the world's top 10 fitness equipment manufacturers are dominated by American companies. In terms of the competitive environment, the fitness equipment market is divided into household, light commercial and commercial products. For household goods, the main competitors are Icon Fitness and Johnson, with major Chinese manufacturers also involved; Landice, True Fitness and Johnson on the light commercial market, and Life Fitness, Technogym, Precor, Cybex and Johnson on the commercial market. The Company is a major manufacturer and seller of professional fitness equipment for home and commercial use. At present, domestic manufacturers of similar products include Johnson, Rexion, Tonic, SportsArt, Steelflex, Reallusion, Tung Keng, HealthStream and Strength Master, etc. However, other than Johnson and Rexion, which are listed companies. and Strength Master Fitness Tech. Co. already registered as emerging stock, the other companies in the industry are limited in scale.

To continuously enhance the competitiveness of the industry, in addition to keeping abreast of the global market demand and fashion trends and product design direction, under the threat of low production costs and soaring prices of raw materials in China, we continue to maintain the



existing advantages in Taiwan, develop innovative products with added value and differentiate them from Chinese products, boost the international marketing ability by our own brand, maximize our competitive edge in the international market, and actively explore global business opportunities.

#### 5.1.5.2 Outdoor furniture

Furniture is a traditional industry with mature design and manufacturing technologies, and it is difficult to make a breakthrough in terms of innovation. Continued investment by existing and emerging players has resulted in an overabundance of competitors, making the furniture market more competitive. The Company has a long-standing relationship with a sales customer, which is a well-known outdoor furniture group with international brands, and attaches importance to the supervision and control of raw material procurement and manufacturing quality. Each year, we develop a number of new furniture models with reference to market consumption trends to differentiate the market and earn the trust of customers with stable prices and quality while maintaining a long and stable relationship with large chain distributors in North America.

#### 5.1.6 Technology and R&D overview

5.1.6.1 The marketing, business and R&D staff present new product development proposals, and then meet with senior executives to discuss their feasibility, and upon approval, project leaders and R&D teams are assigned to carry out A. Product specification and function determination; B. Overall mechanical appearance, electronic hardware and software design, and electrical and mechanical integration; C. Application of new technology; and D. Product sample prototyping, key components testing/technology development, etc., so as to improve the feasibility of product function specification, reduce design modifications, and save the information in the design process.

5.1.6.2 The Company has so far applied for or passed patents and certifications in Taiwan, China, the United States, the European Union, etc. As of the end of March 2021, the Company has acquired a total of 143 domestic and foreign patents (including invention, utility model and design), with eight patents pending. There are more than 157 trademark rights owned.

Our R&D equipment includes SolidWorks industrial design software, COSMOS stress analysis software, Rockwell hardness tester, salt spray tester, vibration tester, tension tester, torque tester, impact tester, microcomputer dynamic fatigue tester, constant temperature and humidity tester, motor power tester, electrostatic gun test equipment.

5.1.6.3 R&D expenses invested during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

Unit: NT\$1,000

| Items \ Year                              | 2020<br>(Per Audited) | 2021 Q1<br>(Per book) |
|---|-----------------------|-----------------------|
| R&D expenses                              | 115,655               | 22,323                |
| Net Operating Revenue                     | 13,123,756            | 3,838,107             |
| R&D Expense rate on Net Operating Revenue | 0.88%                 | 0.58%                 |

5.1.6.4 Technologies or products successfully developed during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

1. New models of light commercial motorized treadmill

2. All-commercial dual-lift electric treadmill.
3. Self-generating elliptical with a flywheel
4. Front-wheel drive and rear-wheel drive magnetic resistance exercise bike
5. Exercise bike with multimedia interactive system
6. Second generation medical rehabilitation treadmill
7. Multi-functional plate-loaded machine (active, passive, constant speed)
8. Digital training tracking system APP

#### 5.1.7 Business development plan

The Company sets its future business direction by working out various programs in light of the future industrial development and the overall economic environment trend, so as to enhance its competitiveness. The following is a summary of the Company's short- and long-term business development plans :

##### 5.1.7.1 Short-term development plans

###### A. Marketing policy

1. Build e-commerce marketing tools to increase market share outside the physical channel.
2. Enhance third-party sales platform materials and search engine resources to increase brand exposure in various countries.
3. Continuously develop brand agents in various countries and establish brand communication platforms.
4. Integrate the Company's official websites and fan pages to enhance the Company's image in Taiwan and increase the exposure of domestic products.
5. Design global physical channel marketing materials in a consistent manner.
6. Continue to build a global channel for the marketing of fitness and medical equipment and seek partners to join our operations.
7. Draw up a marketing plan for the Spirit Medical Systems Group range of products.

###### B. Production policy

1. Appropriately expand production capacity and strengthen production management to ensure on-time delivery, quality improvement and cost reduction.
2. Integrate industry supply chain, improve management efficiency and quality reliability, set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost and increase added value.

###### C. R&D policy

1. Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
2. Expand XTERRA and FUEL product lines to provide consumers with practical and aesthetically pleasing products at a high price-performance ratio with a certain quality.
3. Break into the field of medical rehabilitation equipment by strengthening cooperation with academia and through cross-industry alliance and develop products for both the elderly and the mobility-impaired.
4. Develop a new TFT system for light commercial and commercial models.
5. Develop products with richer entertainment connectivity (APP software and 3C product connection control) to the control instrument. Long-term development plans
6. Adhering to the core value of "brand, service and innovation," the Company develops products

and creates value based on people's needs, is committed to providing consumers with simple, comfortable and safe products, and continuously focusing on improving the quality of people's workouts and leisure life.

5.1.7.2 What we provide to our customers is not only products, but also brand belief, product creativity and after-sales service experience, so as to build up our relationship with our partners. Based on this framework, we continue to expand the international market share of our self-owned brands SPIRIT, XTERRA and FUEL, as well as brand SOLE.

5.1.7.3 The Company will continue to be dedicated to R&D technology innovation, and cooperate with the academic community, in the field of medical rehabilitation equipment, to extend the Company's R&D advantages, so that the Company's products can benefit not only the general public, but also those with mobility difficulties or elders at home, that everyone can take pleasure in sports, so as to take care of more people in need of help. After all, we need a healthy body to have a good quality of life.

## 5.2 Market, production and sales overview

### 5.2.1 Market analysis

#### 5.2.1.1 Areas where the Company's primary products (services) are sold (provided)

Unit: NT\$1,000 ; %

| Sales Region \ Year |         | 2019      |         | 2020       |         |
|---------------------|---------|-----------|---------|------------|---------|
|                     |         | Sales AMT | %       | Sales AMT  | %       |
| Domestic            |         | 176,289   | 3.01%   | 165,743    | 1.26%   |
| Exports             | America | 4,055,986 | 69.33%  | 10,923,394 | 83.23%  |
|                     | China   | 343,057   | 5.86%   | 378,021    | 2.88%   |
|                     | Europe  | 860,519   | 14.71%  | 1,197,822  | 9.13%   |
|                     | Others  | 414,677   | 7.09%   | 458,776    | 3.50%   |
| Total               |         | 5,850,528 | 100.00% | 13,123,756 | 100.00% |

#### A. Fitness Equipment

The Company has long been focusing on the development, manufacture and sale of fitness equipment, mainly for household and light commercial products, and is expected to be the number one exporter of fitness equipment for household use in the nation. Since there are no commercial or academic institutions that provide relevant market size statistics to calculate the Company's market share, only the approximate market share is estimated from the statistics for indoor fitness equipment sales released by the statistics department of the Ministry of Economic Affairs, as follows :

Unit: NT\$1,000 ; %

| Year | Sale amount of Dyaco | Sale amount of Taiwan | Market Share |
|------|----------------------|-----------------------|--------------|
| 2016 | 3,700,050            | 19,974,784            | 18.51%       |
| 2017 | 3,318,995            | 19,878,799            | 16.70%       |
| 2018 | 3,289,437            | 21,585,083            | 15.24%       |
| 2019 | 3,544,844            | 26,334,036            | 13.46%       |
| 2020 | 8,485,910            | 35,719,936            | 23.76%       |

#### B. Outdoor Furniture

Outdoor leisure furniture products are sold at different prices depending on the materials used, and similar products may be market segmented by several different price points, so it is not easy

to calculate the market share ranking of various manufacturers in this industry. In the midst of the pandemic, however, the global outdoor furniture market slumped to approximately US\$21.67 billion in 2020, which translates to around NT\$640.3 billion at an average exchange rate of NT\$29.549 to the US dollar in 2020, according to Absolute Report.

And the Company's 2020 net revenue from outdoor leisure furniture was NT\$523 million, giving the Company a market share of approximately 0.08% based on its global market size.

## 5.2.2 Future supply and demand conditions and growth of the market

### 5.2.2.1 Fitness Equipment

The global fitness equipment market is mainly concentrated in North America, which accounts for approximately over 60% of the global market. On the demand side, according to Allied Market Research, CPR-related exercise equipment is projected to have a compound annual growth rate of 3.7% from 2020 to 2027, indicating that exercise and health are now inextricably linked. As the national income of many countries continues to rise, the emphasis on leisure life and physical health is increasing, and the demand for fitness activities is on the rise, the sports population will continue to expand in the years to come, and the sports goods and fitness equipment market will sustain its upward trend.

As a result of the 2020 COVID-19 pandemic, according to the IMF's World Economic Outlook for April 2021, the global economic growth rate will rebound significantly to 6.0% in 2021 compared to 2020, with the growth rates of the US and advanced economies in the Eurozone, the industry's main export markets expected to rise to 6.4% and 4.4% respectively. In the post-pandemic era, the growth rate of the sporting goods industry will spike to 8.4% in China, where demand is growing rapidly.

In addition, gender is also one of the driving forces in the consumption trend. Women are more active in fitness activities than men, and the excellent performance of female athletes in recent years has fueled the wave of women using fitness machines. Consequently, the U.S. market is expected to continue to grow steadily in the future as the U.S. economy picks up and consumers' spending power improves.

Advances in technology and medicine have led to a continuous increase in human life expectancy; the global trend has shifted the focus from "living longer" to how to age with quality. The development of the health industry not only brings people a better life, but also contains unlimited business opportunities. For this reason, governments and industries around the world have invested in the health economy industry to provide more diverse and innovative services to meet the growing demand of the health market. The health promotion services industry includes four main themes: "health management," "diet and health," "sports and fitness" and "mental health." As an important part of the future development of the industry, the sports and fitness equipment will no longer be limited to the young and postadolescent, but also the middle-aged, the elderly and the disabled. To develop products that are well-suited for these groups, we focus on the features that are more relaxing, interesting and easy to use to meet the needs of the health care market.

The fitness equipment industry is a proactive sector, as the general public can become customers because they want to be healthier and reduce the signs of ageing. To probe into the future products of the sports equipment industry based on the global age structure, we will move towards the

development of high-potential contouring, relaxing sports equipment and high cost-effective health care sports equipment. Additionally, fitness equipment suppliers should evolve towards branding and channel development in the future, expedite the development of multi-functional and special-purpose products, design products based on the basic concept of fitness, and apply more electronic technology to reinforce the integrated marketing and innovation value, so that future fitness equipment will grow steadily under such a development trend.

#### 5.2.2.2 Outdoor Furniture

The rise and fall of the furniture industry is often closely linked to the real estate and construction industries. The United States, the world's leading importer of furniture, has seen a steady long-term growth in the furniture market as the population continues to move in and the economy is ramping up and the demand for real estate and construction industries continues to expand. From the perspective of U.S. furniture demand, the share of U.S. residents' consumer spending on furniture products has remained relatively stable, and the ratio of the growth of U.S. consumer spending on personal furniture products to the growth of total personal spending has remained flat in recent years, indicating that U.S. furniture demand is expanding steadily with the overall economic development.

On the supply side, local U.S. furniture manufacturers are currently challenged by furniture imports from Asia, with goods from China being the majority in 2017, accounting for about 60% of the overall import ratio, followed by Vietnam, Malaysia and Indonesia. China's furniture products are well classified and diversified and are well sourced in the market; Vietnam is a major exporter of wooden products with low cost and price advantages; Malaysia and Indonesia, which rank behind, have a major presence in the wooden furniture production industry. The imported furniture items have lower labor costs and production overhead compared to those by local U.S. manufacturers, giving them a competitive advantage.

#### 5.2.3 Competitive niche

##### 5.2.3.1 Acquire market channels

- A. Ownership of three self-owned brands SPIRIT, FUEL and XTERRA and distribution rights for SOLE in the international market.
- B. With subsidiaries in the U.S., Canada, Japan and China, we are able to respond to customers' needs quickly and accurately grasp the market trend, which helps us to promote our own brand and raise the competition threshold, by accessing the market channels and distribution bases and offering a consistent production process from research and development, production, sales and after-sales service.
- C. With more than 130 partners in the international market, the Company operates locally in a cooperative manner, providing mutual support and reducing direct operating costs.

##### 5.2.3.2 Innovative R&D

- A. We have a professional team responsible for product appearance design, commercial design, institutional design, 3D drawing, 2D drawing, electronic engineering, finished product life test to safety certification, and due to a professional work division, we can develop 10 to 20 new products in a year and launch them within six to 12 months.
- B. We have acquired the patents of many innovations and utility models, and continue to make

- proper use of the arrangement of each patent to raise the entry threshold of market technology.
- C. We work with the academic institutes in industrial-academic exchanges and technical cooperation to make the products more diversified and creative.
  - D. In view of the world's rapidly aging population, Dyaco has been partnering with domestic and overseas academic institutions and large rehabilitation and care centers for many years. Based on the professional R&D technology for fitness equipment software and hardware, our company is leading the industry in creating a range of high-end rehabilitative medical equipment.

#### 5.2.3.3 Manufacturing efficiency

- A. The introduction of enterprise resource planning software SAP ERP enables the integration of various departments to boost the efficiency of material procurement management and production.
- B. The production process from pipe cutting, pipe bending, (automatic) welding, molding, baking and painting to assembly is fully autonomous, which can not only effectively control the cost but also keep tabs on product quality and production progress.
- C. We have a complete quality assurance system, which includes incoming quality control (IQC), supplier quality engineer (SQE), input process quality control (IPQC), final quality control (FQC) and outgoing quality control (OQC), to strengthen the quality control of raw materials and finished products. The Company is able to stand out in every market, keep up with trends, and differentiate itself from the competitors in terms of appearance design, product uniqueness, manufacturing performance, marketing channels and after-sales service.

#### 5.2.3.4 Pros, cons and countermeasures to the development vision

##### A. Pros

- a. The industry scale continues to expand as the trend of healthy slimming and body shaping becomes more prevalent.

With the baby boomers' emphasis on quality of life, the young people's stress on body sculptures, the preventive health care and sports trends advocated by various governments, more and more people are putting a premium on leisure sports and the physical, mental and spiritual development of individuals, and coupled with global warming and the growing La Nina phenomenon, the number of people using indoor fitness equipment for sports or leisure will continue to grow.

- b. Well-established supply chain

Having long-term relationships and deep partnerships with upstream suppliers, we are able to have an effective grip on raw material supply, inventory and prices and reflect them in real time.

- c. Innovative design capabilities to keep up with trends

The Company has a complete product development system, and an experienced marketing, business and R&D team consisting of nearly a hundred people, which continues to expand the medium- and long-term cooperation with professional design companies, so that the appearance design of each product reaches a certain level. The R&D team has also been digging into mechanical and electronic system integration and innovation throughout the

years to gain a grasp of key technologies, while the marketing department continues to sharpen its grip on the market and keep abreast of trends and fashions, so that the R&D products can meet the market demand and widen their differentiation from the competitors'. We are the first company in Taiwan to successfully transfer the flywheel transmission system to elliptical machines and acquire a design patent on the core key technology, which not only guarantees the possibility of transferring the flywheel system to exercise equipment such as steppers, treadmills, etc., but also allows for the diversification of fitness-related products in the years ahead.

## B. Cons

### I. Product homogeneity

There are so many products of the same type in the market—so many choices, but so few differences—that the heterogeneity between products has turned into homogeneity, and it is difficult for general consumers to distinguish the differences between products.

Response:

- i. By empowering the marketing team, the information of market changes can be effectively gathered and the product development direction is aligned with market trends and fashions, and the brand positioning highlights the product differentiation and strategically increases the added value of the product.
- ii. With a strong R&D lineup, we develop unique and innovative products to provide consumers with diverse and differentiated choices, while actively developing products in the field of medical rehabilitation equipment.

### II. Multiple competitors, price cutting

As the industry continues to grow in size, more and more cross-industry competitors (e.g., cycling, medical) and Chinese manufacturers are entering the fray by copying or cutting prices in large numbers, making competition relatively intense.

Response:

- i. By using the brand to increase product recognition and customer loyalty, providing customers with a complete business solution (including marketing, product, after-sales service experience integration) not only unite the efforts of local agents to fight together, but also makes it difficult for consumers to make purchasing decisions based on price.
- ii. Seek strategic alliance partners in potential markets.
- iii. We constantly research and develop new products, develop new technologies through industry-academia cooperation or cross-industry alliances, and increase the entry threshold for new product production so that competitors cannot easily imitate.

## C. Increasing production costs

High environmental awareness and fluctuations in raw materials and exchange rates are driving up and down production costs.

Response:

- a. Seek out suppliers that comply with environmental regulations and guide the production of raw materials which meet environmental regulations.
- b. Prepare materials in a systematic way to obtain the advantage of price and supply stability

by purchasing in large quantities.

- c. Enhance the ability to keep abreast of the latest international raw material prices in order to determine the future trend and, when the prices are lower, make purchases to meet production needs.

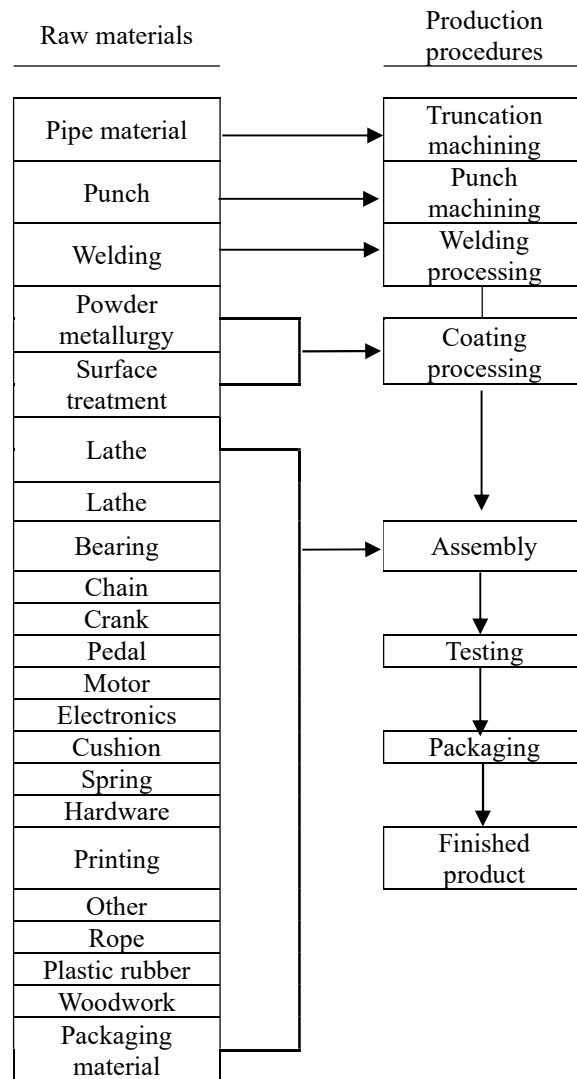
#### 5.2.4 Important uses and manufacturing processes of primary products

##### 5.2.4.1 Important uses of principal products

| Product Category                 | Usage  |
|----------------------------------|--|
| General fitness equipment        | Used in homes, hotels, companies, schools, gyms, etc., to burn calories and fat through exercise for healthy body shaping.       |
| Medical rehabilitation equipment | Used in medical institutions, care centers, physiotherapy facilities and at home for the elderly or those with mobility problems |
| Lightweight fitness equipment    | For general home use and other body shaping exercise   |
| Furniture                        | For general home or commercial outdoor use   |

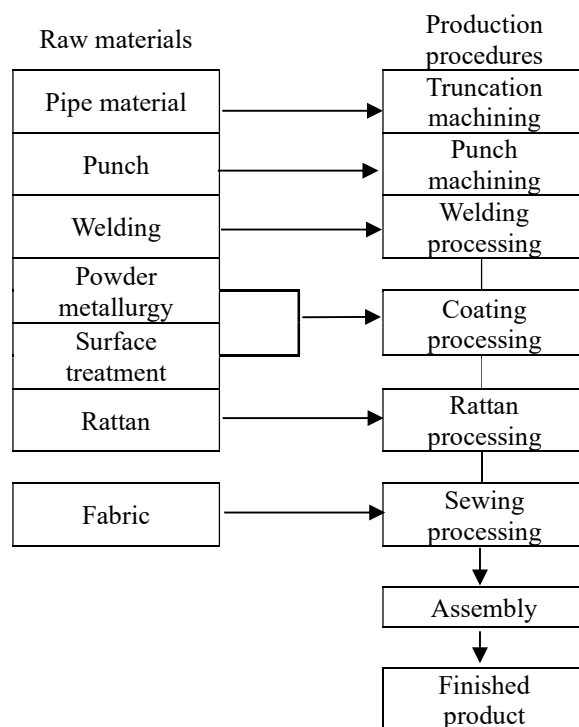
##### 5.2.4.2 Manufacturing process

###### A. Fitness equipments





## B. Outdoor furniture



### 5.2.5 Supply of major raw materials

| Major raw materials | Major suppliers  | Supply status |
|---------------------|--|---------------|
| System              | Ejek Technology Co, Guangzhou ChuHui Electronics Co., etc. | Good          |
| Plastic             | Fun Jie Metal Co., etc.                                    | Good          |
| Motor               | Guangdong Wanrui Co., etc.                                 | Good          |
| Metal               | Beijiao Mingshang Metal Fittings Factory, etc.             | Good          |

The main raw materials are procured from more than two suppliers, and the Company has maintained good ties with these suppliers due to its economic scale and excellent new product development capabilities. In addition to meeting the production demand in material supply, it will be more beneficial to the supply safety of main materials.

### 5.2.6 List of main procurement/sales suppliers/clients

5.2.6.1 A list of any suppliers accounting for 10 percent or more of the Company's total procurement amount in either of the 2 most recent fiscal years, the amounts bought from each, the percentage of total procurement accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

The Company did not have any supplier accounting for 10 percent or more of its total procurement amount in the last two years.

5.2.6.2 A list of any clients accounting for 10 percent or more of the Company's total sales amount in either of the 2 most recent fiscal years, the amounts sold to each, the percentage of total sales accounted for by each, and an explanation of the reason for increases or decreases in the above figures:

Unit: NT\$1,000 ; %

| Item | 2019 |        |                             |                          | 2020 |        |                             |                          |
|------|------|--------|-----------------------------|--------------------------|------|--------|-----------------------------|--------------------------|
|      | Name | Amount | Percentage of net sales (%) | Relationship with issuer | Name | Amount | Percentage of net sales (%) | Relationship with issuer |

|   |              |           |        |      |            |            |        |      |
|---|--------------|-----------|--------|------|------------|------------|--------|------|
| 1 | Sole Fitness | 1,376,969 | 23.54  | None | A Customer | 2,844,461  | 21.67  | None |
| 2 | Others       | 4,473,559 | 76.46  | -    | Others     | 10,279,295 | 78.33  | -    |
|   | Net sales    | 5,850,528 | 100.00 | -    | Net sales  | 13,123,756 | 100.00 | -    |

The reason for increases or decreases:

Fitness Equipment Service, LLC has long been one of the Company's key clients, primarily engaged in the sale of SOLE branded products in the U.S. market. The Company completed the acquisition of 100% of its shareholding in February 2020.

5.2.6.3 Output volume and value during the most recent two years

Unit: NT\$1,000 ; SET/PCS

| Year           | 2019     |         |           | 2020     |         |           |
|----------------|----------|---------|-----------|----------|---------|-----------|
| Output volume  | Capacity | QTY     | AMT       | Capacity | QTY     | AMT       |
| Major Products |          |         |           |          |         |           |
| Treadmill      | 180,000  | 152,281 | 1,541,611 | 360,000  | 346,896 | 3,354,240 |
| Elliptical     | 95,000   | 64,036  | 761,778   | 180,000  | 177,135 | 2,124,774 |
| Bike           | 50,000   | 34,395  | 327,815   | 90,000   | 82,989  | 756,324   |
| Furniture      | -        | -       | 594,005   | -        | -       | 434,965   |
| Others         | -        | -       | 77,309    | -        | -       | 210,526   |
| Total          | 325,000  | 251,035 | 3,302,518 | 630,000  | 607,020 | 6,880,829 |

Note: Production capacity means the amount that the Company can produce under normal operation by using existing production equipment after considering the necessary downtime and holidays; production capacity can be adjusted between different products.

The reason for increases or decreases:

The new models of treadmills were moved to Jiaying Xidun for mass production and XTERRA products achieved good results in large North American distributors and e-commerce platforms, which led to a significant increase in low-end treadmills compared to the same period last year and an increase in treadmill production but not in value, while Jiaying Xidun's outdoor furniture production and value were both lower than last year due to the impact of the trade dispute between the US and China.

5.2.7 Sales volume and value during most recent two years

Unit: NT\$1,000 ; SET/PCS

| Year           | 2019     |         |         |           | 2020     |         |         |            |
|----------------|----------|---------|---------|-----------|----------|---------|---------|------------|
| Sales volume   | Domestic |         | Export  |           | Domestic |         | Export  |            |
| Major Products | QTY      | AMT     | QTY     | AMT       | QTY      | AMT     | QTY     | AMT        |
| Treadmill      | 1,665    | 54,812  | 158,391 | 2,455,233 | 1,323    | 48,136  | 298,132 | 6,497,263  |
| Elliptical     | 913      | 22,301  | 67,833  | 1,089,549 | 1,159    | 24,893  | 139,941 | 3,235,294  |
| Bike           | 1,176    | 18,099  | 106,433 | 762,178   | 1,321    | 17,581  | 233,642 | 1,638,602  |
| Furniture      | -        | -       | -       | 742,865   | -        | -       | -       | 440,833    |
| Others         | -        | 81,076  | -       | 624,415   | -        | 75,133  | -       | 1,146,021  |
| Total          | 3,754    | 176,289 | 332,657 | 5,674,239 | 3,803    | 165,743 | 671,715 | 12,958,013 |

The reason for increases or decreases:

The company mainly focuses on external sales, and benefiting from the continuous sales growth of SOLE and SPIRIT brands in the North American market, and the good performance of XTERRA products in major distributors and e-commerce platforms, the overall sales in North America increased compared to the same period last year, resulting in the overall sales volume and value growth in FY2019, except for the decrease in sales of outdoor furniture in Jiaying Xidun due to the impact of the US-China trade dispute.

### 5.3 Employees:

| Year                             |                              | 2019  | 2020  | 2021/31 |
|----------------------------------|------------------------------|-------|-------|---------|
| Number of employees              | Direct Labor                 | 739   | 709   | 697     |
|                                  | Indirect labor               | 583   | 634   | 653     |
|                                  | Total                        | 1,322 | 1343  | 1350    |
| Average age (Years)              |                              | 39.34 | 39.73 | 40.49   |
| Average years of service (Years) |                              | 6.34  | 6.72  | 6.97    |
| Education background<br>(%)      | Master                       | 4.24  | 4.58  | 4.57    |
|                                  | Bachelors                    | 31.69 | 33.92 | 34.46   |
|                                  | Senior High School and below | 64.07 | 61.49 | 60.97   |

### 5.4 Information on environmental protection expense

#### 5.4.1 Setting forth the company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

5.4.1.1 The Company has obtained a permit for installing anti-pollution facilities, or permit of pollution drainage.

5.4.1.2 The wastewater and sewage generated in the Company's manufacturing process or factory are first treated by a wastewater pre-treatment facility to meet the effluent standards before being discharged through the sewage system. The Company has received a letter of approval from the Industrial Development Bureau of the Ministry of Economic Affairs for the use of wastewater and sewerage underground systems in the Chuanhsing Industrial Zone, with a water pollution prevention permit also obtained, which was issued by the Environmental Protection Bureau of the Changhua County Government.

5.4.1.3 The waste generated by the Company's manufacturing process or factory is removed and disposed of by a qualified waste treatment company, with an industrial waste disposal plan filed in accordance with the regulations.

5.4.1.4 The Company is not an industry or has a manufacturing process listed in the announcement of stationary pollution sources that is obliged to apply for installation, change and operation permits, and thus is not required to set up related facilities and prepare pollution prevention plans, nor is the Company a business entity that is required to set up an air pollution prevention arm thereunder, so it has not had any dedicated units and personnel.

5.4.1.5 The Company has paid the water pollution prevention and control fees in accordance with the regulations.

5.4.2 Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described:

| Equipment                                  | Qty | Date of acquisition | Investment costs | Non-depreciated balance amount | The purpose and anticipated benefits                         |
|--|-----|---------------------|------------------|--------------------------------|--|
| Wastewater Treatment Works - Yen Zealously | 1   | 2009/03/31          | 1,530,000        | 112,037                        | Meet the environmental regulations for wastewater discharge. |
| Wastewater treatment refurbishment works   | 1   | 2015/08/01          | 350,000          | 227,146                        |  |

|  |   |           |         |         |  |
|--|---|-----------|---------|---------|--|
| Wastewater treatment<br>refurbishment works -<br>Pipework for 10 tonne<br>plastic drums for acid and<br>alkali storage | 1 | 2020/3/20 | 160,000 | 146,667 |  |
|--|---|-----------|---------|---------|--|

5.4.3 Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described: None.

5.4.4 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

5.4.4.1 Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years: None.

#### 5.5 Employer/employee relations

Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

##### 5.5.1 Employee benefits

The Company's benefits are designed and implemented primarily for the welfare of its employees and the establishment of a functional organization. Through the operation of an employee welfare committee, employees are more willing to participate in the planning and implementation of practical activities. Besides the organization and operation of the employee welfare committee, the following benefits are provided:

5.5.1.1 Providing staff with various internal and external education and training to enhance their professional competence.

5.5.1.2 Providing various staff welfare allowances such as for wedding, funeral, celebration, maternity and paternity leave.

5.5.1.3 Providing bonuses for birthdays, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, etc., as well as domestic and international travel for employees.

5.5.1.4 Paying attention to the physical safety of employees, providing all employees with labor insurance, health insurance, group insurance and health check-ups.

##### 5.5.2 Employee continuing education and training

The Company has set forth educational and training management procedures, and provides orientation training for new employees. Current employees may participate in in-house educational and training activities and those assigned by the Company or approved through an application for an external training course as required by their work may have their training costs borne by the Company. Training and drills are carried out to cultivate professional talents and increase work

efficiency.

#### 5.5.3 Retirement systems and the implementation

The Company has established rules for the retirement of staff employees and workers under the Labor Standards Act, and each month sets aside a reserve for retirement pensions at a certain percentage of their monthly salaries and wages, which is deposited with the Bank of Taiwan for safekeeping pursuant to the Ministry of the Interior's Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds. If the reserve account is inadequate to cover the actual pension payments, the shortfall is recognized as a current expense.

Effective July 1, 2005, in accordance with the Labor Pension Act, the Company made a defined contribution to the pension plan at the Bureau of Labor Insurance covered by the Act at a rate of 6% of the employee's monthly wages/salaries, with the contribution recorded as current expense. The employee's monthly wages/salaries shall be deducted at a voluntary deposit rate to individual labor pension accounts at the Bureau.

The provisions of the Labor Pension Act applicable to the Company are as follows:

##### 5.5.3.1 Employees who apply for voluntary retirement:

A worker may apply for voluntary retirement in one of the following cases (if he or she has elected the pension mechanism under the Labor Pension Act, the mechanism shall apply):

- A. Those who have been working in the Company for 15 years or more and are over 55 years old.
- B. Those who have been working in the Company for 25 years or more.
- C. Those who have been working in the Company for 10 years or more and are over 60 years old.

##### 5.5.3.2 Employees forced to retire:

The Company shall not force an employee to retire unless any of the following situations has occurred:

- A. Where the employee attains the age of sixty-five.
- B. Where the employee is unable to perform his/her duties due to mental disorder or disability.

The Company may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or is otherwise of a special nature; provided, however, that the age shall not be reduced below 55.

##### 5.5.3.3 Pension payment standard:

- A. The pension shall be paid in accordance with Articles 84-2 and 55 of the Labor Standards Act for those whose seniority of service before or after the said Act is applicable to the enterprise where they work, who choose to be continuously covered by the retirement mechanism in the said Act under the Labor Pension Act, or who reserve their seniority prior to the application of the Labor Pension Act.
- B. As set forth in Subparagraph 2, Paragraph 1, Article 55 of the Labor Standards Act, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers who have the years of service referred to in the preceding paragraph and are forced to retire under Subparagraph 2, Paragraph 1, Article 35 due to mental disorder or disability incurred from the execution of their duties.
- C. For employees whose pensions are subject to the Labor Pension Act, the Company contributes

6% of their monthly wages on a monthly basis to their individual labor pension accounts.

#### 5.5.3.4 Pension payments:

The Company shall pay pensions to employees within 30 days from the date of receipt by the Company of retired staff's applications.

#### 5.5.4 The status of agreements between labor and management

The Company protects the rights and interests of employees in compliance with labor laws and regulations, and upholds the spirit of integrity and pragmatism to implement humane management. Based on the concept of mutual trust and respect between the company and its employees, good labor relations have been maintained, therefore no major labor disputes have occurred. In addition, the Company has established an Employee Welfare Committee, which is responsible for handling various employee welfare matters and organizing various activities from time to time to enhance the harmonious working atmosphere and to build up a sense of cohesion.

#### 5.5.5 All measures aimed at preserving the rights and interests of employees

The Company has comprehensive regulations to protect the rights and interests of its employees, and regularly reviews and enhances its welfare schemes to ensure that their rights and interests are protected to the highest degree.

#### 5.5.6 Protective measures for the working environment and personal safety of employees

Employees' physical and mental health is an important part of workplace safety besides providing a good working environment in hardware to prevent employees from getting injured. If employees can maintain good physical and mental health, they can reduce occupational accidents and workplace violence caused by physical discomfort and distraction. Therefore, Dyaco implements workplace health services by: providing employees with annual health check-up and tracking of abnormalities, with an annual check-up rate of over 95%; conducting 8-10 health activities, seminars and weekly e-mail notice to promote health and safety awareness; preventing incidents from occurring, carrying out workplace violence prevention plans, human hazards prevention plans, overload prevention plans, etc., and inventorying potential human hazards in each unit and performing risk management; setting up a medical room for simple sickness and injury treatment, vital signs monitoring and emergency medical assistance, with an average of 10 people per month for simple ailment and injury treatment; installing 35 first-aid kits and two automated external defibrillators company-wide, so that the sick and injured can be treated immediately; and conducting workplace safety assessment and maternal health assessment for employees during pregnancy and one year after delivery, with an average of 15 staff members served in the past six months and setting up maternity lounges and breastfeeding rooms in idle space, so that employees can nurture the next generation in a safe environment. With active promotion, Dyaco was awarded the Health Promotion Administration's Healthy Workplace Certification - Health Promotion Mark in 2016. The actual promotion of work environment and employee personal safety protection measures in 2020 are as follows:

##### 5.5.6.1 Regular implementation of operational environmental monitoring

Preventing occupational disasters, protecting workers' health, avoiding physical and chemical hazards, providing workers with a healthy and comfortable working environment, and

implementing regular monitoring of the working environment, with the operation site tested for dust, noise, etc. every six months.

5.5.6.2 Regular implementation of safety and health education and training

- A. Pursuant to Articles 16 and 17 of the Occupational Safety and Health Education and Training Rules.
- B. Implementing three hours of general safety and health education for new and transferred personnel.
- C. Implementing three hours of in-service safety and health education training every three years.
- D. Implementing various safety and health education and training (first aid workers, crane operators, forklift operators are dispatched for training and certification, etc.).

5.5.6.3 Regular implementation of fire drills

Stepping up education on disaster prevention in factories, raising personnel's awareness of disaster prevention and preventing disasters, conducting regular fire-fighting drills, and implementing them every six months pursuant to Article 13 of the Fire Services Act and Article 15 of the Enforcement Rules of Fire Services Act.

5.5.6.4 Convening of the Occupational Safety and Health Committee

The Occupational Safety and Health Committee is convened on a quarterly basis to discuss, coordinate and recommend improving the work environment safety, occupational hazard prevention, safety facilities, material storage, workflow, education and training, and occupational health and safety policies and implementation guidelines to ensure the safety and health of all our employees.

5.5.6.5 List any losses suffered by the Company in the most recent fiscal years and up to the annual report publication date due to labor disputes, and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

## 5.6 Material Contracts

| Nature of contract    | The parties              | Term of Contract      | Content                                 | Restriction Clauses |
|-----------------------|--------------------------|-----------------------|---|---------------------|
| Bank Loan             | Mega Bank                | 2007.12.10-2022.12.10 | Long-term Secured borrowings            | None                |
| Bank Loan             | Mega Bank                | 2019.09.27-2024.09.27 | Mid and Long-term Secured borrowings    | None                |
| Bank Loan             | Mega Bank                | 2020.02.26-2022.02.26 | Mid and Long-term Secured borrowings    | None                |
| Bank Loan             | Chang Hua Bank           | 2008.05.21-2023.05.21 | Long-term Secured borrowings            | None                |
| Bank Loan             | Bank SinoPac             | 2009.09.23-2024.09.23 | Long-term Secured borrowings            | None                |
| Bank Loan             | Bank SinoPac             | 2015.11.25-2022.11.25 | Long-term Secured borrowings            | None                |
| Bank Loan             | Bank SinoPac             | 2016.10.31-2023.10.31 | Long-term Secured borrowings            | None                |
| Bank Loan             | Taishin Bank             | 2019.06.17-2034.06.17 | Long-term Secured borrowings            | None                |
| Bank Loan             | Taishin Bank             | 2019.06.17-2024.06.17 | Mid and Long-term Secured borrowings    | None                |
| Bank Loan             | Taiwan Cooperative Bank  | 2018.11.30-2038.11.26 | Long-term Secured borrowings            | None                |
| Bank Loan             | Darlehen Koln Bank       | 2016.01.30-2020.07.31 | Long-term Secured borrowings            | None                |
| Bank Loan             | Bank of Montreal         | 2016.05.01-2023.04.30 | Long-term Secured borrowings            | None                |
| Co-branded Agreement  | Johnny G Method          | Beginning of 2017.01  | The partnership agreement with Johnny G | None                |
| Distributor Agreement | Zuffa International LLC. | 2017.06~2022.12       | Agent distribution of UFC's products    | None                |



## VI. Financial Overview

### 6.1 Condensed Balance Sheet and Statement of Comprehensive Income for the last five years

#### 6.1.1 IFRS

##### 6.1.1.1 Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

| Item \ Year                             |                     | Financial Statements for the past five years |           |           |           |            |
|---|---------------------|--|-----------|-----------|-----------|------------|
|   |                     | 2016   | 2017      | 2018      | 2019      | 2020       |
| Current Assets                          |                     | 3,327,094                                    | 3,143,572 | 3,207,449 | 3,550,149 | 8,255,861  |
| Property, plant and equipment           |                     | 1,765,806                                    | 2,743,842 | 2,824,366 | 2,656,050 | 2,877,597  |
| Intangible Assets                       |                     | 189,436                                      | 290,923   | 464,504   | 416,321   | 1,238,670  |
| Other Assets                            |                     | 78,057                                       | 458,229   | 528,989   | 672,781   | 879,860    |
| Total Assets                            |                     | 5,360,393                                    | 6,636,566 | 7,025,308 | 7,295,301 | 13,251,988 |
| Current Liabilities                     | Before Distribution | 2,568,237                                    | 3,054,043 | 3,854,329 | 3,822,171 | 6,608,905  |
|   | After Distribution  | 2,373,042                                    | 3,009,568 | 3,823,196 | 3,697,850 | Note 2     |
| Non-Current Liabilities                 |                     | 560,071                                      | 1,436,693 | 1,092,458 | 1,228,813 | 1,773,221  |
| Total Liabilities                       | Before Distribution | 3,128,308                                    | 4,490,736 | 4,946,787 | 5,050,984 | 8,382,126  |
|   | After Distribution  | 2,933,113                                    | 4,446,261 | 4,915,654 | 4,926,663 | Note 2     |
| Equity attributable to owners of parent |                     | 2,230,011                                    | 1,820,518 | 1,744,645 | 1,894,145 | 4,513,176  |
| Capital                                 |                     | 929,502                                      | 929,502   | 929,502   | 961,009   | 1,326,523  |
| Capital Surplus                         |                     | 705,869                                      | 722,117   | 738,397   | 758,304   | 1,986,005  |
| Retained Earnings                       | Before Distribution | 631,807                                      | 283,017   | 328,209   | 452,985   | 1,648,927  |
|   | After Distribution  | 436,612                                      | 238,542   | 297,076   | 328,664   | Note 2     |
| Other Equity                            |                     | (37,167)                                     | (59,258)  | (79,123)  | (105,813) | (175,628)  |
| Treasury Share                          |                     | -  | (54,860)  | (172,340) | (172,340) | (272,651)  |
| Non-Controlling Interests               |                     | 2,074  | 325,312   | 333,876   | 350,172   | 356,686    |
| Total Amount of Equity                  | Before Distribution | 2,232,085                                    | 2,145,830 | 2,078,521 | 2,244,317 | (175,628)  |
|   | After Distribution  | 2,036,890                                    | 2,101,355 | 2,047,388 | 2,119,996 | (272,651)  |

Note 1 : The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

Note 2 : As of the publication date of this annual report, the 2020 earnings distribution was approved by the BOD.

## 6.1.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000

| Item   | Year | Financial Statement for the past five years |           |           |           |            |
|--|------|---|-----------|-----------|-----------|------------|
|  |      | 2016  | 2017      | 2018      | 2019      | 2020       |
| Net Operating Revenue  |      | 4,724,842                                   | 4,457,716 | 5,557,150 | 5,850,528 | 13,123,756 |
| Gross Profit   |      | 1,399,937                                   | 1,270,689 | 1,527,399 | 1,716,399 | 5,484,319  |
| Profit (Loss) from Operations                                    |      | 408,698                                     | (23,914)  | 85,090    | 327,705   | 1,852,910  |
| Non-Operating Income and Expenses                                |      | (5,651)                                     | (177,197) | 61,571    | (49,061)  | (198,006)  |
| Profit (Loss) before Income Tax                                  |      | 403,047                                     | (201,111) | 146,661   | 278,644   | 1,654,904  |
| Net Income (Loss) from Continuing Operations                     |      | 301,435                                     | (165,903) | 127,456   | 220,095   | 1,318,056  |
| Income (Loss) on Discontinued Operations                         |      | -   | -         | -         | -         | -          |
| Net Income (Loss)  |      | 301,435                                     | (165,903) | 127,456   | 220,095   | 1,318,056  |
| Other Comprehensive Income ( Net amount after tax )              |      | (23,618)                                    | (22,725)  | (29,252)  | (43,447)  | (61,094)   |
| Total Comprehensive Income                                       |      | 277,817                                     | (188,628) | 98,204    | 176,648   | 1,256,962  |
| Net Profit Attributable to parent company shareholders           |      | 301,361                                     | (150,891) | 107,123   | 189,001   | 1,321,109  |
| Profit Attributable to Noncontrolling Interest                   |      | 74  | (15,012)  | 20,333    | 31,094    | (3,053)    |
| Comprehensive Income (Loss) Attributable to Owners of the Parent |      | 277,743                                     | (175,686) | 87,865    | 160,352   | 1,250,448  |
| Comprehensive Income Attributable to Noncontrolling Interest     |      | 74  | (12,942)  | 10,339    | 16,296    | 6,514      |
| Earnings Per Share   |      | 3.54  | (1.62)    | 1.16      | 2.05      | 11.69      |

Note 1 : The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

### 6.1.1.3 Condensed Balance Sheet (Parant Company Only)

Unit: NT\$1,000

| Item                                    | Year                | Financial Statement for the past five years |           |           |           |            |
|---|---------------------|---|-----------|-----------|-----------|------------|
|   |                     | 2016  | 2017      | 2018      | 2019      | 2020       |
| Current Assets                          |                     | 2,739,121                                   | 2,120,221 | 2,156,513 | 2,580,856 | 6,448,880  |
| Property, plant and equipment           |                     | 1,377,064                                   | 1,640,456 | 1,762,174 | 1,690,350 | 1,672,688  |
| Intangible Assets                       |                     | 13,108                                      | 10,460    | 144,981   | 141,565   | 112,865    |
| Other Assets                            |                     | 823,301                                     | 1,545,737 | 1,606,619 | 1,635,507 | 2,733,568  |
| Total Assets                            |                     | 4,952,594                                   | 5,316,874 | 5,670,287 | 6,048,278 | 10,968,001 |
| Current Liabilities                     | Before Distribution | 2,228,129                                   | 2,303,908 | 3,117,051 | 3,203,247 | 4,991,086  |
|   | After Distribution  | 2,032,934                                   | 2,259,433 | 3,085,918 | 3,078,926 | Note 2     |
| Non-Current Liabilities                 |                     | 494,454                                     | 1,192,448 | 808,591   | 950,886   | 1,463,739  |
| Total Liabilities                       | Before Distribution | 2,722,583                                   | 3,496,356 | 3,925,642 | 4,154,133 | 6,454,825  |
|   | After Distribution  | 2,527,388                                   | 3,451,881 | 3,894,509 | 4,029,812 | Note 2     |
| Equity attributable to owners of parent |                     | 2,230,011                                   | 1,820,518 | 1,744,645 | 1,894,145 | 4,513,176  |
| Capital                                 |                     | 929,502                                     | 929,502   | 929,502   | 961,009   | 1,326,523  |
| Capital Surplus                         |                     | 705,869                                     | 722,117   | 738,397   | 758,304   | 1,986,005  |
| Retained Earnings                       | Before Distribution | 631,807                                     | 283,017   | 328,209   | 452,985   | 1,648,927  |
|   | After Distribution  | 436,612                                     | 238,542   | 297,076   | 328,664   | Note 2     |
| Other Equity                            |                     | (37,167)                                    | (59,258)  | (79,123)  | (105,813) | (175,628)  |
| Treasury Share                          |                     | -   | (54,860)  | (172,340) | (172,340) | (272,651)  |
| Non-Controlling Interests               |                     | -   | -         | -         | -         | -          |
| Total Amount of                         | Before Distribution | 2,230,011                                   | 1,820,518 | 1,744,645 | 1,894,145 | 4,513,176  |
| Equity                                  | After Distribution  | 2,034,816                                   | 1,776,043 | 1,713,512 | 1,769,824 | Note 2     |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

Note2: As of the publication date of this annual report, the 2020 earnings distribution was approved by the BOD.

Note 3: Dyaco's Board of Directors approved to merge Yong-An Ltd.. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required.

#### 6.1.1.4 Condensed Statement of Comprehensive Income (Parant Company Only)

Unit: NT\$1,000

| Item   | Year | Financial Statement for the past five years |           |           |           |           |
|--|------|---|-----------|-----------|-----------|-----------|
|  |      | 2016  | 2017      | 2018      | 2019      | 2020      |
| Net Operating Revenue  |      | 3,700,050                                   | 3,318,995 | 3,289,437 | 3,544,844 | 8,485,910 |
| Gross Profit   |      | 855,069                                     | 688,065   | 680,925   | 795,984   | 2,598,498 |
| Profit (Loss) from Operations                                    |      | 375,885                                     | 132,144   | 229,335   | 359,077   | 1,665,999 |
| Non-Operating Income and Expenses                                |      | 10,279                                      | (308,338) | (118,234) | (117,699) | (63,718)  |
| Profit (Loss) before Income Tax                                  |      | 386,164                                     | (176,194) | 111,101   | 241,378   | 1,602,281 |
| Net Income (Loss) from Continuing Operations                     |      | 301,361                                     | (150,891) | 107,123   | 189,001   | 1,321,109 |
| Income (Loss) on Discontinued Operations                         |      | -   | -         | -         | -         | -         |
| Net Income (Loss)  |      | 301,361                                     | (150,891) | 107,123   | 189,001   | 1,321,109 |
| Other Comprehensive Income (Net amount after tax)                |      | (23,618)                                    | (24,795)  | (19,258)  | (28,649)  | (70,661)  |
| Total Comprehensive Income                                       |      | 277,743                                     | (175,686) | 87,865    | 160,352   | 1,250,448 |
| Net Profit Attributable to parent company shareholders           |      | 301,361                                     | (150,891) | 107,123   | 189,001   | 1,321,109 |
| Profit Attributable to Noncontrolling Interest                   |      | -   | -         | -         | -         | -         |
| Comprehensive Income (Loss) Attributable to Owners of the Parent |      | 277,743                                     | (175,686) | 87,865    | 160,352   | 1,250,448 |
| Comprehensive Income Attributable to Noncontrolling Interest     |      | -   | -         | -         | -         | -         |
| Earnings Per Share   |      | 3.54  | (1.62)    | 1.16      | 2.05      | 11.69     |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

Note 2: Dyaco's Board of Directors approved to merger Yong-An Ltd.. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required.

#### 6.1.1.5 Name of CPA and Auditors' Opinions for the last five years

| Year | Name of Accounting Firm  | Name of CPA                                 | Audit opinion       |
|------|--------------------------|---|---------------------|
| 2016 | Deloitte & Touche Taiwan | Ms. Liao Wan-Yi and Mr. Hsieh Chien-Hsin    | Unqualified Opinion |
| 2017 | Deloitte & Touche Taiwan | Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi      | Unqualified Opinion |
| 2018 | Deloitte & Touche Taiwan | Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi      | Unqualified Opinion |
| 2019 | Deloitte & Touche Taiwan | Ms. Chen, Chao-Mei and Mr. Hsieh Chien-Hsin | Unqualified Opinion |
| 2020 | Deloitte & Touche Taiwan | Mr. Hsieh Chien-Hsin and Ms. Chen, Chao-Mei | Unqualified Opinion |

## 6.2 Financial analysis of the last five years

### 6.2.1 Consolidated Financial Analysis (IFRS)

#### 6.2.1.1 Consolidated Financial Statement

| Item                    | Year  | Financial analysis of the last five years (Note 1) |        |        |        |        |
|-------------------------|---|--|--------|--------|--------|--------|
|                         |   | 2016   | 2017   | 2018   | 2019   | 2020   |
| Financial structure (%) | Debt to asset ratio                             | 58.36  | 67.67  | 70.41  | 69.24  | 63.25  |
|                         | Long-term Fund to Property, Plant and Equipment | 158.12   | 130.57 | 112.27 | 130.76 | 230.86 |
| Liquidity (%)           | Current Ratio                                   | 129.55   | 102.93 | 83.22  | 92.88  | 124.92 |
|                         | Quick Ratio                                     | 103.34   | 60.13  | 50.38  | 60.40  | 76.69  |
|                         | Times interest earned                           | 16.03  | -5.66  | 3.70   | 5.69   | 30.49  |
| Operating ability       | Average Collection Turnover (Times)             | 5.31   | 5.48   | 5.61   | 5.28   | 6.05   |
|                         | Average days of collection                      | 69   | 67     | 65     | 69     | 60     |
|                         | Average Inventory Turnover (Times)              | 5.49   | 3.48   | 3.33   | 3.41   | 3.52   |
|                         | Average Payables Turnover (Times)               | 2.93   | 2.83   | 3.29   | 3.60   | 3.55   |
|                         | Average days of sales                           | 67   | 105    | 110    | 107    | 104    |
|                         | Property, Plant and Equipment Turnover (Times)  | 2.77   | 1.98   | 2.00   | 2.14   | 4.74   |
|                         | Total Assets Turnover (Times)                   | 0.97   | 0.74   | 0.81   | 0.82   | 1.28   |
| Profitability           | Return on Total Assets (%)                      | 6.61   | -2.35  | 2.50   | 3.74   | 13.27  |
|                         | Return on Equity (%)                            | 15.92  | -7.58  | 6.03   | 10.18  | 37.05  |
|                         | Pre-tax Income to Paid-in Capital Ratio (%)     | 43.36  | -21.64 | 15.78  | 28.99  | 124.76 |
|                         | Net Margin (%)                                  | 6.38   | -3.72  | 2.29   | 3.76   | 10.04  |
|                         | Earnings Per Share (NT\$)                       | 3.54   | -1.62  | 1.20   | 2.05   | 11.69  |
| Cash flows              | Cash Flow Ratio (%)                             | 23.49  | -10.40 | -1.16  | 10.77  | 19.32  |
|                         | Cash Flow Adequacy Ratio (%)                    | 69.68  | 86.59  | 45.32  | 42.73  | 54.21  |
|                         | Cash Flow Reinvestment Ratio                    | 14.07  | -37.86 | -2.82  | 11.00  | 19.90  |
| Leverage                | Operating leverage                              | 1.31   | -5.65  | 2.70   | 1.89   | 1.17   |
|                         | Financial leverage                              | 1.07   | 0.44   | 2.77   | 1.22   | 1.03   |

Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).

- A. Financial structure (Long-term Fund to Property, Plant and Equipment) :A significant increase in the Company's earnings as a result of a significant increase in revenue for the year and an increase in equity due to the execution of a cash capital increase and conversion of corporate bonds during the year..
- B. Liquidity (Increase of Current Ratio and Quick Ratio): Account receivable increased significantly as a result of good revenue in fiscal 2020.
- C. Liquidity (Increase of Times interest earned) and Leverage (Decrease of Operating leverage): Due to revenue growth and control of operating costs and expenses in 2020.
- D. Operating ability (Increase of Property, Plant and Equipment Turnover and Total Assets Turnover) : Due to revenue growth and control of operating costs and expenses in 2020.
- E. Profitability (Increase of Return on Total Assets 、Return on Equity 、Pre-tax Income to Paid-in Capital Ratio 、Net Margin and Earnings Per Share): Due to revenue growth in 2020.
- F. Cash flows(Increase Of Cash Flow Ratio and Cash Flow Reinvestment Ratio):Net cash inflow from operating activities increased significantly as a result of good revenue in fiscal 2020 and a substantial increase in net income before tax of \$1,376,260 in thousands compared to last year.
- G. Cash flows (Increase of Cash Flow Adequacy Ratio): There was a significant increase in net cash inflow generated from operating activities and a significant increase in inventories in response to the sales requirements from the outbreak.

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

### 6.2.1.2 Financial Statement (Parant Company Only)

| Item   | Year  | Financial analysis of the last five years (Note 1) |        |        |        |        |
|--|---|--|--------|--------|--------|--------|
|  |   | 2016   | 2017   | 2018   | 2019   | 2020   |
| Financial structure (%)  | Debt to asset ratio                             | 54.97  | 65.76  | 69.23  | 68.68  | 58.85  |
|  | Long-term Fund to Property, Plant and Equipment | 197.85   | 183.67 | 144.89 | 168.31 | 357.32 |
| Liquidity (%)  | Current Ratio                                   | 122.93   | 92.03  | 69.18  | 80.57  | 129.21 |
|  | Quick Ratio                                     | 111.56   | 78.19  | 59.37  | 71.21  | 114.58 |
|  | Times interest earned                           | 15.95  | -5.42  | 3.84   | 7.31   | 46.62  |
| Operating ability  | Average Collection Turnover (Times)             | 3.34   | 2.84   | 2.63   | 2.83   | 3.00   |
|  | Average days of collection                      | 109  | 128    | 139    | 129    | 122    |
|  | Average Inventory Turnover (Times)              | 12.72  | 9.62   | 8.73   | 9.76   | 11.99  |
|  | Average Payables Turnover (Times)               | 3.16   | 2.73   | 2.81   | 2.89   | 3.10   |
|  | Average days of sales                           | 29   | 38     | 42     | 37     | 30     |
|  | Property, Plant and Equipment Turnover (Times)  | 2.72   | 2.20   | 1.93   | 2.05   | 5.05   |
|  | Total Assets Turnover (Times)                   | 0.83   | 0.65   | 0.60   | 0.60   | 1.00   |
| Profitability  | Return on Total Assets (%)                      | 7.21   | -2.49  | 2.52   | 3.75   | 15.86  |
|  | Return on Equity (%)                            | 15.94  | -7.45  | 6.01   | 10.39  | 41.24  |
|  | Pre-tax Income to Paid-in Capital Ratio (%)     | 41.55  | -18.96 | 11.95  | 25.12  | 120.79 |
|  | Net Margin (%)                                  | 8.14   | -4.55  | 3.26   | 5.33   | 15.57  |
|  | Earnings Per Share (NT\$)                       | 3.54   | -1.62  | 1.20   | 2.05   | 11.69  |
| Cash flows   | Cash Flow Ratio (%)                             | 22.05  | —      | 7.72   | 16.75  | 4.67   |
|  | Cash Flow Adequacy Ratio (%)                    | 70.38  | 29.89  | 25.72  | 28.05  | 31.70  |
|  | Cash Flow Reinvestment Ratio                    | 10.13  | -15.38 | 7.27   | 16.89  | 2.77   |
| Leverage   | Operating leverage                              | 1.13   | 1.70   | 1.18   | 1.07   | 1.18   |
|  | Financial leverage                              | 1.07   | 1.26   | 1.21   | 1.12   | 1.02   |
| <p>Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).</p> <p>A. Financial structure (Long-term Fund to Property, Plant and Equipment) : A significant increase in the Company's earnings as a result of a significant increase in revenue for the year and an increase in equity due to the execution of a cash capital increase and conversion of corporate bonds during the year.</p> <p>H. Liquidity (Increase of Current Ratio and Quick Ratio): Account receivable increased significantly as a result of good revenue in fiscal 2020</p> <p>B. Liquidity (Increase of Times interest earned) and Leverage (Decrease of Operating leverage): Due to revenue growth and control of operating costs and expenses in 2020.</p> <p>C. Operating ability (Increase of Average Inventory Turnover 、Property, Plant and Equipment Turnover and Total Assets Turnover) : Due to revenue growth and control of operating costs and expenses in 2020.</p> <p>D. Profitability (Increase of Return on Total Assets 、Return on Equity 、Pre-tax Income to Paid-in Capital Ratio 、Net Margin and Earnings Per Share): Due to revenue growth in 2020.</p> <p>E. Cash flows(Decrease of Cash Flow Ratio and Cash Flow Reinvestment Ratio)): The increase in accounts receivable from related parties was relatively large, and net cash flow of operating activities did not rise at the same rate.</p> <p>F. Cash flows (Increase of Cash Flow Adequacy Ratio): There was a significant increase in net cash inflow generated from operating activities and a significant increase in inventories in response to the sales requirements stemming from the outbreak.</p> |   |  |        |        |        |        |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2016~2020.

Note 2: Dyaco's Board of Directors approved to merger Yong-An Ltd.. The record date of the merger was January 1, 2018. The above transaction is an intra-group reorganization and should be treated as a merger from the outset with retrospective restatement of prior years' financial statements, therefore the Company's 2018 individual financial statements have been retrospectively restated to 2017 individual financial statements as required.

Note 3: The formulas for financial analysis calculations are as follows:

A. Financial structure:

- a. Debt to asset ratio = Total Liabilities / Total Assets
- b. Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

B. Liquidity:

- a. Current Ratio = Current Assets / Current Liabilities
- b. Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- c. Time interest earned = net income before income tax and interest expense / current interest expense.

C. Operating ability:

- a. Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
- b. Average Collection Days = 365 / Average Collection Turnover
- c. Inventory turnover ratio = cost of goods sold / average amount of inventory.
- d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- e. Average Inventory Turnover Days = 365 / Average Inventory Turnover
- f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- g. Fixed assets turnover ratio = net sales / total average fixed assets.

D. Profitability:

- a. Return on Total Assets = (Net Income + Interest Expenses \* (1-Effective Tax Rate)) / Average Total Assets
- b. Return on Equity = Net Income / Average Equity
- c. Net profit margin = after-tax profit / net operating income.
- d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

E. Cash flows:

- a. Cash flow ratio = new cash flows from operating activities / current liabilities.
- b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
- c. Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).

F. Leverage:

- a. Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit.
- b. Financial leverage = operating profit / (operating profit – interest expense).

6.3 Audit Committee's review report in the most recent year:

**Dyaco International Inc.**  
**Audit Committee's Report**

(This English version is only a translation of the Chinese version)

The Board of Directors has prepared and submitted the 2020 Consolidated Financial Statement (Include Financial Statement), business report, and earnings distribution proposal. The Consolidated financial statements (Include Financial Statement) were audited by Deloitte & Touche Taiwan and has issued a review report. These have been reviewed by the Audit Committee and determined to be correct and accurate. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Dyaco International Inc

Audit Committee convener: Hsieh, Chang-Hung

March 30, 2021

6.4 Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table: Please refer to page 135.

6.5 Parent Financial Report in the most recent year: Please refer to page 228.

6.6 The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of the annual report: None.



## VII. Review and analysis of the financial statues, financial performance, and risk management

### 7.1 Financial position

The reasons for, and impact of, any significant change over the most recent 2 fiscal years in its assets, liabilities, or equity.

#### 7.1.1 Comparative analysis of financial status:

Unit : NT\$1,000

| Item \ Year                   | 2019      | 2020       | Differnce   |         |
|-------------------------------|-----------|------------|-------------|---------|
|                               |           |            | Amount      | %       |
| Current Assets                | 3,550,149 | 8,255,861  | 4,705,712   | 132.55% |
| Property, plant and equipment | 2,656,050 | 2,877,597  | 221,547     | 8.34%   |
| Intangible Assets             | 416,321   | 1,238,670  | 822,349     | 197.53% |
| Other Non-Current Assests     | 672,781   | 879,860    | 207,079     | 30.78%  |
| Total Assets                  | 7,295,301 | 13,251,988 | 5,956,687   | 81.65%  |
| Current Liabilities           | 3,822,171 | 6,608,905  | 2,786,734   | 72.91%  |
| Non-Current Liabilities       | 1,228,813 | 1,773,221  | 544,408     | 44.30%  |
| Total Liabilities             | 5,050,984 | 8,382,126  | 3,331,142   | 65.95%  |
| Ordinary Shares               | 961,009   | 1,326,523  | 365,514     | 38.03%  |
| Capital Surplus               | 758,304   | 1,986,005  | 1,227,701   | 161.90% |
| Retained Earnings             | 452,985   | 1,648,927  | 1,195,942   | 264.01% |
| Other Equity                  | (105,813) | (175,628)  | (69,815)    | 65.98%  |
| Treasury Shares               | (172,340) | (272,651)  | - (100,311) | 58.21%  |
| Non-Controlling Interests     | 350,172   | 356,686    | 6,514       | 1.86%   |
| Total Equity                  | 2,244,317 | 4,869,862  | 2,625,545   | 116.99% |

Analysis of changes in the proportion of increases or decreases (changes of 20% or more in the preceding and subsequent periods and amounting to NT\$10 million)

1. For current assets and total assets, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020 and the pandemic, sales of home fitness equipment continued to increase, resulting in an increase in cash and accounts receivable. In addition, due to the significant increase in production and sales volume, the inventory at the end of the period increased markedly compared to the previous period due to the continued growth in stocking in the fourth quarter
2. Intangible assets generated a brand value of \$690 million as a result of the M&A of Fitness Equipment Service, LLC.
3. The increase in other assets is due to unrealized gross profit and net unrealized exchange losses on deferred tax assets arising from the increase in inter-affiliate purchases and sales.
4. For current liabilities and total liabilities, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020 and the pandemic, sales of home fitness equipment continued to increase, resulting in a monthly increase in production and sales volume and a relative increase in accounts payable at the end of the period
5. The increase in non-current liabilities was due to the issuance of the Company's second domestic corporate bonds of \$603,000 in thousands in fiscal 2020.
6. The increase in non-current liabilities was due to the issuance of the Company's second domestic corporate bonds of \$603,000 in thousands in fiscal 2020.

7. The increase in share capital was due to the conversion of corporate bonds into common shares and the exercise of employee stock options in fiscal 2020.
8. The increase in capital surplus was mainly attributable to the premium on share issues and the premium on conversion of corporate bonds.
9. For retained earnings and total equity, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020 and the pandemic, home gym equipment sales continued to increase.
10. For other equity, the exchange differences arise on the conversion of financial statements of foreign operations due to the effect of exchange rates.
11. The difference in treasury stock is due to the repurchase of 4,565 shares in thousands of the Company's stock twice in 2020.

## 7.2 Financial performance

The reasons for, and impact of, any significant change over the most recent 2 fiscal years in its Net Operating Revenue, Profit from Operations, or Net Profit.

### 7.2.1 Comparative Analysis of Financial Performance

Unit: NT\$1,000

| Item \ Year                         | 2019      | 2020       | Increase (Decrease)<br>Amount | Difference<br>(%) |
|-------------------------------------|-----------|------------|-------------------------------|-------------------|
| Net Operating Revenue               | 5,850,528 | 13,123,756 | 7,273,228                     | 124.32%           |
| Operating Costs                     | 4,134,129 | 7,639,437  | 3,505,308                     | 84.79%            |
| Gross Profit                        | 1,716,399 | 5,484,319  | 3,767,920                     | 219.52%           |
| Operating Expenses                  | 1,377,363 | 3,644,573  | 2,267,210                     | 164.61%           |
| Other Operating Income and Expenses | -11,331   | 13,164     | 24,495                        | -216.18%          |
| Profit from Operations              | 327,705   | 1,852,910  | 1,525,205                     | 465.42%           |
| Non-Operating Income and Expenses   | -49,061   | -198,006   | -148,945                      | 303.59%           |
| Profit before Income Tax            | 278,644   | 1,654,904  | 1,376,260                     | 493.91%           |
| Income Tax Expense                  | 58,549    | 336,848    | 278,299                       | 475.33%           |
| Net Profit                          | 220,095   | 1,318,056  | 1,097,961                     | 498.86%           |
| Other Comprehensive Loss            | -43,447   | -61,094    | -17,647                       | 40.62%            |
| Total Comprehensive Income          | 176,648   | 1,256,962  | 1,080,314                     | 611.56%           |

Analysis of changes in the proportion of increase or decrease (change of 20% or more and amounting to NT\$10 million)

1. For operating income, operating profit, net income before tax, income tax expense, net income for the period and total comprehensive income for the period, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020 and the pandemic, home gym equipment sales continued to increase.
2. Operating costs have increased as a result of the growth in operating revenue.
3. For gross operating profit, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020, that company saw higher gross margins due to the effects of its branding and higher gross profit ratio, as well as an increase in overall production and sales scale, which contributed to lower production costs.

4. For operating expenses, as a result of the M&A of a US sports apparatus branding company Fitness Equipment Service, LLC. in the first quarter of 2020, that company had higher marketing expenses due to the high gross profit of the brand name sales.
5. Other gains and losses, net, resulted from the difference in the gain on disposal of intangible assets that occurred in fiscal 2020.
6. The decrease in non-operating income and expenses was mainly due to an exchange loss of \$190 million as a result of the continued weakening of the US dollar.
7. The increase in other comprehensive loss for the period was mainly due to the impact of the weakening of the U.S. dollar in fiscal 2020, which in turn resulted in higher foreign exchange losses on the conversion of foreign operations' statements.

A sales volume forecast and the basis therefor, the possible impact on the Company's future financial operations and its response plans

The Company expects its sales volume to grow in the coming year based on changes in the general economic environment, industry trends and the Company's future development direction and acquisitions, as well as the operating targets set by the Company with reference to its operating situation over the years. It is expected that, driven by continued growth in sales volume and the aggressive enhancement of product yields and brand benefits, the Company can reduce production costs and increase its competitiveness and market share to boost profitability.

### 7.3 Cash flows

#### 7.3.1 Analysis of liquidity for the last two years

| Items \ Year                    | 2019  | 2020  | Difference |
|---------------------------------|-------|-------|------------|
| Cash Flow Ratio (%)             | 10.77 | 19.23 | 78.55%     |
| Cash Flow Adequacy Ratio (%)    | 42.73 | 54.21 | 26.87%     |
| Cash Flow Reinvestment Ratio(%) | 11.00 | 19.90 | 80.91%     |

Description of changes in cash flows:

1. Cash flows(Increase of Cash Flow Ratio and Cash Flow Reinvestment Ratio):Net cash inflow from operating activities increased significantly as a result of good revenue in fiscal 2020 and a substantial increase in net income before tax of \$1,376,260 in thousands compared to last year.
2. Cash flows (Increase of Cash Flow Adequacy Ratio): Due to revenue growth, there was a significant increase in net cash inflow generated from operating activities and a significant increase in inventories in response to the sales requirements from the outbreak.

#### 7.3.2 Analysis of changes in cash flow in the most recent year

Unit: NT\$1,000

| Beginning Cash Balance<br>(1) | Net cash in inflow from operating activities<br>(2) | Net cash in inflow from investing activitie<br>(3) | Net cash in inflow from financing activitie<br>(4) | Cash surplus (insufficiency)<br>(1)+(2)+(3)+(4) | Remedial Measures for cash deficit |                |
|-------------------------------|---|--|--|---|------------------------------------|----------------|
|                               |   |  |  |   | Investment plan                    | Financial plan |
| 1,542,324                     | 965,574   | (365,655)  | (189,658)  | 1,952,585                                       | -                                  | -              |

The Company's operating plans for fiscal 2021 would continue to boost the Company's profitability. It was estimated that a net cash inflow of \$965,574 in thousands was generated from operating activities, a net cash outflow of \$365,655in thousands from investing activities such as acquisition of subsidiaries, equipment and intangible assets, and a net cash outflow of

\$189,658 in thousands from financing activities such as cash capital increase, distribution of cash dividends and bank borrowings. The Company had no significant capital expenditures for fiscal 2020 and is not expected to have a cash shortfall as operating activities grow and improve profitability.

7.4 Effect of major capital spending on financial position and business operations: None.

7.5 Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

7.5.1 Investment policy in the past year

The Company's reinvestment is mainly in areas related to its industry and is expected to enhance its overall operating performance.

7.5.2 Main reasons for gain or loss on reinvestment, improvement plans and investment plans for the upcoming year

FY 2020 ; Unit : NT\$1,000

| Reinvestment Company                           | Main Business                                     | Profit (Loss) for the Year 2019 | Main Reasons for Profit or Loss  | Improvement Plan   | Investment Plan   |
|--|---|---------------------------------|--|--|---|
| Dyaco International Holding Limited            | Investment holding                                | 149,704                         | —  | —  | None  |
| Fuel-Spirit International Inc.                 | Investment holding and trading business           | 146,196                         | —  | —  | None  |
| Dyaco Eurpoe GmbH                              | Investment holding and sales of fitness equipment | 16,592                          | —  | —  | None  |
| CARDIOfitness GmbH & CO. KG                    | Sales of fitness equipment                        | 29,936                          | —  | —  | None  |
| CARDIOfitness Verwaltungs GmbH                 | Investment  | (28)                            | —  | —  | None  |
| Dyaco UK Ltd.                                  | Sales of fitness equipment                        | (43,105)                        | The business is still in the consolidation stage, with operations not yet at scale and the pandemic impacting commercial market development. | This should improve once the local business has stabilized and the scale of operations has materialized. | None  |
| Spirit Manufacturing Inc.                      | Sales of fitness equipment                        | 75,206                          | —  | —  | None  |
| Spirit Direct                                  | Sales of shopping channels' products              | (6,337)                         | The beginning stage of new products.   | Adjustment to business development strategies to improve operational conditions.                         | Incremental capital increases in accordance with capital requirements |
| Dyaco Commercial & Medical North America, LLC. | Sales of fitness equipment                        | (28,771)                        | New products and sales plans have not yet started.   | Continue to develop new customers and develop new products.  | Incremental capital increases in accordance with capital requirements |
| SOLE INC.                                      | Sales of fitness equipment                        | 58,252                          | —  | —  | None  |

| Reinvestment Company                        | Main Business                             | Profit (Loss) for the Year 2019 | Main Reasons for Profit or Loss  | Improvement Plan   | Investment Plan   |
|---|---|---------------------------------|--|--|---|
| Fitness Equipment Services, LLC             | Sales and services of fitness equipment   | 78,946                          | —  | —  | None  |
| Dyaco Canada Inc.                           | Sales and services of fitness equipment   | 50,942                          | —  | —  | None  |
| Dyaco Japan Co., Ltd                        | Sales of fitness equipment                | (8,106)                         | Competition in the sales market has affected the Company's profitability, while the benefits of developing new products and brands have yet to be seen, and the pandemic has impacted the commercial and rehabilitation markets. | New sales initiatives were implemented to reduce costs and the benefits of new product and brand rollouts are expected to improve profitability. | None  |
| Dyaco (Shanghai) Trading Co., LTD.          | Sales of fitness equipment                | 4,737                           | —  | —  | None  |
| Dyaco Health Technology (Beijing) Co., Ltd. | Health management consultation            | (969)                           | Still in the start-up phase and operations have not yet reached scale.   | Adjustment to business development strategies to improve operational conditions.   | None  |
| Shelton Corporation (Jiaxing), LTD          | Manufacture and sale of outdoor furniture | 5,746                           | —  | —  | None  |
| Wing Long Co., Ltd.                         | Sales of alcoholic drinks                 | (4,025)                         | Still in the start-up phase and operations have not yet reached scale.   | Increase sales, develop new customers and save expenditures.   | Incremental capital increases in accordance with capital requirements |
| President Plastic Products MFG. Co., Ltd.   | Real estate lease                         | (130)                           | Still in the start-up phase and operations have not yet reached scale.   | Adjustment to business development strategies to improve operational conditions.   | None  |
| Daan Health Management Consulting Co., Ltd. | Medical equipment                         | (1,379)                         | —  | Adjustment to business development strategies to improve operational conditions.   | None  |

## 7.6 Risk analysis and assesment

### 7.6.1 The effect upon the Company's profits/losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

#### 7.6.1.1 Changes in interest rates:

Unit : NT\$1,000; %

| Item \ Year                                       | 2019     | 2020      |
|---|----------|-----------|
| Interest Revenue (Expense)                        | (49,617) | (53,297)  |
| Profits (Loss) before Income Tax                  | 278,644  | 1,654,904 |
| Interest rate on the Company's profits (Loss) (%) | (17.81%) | (3.22%)   |

The Company's interest expense is incurred as a result of bank loans in the operating

activities. The net interest income and expense for 2019 and 2020 were (NT\$49,617) thousand and (NT\$53,297) thousand, respectively, which constituted for (17.81%) and (3.22%) of the Company's net (loss) income before tax. Changes in interest rates have an impact on the Company's profitability to some extent. The Company's interest expense increased in 2020 due to increased bank borrowings required for operations. To avoid the impact of interest rate fluctuations on the Company's financing costs, the Company has kept a watchful eye on interest rate movements and maintained good relations with banks to obtain more favorable interest rates, and has observed the effects of interest rate changes in the financial market on the Company's funds in order to take flexible measures, so the changes in interest rates will not have a significant impact on the Company's profit or loss.

#### 7.6.1.2 Exchange rate fluctuations

Unit : NT\$1,000; %

| Item \ Year                                       | 2019     | 2020      |
|---|----------|-----------|
| Exchange Gain (Loss)                              | (22,912) | (194,560) |
| Profits (Loss) before Income Tax                  | 278,644  | 1,654,904 |
| Exchange rate on the Company's profits (Loss) (%) | (8.22%)  | (11.76%)  |

The Company's products are largely exported, and most of them are traded in U.S. dollars, while most of the production costs are traded in NT dollars, so changes in the U.S. dollar exchange rate have a certain degree of impact on the Company's profitability. The Company's specific measures in response to exchange rate fluctuations are as follows:

- A. The Company's financial personnel maintain close contact with banks, collect information on exchange rates, seek favorable selling points with reference to bank quotes, and conduct appropriate foreign exchange operations to avoid losses due to exchange rate fluctuations.
- B. When offering prices to customers, business units should take into account the trend of exchange rates and offer more stable prices so as to avoid exchange rate fluctuations from eroding the Company's profit.

#### 7.6.1.3 Changes in the inflation rate

The Company's main raw materials are steel, plastics and hardware, etc. The price of raw materials is highly correlated with the international oil price; therefore, the price fluctuation will affect the Company's production cost. The Company is always mindful of market price fluctuations, planning for the timing of purchases and safety stock, and maintaining good relationships with suppliers to minimize the impact of inflation.

#### 7.6.1.4 The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

- A. The Company's financial operations are conservative and prudent and it does not engage in high-risk, highly leveraged investments.
- B. The Company's loaning of funds, endorsements/guarantees are processed in

accordance with its "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees" and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."

- C. The Company engages in derivatives transactions in accordance with its "Procedures for the Acquisition or Disposal of Assets" for the purpose of hedging the risk of fluctuations in exchange rates of foreign currency assets or liabilities.

#### 7.6.2 Research and development work to be carried out in the future, and further expenditures expected for research and development work:

The Company's future product technology development and design direction is as follows.

- A. Expediting the entry into medical rehabilitation and health aids products.
- B. Upgrading independent new technology development design, strengthening patent protection and increasing the profitability of product sales.
- C. Expanding the product appearance designer lineup and increasing the business sales options.

In the future, it is expected that the R&D expenses committed will be adjusted according to the product development schedules and plans and the operational conditions, and will account for approximately 1% to 2% of the total revenue in 2021.

#### 7.6.3 Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company not only complies with the relevant domestic and foreign laws and regulations in its daily operations, but also keeps a close watch on domestic and overseas policy trends and regulatory changes in order to fully keep abreast of and respond to changes in the market environment. To date, the Company's financial operations have not been materially affected by changes in domestic or foreign policies or laws.

#### 7.6.4 Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

##### 7.6.4.1 In addition to keeping an eye on the technological changes and technological developments in the industries in which the Company operates, and keeping abreast of the latest trends in the industry through close cooperation with customers, the Company is constantly enhancing its own R&D capabilities, protecting various innovative concepts and designs by patent applications, and actively expanding its market application areas in the future ,so that technological and industrial changes have no negative impact on the Company.

##### 7.6.4.2 Information security risk assessment

###### (1). Information security risk management organizational structure

To enhance information security management, the Information Security Section of the Information Department is responsible for the company-wide information security governance, planning, supervision and implementation, to build a full range of information security defense capabilities and good information security awareness among staff.

###### (2). Information security management mechanism and policy

The information security strategy is centered on three aspects: information security governance, law compliance, and technology application, ranging from system to technology, from personnel to organization, to comprehensively improve information security protection capability.

In view of the emerging trends in information security, such as DDoS (distributed denial of service) attacks, ransomware, social engineering attacks, counterfeit websites, etc., we communicate with international information security firms every year, pay regular attention to information security issues and plan accordingly through project cooperation, and conduct DDoS, ATM and other attack and defense drills for different scenarios to strengthen the response ability of handling personnel in order to detect and block them without delay.

| Information Security Risk Management Policy |   |  |
|---|---|--|
| Information security governance             | <ul style="list-style-type: none"> <li>• Refine management system</li> <li>• Manage risk and enhance prevention</li> <li>• Build a joint defense system</li> </ul>  | Continually refine management systems, including enhanced education and training, information security infrastructure design, and reinforced protection techniques.                  |
| Legal compliance                            | <ul style="list-style-type: none"> <li>• Regular review/revision</li> <li>• Establish a compliance cycle mechanism</li> </ul>                                       | Establish a compliance cycle system to regularly review and revise internal practices to comply with international information security standards and overseas laws and regulations. |
| Technology application                      | <ul style="list-style-type: none"> <li>• Internal and external data collection</li> <li>• Data analysis</li> <li>• Threat prediction and decision making</li> </ul> | Use new technologies to predict information security risks and make early security decisions.  |

### (3). Information security incidents

The information security section of the information department had recorded no material information security-related incidents in 2020 as of the date of publication of the annual report.

The Information Department's Information Security Section has the following specific actions in disaster prevention:

- A. In 2020, plan to update the firewall, network switch and other related cybersecurity equipment in the Taipei headquarters to enhance its information security protection and network optimization experience.
- B. In 2020, discontinue ZOOM video software and change to use Teams as remote conferencing software to maintain information security.
- C. In 2020, we conducted information security education for each department that received fraudulent emails, and trained employees to identify scam emails and use sandbox filtering to identify fraudulent behavior modules to effectively



block and avoid company losses.

7.6.5 Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response: :

Since its incorporation, the Company has concentrated on its business operations, product development, internal management and compliance with relevant laws and regulations; so far, no incidents have occurred that have affected its corporate image. In the future, it will follow all relevant laws and regulations and focus on the maintenance of corporate image.

7.6.6 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:

That company had a high market share in mid-range home fitness equipment, and its high quality products and excellent service had won numerous awards on major consumer review websites both domestically and internationally. That company was important to the Company in terms of North American sales and global brand sales, and the Company was the sole supplier to that company, and the two businesses were inextricably linked. In view of the Group's long-term stability, the M&A of Sole Fitness was planned to maximize the synergy, which had been completed in the first quarter of 2020 without significant risk.

Fitness Equipment Service, LLC is a U.S.-based fitness equipment company that sells its own SOLE brand of sports and fitness equipment to major U.S. chain stores and online shoppers. The Company has been dealing with Sole Fitness for many years, mainly for the development and production of sports and fitness equipment under the SOLE brand.

With a high market share of mid-range home fitness equipment, Sole Fitness has won numerous awards on major consumer review sites both nationally and internationally for its high-quality products and excellent service. Sales of SOLE in North America and global brand sales are important to the Company and the Company is the sole supplier to Sole Fitness, the business relations between the two are inextricably linked. Given the group's long and stable history, there are no significant risks associated with the planned acquisition of Sole Fitness to maximize synergies.

In view of the demand for capacity expansion and new product development, the Company must seize the opportunity to establish its operations. By investing in President Plastic Products Mfg. Co, the land acquired for the construction of a plant should be in line with the Company's development strategy, and the M&A has been completed in the fourth quarter of 2020 without significant risk.

7.6.7 Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

As of the date of publication of the annual report, there are no plans to expand the plant. However, if the Company proceeds with plant expansion in the future, it will conduct a thorough assessment and comply with the relevant internal control requirements.

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

7.6.8.1 Purchasing

The Company maintains more than two suppliers of raw materials and keeps a close eye

on market dynamics, actively develops other suppliers to reduce the risk of over-concentration of sources of supply, and maintains good cooperative relationships with all suppliers to ensure stable sources of supply.

#### 7.6.8.2 Sales

North America is a major market in the global fitness equipment industry, accounting for more than one-half of the global output value. In addition to its own brand sales, the Company has long been working well with a brand sales company in North America. In view of this, the Company has taken relevant measures to reduce the risk of concentration of sales:

- A. To actively participate in international exhibitions in order to enhance the Company's visibility and awareness in the international market, and to seek international quality customers to represent the Company's products or to commission development and production.
- B. Proactive research and development to expand product lines and applications, including the development of medical rehabilitation and health aids, products for senior citizens and people with mobility impairments, as well as the enhancement of product technology and functionality.
- C. To reduce the concentration of customers by actively exploring global markets and developing new customers, including setting up a sales company in Shanghai, China, and securing agents in various countries through sharing marketing resources.
- D. Proactively promote private brands and launch a variety of private brands to capture overseas business opportunities. There are now international distributorships for the world's best-selling private brand Spirit, emerging brands Fuel and Xterra, as well as top fitness equipment brand SOLE.

#### 7.6.9 The impact, risks and countermeasures of any substantial transfer or replacement of equity interests in the Company by directors, supervisors or substantial shareholders holding more than 10% of the shares:

There was no substantial transfer of shareholding of the Company's directors, supervisors or substantial shareholders holding more than 10% of the Company's shares during the most recent year and as at the date of the annual report.

#### 7.6.10 Impact of change in management rights on the Company, associated risks and response measures:

There was no change in management rights on the Company, associated risks and response measures during the most recent year and as at the date of the annual report.

#### 7.6.11 Litigious and non-litigious matters

- A. If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date, the prospectus shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case: None.

B. If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date, the prospectus shall disclose the information: None.

7.6.12 Other major risks and response measures: None.

7.7 Other important matters: None.

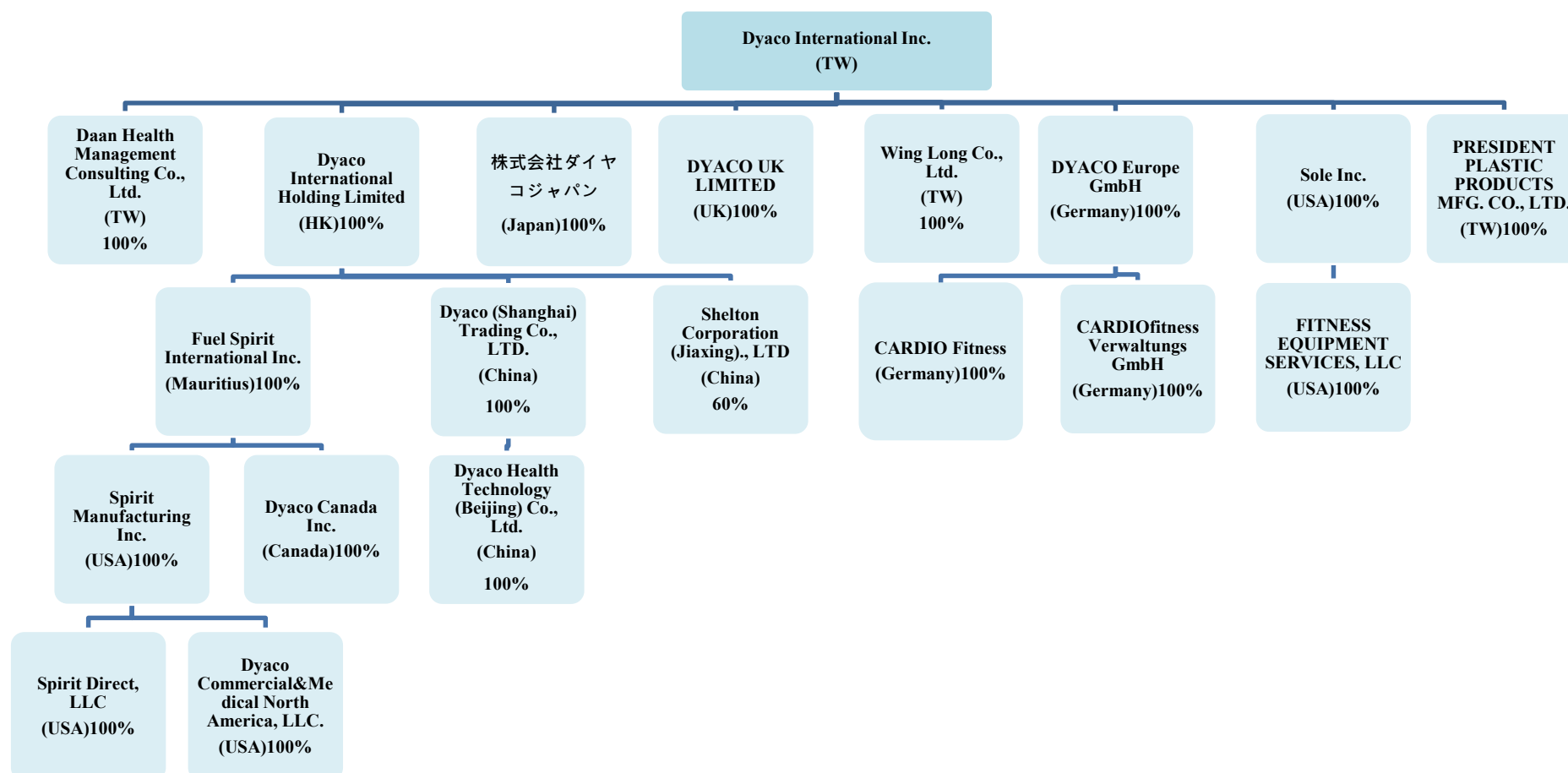
## VIII. Special notes

### 8.1 — Profiles of affiliates enterprises

#### 8.1.1 Operating Report of affiliates enterprises

##### 8.1.1.1 Organization chart of affiliated enterprises:

December 31, 2020



1. Information on affiliated enterprises:

| Name of enterprises                            | Date of Establishment | Address   | Paid-in Capital | Main business and products  |
|--|-----------------------|---|-----------------|---|
| Dyaco International Holding Limited            | 2007.10.18            | FLAT B,6/F., TEDA BUILDING, 87 WING LOK STREET, SHEUNG WAN,HONG KONG                                | HKD 290,634,268 | Investment  |
| Fuel-Spirit International Inc.                 | 2007.01.25            | 4th Floor, Amod Building,19 Poudriere Street, Port Louis, Mauritius                                 | USD 12,400,000  | Investment and Trading of Fitness Equipments                              |
| Dyaco Europe GmbH                              | 2014.06.26            | Technologiepark Bergisch Gladbach Haus 56,Friedrich-Ebert-Straße 75,51429 Bergisch Gladbach         | EUR 500,000     | Trading of Fitness Equipments   |
| CARDIO Fitness GmbH &CO. KG                    | 2002.11.14            | Industriestr. 154, 50996 Köln, Germany  | EUR 41,000      | Trading of Fitness Equipments   |
| CARDIO Fitness Verwaltungs GmbH                | 2009.11.11            | Industriestr. 154, 50996 Köln, Germany  | EUR 25,000      | Investment  |
| Dyaco UK, Ltd.                                 | 2018.03.05            | 46 Wachetts Drive Camberley U.K. GU 15 2PQ  | GBP 100         | Trading of Fitness Equipments   |
| Spirit Manufacturing Inc.                      | 2008.01.01            | 3000 Nestle Rd. Jonesboro, AR., U.S.A.  | USD 41,687.5    | Trading of Fitness Equipments   |
| Spirit Direct LLC.                             | 2013.01.29            | 22900 VENTURA BLVD STE 255 WOODLAND HILLS CA 91364  | USD 420,000     | Trading of Fitness Equipments   |
| Dyaco Commercial & Medical North America, LLC. | 2018.03.14            | 3000 Nestle Rd. Jonesboro, AR., U.S.A.  | USD 200,000     | Trading of Fitness Equipments   |
| Sole Inc.                                      | 2019.11.27            | 56 E Exchange P1, Salt Lake City, UT 84111  | USD 31,490,000  | Investment  |
| Fitness Equipment Service, LLC                 | 2001.08.23            | 56 E Exchange P1, Salt Lake City, UT 84111  | USD 2,100,000   | Trading of Fitness Equipments   |
| Dyaco Canada Inc.                              | 2013.07.01            | 5955 Don Murie Street Niagara Falls, Ontario L2G 0A9  | CAD 1,000       | Trading of Fitness Equipments   |
| 株式会社ダイヤコジヤパン                                   | 2012.09.18            | 2-17-17 Ryōgoku, Sumida City, Tokyo   | JPY 51,000,000  | Trading of Fitness Equipments   |
| Dyaco (Shanghai) Trading Co., LTD.             | 2010.07.28            | Room 210, No. 350, Hengren Road, Yangpu District, Shanghai City                                     | USD 1,000,000   | Trading of Fitness Equipments   |
| Dyaco Health Technology (Beijing) Co., Ltd.    | 2010.07.28            | Room 718, 7F, No. 80, Dajie, In Guangqu Door, Dongcheng District, Beijing City                      | RMB 3,500,000   | Trading of Fitness Equipments   |
| Shelton Corporation (Jiaxing), LTD             | 2002.11.14            | No. 1058, Changsheng East Road, Jingji Technology Development Area, Jiaxing City, Zhejiang Province | USD 18,800,000  | Trading and Manufacturing of the Outdoor furniture and Fitness Equipments |
| Wing Long Co., Ltd.                            | 2018.06.27            | 12F., No.111, Songjiang Rd., Taipei City  | NTD 20,000,000  | Trading of Wine   |

| Name of enterprises                         | Date of Establishment | Address   | Paid-in Capital | Main business and products  |
|---|-----------------------|---|-----------------|---|
| President Plastic Products MFG. Co., Ltd.   | 1967.10.24            | 31F., No. 213, Chaofu Rd., Situn Dist., Taichung City | NTD 11,100,000  | Real estate lease   |
| Daan Health Management Consulting Co., Ltd. | 2015.12.18            | 12F., No.111, Songjiang Rd., Taipei City              | NTD 10,000,000  | Health Management Consulting and leasing of Rehabilitation Equipments |

Note 1 : Spirit Manufacturing Inc. was founded on 1981 and our Company acquired 100% of the shares of the company in 2008.

Note 2 : Formerly known as Maurice Pincoffs Canada Inc., which was established in 1997, the Company was renamed Dyaco Canada Inc. following an M&A in 2013.

Note 3 : Formerly known as Dyaco Germany GmbH, the Company was renamed Dyaco Europe GmbH following in 2016.

Note 4 : CARDIO Fitness GmbH & CO. KG was founded on Nov 14, 2002 and our Company acquired 100% of the shares of the company in 2017.

Note 5 : CARDIO Fitness Verwaltungs GmbH was founded on Nov 14, 2002 and our Company acquired 100% of the shares of the company in 2017.

Note 6 : Shelton Corporation (Jiaxing), LTD was founded on Nov 14, 2002 and our Company acquired 60% of the shares of the company in 2017.

Note 7 : Fitness Equipment Service, LLC was founded on August 23, 2001 and our Company acquired 100% of the shares of the company in 2020.

Note 8 : President Plastic Products MFG. Co., Ltd. was founded on October 24, 1967 and our Company acquired 100% of the shares of the company in 2020.

2. Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation: Not applicable.
3. Industries covered by the operations of all affiliate: Apart from Dyaco, which is mainly engaged in investment holding, the Company and most of its affiliates are involved in the research and development, production and sale of workout equipment, while some of its affiliates are engaged in the manufacture of outdoor furniture, wine trading and real property leasing

4. Information of Directors, Supervisors, and Presidents of affiliates :

| Name of enterprise                             | Title          | Name or Representative | Share held   |                  |
|--|----------------|------------------------|--|------------------|
|  |                |                        | Number of shares   | Number of shares |
| Dyaco International Holding Limited            | Director       | Lin, Ing-Gin           | Dyaco holds 306,015,600 shares                                     | 100%             |
| Fuel-Spirit International Inc.                 | Director       | Lin, Ing-Gin           | Dyaco Holding holds 12,400,000 shares                              | 100%             |
| Dyaco Europe GmbH                              | Representative | Ting, Ping-I           | Dyaco investment EUR 10,100 thousand dollars                       | 100%             |
| CARDIO Fitness GmbH & CO. KG                   | Representative | Ting, Ping-I           | CARDIO Fitness GmbH & CO. KG investment EUR 7,325 thousand dollars | 100%             |
| CARDIO Fitness Verwaltungs GmbH                | Representative | Ting, Ping-I           | CARDIO Fitness GmbH & CO. KG investment EUR 29 thousand dollars    | 100%             |
| Dyaco UK, Ltd.                                 | Director       | Lin, Ing-Gin           | Dyaco holds 100 shares   | 100%             |
| Spirit Manufacturing Inc.                      | President      | Chen, Ting-Chung       | Fuel Spirit holds 1,667.5 shares                                   | 100%             |
| Spirit Direct LLC                              | Representative | John Gibbs             | Spirit investment USD 2,000 thousand dollars                       | 100%             |
| Dyaco Commercial & Medical North America, LLC. | Representative | Ting, Ping-I           | Spirit investment USD 200 thousand dollars                         | 100%             |
| Sole Inc.                                      | Director       | Chen, Ting-Chung       | Fuel Spirit holds USD 31,490 thousand dollars                      | 100%             |
| Fitness Equipment Service, LLC                 | Representative | Dava Babcock           | Sole Inc. holds USD 2,100 thousand dollars                         | 100%             |
| Dyaco Canada Inc.                              | Chairman       | Brian Patterson        | Fuel Spirit holds 1,000 shares                                     | 100%             |
|  | Director       | Lin, Ing-Gin           |  |                  |
| 株式会社ダイヤコジャパン                                   | Representative | Shimizu Manabu         | Dyaco holds 1,020 shares   | 100%             |
| Dyaco (Shanghai) Trading Co., LTD.             | Chairman       | Chen, Hsien-Ming       | Dyaco Holding investment USD 3,000 thousand dollars                | 100%             |
|  | Director       | Wang, Shun-Chien       |  |                  |
|  | Director       | Lin, Ing-Gin           |  |                  |
|  | Supervisor     | Wu, Mei-Hua            |  |                  |
| Dyaco Health Technology (Beijing) Co., Ltd.    | Representative | Huang, Kuo-I           | Dyaco (Shanghai) investment RMB 3,500 thousand dollars             | 100%             |
| Shelton Corporation (Jiaxing), LTD             | Representative | Tzeng, Huei-Feng       | Dyaco Holding investment USD 21,830 thousand dollars               | 60%              |
| Wing Long Co., Ltd.                            | Chairman       | Lin, Ing-Gin           | Dyaco holds 2,000,000 shares                                       | 100%             |
|  | Director       | Wu, Mei-Hua            |  |                  |
|  | Director       | Chen, Hsien-Ming       |  |                  |
|  | Supervisor     | Chiu, Yuan-Sheng       |  |                  |
| President Plastic Products MFG. Co., Ltd.      | Chairman       | Lin, Ing-Gin           | Dyaco holds 1,100,000 shares                                       | 100%             |
|  | Supervisor     | Wu, Mei-Hua            |  |                  |
| Daan Health Management Consulting Co., Ltd.    | Chairman       | Wu, Mei-Hua            | Dyaco holds 1,000,000 shares                                       | 100%             |
|  | Director       | Lin, Shih-Chieh        |  |                  |
|  | Director       | Chen, Hsien-Ming       |  |                  |
|  | Supervisor     | Chiu, Yuan-Sheng       |  |                  |

## 5. Affiliated enterprises' operational review

| Name of enterprise                             | Capital         | Total Assets    | Total Liabilities | Net Worth        | Operating Revenue | Operating Profit | Current profit and loss (After tax) | Earnings Per Share |
|--|-----------------|-----------------|-------------------|------------------|-------------------|------------------|-------------------------------------|--------------------|
| Dyaco Holding Limited                          | HKD 290,634,268 | HKD 422,419,293 | HKD 1,187,321     | HKD 421,231,972  | HKD -             | HKD 558,207      | HKD 39,195,351                      | HKD 0.13           |
| Fuel-Spirit International Inc.                 | USD 12,400,000  | USD 30,042,501  | USD 6,175,476     | USD 23,867,025   | USD 14,726,701    | USD 921,520      | USD 4,947,592                       | N/A                |
| Dyaco Europe GmbH                              | EUR 500,000     | EUR 4,384,617   | EUR 1,931,926     | EUR 2,452,691    | EUR 2,027,501     | EUR (270,619)    | EUR (492,185)                       | N/A                |
| CARDIO Fitness GmbH & CO. KG                   | EUR 41,000      | EUR 5,509,337   | EUR 4,509,828     | EUR 999,509      | EUR 12,752,109    | EUR 817,225      | EUR 888,036                         | N/A                |
| CARDIO Fitness Verwaltungs GmbH                | EUR 25,000      | EUR 29,299      | EUR 1,514         | EUR 27,785       | EUR 1,500         | EUR (841)        | EUR (841)                           | N/A                |
| Dyaco UK, Ltd.                                 | GBP 1,850,000   | GBP 3,040,847   | GBP 4,911,471     | GBP (1,870,624)  | GBP 4,130,659     | GBP (1,060,518)  | GBP (1,136,143)                     | N/A                |
| Spirit Manufacturing Inc.                      | USD 41,688      | USD 100,486,728 | USD 88,598,161    | USD 11,888,567   | USD 209,916,306   | USD 4,221,484    | USD 2,545,112                       | USD 1,526.30       |
| Spirit Direct LLC                              | USD 2,000,000   | USD 275,379     | USD 1,518,941     | USD (1,243,562)  | USD 16,117        | USD (214,944)    | USD (214,471)                       | N/A                |
| Dyaco Commercial & Medical North America, LLC. | USD 200,000     | USD 237,077     | USD 64,190        | USD 172,887      | USD -             | USD (930,760)    | USD (973,680)                       | N/A                |
| Sole Inc.                                      | USD 31,490,000  | USD 8,782,611   | USD 3,321,238     | USD 5,461,373    | USD -             | USD (9,588)      | USD 1,971,373                       | N/A                |
| Fitness Equipment Service, LLC                 | USD 2,100,000   | USD 116,230,722 | USD 111,341,647   | USD 4,889,076    | USD 236,636,179   | USD 2,626,315    | USD 2,671,692                       | N/A                |
| Dyaco Canada Inc.                              | CAD 1,000       | CAD 19,171,808  | CAD 10,742,776    | CAD 8,429,031    | CAD 33,449,715    | CAD 3,010,709    | CAD 2,130,528                       | CAD 2,130.53       |
| 株式会社ダイヤ<br>コジャパン                               | JPY 99,000,000  | JPY 103,104,741 | JPY 121,236,802   | JPY (18,132,061) | JPY 155,747,615   | JPY (39,731,740) | JPY (29,275,262)                    | JPY (28,701.24)    |
| Dyaco (Shanghai) Trading Co., LTD.             | RMB 19,307,950  | RMB 94,653,711  | RMB 54,635,291    | RMB 40,018,420   | RMB 87,625,574    | RMB 1,262,387    | RMB 1,106,347                       | N/A                |
| Dyaco Health Technology (Beijing) Co., Ltd.    | RMB 3,500,000   | RMB 1,102,731   | RMB 47,386        | RMB 1,055,345    | RMB 33,583        | RMB (226,636)    | RMB (226,223)                       | N/A                |
| Shelton Corporation (Jiaxing), LTD             | USD 18,800,000  | RMB 591,904,394 | RMB 464,620,386   | RMB 127,284,008  | RMB 743,670,922   | RMB 3,199,384    | RMB 1,341,844                       | N/A                |
| President Plastic Products MFG. Co., Ltd.      | TWD 11,100,000  | TWD 38,823,170  | TWD 30,939,469    | TWD 7,883,701    | TWD -             | TWD (90,734)     | TWD (130,281)                       | TWD (0.12)         |
| Wing Long Co., Ltd.                            | TWD 20,000,000  | TWD 23,018,910  | TWD 11,313,612    | TWD 11,705,298   | TWD 16,404,960    | TWD (5,505,482)  | TWD (4,024,467)                     | TWD (2.01)         |
| Daan Health Management Consulting Co., Ltd.    | TWD 10,000,000  | TWD 9,927,980   | TWD 418,938       | TWD 9,509,042    | TWD 1,752,380     | TWD (885,669)    | TWD (1,378,749)                     | TWD (1.38)         |



8.1.2 Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement : Please refer to page 135.

8.1.3 Affiliation report: Not applicable.

8.2 Private placement of securities in the most recent year and as of the printing date of the annual report: None.

8.3 Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None.

8.4 Other supplemental information: None.

**IX. Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report : None.**

## **Dyaco International Inc. and Subsidiaries**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit of the consolidated 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 consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

#### Loss on Inventory Obsolescence

The carrying amount of inventories held by Group was \$3,141,741 thousand as of December 31, 2020, which represented 24% of the consolidated total assets. 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 4-8 and 5-1.

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.

#### Impairment of Goodwill

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. As of December 31, 2020, the carrying amount of goodwill held by the Group was \$478,118 thousand, which represented 4% of the total assets in the consolidated balance sheets. The impairment test of goodwill 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 on impairment of goodwill and the related significant accounting judgments and estimates, refer to Notes 4-12 and 5-2. The cash-generating unit of goodwill from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 18, 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 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 Group 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 Group to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

## **Other Matter**

We have also audited the parent company only financial statements of Dyaco International Inc. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards 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 consolidated financial statements.

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

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.*

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

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

| ASSETS  | 2020                 |            | 2019                |            |
|---|----------------------|------------|---------------------|------------|
|   | Amount               | %          | Amount              | %          |
| CURRENT ASSETS  |                      |            |                     |            |
| Cash (Note 6)   | \$ 1,542,324         | 12         | \$ 826,213          | 11         |
| Financial assets at fair value through profit or loss (Notes 4 and 7)             | 2,593                | -          | -                   | -          |
| Notes receivable (Notes 4, 9 and 27)  | 2,020                | -          | 1,501               | -          |
| Accounts receivable (Notes 4, 9 and 27)   | 3,050,265            | 23         | 1,009,492           | 14         |
| Other receivables (Notes 4 and 9)   | 86,259               | 1          | 44,531              | 1          |
| Current tax assets (Note 29)  | 17,980               | -          | 1,282               | -          |
| Inventories (Notes 4, 5, 10 and 38)   | 3,141,741            | 24         | 1,202,977           | 17         |
| Prepayments (Note 11)   | 183,385              | 1          | 103,677             | 1          |
| Other financial assets (Notes 4, 12 and 38)                                       | 208,931              | 1          | 328,357             | 5          |
| Other current assets  | <u>20,363</u>        | <u>-</u>   | <u>32,119</u>       | <u>-</u>   |
| Total current assets  | <u>8,255,861</u>     | <u>62</u>  | <u>3,550,149</u>    | <u>49</u>  |
| NON-CURRENT ASSETS  |                      |            |                     |            |
| Financial assets at fair value through other comprehensive income (Notes 4 and 8) | 51,165               | -          | 42,984              | 1          |
| Investments accounted for using the equity method (Notes 4 and 14)                | 5,252                | -          | -                   | -          |
| Property, plant and equipment (Notes 4, 15 and 38)                                | 2,877,597            | 22         | 2,656,050           | 36         |
| Right-of-use assets (Notes 4, 16 and 38)  | 350,377              | 3          | 372,771             | 5          |
| Investment properties (Notes 4 and 17)  | 57,061               | -          | 59,762              | 1          |
| Goodwill (Notes 4, 5, 18 and 32)  | 478,118              | 4          | 182,483             | 3          |
| Other intangible assets (Notes 4 and 19)  | 760,552              | 6          | 233,838             | 3          |
| Deferred income tax assets (Notes 4 and 29)                                       | 330,238              | 3          | 181,176             | 2          |
| Prepayments for equipment   | 15,931               | -          | 4,694               | -          |
| Refundable deposits   | 57,918               | -          | 10,742              | -          |
| Other non-current assets  | <u>11,918</u>        | <u>-</u>   | <u>652</u>          | <u>-</u>   |
| Total non-current assets  | <u>4,996,127</u>     | <u>38</u>  | <u>3,745,152</u>    | <u>51</u>  |
| TOTAL   | <u>\$ 13,251,988</u> | <u>100</u> | <u>\$ 7,295,301</u> | <u>100</u> |
| LIABILITIES AND EQUITY  |                      |            |                     |            |
| CURRENT LIABILITIES   |                      |            |                     |            |
| Short-term borrowings (Notes 20 and 38)   | \$ 1,573,781         | 12         | \$ 1,513,300        | 21         |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7)        | 1,685                | -          | 3,043               | -          |
| Notes payable (Note 22)   | 781,353              | 6          | 308,558             | 4          |
| Accounts payable (Note 22)  | 2,438,687            | 18         | 780,661             | 11         |
| Other payables (Note 23)  | 1,075,723            | 8          | 324,232             | 4          |
| Current income tax liabilities (Note 29)  | 401,093              | 3          | 56,348              | 1          |
| Provisions (Notes 4 and 24)   | 18,359               | -          | 15,835              | -          |
| Lease liabilities (Notes 4 and 16)  | 19,863               | -          | 24,173              | -          |
| Contract liabilities (Note 27)  | 74,531               | 1          | 7,901               | -          |
| Current portion of bonds payable (Notes 4 and 21)                                 | -                    | -          | 592,874             | 8          |
| Current portion of long-term borrowings (Notes 20 and 38)                         | 159,929              | 1          | 112,124             | 2          |
| Other current liabilities (Note 26)   | <u>63,901</u>        | <u>1</u>   | <u>83,122</u>       | <u>1</u>   |
| Total current liabilities   | <u>6,608,905</u>     | <u>50</u>  | <u>3,822,171</u>    | <u>52</u>  |
| NON-CURRENT LIABILITIES   |                      |            |                     |            |
| Bonds payable (Notes 4 and 21)  | 462,372              | 4          | -                   | -          |
| Long-term borrowings (Notes 20 and 38)  | 790,621              | 6          | 785,594             | 11         |
| Deferred tax liabilities (Notes 4 and 29)   | 426,806              | 3          | 226,487             | 3          |
| Lease liabilities (Notes 4 and 16)  | 44,408               | -          | 58,188              | 1          |
| Long-term payables (Note 23)  | 25,878               | -          | 136,310             | 2          |
| Net defined benefit liabilities (Note 25)   | 20,399               | -          | 19,563              | -          |
| Guarantee deposits received   | <u>2,737</u>         | <u>-</u>   | <u>2,671</u>        | <u>-</u>   |
| Total non-current liabilities   | <u>1,773,221</u>     | <u>13</u>  | <u>1,228,813</u>    | <u>17</u>  |
| Total liabilities   | <u>8,382,126</u>     | <u>63</u>  | <u>5,050,984</u>    | <u>69</u>  |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26)                        |                      |            |                     |            |
| Share capital   |                      |            |                     |            |
| Ordinary shares   | 1,311,496            | 10         | 961,009             | 13         |
| Advance share capital   | <u>15,027</u>        | <u>-</u>   | <u>-</u>            | <u>-</u>   |
| Total share capital   | <u>1,326,523</u>     | <u>10</u>  | <u>961,009</u>      | <u>13</u>  |
| Capital surplus   | <u>1,986,005</u>     | <u>15</u>  | <u>758,304</u>      | <u>10</u>  |
| Retained earnings   |                      |            |                     |            |
| Legal reserve   | 152,827              | 1          | 133,886             | 2          |
| Special reserve   | 105,812              | 1          | 79,123              | 1          |
| Unappropriated earnings   | <u>1,390,288</u>     | <u>10</u>  | <u>239,976</u>      | <u>3</u>   |
| Total retained earnings   | <u>1,648,927</u>     | <u>12</u>  | <u>452,985</u>      | <u>6</u>   |
| Other equity  | <u>(175,628)</u>     | <u>(1)</u> | <u>(105,813)</u>    | <u>(1)</u> |
| Treasury shares   | <u>(272,651)</u>     | <u>(2)</u> | <u>(172,340)</u>    | <u>(2)</u> |
| Total equity attributable to owners of the Corporation                            | 4,513,176            | 34         | 1,894,145           | 26         |
| NON-CONTROLLING INTERESTS (Notes 13 and 26)                                       | <u>356,686</u>       | <u>3</u>   | <u>350,172</u>      | <u>5</u>   |
| Total equity  | <u>4,869,862</u>     | <u>37</u>  | <u>2,244,317</u>    | <u>31</u>  |
| TOTAL   | <u>\$ 13,251,988</u> | <u>100</u> | <u>\$ 7,295,301</u> | <u>100</u> |

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

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED 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 and 27)                       | \$ 13,267,753    | 101        | \$ 5,925,017     | 101        |
| LESS: SALES RETURNS                                      | 28,424           | -          | 19,664           | -          |
| SALES DISCOUNTS AND ALLOWANCES                           | <u>115,573</u>   | <u>1</u>   | <u>54,825</u>    | <u>1</u>   |
| NET OPERATING REVENUE                                    | 13,123,756       | 100        | 5,850,528        | 100        |
| OPERATING COSTS (Notes 10 and 28)                        |                  |            |                  |            |
| Cost of sales  | <u>7,639,437</u> | <u>58</u>  | <u>4,134,129</u> | <u>71</u>  |
| GROSS PROFIT   | <u>5,484,319</u> | <u>42</u>  | <u>1,716,399</u> | <u>29</u>  |
| OPERATING EXPENSES (Notes 28 and 35)                     |                  |            |                  |            |
| Selling and marketing                                    | 2,783,591        | 21         | 631,751          | 11         |
| General and administrative                               | 731,158          | 6          | 643,738          | 11         |
| Research and development                                 | 115,655          | 1          | 101,217          | 1          |
| Expected credit loss                                     | <u>14,169</u>    | <u>-</u>   | <u>657</u>       | <u>-</u>   |
| Total operating expenses                                 | <u>3,644,573</u> | <u>28</u>  | <u>1,377,363</u> | <u>23</u>  |
| OTHER OPERATING INCOME AND EXPENSES<br>(Notes 19 and 28) | <u>13,164</u>    | <u>-</u>   | <u>(11,331)</u>  | <u>-</u>   |
| PROFIT FROM OPERATIONS                                   | <u>1,852,910</u> | <u>14</u>  | <u>327,705</u>   | <u>6</u>   |
| NON-OPERATING INCOME AND EXPENSES                        |                  |            |                  |            |
| Interest income  | 2,819            | -          | 9,807            | -          |
| Rental income  | 16,209           | -          | 16,981           | -          |
| Other income   | 35,560           | -          | 21,747           | -          |
| Foreign exchange gain or loss, net (Note 28)             | (194,560)        | (1)        | (22,912)         | -          |
| Gain or loss on valuation of financial instruments       | (579)            | -          | 363              | -          |
| Other expenses   | (1,339)          | -          | (454)            | -          |
| Loss on disposal of subsidiaries                         | -                | -          | (15,169)         | -          |
| Interest expense (Note 28)                               | <u>(56,116)</u>  | <u>-</u>   | <u>(59,424)</u>  | <u>(1)</u> |
| Total non-operating income and expenses                  | <u>(198,006)</u> | <u>(1)</u> | <u>(49,061)</u>  | <u>(1)</u> |
| PROFIT BEFORE INCOME TAX                                 | 1,654,904        | 13         | 278,644          | 5          |
| INCOME TAX EXPENSE (Notes 4 and 29)                      | <u>336,848</u>   | <u>3</u>   | <u>58,549</u>    | <u>1</u>   |
| NET PROFIT   | <u>1,318,056</u> | <u>10</u>  | <u>220,095</u>   | <u>4</u>   |

(Continued)



# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED 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            | %          |
| 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 | (1,053)             | -         | 1,899             | -          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)          | <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>(59,195)</u>     | <u>-</u>  | <u>(45,759)</u>   | <u>(1)</u> |
| Other comprehensive loss for the period, net of income tax   | <u>(61,094)</u>     | <u>-</u>  | <u>(43,447)</u>   | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME   | <u>\$ 1,256,962</u> | <u>10</u> | <u>\$ 176,648</u> | <u>3</u>   |
| NET PROFIT ATTRIBUTABLE TO:  |                     |           |                   |            |
| Owners of the Corporation  | \$ 1,321,109        | 10        | \$ 189,001        | 3          |
| Non-controlling interests  | <u>(3,053)</u>      | <u>-</u>  | <u>31,094</u>     | <u>1</u>   |
|  | <u>\$ 1,318,056</u> | <u>10</u> | <u>\$ 220,095</u> | <u>4</u>   |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:  |                     |           |                   |            |
| Owners of the Corporation  | \$ 1,250,448        | 10        | \$ 160,352        | 3          |
| Non-controlling interests  | <u>6,514</u>        | <u>-</u>  | <u>16,296</u>     | <u>-</u>   |
|  | <u>\$ 1,256,962</u> | <u>10</u> | <u>\$ 176,648</u> | <u>3</u>   |
| EARNINGS PER SHARE (Note 30)   |                     |           |                   |            |
| 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 consolidated financial statements.

(Concluded)

# **DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

## **CONSOLIDATED 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)**

|   | Equity Attributable to Owners of the Corporation (Note 26) |                       |                 |                   |                 |                         |   |   |                 |              |  |              |
|---|--|-----------------------|-----------------|-------------------|-----------------|-------------------------|---|---|-----------------|--------------|--|--------------|
|   |  |                       |                 |                   |                 |                         | Other Equity  |   | Treasury Shares | Total        | Non-controlling Interests<br>(Notes 13 and 26) | Total Equity |
|   |  |                       |                 |                   |                 |                         | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income |                 |              |  |              |
|   | Share Capital  |                       | Capital Surplus | Retained Earnings |                 |                         |   |   |                 |              |  |              |
|   | Shares Capital   | Advance share capital |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings |   |   |                 |              |  |              |
| BALANCE AT JANUARY 1, 2019  | \$ 929,502   | \$ -                  | \$ 738,397      | \$ 123,174        | \$ 59,258       | \$ 145,777              | \$ (78,745)   | \$ (378)  | \$ (172,340)    | \$ 1,744,645 | \$ 333,876                                     | \$ 2,078,521 |
| Issuance of ordinary shares under employee share options (Note 31)  | -  | -                     | 17,200          | -                 | -               | -                       | -   | -   | -               | 17,200       | -  | 17,200       |
| Changes in capital surplus from investments using the equity method   | -  | -                     | 1,600           | -                 | -               | -                       | -   | -   | -               | 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)     | -  | (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)     | -  | (31,133)     |
| Convertible bonds converted to ordinary shares (Note 21)  | 374  | -                     | 1,107           | -                 | -               | -                       | -   | -   | -               | 1,481        | -  | 1,481        |
| Net profit for the year ended December 31, 2019   | -  | -                     | -               | -                 | -               | 189,001                 | -   | -   | -               | 189,001      | 31,094   | 220,095      |
| Other comprehensive income (loss) for the year ended December 31, 2019  | -  | -                     | -               | -                 | -               | 413                     | (30,961)  | 1,899   | -               | (28,649)     | (14,798)                                       | (43,447)     |
| Total comprehensive income (loss) for the year ended December 31, 2019  | -  | -                     | -               | -                 | -               | 189,414                 | (30,961)  | 1,899   | -               | 160,352      | 16,296   | 176,648      |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income from subsidiaries (Note 8) | -  | -                     | -               | -                 | -               | (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    | 350,172  | 2,244,317    |
| Issuance of ordinary shares under employee share options (Note 31)  | 3,000  | 1,000                 | 121,631         | -                 | -               | -                       | -   | -   | -               | 125,631      | -  | 125,631      |
| Equity component of convertible bonds issued by the Corporation (Notes 21 and 26)   | -  | -                     | 12,666          | -                 | -               | -                       | -   | -   | -               | 12,666       | -  | 12,666       |
| Changes in capital surplus from investments using the equity method   | -  | -                     | 558             | -                 | -               | -                       | -   | -   | -               | 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)    | -  | (124,321)    |
|   | -  | -                     | -               | 18,941            | 26,689          | (169,951)               | -   | -   | -               | (124,321)    | -  | (124,321)    |
| Convertible bonds converted to ordinary shares (Note 21)  | 157,487  | 14,027                | 549,273         | -                 | -               | -                       | -   | -   | -               | 720,787      | -  | 720,787      |
| Net profit (loss) for the year ended December 31, 2020  | -  | -                     | -               | -                 | -               | 1,321,109               | -   | -   | -               | 1,321,109    | (3,053)  | 1,318,056    |
| Other comprehensive income (loss) for the year ended December 31, 2020  | -  | -                     | -               | -                 | -               | (846)                   | (68,762)  | (1,053)   | -               | (70,661)     | 9,567  | (61,094)     |
| Total comprehensive income (loss) for the year ended December 31, 2020  | -  | -                     | -               | -                 | -               | 1,320,263               | (68,762)  | (1,053)   | -               | 1,250,448    | 6,514  | 1,256,962    |
| Issuance of ordinary shares for cash (Note 26)  | 190,000  | -                     | 548,745         | -                 | -               | -                       | -   | -   | -               | 738,745      | -  | 738,745      |
| Buy-back of ordinary shares (Note 26)   | -  | -                     | -               | -                 | -               | -                       | -   | -   | (155,550)       | (155,550)    | -  | (155,550)    |
| Treasury shares transferred to employees (Note 26)  | -  | -                     | (5,172)         | -                 | -               | -                       | -   | -   | 55,239          | 50,067       | -  | 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 | \$ 356,686                                     | \$ 4,869,862 |

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

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

|  | 2020         | 2019       |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |              |            |
| Profit before income tax   | \$ 1,654,904 | \$ 278,644 |
| Adjustments for:   |              |            |
| Depreciation expense   | 199,252      | 188,246    |
| Amortization expense   | 124,398      | 92,592     |
| Expected credit loss recognized  | 14,169       | 657        |
| Net loss (gain) on fair value changes of financial instrument at fair value through profit or loss | 579          | (363)      |
| Interest expense   | 56,116       | 59,424     |
| Interest income  | (2,819)      | (9,807)    |
| Compensation costs of employee share options   | 110,114      | 18,800     |
| Loss on disposal of property, plant and equipment  | 213          | 2,505      |
| Loss (gain) on disposal of intangible assets   | (18,960)     | 293        |
| Impairment loss on non-financial assets  | -            | 8,826      |
| Loss on inventories valuation and obsolescence   | 1,942        | 13,129     |
| Loss on lease modification   | 16           | -          |
| Impairment loss on prepayment for goods  | 5,567        | -          |
| Unrealized loss on foreign currency exchange   | 110,426      | 14,373     |
| Changes in operating assets and liabilities  |              |            |
| Financial assets mandatorily classified as at fair value through profit or loss                    | -            | 24,059     |
| Notes receivable   | (519)        | 2,485      |
| Accounts receivable  | (1,627,374)  | (99,988)   |
| Other receivables  | (37,029)     | (23,343)   |
| Inventories  | (1,686,436)  | 19,531     |
| Prepayments  | (81,082)     | (5,618)    |
| Other current assets   | 7,703        | (11,621)   |
| Contract liabilities   | 66,630       | (1,419)    |
| Notes payable  | 472,795      | (157,303)  |
| Accounts payable   | 1,575,672    | 29,543     |
| Other payables   | 502,792      | 24,286     |
| Provisions   | 2,997        | 2,116      |
| Other current liabilities  | 13,392       | 18,441     |
| Net defined benefit liabilities  | (222)        | (166)      |
| Cash generated from operations   | 1,465,236    | 488,322    |
| Interest received  | 2,810        | 9,807      |
| Interest paid  | (48,088)     | (51,155)   |
| Income tax paid  | (142,872)    | (35,227)   |
| Net cash generated from operating activities   | 1,277,086    | 411,747    |

(Continued)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED 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)          | \$ (35,085)       |
| Proceeds from sale of financial assets at fair value through profit or loss                   | -                   | 22,265            |
| Acquisition of investments accounted for using the equity method                              | (5,138)             | -                 |
| Net cash outflow on acquisition of subsidiaries (Notes 32 and 33)                             | (1,089,333)         | -                 |
| Payments for property, plant and equipment (Note 34)  | (96,792)            | (60,861)          |
| Proceeds from disposal of property, plant and equipment                                       | 1,152               | 443               |
| Increase in refundable deposits   | (43,123)            | (962)             |
| Payments for intangible assets (Note 34)  | (67,141)            | (55,395)          |
| Decrease (increase) in other financial assets   | 119,426             | (76,071)          |
| Decrease (increase) in other non-current assets   | <u>(5,717)</u>      | <u>898</u>        |
| Net cash used in investing activities   | <u>(1,195,741)</u>  | <u>(204,768)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                   |
| Repayments of short-term borrowings   | (453,384)           | (133,393)         |
| 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  | (145,956)           | (288,725)         |
| Proceeds from (refund of) guarantee deposits received   | 157                 | (376)             |
| Repayment of the principal portion of lease liabilities                                       | (24,375)            | (21,310)          |
| Cash dividends  | (124,321)           | (31,133)          |
| Proceeds from issuance of ordinary shares (Note 26)   | 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>663,390</u>      | <u>27,679</u>     |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br/>OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>(28,624)</u>     | <u>(4,042)</u>    |
| <b>NET INCREASE IN CASH</b>   | 716,111             | 230,616           |
| <b>CASH, BEGINNING OF THE YEAR</b>  | <u>826,213</u>      | <u>595,597</u>    |
| <b>CASH, END OF THE YEAR</b>  | <u>\$ 1,542,324</u> | <u>\$ 826,213</u> |

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

(Concluded)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED 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 and its subsidiaries are collectively referred to as the Group. The Group 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 consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 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 Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

| New IFRSs   | Effective Date<br>Announced by IASB                 |
|---|---|
| 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 Group assesses the possible impact that the application of other standards and interpretations did not have material impact on the Group’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<br/>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 Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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

The consolidated 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 consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group 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.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13, Tables 7 and 8 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

### **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation measured at fair value.

### **Acquisition of a Subsidiary That Does Not Constitute a Business**

When the Group acquires a subsidiary that does not constitute a business, the Group will identify and recognize the individual identifiable assets acquired (including intangible assets) and liabilities assumed, and then allocate the transaction price to the individual identifiable assets and liabilities. When allocating the transaction price, first, any identifiable assets or liabilities initially measured at an amount other than cost are initially measured at the amount specified in the applicable IFRS standards. Then the amounts of the assets and liabilities determined according to the applicable IFRS standards are deducted from the transaction price; the residual transaction price is then allocated to the remaining identifiable assets and liabilities (i.e., assets and liabilities initially measured at cost) based on their relative fair values at the date of the acquisition.

### **Foreign Currencies**

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

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

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 consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' operations in other countries that used different currencies from the Corporation) 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 (attributed to the owners of the Corporation and non-controlling interests as appropriate).

### **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 Associates**

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates attributable to the Group.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Freehold land is not depreciated.

Property, plant and equipment in the course of construction are measured at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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.

### **Goodwill**

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

### **Intangible Assets**

#### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. 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.

#### **b. Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### **c. Derecognition of intangible assets**

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 Assets and Intangible Assets Other than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, 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 Group 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 an entity in the Group 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 issue 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 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 does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 36.

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

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

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

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

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

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. 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 Group derecognizes financial liabilities only when, the Group'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 Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and cross-currency swap 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; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

#### 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.

### **Provisions**

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Corporation of the expenditures required to settle the Group's obligations.

### **Revenue Recognition**

The Group 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 Group 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 Group assesses whether the contract is, or contains, a lease.

#### **a. The Group as lessor**

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

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

When a lease includes both land and building elements, the Group 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 Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted 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 consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## **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 Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **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 Group'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 Group 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 Group 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 Group 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 Group'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 Group 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. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value 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                          | \$ 10,396           | \$ 783            |
| Checking accounts and demand deposits | <u>1,531,928</u>    | <u>825,430</u>    |
|                                       | <u>\$ 1,542,324</u> | <u>\$ 826,213</u> |

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

|                 | <b>December 31</b> |             |
|-----------------|--------------------|-------------|
|                 | <b>2020</b>        | <b>2019</b> |
| Demand deposits | 0.001%-0.35%       | 0.001%-0.5% |

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

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| <u>Financial assets mandatorily classified as at FVTPL</u>    |                    |                 |
| Derivative financial assets (not under hedge accounting)      |                    |                 |
| Convertible bonds options (Note 21)                           | <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>971</u>      |
|   | <u>\$ 1,685</u>    | <u>\$ 3,043</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:

|                                    | <b>Currency</b> | <b>Maturity Date</b>  | <b>Notional Amount<br/>(In Thousands)</b> |
|------------------------------------|-----------------|-----------------------|---|
| <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                        |
| Foreign exchange forward contracts | RMB/USD         | 2020.02.06-2020.08.06 | RMB15,273/USD2,200                        |

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

### Investments in Equity Instruments at FVTOCI

|  | December 31      |                  |
|--|------------------|------------------|
|  | 2020             | 2019             |
| <u>Non-current</u>                                     |                  |                  |
| Foreign investments                                    |                  |                  |
| Unlisted shares  |                  |                  |
| Gomore Inc.  | \$ 32,556        | \$ 31,860        |
| Uniigym Global Holdings Limited.                       | 8,585            | -                |
| Bigger Fit Technology (Beijing) Co., Ltd.              | 5,087            | 6,067            |
| Beijing Huoli Zhenghe Intelligent Technology Co., Ltd. | <u>4,937</u>     | <u>5,057</u>     |
|  | <u>\$ 51,165</u> | <u>\$ 42,984</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 Group's strategy of holding these investments for long-term purposes.

Due to the liquidation of Beijing Sanshi Hospital Management Co., Ltd. in February 2019, unrealized loss of \$2,372 thousand on financial assets at fair value through other comprehensive income was transferred from other equity to retained earnings.

The Group sold the shares of Beijing Zhongtai Tianhe Health Technology Co., Ltd. to others at the cost of original investment amount. As of December 31, 2020, proceeds from sale of financial assets at fair value through other comprehensive income of RMB4,500 thousand (around NT\$19,696 thousand) was recognized as other receivables, and recovered in February 2021.

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

|                                     | December 31         |                     |
|-------------------------------------|---------------------|---------------------|
|                                     | 2020                | 2019                |
| <u>Notes receivable</u>             |                     |                     |
| At amortized cost                   |                     |                     |
| Gross carrying amount               | \$ 2,020            | \$ 1,501            |
| Less: Allowance for impairment loss | <u>-</u>            | <u>-</u>            |
|                                     | <u>\$ 2,020</u>     | <u>\$ 1,501</u>     |
| <u>Accounts receivable</u>          |                     |                     |
| At amortized cost                   |                     |                     |
| Gross carrying amount               | \$ 3,190,624        | \$ 1,144,531        |
| Less: Allowance for impairment loss | <u>140,359</u>      | <u>135,039</u>      |
|                                     | <u>\$ 3,050,265</u> | <u>\$ 1,009,492</u> |

(Continued)

|                          | <b>December 31</b> |                  |
|--------------------------|--------------------|------------------|
|                          | <b>2020</b>        | <b>2019</b>      |
| <u>Other receivables</u> |                    |                  |
| Tax refund receivables   | \$ 50,901          | \$ 14,408        |
| Others                   | <u>35,358</u>      | <u>30,123</u>    |
|                          | <u>\$ 86,259</u>   | <u>\$ 44,531</u> |
|                          |                    | (Concluded)      |

a. Notes receivable

The average credit period of sales of goods was 30 to 120 days. In the determination of credit risk, the Group takes into consideration any change in credit quality from the invoice date to the reporting date. The Group 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 Group recognized allowance for impairment loss.

b. Accounts receivable

The average credit period of sales of goods was 30 to 120 days. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group'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 Group 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 there are different loss patterns for various customer segments, the Group uses different provision matrixes based on operating area of subsidiaries, and determines the provision for loss allowance is based on past due status.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group 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 Group's provision matrix.

December 31, 2020

|                                | <b>Not Past Due</b> | <b>Less than 60 Days</b> | <b>61 to 120 Days</b> | <b>121 to 180 Days</b> | <b>181 to 365 Days</b> | <b>Over 365 Days and Individually Recognized</b> | <b>Total</b>        |
|--------------------------------|---------------------|--------------------------|-----------------------|------------------------|------------------------|--|---------------------|
| Expected credit loss rate      | 0%-3.76%            | 0%-21.00%                | 1.84%-27.90%          | 2.57%-43.50%           | 5%-100%                | 100%   |                     |
| Gross carrying amount          | \$ 2,856,971        | \$ 175,155               | \$ 20,827             | \$ 5,683               | \$ 5,673               | \$ 126,315                                       | \$ 3,190,624        |
| Loss allowance (Lifetime ECLs) | <u>(3,183)</u>      | <u>(3,602)</u>           | <u>(1,699)</u>        | <u>(1,560)</u>         | <u>(4,000)</u>         | <u>(126,315)</u>                                 | <u>(140,359)</u>    |
| Amortized cost                 | <u>\$ 2,853,788</u> | <u>\$ 171,553</u>        | <u>\$ 19,128</u>      | <u>\$ 4,123</u>        | <u>\$ 1,673</u>        | <u>\$ -</u>                                      | <u>\$ 3,050,265</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%-5.64%          | 0%-17.77%         | 3.45%-38.58%     | 5.26%-44.70%     | 6.08%-100%      | 100%                                      | 0%-100%             |
| Gross carrying amount          | \$ 925,112        | \$ 58,715         | \$ 11,261        | \$ 16,449        | \$ 5,861        | \$ 127,133                                | \$ 1,144,531        |
| Loss allowance (Lifetime ECLs) | <u>(1,514)</u>    | <u>(2,006)</u>    | <u>(246)</u>     | <u>(1,094)</u>   | <u>(3,046)</u>  | <u>(127,133)</u>                          | <u>(135,039)</u>    |
| Amortized cost                 | <u>\$ 923,598</u> | <u>\$ 56,709</u>  | <u>\$ 11,015</u> | <u>\$ 15,355</u> | <u>\$ 2,815</u> | <u>\$ -</u>                               | <u>\$ 1,009,492</u> |

The Group'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 \$106,500 thousand (NT\$79,163 thousand and US\$960 thousand). Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Group recognized a loss allowance.

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

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Beginning balance                               | \$ 135,039        | \$ 138,260        |
| Add: Acquisitions through business combinations | 749               | -                 |
| Add: Net remeasurement of loss allowance        | 14,169            | 657               |
| Less: Amounts written off                       | (8,230)           | (2,452)           |
| Foreign exchange gains and losses               | <u>(1,368)</u>    | <u>(1,426)</u>    |
| Ending balance                                  | <u>\$ 140,359</u> | <u>\$ 135,039</u> |

### c. Other receivables

Other receivables consist of tax refund receivables and others (including disposal of investments and advance payment etc.)

The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group 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

|                  | December 31         |                     |
|------------------|---------------------|---------------------|
|                  | 2020                | 2019                |
| Raw materials    | \$ 333,062          | \$ 105,741          |
| Work in progress | 291,520             | 198,177             |
| Finished goods   | 2,218,372           | 636,997             |
| Merchandise      | <u>298,787</u>      | <u>262,062</u>      |
|                  | <u>\$ 3,141,741</u> | <u>\$ 1,202,977</u> |

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2020 was \$7,639,437 thousand, including warranties of \$68,569 thousand and inventory write-downs of \$1,942 thousand; and the cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 was \$4,134,129 thousand, including warranties of \$67,313 thousand and inventory write-downs of \$13,129 thousand.

The inventories pledged as collateral for bank borrowings are set out in Note 38.

## 11. PREPAYMENTS

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2020              | 2019              |
| Prepayments for goods                                      | \$ 70,289         | \$ 16,868         |
| Tax overpayment retained for offsetting future tax payable | 59,690            | 24,022            |
| Prepaid expenses   | 45,991            | 38,702            |
| Others   | <u>7,415</u>      | <u>24,085</u>     |
|  | <u>\$ 183,385</u> | <u>\$ 103,677</u> |

## 12. OTHER FINANCIAL ASSETS

|                     | December 31       |                   |
|---------------------|-------------------|-------------------|
|                     | 2020              | 2019              |
| 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:

|                     | December 31 |             |
|---------------------|-------------|-------------|
|                     | 2020        | 2019        |
| Restricted deposits | 0.16%-0.30% | 0.01%-1.94% |

b. The other financial assets pledged as collateral are set out in Note 38.

## 13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor                 | Investee                                    | Nature of Activities        | Proportion of Ownership |      | Remark |
|--------------------------|---|-----------------------------|-------------------------|------|--------|
|                          |   |                             | (%)                     |      |        |
|                          |   |                             | December 31             |      |        |
|                          |   |                             | 2020                    | 2019 |        |
| Dyaco International Inc. | Dyaco International Holding Limited         | Investment                  | 100                     | 100  | -      |
|                          | Dyaco Europe GmbH                           | Import, export and selling  | 100                     | 100  | -      |
|                          | Daan Health Management Consulting Co., Ltd. | Rental of medical equipment | 100                     | 100  | -      |
|                          | Dyaco Japan Co., Ltd.                       | Import, export and selling  | 100                     | 100  | -      |
|                          | Wing Long Co., Ltd.                         | Import, export and selling  | 100                     | 100  | Note 1 |
|                          | Dyaco UK Ltd.                               | Import, export and selling  | 100                     | 100  | -      |
|                          | SOLE INC.                                   | Investment                  | 100                     | -    | Note 2 |
|                          | President Plastic Products MFG Co., Ltd.    | Manufacturing and selling   | 100                     | -    | Note 4 |

(Continued)

| Investor                            | Investee                                       | Nature of Activities             | Proportion of Ownership (%) |      | Remark |
|-------------------------------------|--|----------------------------------|-----------------------------|------|--------|
|                                     |  |                                  | December 31                 |      |        |
|                                     |  |                                  | 2020                        | 2019 |        |
| SOLE INC.                           | Fitness Equipment Service, LLC.                | Import, export and selling       | 100                         | -    | Note 2 |
| Dyaco Europe GmbH                   | CARDIO fitness GmbH & Co. KG                   | Import, export and selling       | 100                         | 100  | -      |
|                                     | CARDIO fitness Verwaltungs GmbH                | Investment                       | 100                         | 100  | -      |
| Dyaco International Holding Limited | Fuel-Spirit International Inc.                 | Import, export and selling       | 100                         | 100  | -      |
|                                     | Dyaco (Shanghai) Trading Co., Ltd.             | Import, export and selling       | 100                         | 100  | -      |
|                                     | Dongguan Dayu Sports Equipment Co., Ltd.       | Manufacturing and selling        | -                           | -    | Note 3 |
|                                     | Shelton Corporation (Jiaxing), Ltd.            | Manufacturing and selling        | 60                          | 60   | -      |
| Dyaco (Shanghai) Trading Co., Ltd.  | Dyaco Health Technology (Beijing) Co., Ltd.    | Healthcare management consulting | 100                         | 100  | -      |
| Fuel-Spirit International Inc.      | Spirit Manufacturing Inc.                      | Import, export and selling       | 100                         | 100  | -      |
|                                     | Dyaco Canada Inc.                              | Import, export and selling       | 100                         | 100  | -      |
| Spirit Manufacturing Inc.           | Spirit Direct, LLC.                            | Import, export and selling       | 100                         | 100  | -      |
|                                     | Dyaco Commercial & Medical North America, LLC. | Import, export and selling       | 100                         | 100  | -      |

(Concluded)

Remarks:

- 1) The Group 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). 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). As of December 31, 2020, US\$3,000 thousand (NT\$85,440 thousand) was not paid and recognized as other payables. For related information on business combinations, please refer to Note 32.
  - 3) Dongguan Dayu Sports Equipment Co., Ltd. completed liquidation and cancellation in November 2019.
  - 4) On August 12, 2020, the board of directors approved the resolution to purchase 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.
- b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary                  | Principal Place of Business | Proportion of Ownership and Voting Rights Held by Non-controlling Interests |      |
|-------------------------------------|-----------------------------|---|------|
|                                     |                             | December 31   |      |
|                                     |                             | 2020  | 2019 |
| Shelton Corporation (Jiaxing), Ltd. | China                       | 40%   | 40%  |

See Table 8 for the information on the places of incorporation and principal places of business.

| Name of Subsidiary                     | Profit (Loss) Allocated to<br>Non-controlling Interests |                  | Accumulated Non-controlling<br>Interests |                   |
|--|---|------------------|--|-------------------|
|  | For the Year Ended<br>December 31                       |                  | For the Year Ended<br>December 31        |                   |
|  | 2020  | 2019             | 2020                                     | 2019              |
| Shelton Corporation (Jiaxing),<br>Ltd. | \$ <u>(3,053)</u>                                       | \$ <u>31,094</u> | \$ <u>356,686</u>                        | \$ <u>350,172</u> |

The summarized financial information below represents amounts before intragroup eliminations and after consideration of acquisition premium amortization.

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2020                | 2019                |
| Current assets  | \$ 2,218,628        | \$ 1,031,195        |
| Non-current assets  | 991,059             | 1,021,019           |
| Current liabilities   | (2,031,709)         | (881,457)           |
| Non-current liabilities   | <u>(141,938)</u>    | <u>(144,086)</u>    |
| Equity  | \$ <u>1,036,040</u> | \$ <u>1,026,671</u> |
| Equity attributable to:   |                     |                     |
| Owners of Shelton Corporation (Jiaxing), Ltd.                       | \$ 679,354          | \$ 676,499          |
| Non-controlling interests of Shelton Corporation (Jiaxing),<br>Ltd. | <u>356,686</u>      | <u>350,172</u>      |
|   | \$ <u>1,036,040</u> | \$ <u>1,026,671</u> |
|   | <b>2020</b>         | <b>2019</b>         |
| Revenue   | \$ <u>3,184,399</u> | \$ <u>1,973,798</u> |
| Net profit from continuing operations (remark)                      | \$ (7,632)          | \$ 77,736           |
| Other comprehensive income (loss) for the period                    | <u>23,917</u>       | <u>(36,996)</u>     |
| Total comprehensive income for the period                           | \$ <u>16,285</u>    | \$ <u>40,740</u>    |
| Profit (loss) attributable to:                                      |                     |                     |
| Owners of Shelton Corporation (Jiaxing), Ltd.                       | \$ (4,579)          | \$ 46,642           |
| Non-controlling interests of Shelton Corporation (Jiaxing),<br>Ltd. | <u>(3,053)</u>      | <u>31,094</u>       |
|   | \$ <u>(7,632)</u>   | \$ <u>77,736</u>    |
| Total comprehensive income attributable to:                         |                     |                     |
| Owners of Shelton Corporation (Jiaxing), Ltd.                       | \$ 9,771            | \$ 24,444           |
| Non-controlling interests of Shelton Corporation (Jiaxing),<br>Ltd. | <u>6,514</u>        | <u>16,296</u>       |
|   | \$ <u>16,285</u>    | \$ <u>40,740</u>    |

(Continued)



|                                 | 2020              | 2019                              |
|---------------------------------|-------------------|-----------------------------------|
| Net cash inflow (outflow) from: |                   |                                   |
| Operating activities            | \$ (119,849)      | \$ 81,783                         |
| Investing activities            | (18,037)          | (57,660)                          |
| Financing activities            | <u>136,859</u>    | <u>(52,266)</u>                   |
| Net cash outflow                | <u>\$ (1,027)</u> | <u>\$ (28,143)</u><br>(Concluded) |

Remark: Net profit was \$5,746 thousand less amortization of \$13,378 thousand for the year ended December 31, 2020. Net profit was \$91,708 thousand less amortization of \$13,972 thousand for the year ended December 31, 2019.

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

|   | December 31     |             |
|---|-----------------|-------------|
|   | 2020            | 2019        |
| Investments in associates                                       | <u>\$ 5,252</u> | <u>\$ -</u> |
| Associates that are not individually material                   |                 |             |
| Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | <u>\$ 5,252</u> | <u>\$ -</u> |

Refer to Table 8 for the principal places of business and countries of incorporation.

Aggregate information of associates that are not individually material

|  | For the Year Ended December 31 |             |
|--|--------------------------------|-------------|
|  | 2020                           | 2019        |
| The Group's share of:                          |                                |             |
| Profit (loss) from continuing operations       | \$ -                           | \$ -        |
| Other comprehensive income (loss)              | <u>-</u>                       | <u>-</u>    |
| Total comprehensive income (loss) for the year | <u>\$ -</u>                    | <u>\$ -</u> |

The Group acquired 40% equity of Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. for \$5,123 thousand in July 2020. The company provides technology development and consulting in the field of health technology, it is still in the planning stage and has not begun operations.

The investments were accounted for using the equity method and the share of profit or loss of those investments were calculated based on financial statements which have been audited.

## 15. PROPERTY, PLANT AND EQUIPMENT

|  | Land                | Buildings           | Machinery<br>Equipment | Transportation<br>Equipment | Office<br>Equipment | Leasehold<br>Improvements | Total               |
|--|---------------------|---------------------|------------------------|-----------------------------|---------------------|---------------------------|---------------------|
| <u>Cost</u>  |                     |                     |                        |                             |                     |                           |                     |
| Balance at January 1, 2020                                   | \$ 993,472          | \$ 1,911,586        | \$ 690,454             | \$ 43,768                   | \$ 72,039           | \$ 21,524                 | \$ 3,732,843        |
| Acquisitions through business combinations (Notes 32 and 33) | 284,704             | -                   | 36,712                 | -                           | 346                 | 1,599                     | 323,361             |
| Additions  | -                   | 4,246               | 65,497                 | 9,739                       | 4,692               | 1,750                     | 85,924              |
| Disposals  | -                   | -                   | (3,049)                | (3,721)                     | (1,581)             | (1,237)                   | (9,588)             |
| Effects of foreign currency exchange differences             | (732)               | (3,940)             | 662                    | 69                          | (1,036)             | 661                       | (4,316)             |
| Balance at December 31, 2020                                 | <u>1,277,444</u>    | <u>1,911,892</u>    | <u>790,276</u>         | <u>49,855</u>               | <u>74,460</u>       | <u>24,297</u>             | <u>4,128,224</u>    |
| <u>Accumulated depreciation</u>                              |                     |                     |                        |                             |                     |                           |                     |
| Balance at January 1, 2020                                   | -                   | 527,450             | 458,061                | 31,823                      | 53,143              | 6,316                     | 1,076,793           |
| Acquisitions through business combinations (Notes 32 and 33) | -                   | -                   | 13,257                 | -                           | 75                  | 1,094                     | 14,426              |
| Depreciation expenses  | -                   | 67,978              | 79,486                 | 4,122                       | 7,642               | 3,696                     | 162,924             |
| Disposals  | -                   | -                   | (2,767)                | (3,448)                     | (1,243)             | (765)                     | (8,223)             |
| Effects of foreign currency exchange differences             | -                   | 3,429               | 1,051                  | 14                          | 6                   | 207                       | 4,707               |
| Balance at December 31, 2020                                 | <u>-</u>            | <u>598,857</u>      | <u>549,088</u>         | <u>32,511</u>               | <u>59,623</u>       | <u>10,548</u>             | <u>1,250,627</u>    |
| Carrying amounts at December 31, 2020                        | <u>\$ 1,277,444</u> | <u>\$ 1,313,035</u> | <u>\$ 241,188</u>      | <u>\$ 17,344</u>            | <u>\$ 14,837</u>    | <u>\$ 13,749</u>          | <u>\$ 2,877,597</u> |
| <u>Cost</u>  |                     |                     |                        |                             |                     |                           |                     |
| Balance at January 1, 2019                                   | \$ 993,829          | \$ 1,998,295        | \$ 677,693             | \$ 44,365                   | \$ 67,858           | \$ 26,380                 | \$ 3,808,420        |
| Additions  | -                   | 4,596               | 52,422                 | 2,371                       | 8,245               | 2,189                     | 69,823              |
| Reclassification (remark)                                    | -                   | (53,573)            | -                      | -                           | -                   | -                         | (53,573)            |
| Disposals  | -                   | -                   | (29,401)               | (2,445)                     | (3,964)             | (6,162)                   | (41,972)            |
| Effects of foreign currency exchange differences             | (357)               | (37,732)            | (10,260)               | (523)                       | (100)               | (883)                     | (49,855)            |
| Balance at December 31, 2019                                 | <u>993,472</u>      | <u>1,911,586</u>    | <u>690,454</u>         | <u>43,768</u>               | <u>72,039</u>       | <u>21,524</u>             | <u>3,732,843</u>    |
| <u>Accumulated depreciation</u>                              |                     |                     |                        |                             |                     |                           |                     |
| Balance at January 1, 2019                                   | -                   | 472,621             | 425,655                | 29,137                      | 48,777              | 7,864                     | 984,054             |
| Depreciation expenses  | -                   | 70,244              | 67,544                 | 4,982                       | 8,267               | 3,489                     | 154,526             |
| Reclassification (remark)                                    | -                   | (1,801)             | -                      | -                           | -                   | -                         | (1,801)             |
| Disposals  | -                   | -                   | (28,831)               | (1,966)                     | (3,390)             | (4,837)                   | (39,024)            |
| Effects of foreign currency exchange differences             | -                   | (13,614)            | (6,307)                | (330)                       | (511)               | (200)                     | (20,962)            |
| Balance at December 31, 2019                                 | <u>-</u>            | <u>527,450</u>      | <u>458,061</u>         | <u>31,823</u>               | <u>53,143</u>       | <u>6,316</u>              | <u>1,076,793</u>    |
| Carrying amounts at December 31, 2019                        | <u>\$ 993,472</u>   | <u>\$ 1,384,136</u> | <u>\$ 232,393</u>      | <u>\$ 11,945</u>            | <u>\$ 18,896</u>    | <u>\$ 15,208</u>          | <u>\$ 2,656,050</u> |

Remark: Reclassification to investment properties.

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

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 38.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| <u>Carrying amounts</u>                     |                    |                   |
| Land  | \$ 287,713         | \$ 291,149        |
| Buildings                                   | 52,380             | 71,656            |
| Transportation equipment                    | 10,209             | 9,812             |
| Office equipment                            | <u>75</u>          | <u>154</u>        |
|   | <u>\$ 350,377</u>  | <u>\$ 372,771</u> |
|   | <b>2020</b>        | <b>2019</b>       |
| Additions for right-of-use assets           | <u>\$ 8,521</u>    | <u>\$ 36,410</u>  |
| Depreciation charge for right-of-use assets |                    |                   |
| Land  | \$ 8,125           | \$ 8,486          |
| Buildings                                   | 22,260             | 18,524            |
| Transportation equipment                    | 2,593              | 3,584             |
| Office equipment                            | <u>74</u>          | <u>78</u>         |
|   | <u>\$ 33,052</u>   | <u>\$ 30,672</u>  |

### b. Lease liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2020</b>        | <b>2019</b>      |
| <u>Carrying amounts</u> |                    |                  |
| Current                 | <u>\$ 19,863</u>   | <u>\$ 24,173</u> |
| Non-current             | <u>\$ 44,408</u>   | <u>\$ 58,188</u> |

Ranges of discount rates for lease liabilities were as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2020</b>        | <b>2019</b> |
| Buildings                | 1.56%-4.75%        | 1.56%-4.75% |
| Transportation equipment | 1.65%-4.07%        | 1.65%-4.07% |
| Office equipment         | 4.07%              | 4.07%       |

### c. Material lease-in activities and terms

The Group leases certain buildings and office equipment for the use of plants, offices and retail stores with lease terms of 2 to 13 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

The Group leases transportation equipment for the use of business with lease terms of 3 to 4 years.

The land use rights of the Group are amortized over 50 years.

d. Other information

|   | 2020        | 2019        |
|---|-------------|-------------|
| Expenses relating to short-term leases      | \$ 23,090   | \$ 15,046   |
| Expenses relating to low-value asset leases | \$ 273      | \$ 240      |
| Total cash outflow for leases               | \$ (47,738) | \$ (36,596) |

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

## 17. INVESTMENT PROPERTIES

|  | Completed<br>Investment<br>Properties |
|--|---------------------------------------|
| <u>Cost</u>                                      |                                       |
| Balance at January 1, 2020                       | \$ 78,432                             |
| Effects of foreign currency exchange differences | 895                                   |
| Balance at December 31, 2020                     | <u>79,327</u>                         |
| <u>Accumulated depreciation</u>                  |                                       |
| Balance at January 1, 2020                       | 18,670                                |
| Depreciation expenses                            | 3,276                                 |
| Effects of foreign currency exchange differences | 320                                   |
| Balance at December 31, 2020                     | <u>22,266</u>                         |
| Carrying amount at December 31, 2020             | <u>\$ 57,061</u>                      |
| <u>Cost</u>                                      |                                       |
| Balance at January 1, 2019                       | \$ 26,935                             |
| Reclassification                                 | 53,573                                |
| Effects of foreign currency exchange differences | (2,076)                               |
| Balance at December 31, 2019                     | <u>78,432</u>                         |
| <u>Accumulated depreciation</u>                  |                                       |
| Balance at January 1, 2019                       | 14,441                                |
| Reclassification                                 | 1,801                                 |
| Depreciation expenses                            | 3,048                                 |
| Effects of foreign currency exchange differences | (620)                                 |
| Balance at December 31, 2019                     | <u>18,670</u>                         |
| Carrying amount at December 31, 2019             | <u>\$ 59,762</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:

|                | <b>December 31</b> |                  |
|----------------|--------------------|------------------|
|                | <b>2020</b>        | <b>2019</b>      |
| Year 1         | \$ 14,063          | \$ 16,457        |
| Year 2         | 4,180              | 11,943           |
| Year 3         | 654                | 4,365            |
| Year 4         | 654                | 683              |
| Year 5         | 654                | 683              |
| Year 5 onwards | <u>2,233</u>       | <u>3,015</u>     |
|                | <u>\$ 22,438</u>   | <u>\$ 37,146</u> |

The investment properties used by the Group are depreciated on a straight-line basis over 20 to 33 years.

The Group 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 used the market-based evidence of transaction price of property, plant and equipment in determining the fair value. Another investment property was reclassified from property, plant and equipment based on the purpose of use in the fourth quarter of 2018. Management was unable to reliably measure the fair value of the investment property located in Jiaying City, Zhejiang Province, China, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

## 18. GOODWILL

|   | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
| <u>Cost</u>   |                   |                   |
| Balance at January 1  | \$ 191,049        | \$ 196,045        |
| Acquisitions through business combinations - Fitness Equipment Services, LLC. (Note 32) | 313,992           | -                 |
| Effect of foreign currency exchange differences   | <u>(17,992)</u>   | <u>(4,996)</u>    |
| Balance at December 31  | <u>\$ 487,049</u> | <u>\$ 191,049</u> |
| <u>Accumulated impairment losses</u>  |                   |                   |
| Balance at January 1  | \$ 8,566          | \$ -              |
| Impairment losses recognized  | -                 | 8,826             |
| Effect of foreign currency exchange differences   | <u>365</u>        | <u>(260)</u>      |
| Balance at December 31  | <u>\$ 8,931</u>   | <u>\$ 8,566</u>   |
| Carrying amounts at December 31   | <u>\$ 478,118</u> | <u>\$ 182,483</u> |

For related information on business combinations, please refer to Note 32.

## Assessment of Goodwill Impairment

The goodwill acquired through business combinations by the Group included Yongan Sports Technology Co., Ltd. (the company had completed cancellation after a short-form merger with the Corporation on January 1, 2018), Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIO fitness GmbH & Co. KG, Dyaco Canada Inc, and Fitness Equipment Services, LLC.

When assessing the impairment, the Group 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 Group's recoverable amount and the methods to determine assumed key values are described as follows:

a. 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.

b. 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.

c. Discount rates

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

|         | December 31 |      |
|---------|-------------|------|
|         | 2020        | 2019 |
| 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.

## 19. OTHER INTANGIBLE ASSETS

|  | Computer Software | Patents   | Customer Relationship | Existing Technologies | Royalty    | Brand Value | Website | Total      |
|--|-------------------|-----------|-----------------------|-----------------------|------------|-------------|---------|------------|
| <u>Cost</u>  |                   |           |                       |                       |            |             |         |            |
| Balance at January 1, 2020                           | \$ 81,261         | \$ 83,665 | \$ 73,825             | \$ 75,924             | \$ 292,000 | \$ -        | \$ -    | \$ 606,675 |
| Acquisitions through business combinations (Note 32) | -                 | -         | 27,112                | -                     | -          | 686,846     | 1,084   | 715,042    |
| Additions  | 6,773             | -         | -                     | -                     | 10,018     | -           | -       | 16,791     |
| Disposals  | (995)             | -         | -                     | (67,874)              | (84,606)   | -           | -       | (153,475)  |
| Effects of foreign currency exchange differences     | 388               | 527       | (3,535)               | (365)                 | (3,391)    | (37,502)    | (59)    | (43,937)   |
| Balance at December 31, 2020                         | 87,427            | 84,192    | 97,402                | 7,685                 | 214,021    | 649,344     | 1,025   | 1,141,096  |
| <u>Accumulated amortization</u>                      |                   |           |                       |                       |            |             |         |            |
| Balance at January 1, 2020                           | 54,903            | 52,798    | 73,825                | 75,924                | 115,387    | -           | -       | 372,837    |
| Amortization expenses                                | 11,251            | 7,719     | 1,553                 | -                     | 70,685     | 32,941      | 249     | 124,398    |
| Disposals  | (995)             | -         | -                     | (67,874)              | (42,303)   | -           | -       | (111,172)  |
| Effect of foreign currency exchange differences      | 331               | 85        | (2,111)               | (365)                 | (2,258)    | (1,192)     | (9)     | (5,519)    |
| Balance at December 31, 2020                         | 65,490            | 60,602    | 73,267                | 7,685                 | 141,511    | 31,749      | 240     | 380,544    |
| Carrying amounts at December 31, 2020                | \$ 21,937         | \$ 23,590 | \$ 24,135             | \$ -                  | \$ 72,510  | \$ 617,595  | \$ 785  | \$ 760,552 |
| <u>Cost</u>  |                   |           |                       |                       |            |             |         |            |
| Balance at January 1, 2019                           | \$ 65,917         | \$ 85,644 | \$ 72,509             | \$ 78,571             | \$ 251,005 | \$ -        | \$ -    | \$ 553,646 |
| Additions  | 16,988            | -         | -                     | -                     | 44,439     | -           | -       | 61,427     |
| Disposals  | (1,420)           | -         | -                     | -                     | -          | -           | -       | (1,420)    |
| Effects of foreign currency exchange differences     | (224)             | (1,979)   | 1,316                 | (2,647)               | (3,444)    | -           | -       | (6,978)    |
| Balance at December 31, 2019                         | 81,261            | 83,665    | 73,825                | 75,924                | 292,000    | -           | -       | 606,675    |
| <u>Accumulated amortization</u>                      |                   |           |                       |                       |            |             |         |            |
| Balance at January 1, 2019                           | 46,536            | 45,659    | 67,152                | 78,571                | 47,269     | -           | -       | 285,187    |
| Amortization expenses                                | 9,538             | 7,942     | 5,528                 | -                     | 69,584     | -           | -       | 92,592     |
| Disposals  | (1,127)           | -         | -                     | -                     | -          | -           | -       | (1,127)    |
| Effect of foreign currency exchange differences      | (44)              | (803)     | 1,145                 | (2,647)               | (1,466)    | -           | -       | (3,815)    |
| Balance at December 31, 2019                         | 54,903            | 52,798    | 73,825                | 75,924                | 115,387    | -           | -       | 372,837    |
| Carrying amounts at December 31, 2019                | \$ 26,358         | \$ 30,867 | \$ -                  | \$ -                  | \$ 176,613 | \$ -        | \$ -    | \$ 233,838 |

- The Group 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. During 2020, the Group terminated a royalty agreement before expiration with sports brands to manufacture and sell products, and derecognized the royalty in intangible assets of net NT\$42,303 thousand and long-term payable as well as current portion of long-term payable of NT\$61,263 thousand, respectively. And gain on disposal of intangible assets amounted to NT\$18,960 thousand was recognized.
- Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                       |            |
|-----------------------|------------|
| Computer software     | 1-13 years |
| Patents               | 5-15 years |
| Customer relationship | 7-16 years |
| Existing technologies | 3-5 years  |
| Royalty               | 2-5 years  |
| Brand value           | 23 years   |
| Website               | 4 years    |

## 20. BORROWINGS

### a. Short-term borrowings

|                         | December 31         |                     |
|-------------------------|---------------------|---------------------|
|                         | 2020                | 2019                |
| Unsecured borrowings    | \$ 421,659          | \$ 568,100          |
| Secured borrowings      | <u>1,152,122</u>    | <u>945,200</u>      |
|                         | <u>\$ 1,573,781</u> | <u>\$ 1,513,300</u> |
| Range of interest rates |                     |                     |
| Unsecured borrowings    | 0.68%-4.78%         | 1.34%-1.50%         |
| Secured borrowings      | 1.15%-4.45%         | 1.18%-4.87%         |

### b. Long-term borrowings

|                           | December 31       |                   |
|---------------------------|-------------------|-------------------|
|                           | 2020              | 2019              |
| <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           |
| Bank of Montreal          | 39,772            | 42,795            |
| Chang Hua Bank            | 27,043            | 37,937            |
| Kölner Bank               | <u>-</u>          | <u>1,033</u>      |
|                           | 950,550           | 897,718           |
| Less: Current portions    | <u>159,929</u>    | <u>112,124</u>    |
| Long-term borrowings      | <u>\$ 790,621</u> | <u>\$ 785,594</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 Bank of Montreal: In 2016, Dyaco Canada Inc. signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2016 to April 2023. As of December 31, 2020 and 2019, the annual borrowing interest rate was 4.07%.
- 6) 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.
- 7) Secured borrowings from Kölner Bank: Cardio Fitness GmbH & Co. KG signed a contract for borrowings, under which the principal and interest are repayable monthly from February 2016 to July 2020. As of December 31, 2019, the annual borrowing interest rate was 2.50%.

## 21. BONDS PAYABLE

|                                    | December 31       |                  |
|------------------------------------|-------------------|------------------|
|                                    | 2020              | 2019             |
| 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 into 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 into 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 into 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.

## 22. NOTES PAYABLE AND ACCOUNTS PAYABLE

### a. Notes payable

The Group issues notes payable for payment and business expenditure.

### b. Accounts payable

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

## 23. OTHER PAYABLE AND LONG-TERM PAYABLE

|  | <u>December 31</u>  |                   |
|--|---------------------|-------------------|
|  | <u>2020</u>         | <u>2019</u>       |
| <u>Current</u>                             |                     |                   |
| Payables for freight                       | \$ 324,203          | \$ 15,775         |
| Payables for advertisements                | 138,272             | -                 |
| Payables for investments (Notes 32 and 33) | 113,874             | -                 |
| Payables for salaries and bonuses          | 107,474             | 69,177            |
| Payables for royalties (Note 19)           | 77,592              | 78,717            |
| Payables for value added taxes             | 46,161              | 15,816            |
| Payables for employee benefits             | 44,563              | 43,560            |
| Payables for labor costs                   | 32,207              | 13,844            |
| Payables for employees' compensation       | 16,236              | 2,451             |
| Payables for insurance                     | 12,044              | 9,087             |
| Payables for annual leave                  | 11,177              | 13,008            |
| Payables for commissions                   | 7,038               | 4,994             |
| Payables for remuneration of directors     | 5,055               | 1,225             |
| Payables for purchases of equipment        | 4,788               | 4,641             |
| Others                                     | <u>135,039</u>      | <u>51,937</u>     |
|  | <u>\$ 1,075,723</u> | <u>\$ 324,232</u> |

(Continued)

|                                  | <b>December 31</b> |                           |
|----------------------------------|--------------------|---------------------------|
|                                  | <b>2020</b>        | <b>2019</b>               |
| <u>Non-current</u>               |                    |                           |
| Payables for royalties (Note 19) | \$ 25,878          | \$ 136,310<br>(Concluded) |

## 24. PROVISIONS

|   | <b>December 31</b> |                   |
|---|--------------------|-------------------|
|   | <b>2020</b>        | <b>2019</b>       |
| Warranties                                      | \$ 18,359          | \$ 15,835         |
|   |                    | <b>Warranties</b> |
| Balance at January 1, 2019                      |                    | \$ 13,806         |
| Amount used                                     |                    | (65,197)          |
| Additional provisions recognized                |                    | 67,313            |
| Effect of foreign currency exchange differences |                    | <u>(87)</u>       |
| Balance at December 31, 2019                    |                    | <u>\$ 15,835</u>  |
| Balance at January 1, 2020                      |                    | \$ 15,835         |
| Amount used                                     |                    | (65,572)          |
| Additional provisions recognized                |                    | 68,569            |
| Effect of foreign currency exchange differences |                    | <u>(473)</u>      |
| Balance at December 31, 2020                    |                    | <u>\$ 18,359</u>  |

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation, Daan Health Management Consulting Co., Ltd., Wing Long Co., Ltd. and President Plastic Products Mfg. Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation, Daan Health Management Consulting Co., Ltd., Wing Long Co., Ltd. and President Plastic Products Mfg. Co., Ltd. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in the US, China, Japan, UK and Germany are members of a state-managed retirement benefit plan operated by the government of the US, China, Japan, UK and Germany, respectively. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Dyaco International Holding Limited and Fuel-Spirit International Inc. do not have pension plan.

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 consolidated balance sheets in respect of the Group'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<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>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<br>included in net interest) | -  | (309)                                    | (309)  |
| Actuarial loss - changes in financial<br>assumptions                  | 767  | -  | 767  |
| Actuarial gain - changes in demographic<br>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<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>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<br>included in net interest) | -  | (312)                                    | (312)  |
| Actuarial loss - changes in financial<br>assumptions                  | 1,357  | -  | 1,357  |
| Actuarial loss - changes in demographic<br>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><br>(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 Group 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                      | \$ (767)           | \$ (767)    |
| 0.25% decrease                      | \$ 796             | \$ 798      |
| Expected rate(s) of salary increase |                    |             |
| 0.25% increase                      | \$ 781             | \$ 786      |
| 0.25% decrease                      | \$ (756)           | \$ (759)    |

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 | \$ 505             | \$ 367      |
| Average duration of the defined benefit obligation    | 10 years           | 10 years    |

## 26. EQUITY

### a. Share capital

#### Ordinary shares

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

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

|  | <b>December 31</b>  |                   |
|--|---------------------|-------------------|
|  | <b>2020</b>         | <b>2019</b>       |
| <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 share 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 year ended December 31 in 2020 and 2019 was as follows:

|   | <b>Issuance of Ordinary Shares</b> | <b>Convertible Bond Premium</b> | <b>Treasury Shares Transaction</b> | <b>Conversion of Employee Share Options</b> | <b>Conversion of Bond-options</b> | <b>Employee Share Options</b> | <b>Employee Share Options in Subsidiaries</b> |
|---|------------------------------------|---------------------------------|------------------------------------|---|-----------------------------------|-------------------------------|---|
| 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                       | -                                  | -                               | -                                  | -   | 12,666                            | -                             | -   |
| 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                            | -                                  | 1,147                           | -                                  | -   | (40)                              | -                             | -   |
| 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 28-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' meetings on May 28, 2020 and May 30, 2019, respectively, were as follows:

|                       | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share<br/>(NT\$)</b> |             |
|-----------------------|----------------------------------|-------------|---------------------------------------|-------------|
|                       | <b>2019</b>                      | <b>2018</b> | <b>2019</b>                           | <b>2018</b> |
| 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's 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<br/>of Earnings</b> | <b>Dividends Per<br/>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 Group'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  | (1,053)                               | 1,899           |
| Cumulative unrealized gain (loss) on equity instruments<br>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<br/>Transferred to<br/>Employees<br/>(In Thousands<br/>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 had 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.

f. Non-controlling interests

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| Balance at January 1  | \$ 350,172                            | \$ 333,876        |
| Profit for the period attributable to non-controlling interests                       | (3,053)                               | 31,094            |
| Exchange differences on translation of the financial statements of foreign operations | <u>9,567</u>                          | <u>(14,798)</u>   |
| Balance at December 31  | <u>\$ 356,686</u>                     | <u>\$ 350,172</u> |

## 27. REVENUE

|                                       | <b>For the Year Ended December 31</b> |                     |
|---------------------------------------|---------------------------------------|---------------------|
|                                       | <b>2020</b>                           | <b>2019</b>         |
| Revenue from contracts with customers |                                       |                     |
| Sporting goods                        | \$ 12,650,605                         | \$ 5,084,758        |
| Furniture                             | 444,705                               | 742,242             |
| Other revenue                         | <u>28,446</u>                         | <u>23,528</u>       |
|                                       | <u>\$ 13,123,756</u>                  | <u>\$ 5,850,528</u> |

a. Contract balances

|                              | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> | <b>January 1, 2019</b> |
|------------------------------|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 9)    | <u>\$ 2,020</u>              | <u>\$ 1,501</u>              | <u>\$ 3,986</u>        |
| Accounts receivable (Note 9) | <u>\$ 3,050,265</u>          | <u>\$ 1,009,492</u>          | <u>\$ 926,566</u>      |
| Contract liabilities         |                              |                              |                        |
| Sale of goods                | <u>\$ 74,531</u>             | <u>\$ 7,901</u>              | <u>\$ 9,320</u>        |

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group'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:

|  | <b><u>For the Year Ended December 31</u></b> |                 |
|--|--|-----------------|
|  | <b>2020</b>                                  | <b>2019</b>     |
| From contract liabilities at the start of the year |  |                 |
| Sale of goods                                      | <u>\$ 7,901</u>                              | <u>\$ 9,320</u> |

b. Disaggregation of revenue

Refer to Note 42 for information about the disaggregation of revenue.

c. Partially completed contracts

|                                    | <b><u>For the Year Ended December 31</u></b> |                 |
|------------------------------------|--|-----------------|
|                                    | <b>2020</b>                                  | <b>2019</b>     |
| Sale of goods                      |  |                 |
| From January 2019 to December 2019 | \$ -   | \$ 9,320        |
| From January 2020 to December 2020 | <u>74,531</u>                                | <u>-</u>        |
|                                    | <u>\$ 74,531</u>                             | <u>\$ 9,320</u> |

## 28. NET PROFIT

a. Depreciation and amortization

|   | <b><u>For the Year Ended December 31</u></b> |                   |
|---|--|-------------------|
|   | <b>2020</b>                                  | <b>2019</b>       |
| Property, plant and equipment           | \$ 162,924                                   | \$ 154,526        |
| Intangible assets                       | 124,398                                      | 92,592            |
| Right-of-use assets                     | 33,052                                       | 30,672            |
| Investment properties                   | <u>3,276</u>                                 | <u>3,048</u>      |
|   | <u>\$ 323,650</u>                            | <u>\$ 280,838</u> |
| An analysis of depreciation by function |  |                   |
| Operating costs                         | \$ 99,625                                    | \$ 115,648        |
| Operating expenses                      | 96,351                                       | 69,550            |
| Other operating income and expenses     | <u>3,276</u>                                 | <u>3,048</u>      |
|   | <u>\$ 199,252</u>                            | <u>\$ 188,246</u> |
| An analysis of amortization by function |  |                   |
| Operating costs                         | \$ -   | \$ -              |
| Operating expenses                      | <u>124,398</u>                               | <u>92,592</u>     |
|   | <u>\$ 124,398</u>                            | <u>\$ 92,592</u>  |

b. Other operating income and expenses

|   | <b>For the Year Ended December 31</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2020</b>                           | <b>2019</b>        |
| Gain on disposal of intangible assets (Note 19)     | \$ 18,960                             | \$ -               |
| Impairment loss recognized on prepayments for goods | (5,567)                               | -                  |
| Loss on disposal of property, plant and equipment   | (213)                                 | (2,505)            |
| Loss on lease modification                          | (16)                                  | -                  |
| Impairment losses on goodwill                       | <u>-</u>                              | <u>(8,826)</u>     |
|   | <u>\$ 13,164</u>                      | <u>\$ (11,331)</u> |

c. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Post-employment benefits (Note 25)                   |                                       |                   |
| Defined contribution plan                            | \$ 35,718                             | \$ 29,141         |
| Defined benefit plans                                | <u>146</u>                            | <u>202</u>        |
|  | <u>35,864</u>                         | <u>29,343</u>     |
| Employees' compensation                              | 1,048,454                             | 879,681           |
| Labor and national health insurance expenses         | 62,182                                | 58,438            |
| Other employee benefits                              | <u>33,238</u>                         | <u>25,435</u>     |
|  | <u>1,143,874</u>                      | <u>963,554</u>    |
| Total employee benefits expense                      | <u>\$ 1,179,738</u>                   | <u>\$ 992,897</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 433,940                            | \$ 365,359        |
| Operating expenses                                   | <u>745,798</u>                        | <u>627,538</u>    |
|  | <u>\$ 1,179,738</u>                   | <u>\$ 992,897</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 years 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 consolidated 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 employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the employees' compensation 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  | \$ 114,163                            | \$ 181,981         |
| Foreign exchange losses | <u>(308,723)</u>                      | <u>(204,893)</u>   |
| Net losses              | <u>\$ (194,560)</u>                   | <u>\$ (22,912)</u> |

f. Interest expenses

|                               | <b>For the Year Ended December 31</b> |                  |
|-------------------------------|---------------------------------------|------------------|
|                               | <b>2020</b>                           | <b>2019</b>      |
| Interest on bank loans        | \$ 47,382                             | \$ 50,105        |
| Interest on convertible bonds | 6,916                                 | 7,746            |
| Interest on lease liabilities | <u>1,818</u>                          | <u>1,573</u>     |
|                               | <u>\$ 56,116</u>                      | <u>\$ 59,424</u> |

## 29. 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                  | \$ 468,486                            | \$ 87,869        |
| Income tax on unappropriated earnings           | 85                                    | -                |
| Adjustments for prior periods                   | <u>(5,185)</u>                        | <u>2,245</u>     |
|   | 463,386                               | 90,114           |
| Deferred tax                                    | <u>(126,538)</u>                      | <u>(31,565)</u>  |
| Income tax expense recognized in profit or loss | <u>\$ 336,848</u>                     | <u>\$ 58,549</u> |

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

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2020</b>                           | <b>2019</b>       |
| Profit before tax  | <u>\$ 1,654,904</u>                   | <u>\$ 278,644</u> |
| Income tax expense calculated at the statutory rate                                    | \$ 330,981                            | \$ 55,729         |
| Nondeductible expenses in determining taxable income (non-taxable income)              | 1,776                                 | (6,426)           |
| Investment credit  | (14,322)                              | -                 |
| Income tax on unappropriated earnings  | 85                                    | -                 |
| Unrealized loss carryforwards  | 285                                   | 490               |
| Unrealized deductible temporary differences  | (1,590)                               | (4,231)           |
| Effect of different tax rate of entities in the Group operating in other jurisdictions | 25,632                                | 10,597            |
| Adjustments for prior years' tax   | (5,185)                               | 2,245             |
| Adjustments for deferred tax between the Group's transactions                          | <u>(814)</u>                          | <u>145</u>        |
| Income tax expense recognized in profit or loss  | <u>\$ 336,848</u>                     | <u>\$ 58,549</u>  |

### b. Income tax recognized in other comprehensive income

|                                       | <b>For the Year Ended December 31</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>December 31</b> |             |
|-------------------------|--------------------|-------------|
|                         | <b>2020</b>        | <b>2019</b> |
| Current tax assets      |                    |             |
| Tax refund receivable   | \$ 17,980          | \$ 1,282    |
| Current tax liabilities |                    |             |
| Income tax payable      | \$ 401,093         | \$ 56,348   |

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<br/>Balance</b> | <b>Acquisitions<br/>Through<br/>Business<br/>Combinations<br/>(Note 32)</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Compre-<br/>hensive Income</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|---|---|----------------------------|
| <u>Deferred tax assets</u>                            |                            |   |   |   |                            |
| Temporary differences                                 |                            |   |   |   |                            |
| Deferred revenue                                      | \$ 18,171                  | \$ -  | \$ 113,820                              | \$ -  | \$ 131,991                 |
| Investment loss recognized<br>under the equity method | 86,211                     | -   | 7,186                                   | -   | 93,397                     |
| Write-down of inventories                             | 30,602                     | -   | 2,837                                   | -   | 33,439                     |
| Employee benefits                                     | 7,426                      | -   | 3,715                                   | -   | 11,141                     |
| Allowance for impairment<br>loss                      | 18,882                     | -   | 2,064                                   | -   | 20,946                     |
| Provisions  | 4,101                      | -   | 673                                     | -   | 4,774                      |
| Defined benefit obligations                           | 3,944                      | -   | (34)                                    | 212   | 4,122                      |
| Payables for annual leave                             | 2,609                      | -   | 3                                       | -   | 2,612                      |
| Unrealized foreign exchange<br>loss, net              | 7,328                      | -   | 16,253                                  | -   | 23,581                     |
| Unrealized financial assets<br>valuation loss         | -                          | -   | 116                                     | -   | 116                        |
| Property, plant and equipment                         | 834                        | -   | 1,211                                   | -   | 2,045                      |
|   | 180,108                    | -   | 147,844                                 | 212   | 328,164                    |
| Tax losses  | 1,068                      | -   | 1,006                                   | -   | 2,074                      |
|   | <u>\$ 181,176</u>          | <u>\$ -</u>   | <u>\$ 148,850</u>                       | <u>\$ 212</u>   | <u>\$ 330,238</u>          |

Deferred tax liabilities

|   |                   |                   |                  |             |                   |
|---|-------------------|-------------------|------------------|-------------|-------------------|
| Temporary differences                                 |                   |                   |                  |             |                   |
| Property, plant and equipment                         | \$ 142,184        | \$ -              | \$ (2,180)       | \$ -        | \$ 140,004        |
| Investment gain recognized<br>under the equity method | 73,037            | -                 | 36,152           | -           | 109,189           |
| Intangible assets                                     | 7,934             | 185,540           | (19,512)         | -           | 173,962           |
| Timing difference in sales                            | 3,016             | -                 | (64)             | -           | 2,952             |
| Unrealized foreign exchange<br>gain, net              | 176               | -                 | 523              | -           | 699               |
| Unrealized financial<br>instrument gain, net          | 140               | -                 | (140)            | -           | -                 |
|   | <u>\$ 226,487</u> | <u>\$ 185,540</u> | <u>\$ 14,779</u> | <u>\$ -</u> | <u>\$ 426,806</u> |



For the year ended December 31, 2019

|   | <b>Opening<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u>                            |                            |   |   |                            |
| Temporary differences                                 |                            |   |   |                            |
| Deferred revenue                                      | \$ 25,613                  | \$ (7,442)                                  | \$ -  | \$ 18,171                  |
| Investment loss recognized under<br>the equity method | 51,751                     | 34,460                                      | -   | 86,211                     |
| Write-down of inventories                             | 29,398                     | 1,204                                       | -   | 30,602                     |
| Employee benefits                                     | 7,713                      | (287)                                       | -   | 7,426                      |
| Allowance for impairment loss                         | 18,110                     | 772   | -   | 18,882                     |
| Provisions  | 3,542                      | 559   | -   | 4,101                      |
| Defined benefit obligations                           | 4,086                      | (39)  | (103)   | 3,944                      |
| Payables for annual leave                             | 2,903                      | (294)                                       | -   | 2,609                      |
| Unrealized foreign exchange loss,<br>net              | 1,410                      | 5,918                                       | -   | 7,328                      |
| Property, plant and equipment                         | -                          | 834   | -   | 834                        |
|   | <u>144,526</u>             | <u>35,685</u>                               | <u>(103)</u>  | <u>180,108</u>             |
| Tax losses  | <u>126</u>                 | <u>942</u>                                  | <u>-</u>  | <u>1,068</u>               |
|   | <u>\$ 144,652</u>          | <u>\$ 36,627</u>                            | <u>\$ (103)</u>   | <u>\$ 181,176</u>          |
| <u>Deferred tax liabilities</u>                       |                            |   |   |                            |
| Temporary differences                                 |                            |   |   |                            |
| Property, plant and equipment                         | \$ 152,524                 | \$ (10,340)                                 | \$ -  | \$ 142,184                 |
| Investment gain recognized under<br>the equity method | 50,568                     | 22,469                                      | -   | 73,037                     |
| Intangible assets                                     | 12,050                     | (4,116)                                     | -   | 7,934                      |
| Timing difference in sales                            | 4,831                      | (1,815)                                     | -   | 3,016                      |
| Unrealized foreign exchange gain,<br>net              | 1,873                      | (1,697)                                     | -   | 176                        |
| Unrealized financial instrument<br>gain, net          | <u>4,296</u>               | <u>(4,156)</u>                              | <u>-</u>  | <u>140</u>                 |
|   | <u>\$ 226,142</u>          | <u>\$ 345</u>                               | <u>\$ -</u>   | <u>\$ 226,487</u>          |

e. Income tax assessments

The income tax returns of the Corporation, Daan Health Management Consulting Co., Ltd. and President Plastic Products MFG Co., Ltd. through 2018 have been assessed by the tax authorities.

The income tax returns of Wing Long Co., Ltd. through 2019 have been assessed by the tax authorities.

### 30. 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:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2020</b>                           | <b>2019</b>       |
| 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:

|  | <b>For the Year Ended December 31</b> |                |
|--|---------------------------------------|----------------|
|  | <b>2020</b>                           | <b>2019</b>    |
| 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 Group may settle the compensation of employees in cash or shares; therefore, the Group 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.

### 31. 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:

|  | For the Year Ended December 31                     |   |  |   |
|--|--|---|--|---|
|  | 2020   |   | 2019   |   |
| Employee Share Options                                 | Number of<br>Options (In<br>Thousands of<br>Units) | Weighted-<br>average<br>Exercise<br>Price<br>(\$) | Number of<br>Options (In<br>Thousands of<br>Units) | Weighted-<br>average<br>Exercise<br>Price<br>(\$) |
| 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<br>granted (\$) | <u>\$ 10.42</u>                                    |   | <u>\$ 10.42</u>                                    |   |

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

|  | December 31 |         |
|--|-------------|---------|
|  | 2020        | 2019    |
| 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:

|                          | December 2017 |
|--------------------------|---------------|
| 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 cost recognized by the Group was \$5,577 thousand for the year ended December 31, 2020.

Compensation cost recognized by the Group was \$18,800 thousand for the year ended December 31, 2019.

b. Treasury shares transferred to employees

1) The first treasury shares transferred to employees in 2020

Qualified employees of the Group 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:

|   | For the Year Ended<br>December 31, 2020            |  |
|---|--|--|
|   | Number of<br>Options (In<br>Thousands of<br>Units) | Weighted-<br>average<br>Exercise Price<br>(\$) |
| <b>Employee Share Options</b>                       |  |  |
| Balance at January 1                                | -  | \$ -   |
| Options granted                                     | 1,443  | 34.80  |
| Options exercised                                   | <u>(1,443)</u>                                     | <u>34.80</u>                                   |
| 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:

|                         | July 2020 |
|-------------------------|-----------|
| 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 Group 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 Group 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:

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

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

|                         | December 2020 |
|-------------------------|---------------|
| 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 Group was \$61,680 thousand for the year ended December 31, 2020.

## 32. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

| Subsidiary                       | Principal Activity    | Date of<br>Acquisition | Proportion of<br>Voting Equity<br>Interests<br>Acquired (%) | Consideration<br>Transferred |
|----------------------------------|-----------------------|------------------------|---|------------------------------|
| Fitness Equipment Services, LLC. | Sporting goods retail | February 1, 2020       | 100   | <u>\$ 948,251</u>            |

Fitness Equipment Services, LLC. was acquired in order to stabilize the North American market of the Group.

b. Assets acquired and liabilities assumed at the date of acquisition

|   | <b>Fitness<br/>Equipment<br/>Services, LLC.</b> |
|---|---|
| Current assets                          |   |
| Cash                                    | \$ 3,492  |
| Accounts receivable                     | 542,218   |
| Inventories                             | 286,131   |
| Other current assets                    | 4,193   |
| Non-current assets                      |   |
| Property, plant and equipment (Note 15) | 24,231  |
| Intangible assets (Note 19)             | 715,042   |
| Other non-current assets                | 5,549   |
| Current liabilities                     |   |
| Short-term borrowings                   | (480,242)                                       |
| Accounts payable                        | (147,072)                                       |
| Other payables                          | (133,743)                                       |
| Non-current liabilities                 |   |
| Deferred tax liabilities (Note 29)      | <u>(185,540)</u>                                |
|   | <u>\$ 634,259</u>                               |

c. Goodwill recognized on acquisitions

|  | <b>Fitness<br/>Equipment<br/>Services, LLC.</b> |
|--|---|
| Consideration transferred                            | \$ 948,251                                      |
| Less: Fair value of identifiable net assets acquired | <u>(634,259)</u>                                |
| Goodwill recognized on acquisitions                  | <u>\$ 313,992</u>                               |

The goodwill recognized in the acquisition of Fitness Equipment services, LLC. mainly included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

d. Net cash outflow on the acquisition of subsidiaries

|   | <b>Fitness<br/>Equipment<br/>Services, LLC.</b> |
|---|---|
| Consideration paid in cash                          | \$ 948,251                                      |
| Less: Payables for investments (Notes 13 and 23)    | (85,440)  |
| Less: Cash balances acquired                        | <u>(3,492)</u>                                  |
| Net cash outflow on the acquisition of subsidiaries | <u>\$ 859,319</u>                               |

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

|         | <b>Fitness<br/>Equipment<br/>Services, LLC.</b> |
|---------|---|
| Revenue | <u>\$ 6,992,362</u>                             |
| Profit  | <u>\$ 78,946</u>                                |

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$7,628,031 thousand, and the profit would have been \$86,123 thousand for the year ended December 31, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

### 33. 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 Group 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 Group 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.

The information relating to the assets acquired and liabilities assumed and the relevant net cash outflow at the date of acquisition:

a. Assets acquired and liabilities assumed

|   |                   |
|---|-------------------|
| Current assets                          |                   |
| Cash                                    | \$ 192            |
| Other receivables                       | 4,690             |
| Non-current assets                      |                   |
| Property, plant and equipment (Note 15) | 284,704           |
| Current liabilities                     |                   |
| Short-term borrowings                   | (28,177)          |
| Other payables                          | (16)              |
| Other current liabilities               | (3)               |
| Non-current liabilities                 |                   |
| Other non-current liabilities           | <u>(2,750)</u>    |
|   | <u>\$ 258,640</u> |

b. Net cash outflow on the acquisition of subsidiaries

|   |                   |
|---|-------------------|
| Consideration paid in cash                          | \$ 258,640        |
| Less: Payable for investments (Notes 13 and 23)     | (28,434)          |
| Less: Cash balances acquired                        | <u>(192)</u>      |
| Net cash outflow on the acquisition of subsidiaries | <u>\$ 230,014</u> |

### 34. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2020 and 2019, the Group 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           | \$ 85,924                             | \$ 69,823        |
| Changes in prepayments for purchases of equipment   | 11,015                                | (4,643)          |
| Changes in payables for purchase of equipment       | <u>(147)</u>                          | <u>(4,319)</u>   |
| Cash paid   | <u>\$ 96,792</u>                      | <u>\$ 60,861</u> |
| Partial cash paid for other intangible assets       |                                       |                  |
| Purchase of other intangible assets                 | \$ 16,791                             | \$ 61,427        |
| Changes in payables for royalties                   | 50,294                                | 18,373           |
| Changes in prepayments for purchases of equipment   | <u>56</u>                             | <u>(24,405)</u>  |
| Cash paid   | <u>\$ 67,141</u>                      | <u>\$ 55,395</u> |

b. Changes in liabilities arising from financing activities

|  | <b>Short-term<br/>Borrowings</b> | <b>Bonds<br/>Payable</b> | <b>Long-term<br/>Borrowings</b> | <b>Guarantee<br/>Deposits<br/>Received</b> | <b>Lease<br/>Liabilities</b> |
|--|----------------------------------|--------------------------|---------------------------------|--|------------------------------|
| Balance at January 1, 2020                                   | \$ 1,513,300                     | \$ 592,874               | \$ 897,718                      | \$ 2,671                                   | \$ 82,361                    |
| Cash flows   | (453,384)                        | 594,548                  | 54,044                          | 157  | (24,375)                     |
| Non-cash changes   |                                  |                          |                                 |  |                              |
| New leases   | -                                | -                        | -                               | -  | 8,521                        |
| Acquisitions through business combinations (Notes 32 and 33) | 508,419                          | -                        | -                               | -  | -                            |
| Decrease during the period                                   | -                                | -                        | -                               | -  | (4,398)                      |
| Assets component   | -                                | 1,487                    | -                               | -  | -                            |
| Equity component   | -                                | (733,453)                | -                               | -  | -                            |
| Other gain and loss  | -                                | -                        | -                               | -  | 16                           |
| Interests  | -                                | 6,916                    | -                               | -  | 1,818                        |
| Exchange rate impact   | <u>5,446</u>                     | <u>-</u>                 | <u>(1,212)</u>                  | <u>(91)</u>                                | <u>328</u>                   |
| Balance at December 31, 2020                                 | <u>\$ 1,573,781</u>              | <u>\$ 462,372</u>        | <u>\$ 950,550</u>               | <u>\$ 2,737</u>                            | <u>\$ 64,271</u>             |
|  |                                  |                          |                                 |  |                              |
|  | <b>Short-term<br/>Borrowings</b> | <b>Bonds<br/>Payable</b> | <b>Long-term<br/>Borrowings</b> | <b>Guarantee<br/>Deposits<br/>Received</b> | <b>Lease<br/>Liabilities</b> |
| Balance at January 1, 2019                                   | \$ 1,655,030                     | \$ 586,609               | \$ 715,703                      | \$ 3,016                                   | \$ 68,970                    |
| Cash flows   | (133,393)                        | -                        | 181,275                         | (376)                                      | (21,310)                     |
| Non-cash changes   |                                  |                          |                                 |  |                              |
| New leases   | -                                | -                        | -                               | -  | 36,410                       |
| Equity component   | -                                | (1,481)                  | -                               | -  | -                            |
| Interests  | -                                | 7,746                    | -                               | -  | 1,573                        |
| Exchange rate impact   | <u>(8,337)</u>                   | <u>-</u>                 | <u>740</u>                      | <u>31</u>                                  | <u>(3,282)</u>               |
| Balance at December 31, 2019                                 | <u>\$ 1,513,300</u>              | <u>\$ 592,874</u>        | <u>\$ 897,718</u>               | <u>\$ 2,671</u>                            | <u>\$ 82,361</u>             |



### 35. CAPITAL MANAGEMENT

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

### 36. FINANCIAL INSTRUMENTS

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

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

December 31, 2019

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

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

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| 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                           | \$ -           | \$ -           | \$ 51,165      | \$ 51,165    |
| Financial liabilities at FVTPL                    |                |                |                |              |
| Derivative financial liabilities held for trading |                |                |                |              |
| Swap contracts                                    | \$ -           | \$ 1,685       | \$ -           | \$ 1,685     |

December 31, 2019

|   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| Financial assets at FVTOCI                        |                |                |                |              |
| Investments in equity instruments                 |                |                |                |              |
| Foreign unlisted shares                           | \$ -           | \$ -           | \$ 42,984      | \$ 42,984    |
| Financial liabilities at FVTPL                    |                |                |                |              |
| Derivative financial liabilities held for trading |                |                |                |              |
| Swap contracts                                    | \$ -           | \$ 2,072       | \$ -           | \$ 2,072     |
| Foreign exchange forward contracts                | -              | 971            | -              | 971          |
|   | \$ -           | \$ 3,043       | \$ -           | \$ 3,043     |

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

|   | <b>Financial Assets<br/>at FVTOCI</b> |
|---|---------------------------------------|
| <u>Financial assets</u>   |                                       |
| Balance at January 1, 2020  | \$ 42,984                             |
| Purchases   | 9,075                                 |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | (1,053)                               |
| Settlements   |                                       |
| Effects of foreign currency exchange differences  | <u>159</u>                            |
| Balance at December 31, 2020  | <u>\$ 51,165</u>                      |

For the year ended December 31, 2019

|   | <b>Financial Assets<br/>at FVTOCI</b> |
|---|---------------------------------------|
| <u>Financial assets</u>   |                                       |
| Balance at January 1, 2019  | \$ 28,697                             |
| Purchases   | 35,085                                |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | 1,899                                 |
| Settlements   | (22,265)                              |
| Effects of foreign currency exchange differences  | <u>(432)</u>                          |
| Balance at December 31, 2019  | <u>\$ 42,984</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<br>- 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<br>- put options   | Binomial-tree model for convertible bond pricing:<br><br>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 Group's valuation method is consistent with the market participants, when pricing such financial instruments.

c. Categories of financial instruments

|   | <b>December 31</b> |             |
|---|--------------------|-------------|
|   | <b>2020</b>        | <b>2019</b> |
| <u>Financial assets</u>                         |                    |             |
| FVTPL   |                    |             |
| Mandatorily classified as at FVTPL              | \$ 2,593           | \$ -        |
| Financial assets at amortized cost (Note 1)     | 4,896,816          | 2,206,429   |
| Financial assets at FVTOCI - equity instruments | 51,165             | 42,984      |
| <u>Financial liabilities</u>                    |                    |             |
| FVTPL   |                    |             |
| Held for trading                                | 1,685              | 3,043       |
| Amortized cost (Note 2)                         | 7,068,377          | 4,401,999   |

Note 1: The balances included financial assets measured at amortized cost, which comprised cash, notes receivable, accounts receivable, 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, bonds payable, long-term borrowings (including current portion), other non-current liabilities, partial other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, accounts payable, and borrowings. The Group'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 Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk.

The Group 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 Group'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 Group 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 Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 40.

### Sensitivity analysis

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

The following table details the Group'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<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             |
|                | <b>2020</b>                               | <b>2019</b> | <b>2020</b>                               | <b>2019</b> |
| Profit or loss | \$(240,149)                               | \$ 77,066   | \$ 55,935                                 | \$ 7,047    |

|                | <b>EUR Impact</b>                         |             | <b>GBP Impact</b>                         |             |
|----------------|---|-------------|---|-------------|
|                | <b>For the Year Ended<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             |
|                | <b>2020</b>                               | <b>2019</b> | <b>2020</b>                               | <b>2019</b> |
| Profit or loss | \$ (5,082)                                | (\$ 4,969)  | \$ (9,995)                                | (\$ 7,017)  |

#### b) Interest rate risk

The carrying amounts of the Group'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              | \$ 208,922         | \$ 328,353  |
| Financial liabilities         | 2,045,113          | 2,027,393   |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 1,065,612          | 716,565     |
| Financial liabilities         | 1,109,337          | 1,273,890   |

### Sensitivity analysis

The sensitivity analysis below was based on the Group'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 Group's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased by \$109 thousand and \$1,393 thousand, respectively, which was mainly attributable to the Group'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 Group. At the end of the reporting period, the Group'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 consolidated balance sheets.

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

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 75.29% and 48.06% of total accounts receivable as of December 31, 2020 and 2019, respectively.

## 3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities of \$2,393,779 thousand and \$1,213,525 thousand, respectively.

The following table details the Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

### December 31, 2020

|                                    | Weighted<br>Average<br>Effective<br>Interest Rate | On Demand or<br>Less than<br>1 Month | 1-3 Months          | 3 Months to<br>1 Year | 1-5 Years           | 5+ Years          |
|------------------------------------|---|--------------------------------------|---------------------|-----------------------|---------------------|-------------------|
| Non-interest bearing               |   | \$ 1,177,308                         | \$ 2,440,870        | \$ 360,020            | \$ -                | \$ -              |
| Variable interest rate liabilities | 1.15%-4.78%                                       | 91,731                               | 126,381             | 139,767               | 472,916             | 308,735           |
| Fixed interest rate liabilities    | 0.68%-4.07%                                       | 100,195                              | 420,493             | 936,263               | 532,508             | -                 |
| Lease liabilities                  | 1.56%-4.75%                                       | 2,159                                | 3,927               | 16,127                | 44,075              | 2,710             |
|                                    |   | <u>\$ 1,371,393</u>                  | <u>\$ 2,991,671</u> | <u>\$ 1,452,177</u>   | <u>\$ 1,049,499</u> | <u>\$ 311,445</u> |

### December 31, 2019

|                                    | Weighted<br>Average<br>Effective<br>Interest Rate | On Demand or<br>Less than<br>1 Month | 1-3 Months          | 3 Months to<br>1 Year | 1-5 Years         | 5+ Years          |
|------------------------------------|---|--------------------------------------|---------------------|-----------------------|-------------------|-------------------|
| Non-interest bearing               |   | \$ 227,037                           | \$ 847,146          | \$ 108,790            | \$ -              | \$ 107            |
| Variable interest rate liabilities | 1.45%-1.79%                                       | 369,105                              | 18,239              | 142,909               | 443,037           | 333,254           |
| Fixed interest rate liabilities    | 1.31%-4.872%                                      | 420,302                              | 249,891             | 1,090,317             | 183,883           | -                 |
| Lease liabilities                  | 1.56%-4.75%                                       | 2,320                                | 4,566               | 19,814                | 48,946            | 11,513            |
|                                    |   | <u>\$ 1,018,764</u>                  | <u>\$ 1,119,842</u> | <u>\$ 1,361,830</u>   | <u>\$ 675,866</u> | <u>\$ 344,874</u> |

The following table details the Group'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<br/>Demand or<br/>Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months<br/>to 1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|--------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Net settled</u> |   |                   |                               |                  |                 |
| Swap contracts     | \$ -  | \$ -              | \$ (1,079)                    | \$               | \$              |

December 31, 2019

|                                       | <b>On<br/>Demand or<br/>Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months<br/>to 1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|---------------------------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Net settled</u>                    |   |                   |                               |                  |                 |
| Swap contracts                        | \$ -  | \$ -              | \$ 3,686                      | \$ -             | \$ -            |
| Foreign exchange forward<br>contracts | 356   | 136               | -                             | -                | -               |
|                                       | <u>\$ 356</u>                                     | <u>\$ 136</u>     | <u>\$ 3,686</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  | \$ 421,659          | \$ 568,100          |
| Amount unused  | <u>1,352,000</u>    | <u>1,123,525</u>    |
|  | <u>\$ 1,773,659</u> | <u>\$ 1,691,625</u> |
| Secured bank overdraft facilities  |                     |                     |
| Amount used  | \$ 2,102,672        | \$ 1,842,918        |
| Amount unused  | <u>1,041,779</u>    | <u>90,000</u>       |
|  | <u>\$ 3,144,451</u> | <u>\$ 1,932,918</u> |

### 37. RELATED PARTY TRANSACTIONS

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

The details of the compensation of key management personnel for the years ended December 31, 2020 and 2019 were as follows:

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2020</b>                           | <b>2019</b>      |
| Short-term employee benefits | \$ 113,749                            | \$ 67,168        |
| Post-employment benefits     | <u>989</u>                            | <u>991</u>       |
|                              | <u>\$ 114,738</u>                     | <u>\$ 68,159</u> |

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

### 38. 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 | \$ 1,753,849        | \$ 1,797,781        |
| Right-of-use assets           | 287,713             | 291,149             |
| Pledged deposits - current    | 208,931             | 328,357             |
| Inventories                   | <u>70,425</u>       | <u>56,217</u>       |
|                               | <u>\$ 2,320,918</u> | <u>\$ 2,473,504</u> |

### 39. OTHER ITEMS

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



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

The Group'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

|                              | Foreign<br>Currencies | Exchange Rate      | Carrying<br>Amount |
|------------------------------|-----------------------|--------------------|--------------------|
| <u>Financial assets</u>      |                       |                    |                    |
| Monetary items               |                       |                    |                    |
| USD                          | \$ 170,342            | 28.4800 (USD:NTD)  | \$ 4,851,332       |
| USD                          | 4,587                 | 6.5067 (USD:RMB)   | 130,623            |
| USD                          | 2,205                 | 1.2743 (USD:CAD)   | 62,785             |
| RMB                          | 55,746                | 4.3770 (RMB:NTD)   | 244,002            |
| RMB                          | 40                    | 0.1537 (RMB:USD)   | 175                |
| EUR                          | 2,828                 | 35.0200 (EUR:NTD)  | 99,027             |
| EUR                          | 91                    | 1.2296 (EUR:USD)   | 3,181              |
| EUR                          | 2                     | 0.9003 (EUR:GBP)   | 55                 |
| GBP                          | 5,138                 | 38.9000 (GBP:NTD)  | 199,872            |
| GBP                          | 4                     | 1.1108 (GBP:EUR)   | 166                |
| Non-monetary items           |                       |                    |                    |
| USD                          | 33,986                | 28.4800 (USD:NTD)  | 967,933            |
| USD                          | 23,867                | 7.7539 (USD:HKD)   | 679,733            |
| HKD                          | 289,218               | 3.6730 (HKD:NTD)   | 1,062,298          |
| RMB                          | 195,228               | 1.1917 (RMB:HKD)   | 854,514            |
| CAD                          | 10,512                | 0.7848 (CAD:USD)   | 234,956            |
| EUR                          | 2,284                 | 35.0200 (EUR:NTD)  | 79,979             |
| <u>Financial liabilities</u> |                       |                    |                    |
| Monetary items               |                       |                    |                    |
| USD                          | 5,319                 | 28.4800 (USD:NTD)  | 151,486            |
| USD                          | 225                   | 1.2743 (USD:CAD)   | 6,412              |
| USD                          | 1,110                 | 103.0764 (USD:JPY) | 31,606             |
| USD                          | 2                     | 0.7321 (USD:EUR)   | 53                 |
| USD                          | 1,833                 | 6.5067 (USD:RMB)   | 52,201             |
| RMB                          | 285,008               | 4.3770 (RMB:NTD)   | 1,247,482          |
| RMB                          | 26,365                | 0.1537 (RMB:USD)   | 115,400            |
| EUR                          | 18                    | 1.2296 (EUR:USD)   | 630                |
| GBP                          | 4                     | 1.1108 (GBP:EUR)   | 145                |
| 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<br/>Currencies</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-------------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | \$ 55,215                     | 29.98 (USD:NTD)      | \$ 1,655,340               |
| USD                          | 7,086                         | 6.964 (USD:RMB)      | 212,452                    |
| USD                          | 560                           | 1.304 (USD:CAD)      | 16,787                     |
| RMB                          | 32,852                        | 4.305 (RMB:NTD)      | 141,428                    |
| RMB                          | 15                            | 0.1436 (RMB:USD)     | 65                         |
| EUR                          | 2,885                         | 33.59 (EUR:NTD)      | 96,916                     |
| EUR                          | 2                             | 1.1204 (EUR:USD)     | 82                         |
| EUR                          | 99                            | 0.8534 (EUR:GBP)     | 3,322                      |
| GBP                          | 3,566                         | 39.36 (GBP:NTD)      | 140,349                    |
| Non-monetary items           |                               |                      |                            |
| USD                          | 18,666                        | 7.789 (USD:HKD)      | 559,595                    |
| JPY                          | 1,060                         | 0.276 (JPY:NTD)      | 292                        |
| HKD                          | 354,670                       | 3.849 (HKD:NTD)      | 1,365,125                  |
| RMB                          | 196,349                       | 1.1185 (RMB:HKD)     | 845,281                    |
| CAD                          | 8,216                         | 0.7668 (CAD:USD)     | 188,869                    |
| EUR                          | 1,686                         | 33.59 (EUR:NTD)      | 56,640                     |
| <u>Financial liabilities</u> |                               |                      |                            |
| Monetary items               |                               |                      |                            |
| USD                          | 468                           | 29.98 (USD:NTD)      | 14,023                     |
| USD                          | 2,157                         | 1.304 (USD:CAD)      | 64,673                     |
| USD                          | 870                           | 108.6232 (USD:JPY)   | 26,092                     |
| USD                          | 30                            | 0.8925 (USD:EUR)     | 901                        |
| USD                          | 724                           | 6.964 (USD:RMB)      | 21,704                     |
| RMB                          | 105,154                       | 4.305 (RMB:NTD)      | 452,487                    |
| EUR                          | 28                            | 1.1204 (EUR:USD)     | 941                        |
| Non-monetary items           |                               |                      |                            |
| GBP                          | 1,025                         | 39.36 (GBP:NTD)      | 40,360                     |

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$194,560 thousand and \$22,912 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

#### **41. 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 36
- 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. Intercompany relationships and significant intercompany transactions: Table 10
- e. 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 11

## 42. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments are Asia, Americas and Europe, which mainly manufacture and sell treadmills, elliptical machines, and outdoor furniture.

### a. Segment revenue and results

|  | Asia                 | Americas             | Europe              | Eliminations           | Total                |
|--|----------------------|----------------------|---------------------|------------------------|----------------------|
| For the year ended<br><u>December 31, 2020</u> |                      |                      |                     |                        |                      |
| Revenue from external customers                | \$ 1,798,058         | \$ 10,686,573        | \$ 639,125          | \$ -                   | \$ 13,123,756        |
| Intersegment revenue                           | <u>9,747,062</u>     | <u>3,572,151</u>     | <u>14,325</u>       | <u>(13,333,538)</u>    | <u>-</u>             |
| Consolidated revenue                           | <u>\$ 11,545,120</u> | <u>\$ 14,258,724</u> | <u>\$ 653,450</u>   | <u>\$ (13,333,538)</u> | <u>\$ 13,123,756</u> |
| Segment income (loss)                          | <u>\$ 947,603</u>    | <u>\$ 313,445</u>    | <u>\$ (28,738)</u>  | <u>\$ 422,594</u>      | <u>\$ 1,654,904</u>  |
| For the year ended<br><u>December 31, 2019</u> |                      |                      |                     |                        |                      |
| Revenue from external customers                | \$ 1,988,785         | \$ 3,480,200         | \$ 381,543          | \$ -                   | \$ 5,850,528         |
| Intersegment revenue                           | <u>2,649,146</u>     | <u>-</u>             | <u>-</u>            | <u>(2,649,146)</u>     | <u>-</u>             |
| Consolidated revenue                           | <u>\$ 4,637,931</u>  | <u>\$ 3,480,200</u>  | <u>\$ 381,543</u>   | <u>\$ (2,649,146)</u>  | <u>\$ 5,850,528</u>  |
| Segment income (loss)                          | <u>\$ 389,023</u>    | <u>\$ 89,675</u>     | <u>\$ (164,917)</u> | <u>\$ (35,137)</u>     | <u>\$ 278,644</u>    |

### b. Segment assets and liabilities

|                            | <u>December 31</u>   |                     |
|----------------------------|----------------------|---------------------|
|                            | <u>2020</u>          | <u>2019</u>         |
| <u>Segment assets</u>      |                      |                     |
| Asia                       | \$ 5,879,763         | \$ 5,227,445        |
| Americas                   | 6,948,127            | 1,692,024           |
| Europe                     | <u>424,098</u>       | <u>375,832</u>      |
| Total segment assets       | <u>\$ 13,251,988</u> | <u>\$ 7,295,301</u> |
| <u>Segment liabilities</u> |                      |                     |
| Asia                       | \$ 1,867,130         | \$ 3,579,668        |
| Americas                   | 6,104,024            | 1,132,429           |
| Europe                     | <u>410,972</u>       | <u>338,887</u>      |
| Total segment liabilities  | <u>\$ 8,382,126</u>  | <u>\$ 5,050,984</u> |

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

|                    | <b>For the Year Ended December 31</b> |                     |
|--------------------|---------------------------------------|---------------------|
|                    | <b>2020</b>                           | <b>2019</b>         |
| Treadmill          | \$ 6,545,399                          | \$ 2,530,716        |
| Elliptical trainer | 3,260,187                             | 1,091,179           |
| Bike               | 1,656,183                             | 780,277             |
| Furniture          | 523,125                               | 742,865             |
| Others             | <u>1,138,862</u>                      | <u>705,491</u>      |
|                    | <u>\$ 13,123,756</u>                  | <u>\$ 5,850,528</u> |

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, mainland China, Europe and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

|                | <b>Revenue from External Customers</b> |                     |
|----------------|--|---------------------|
|                | <b>For the Year Ended December 31</b>  |                     |
|                | <b>2020</b>                            | <b>2019</b>         |
| America        | \$ 10,923,394                          | \$ 4,055,986        |
| Europe         | 1,197,822                              | 860,519             |
| Mainland China | 378,021                                | 343,057             |
| Taiwan         | 376,136                                | 176,289             |
| Others         | <u>248,383</u>                         | <u>414,677</u>      |
|                | <u>\$ 13,123,756</u>                   | <u>\$ 5,850,528</u> |

|                | <b>Non-current Assets</b> |                     |
|----------------|---------------------------|---------------------|
|                | <b>December 31</b>        |                     |
|                | <b>2020</b>               | <b>2019</b>         |
| America        | \$ 415,727                | \$ 496,167          |
| Mainland China | 992,873                   | 1,030,364           |
| Taiwan         | 3,079,982                 | 1,860,374           |
| Europe         | <u>120,890</u>            | <u>132,763</u>      |
|                | <u>\$ 4,609,472</u>       | <u>\$ 3,519,668</u> |

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue:

|                         | <b>For the Year Ended December 31</b> |                     |
|-------------------------|---------------------------------------|---------------------|
|                         | <b>2020</b>                           | <b>2019</b>         |
| Customer A from America | \$ -                                  | \$ 1,376,969        |
| Customer B from America | <u>2,844,461</u>                      | <u>-</u>            |
|                         | <u>\$ 2,844,461</u>                   | <u>\$ 1,376,969</u> |

TABLE 1

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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 (Note 6)   | 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<br>(JPY 71,316 thousand)      | \$ 18,320<br>(JPY 66,306 thousand) | \$ 18,320<br>(JPY 66,306 thousand) | -             | Business transaction | \$ 26,175                   | -                               | \$ -                          | -          | \$ -  | \$ 26,175<br>(Note 2)                      | \$ 1,805,270<br>(Note 4)                    |      |
|     |                           | Dyaco Europe GmbH                | Other receivables from related parties | Yes             | 58,970<br>(EUR 1,684 thousand)          | 25,921<br>(EUR 740 thousand)       | 25,921<br>(EUR 740 thousand)       | -             | Business transaction | 59,902                      | -                               | -                             | -          | -     | 59,902<br>(Note 2)                         | 1,805,270<br>(Note 4)                       |      |
|     |                           | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 14,245<br>(EUR 407 thousand)            | -                                  | -                                  | -             | Business transaction | 45,573                      | -                               | -                             | -          | -     | 45,573<br>(Note 2)                         | 1,805,270<br>(Note 4)                       |      |
|     |                           | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 17,510<br>(EUR 500 thousand)            | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 1,805,270<br>(Note 1)                      | 1,805,270<br>(Note 4)                       |      |
|     |                           | Dyaco UK Ltd.                    | Other receivables from related parties | Yes             | 19,450<br>(GBP 500 thousand)            | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 1,805,270<br>(Note 1)                      | 1,805,270<br>(Note 4)                       |      |
|     |                           | Dyaco UK Ltd.                    | Other receivables from related parties | Yes             | 143,456<br>(GBP 3,688 thousand)         | 111,910<br>(GBP 2,877 thousand)    | 111,910<br>(GBP 2,877 thousand)    | -             | Business transaction | 191,910                     | -                               | -                             | -          | -     | 191,910<br>(Note 2)                        | 1,805,270<br>(Note 4)                       |      |
| 1   | Dyaco Europe GmbH         | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 9,455<br>(EUR 270 thousand)             | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 85,893<br>(Note 3)                         | 85,893<br>(Note 3)                          |      |
| 2   | SOLE INC.                 | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes             | 85,440<br>(US\$ 3,000 thousand)         | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 202,113<br>(Note 3)                        | 202,113<br>(Note 3)                         |      |
| 3   | Spirit Manufacturing Inc. | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes             | 256,320<br>(US\$ 9,000 thousand)        | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 338,586<br>(Note 3)                        | 338,586<br>(Note 3)                         |      |
|     |                           | Spirit Direct, LLC.              | Other receivables from related parties | Yes             | 2,848<br>(US\$ 100 thousand)            | 2,848<br>(US\$ 100 thousand)       | 2,848<br>(US\$ 100 thousand)       | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 338,586<br>(Note 3)                        | 338,586<br>(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.

Note 6: Eliminated from the consolidated financial statements.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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<br>Endorsement/<br>Guarantee<br>Provided to Each<br>Guaranteed<br>Party (Note 1) | Maximum<br>Balance for the<br>Period<br>(Note 2) | Ending Balance<br>(Note 2)       | Amount Actually<br>Drawn        | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Worth in Latest<br>Financial<br>Statements (%) | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowable<br>(Note 1) | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries<br>(Note 3) | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent<br>(Note 3) | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China<br>(Note 3) | Note |
|-----|--------------------------|-------------------------------------|----------------------------|--|--|----------------------------------|---------------------------------|---|---|---|--|--|---|------|
|     |                          | Name                                | Relationship               |  |  |                                  |                                 |   |   |   |  |  |   |      |
| 0   | Dyaco International Inc. | Fuel-Spirit International Inc.      | Indirectly held subsidiary | \$ 2,256,588   | \$ 25,632<br>(US\$ 900 thousand)                 | \$ 25,632<br>(US\$ 900 thousand) | \$ -                            | \$ -  | 0.57  | \$ 2,256,588  | Y  | -  | -   |      |
|     |                          | Shelton Corporation (Jiaying), Ltd. | Indirectly held subsidiary | 451,318  | 56,960<br>(US\$ 2,000 thousand)                  | 56,960<br>(US\$ 2,000 thousand)  | 28,480<br>(US\$ 1,000 thousand) | -   | 1.26  | 451,318   | Y  | -  | Y   |      |
|     |                          | Dyaco UK Ltd.                       | Directly held subsidiary   | 2,256,588  | 1,167<br>(GBP 30 thousand)                       | 1,167<br>(GBP 30 thousand)       | 449<br>(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.



**TABLE 3**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**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<br>(US\$ 1,000 thousand) | 10.0                    | \$ 32,556<br>(US\$ 1,000 thousand) | Note 1 |
|                                    | Uniigym Global Holdings Limited.                       | -            | Financial assets at fair value through other comprehensive income (FVTOCI) | -                 | 8,585<br>(US\$ 300 thousand)       | 2.5                     | 8,585<br>(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<br>(RMB 1,162 thousand)      | 2.5                     | 5,087<br>(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<br>(RMB 1,128 thousand)      | 9.0                     | 4,936<br>(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.

TABLE 4

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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 the equity method | Fitness Equipment Services, LLC. | None         | -                 | \$ -   | -                | \$ 948,251 (Notes 1 and 2) | -                | \$ -   | \$ -            | \$ -                    | -              | \$ 948,251 (Notes 1 and 2) |

Note 1: Means the initial capitalization amount.

Note 2: Eliminated from the consolidated financial statements.

TABLE 5

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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/<br>Sale   | Amount<br>(Note 2) | % to Total<br>(Note 1) | Payment Terms | Unit Price                                   | Payment Terms | Ending Balance<br>(Note 2)          | % to Total<br>(Note 1) |      |
| 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 (Jiaxing), 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 (Jiaxing), 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 (Jiaxing), 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 (Jiaxing), 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/<br>Sale   | Amount<br>(Note 2) | % to Total<br>(Note 1) | Payment Terms | Unit Price                                   | Payment Terms | Ending Balance<br>(Note 2)          | % to Total<br>(Note 1) |      |
| 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 1: The rate is calculated in accordance with individual financial statements.

Note 2: Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 6**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**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 (Note 2) |               | Amount  | Actions Taken |                                      |                               |
| Dyaco International Inc.            | Spirit Manufacturing Inc.<br>Fitness Equipment Services, LLC.<br>Dyaco (Shanghai) Trading Co., Ltd. | Indirectly held subsidiary                  | Accounts receivable            | \$ 2,224,332            | 3.47%         | \$ -    | -             | \$ 1,503,244                         | \$ -                          |
|                                     |   | Indirectly held subsidiary                  | Accounts receivable            | 1,548,263               | 2.00%         | -       | -             | 339,852                              | -                             |
|                                     |   | 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.<br>Fuel Spirit International Inc.  | Ultimate parent                             | Accounts receivable            | 1,246,892               | 2.80%         | -       | -             | 1,015,764                            | -                             |
|                                     |   | 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 1        | -       | -             | -                                    | -                             |

Note 1: Other receivables refer to financing provided including interest receivable.

Note 2: Eliminated from the consolidated financial statements.

**TABLE 7**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**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)<br>of the Investee | Share of Profit<br>(Loss)<br>(Notes 1 and 6)   |
|-------------------------------------|--|----------------|------------------------------|--------------------------------------|--------------------------------------|------------------------------------|-----|---------------------------------------|--------------------------------------|--|
|                                     |  |                |                              | December 31, 2020                    | December 31, 2019                    | Number of Shares<br>(In Thousands) | %   | Carrying Amount<br>(Notes 1 and 6)    |                                      |  |
| 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<br>(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<br>(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<br>(EUR 6,296<br>thousand)   | 216,813<br>(EUR 6,296<br>thousand)   | -                                  | 100 | 84,372<br>(EUR 2,409<br>thousand)     | 29,936<br>(EUR 888<br>thousand)      | 25,278<br>(EUR 750<br>thousand)<br>(Note 4)    |
|                                     | CARDIO fitness Verwaltungs GmbH                | Germany        | Investment                   | 977<br>(EUR 29<br>thousand)          | 977<br>(EUR 29<br>thousand)          | -                                  | 100 | 973<br>(EUR 28<br>thousand)           | (28)<br>(EUR -1)                     | (28)<br>(EUR -1)                               |
| SOLE INC.                           | Fitness Equipment Services, LLC.               | America        | Import, export and selling   | 63,262<br>(US\$ 2,100<br>thousand)   | -                                    | -                                  | 100 | 139,241<br>(US\$ 4,889<br>thousand)   | 78,946<br>(US\$ 2,672<br>thousand)   | 78,946<br>(US\$ 2,672<br>thousand)             |
| Dyaco International Holding Limited | Fuel Spirit International Inc.                 | Mauritius      | Import, export and selling   | 379,727<br>(US\$ 12,400<br>thousand) | 379,727<br>(US\$ 12,400<br>thousand) | 12,400,000                         | 100 | 679,733<br>(HK\$ 185,062<br>thousand) | 146,196<br>(HK\$ 38,382<br>thousand) | 146,196<br>(HK\$ 38,382<br>thousand)           |
| Fuel Spirit International Inc.      | Spirit Manufacturing Inc.                      | America        | Import, export and selling   | 265,734<br>(US\$ 8,890<br>thousand)  | 265,734<br>(US\$ 8,890<br>thousand)  | 1,667.50                           | 100 | 297,801<br>(US\$ 11,889<br>thousand)  | 75,206<br>(US\$ 2,545<br>thousand)   | 75,206<br>(US\$ 2,545<br>thousand)             |
|                                     | Dyaco Canada Inc.                              | Canada         | Import, export and selling   | 271,752<br>(US\$ 9,058<br>thousand)  | 271,752<br>(US\$ 9,058<br>thousand)  | 1,000                              | 100 | 234,956<br>(US\$ 8,250<br>thousand)   | 50,942<br>(US\$ 1,724<br>thousand)   | 50,679<br>(US\$ 1,715<br>thousand)<br>(Note 5) |
| Spirit Manufacturing Inc.           | Spirit Direct, LLC                             | America        | Import, export and selling   | 62,118<br>(US\$ 2,000<br>thousand)   | 62,118<br>(US\$ 2,000<br>thousand)   | -                                  | 100 | (35,417)<br>(US\$ -1,244<br>thousand) | (6,337)<br>(US\$ -214<br>thousand)   | (6,337)<br>(US\$ -214<br>thousand)             |
|                                     | Dyaco Commercial & Medical North America, LLC. | America        | Import, export and selling   | 6,092<br>(US\$ 200<br>thousand)      | 6,092<br>(US\$ 200<br>thousand)      | -                                  | 100 | 4,924<br>(US\$ 173<br>thousand)       | (28,771)<br>(US\$ -974<br>thousand)  | (28,771)<br>(US\$ -974<br>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.

Note 6: Eliminated from the consolidated financial statements.

**TABLE 8**

**DYACO INTERNATIONAL INC. AND SUBSIDIARIES**

**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<br>(US\$ 3,000 thousand) | Through an investment company registered in a third region (Note 1) | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ -                | \$ -   | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ 4,737<br>(HK\$ 1,244 thousand) | 100  | \$ 4,737<br>(HK\$ 1,244 thousand)             | \$ 175,160<br>(HK\$ 47,689 thousand)             | \$ -  |
|                          | Shelton Corporation (Jiaxing), Ltd.                             | Manufacturing and selling        | 659,471<br>(HK\$ 21,830 thousand)  | Through an investment company registered in a third region (Note 1) | 659,471<br>(US\$ 21,830 thousand)   | -                   | -      | 659,471<br>(HK\$ 21,830 thousand)   | 5,746<br>(HK\$ 1,508 thousand)    | 60   | (8,990)<br>(HK\$ -2,360 thousand)<br>(Note 3) | 679,354<br>(HK\$ 184,959 thousand)               | -   |
|                          | Dyaco Health Technology (Beijing) Co., Ltd.                     | Healthcare management consulting | 16,029<br>(RMB 3,500 thousand)     | Others (Note 4)   | -   | -                   | -      | Others (Note 4)   | (969)<br>(RMB -226 thousand)      | 100  | (969)<br>(RMB -226 thousand)                  | 9,872<br>(RMB 1,055 thousand)                    | -   |
|                          | Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | Healthcare management consulting | 12,807<br>(RMB 3,000 thousand)     | Others (Note 5)   | -   | -                   | -      | Others (Note 5)   | -                                 | 40   | -   | 5,252<br>(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<br>(US\$ 24,830 thousand)  | \$ 748,251<br>(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.

Note 7: Eliminated from the consolidated financial statements.

TABLE 9

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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 2)             | % (Note 1) |                        |      |
| 0   | Dyaco International Inc. | Dyaco (Shanghai) Trading Co., Ltd.<br>Shelton Corporation (Jiaxing), Ltd. | Sales<br>Purchase | \$ (254,033)<br>2,382,534 | 3<br>44    | Flexible<br>Flexible | Based on mutual agreement<br>Based on mutual agreement | \$ 162,661<br>(1,246,892)           | 4<br>44    | \$ 18,424<br>4,167     |      |

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

Note 2: Eliminated from the consolidated financial statements.



TABLE 10

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

| Year | No.<br>(Note 1) | Company                  | Investee Company                            | Relationship<br>(Note 2) | Transaction Details                               |                    |                           | % of Total<br>Sales or Assets<br>(Note 4) |
|------|-----------------|--------------------------|---|--------------------------|---|--------------------|---------------------------|---|
|      |                 |                          |   |                          | Financial Statement Accounts                      | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |   |
| 2020 | 0               | Dyaco International Inc. | Spirit Direct, LLC.                         | a                        | Accounts receivable from related parties          | \$ 5,086           | -                         | -   |
|      |                 |                          |   |                          | Sales   | 4,107              | -                         | -   |
|      |                 |                          |   |                          | Other operating revenue                           | 911                | -                         | -   |
|      |                 |                          | Fuel-Spirit International Inc.              | a                        | Other receivables from related parties            | 49,614             | -                         | -   |
|      |                 |                          |   |                          | Other payables to related parties                 | 16                 | -                         | -   |
|      |                 |                          |   |                          | Other revenue                                     | 63,556             | -                         | -   |
|      |                 |                          | Dyaco Japan Co., Ltd.                       | a                        | Sales   | 25,987             | -                         | -   |
|      |                 |                          |   |                          | Other operating revenue                           | 366                | -                         | -   |
|      |                 |                          |   |                          | Accounts receivable from related parties          | 13,171             | -                         | -   |
|      |                 |                          | Dyaco (Shanghai) Trading Co., Ltd.          | a                        | Other receivables from related parties            | 18,320             | -                         | -   |
|      |                 |                          |   |                          | Investments accounted for using the equity method | 2,757              | -                         | -   |
|      |                 |                          |   |                          | Sales   | 253,810            | -                         | 2   |
|      |                 |                          | Spirit Manufacturing Inc.                   | a                        | Other operating revenue                           | 223                | -                         | -   |
|      |                 |                          |   |                          | Accounts receivable from related parties          | 162,661            | -                         | 1   |
|      |                 |                          |   |                          | Investments accounted for using the equity method | 18,424             | -                         | -   |
|      |                 |                          | Dyaco Canada Inc.                           | a                        | Sales   | 4,950,615          | -                         | 38  |
|      |                 |                          |   |                          | Other operating revenue                           | 289,590            | -                         | 2   |
|      |                 |                          |   |                          | Other revenue                                     | 72,028             | -                         | 1   |
|      |                 |                          | Dyaco Europe GmbH                           | a                        | Accounts receivable from related parties          | 2,224,332          | -                         | 17  |
|      |                 |                          |   |                          | Other receivables from related parties            | 71,770             | -                         | 1   |
|      |                 |                          |   |                          | Investments accounted for using the equity method | 203,536            | -                         | 2   |
|      |                 |                          | Daan Health Management Consulting Co., Ltd. | a                        | Sales   | 316,396            | -                         | 2   |
|      |                 |                          |   |                          | Other operating revenue                           | 12                 | -                         | -   |
|      |                 |                          |   |                          | Accounts receivable from related parties          | 92,979             | -                         | 1   |
|      |                 |                          | Wing Long Co., Ltd.                         | a                        | Investments accounted for using the equity method | 22,071             | -                         | -   |
|      |                 |                          |   |                          | Sales   | 40,648             | -                         | -   |
|      |                 |                          |   |                          | Other operating revenue                           | 2                  | -                         | -   |
|      |                 |                          | Dyaco Europe GmbH                           | a                        | Interest revenue                                  | 1,137              | -                         | -   |
|      |                 |                          |   |                          | Other expenses                                    | 3,438              | -                         | -   |
|      |                 |                          |   |                          | Accounts receivable from related parties          | 36,091             | -                         | -   |
|      |                 |                          | Daan Health Management Consulting Co., Ltd. | a                        | Other receivables from related parties            | 26,039             | -                         | -   |
|      |                 |                          |   |                          | Investments accounted for using the equity method | 5,918              | -                         | -   |
|      |                 |                          |   |                          | Rental revenue                                    | 24                 | -                         | -   |
|      |                 |                          | Wing Long Co., Ltd.                         | a                        | Accounts receivable from related parties          | 4,091              | -                         | -   |
|      |                 |                          |   |                          | Accounts payable to related parties               | 1,134              | -                         | -   |
|      |                 |                          |   |                          | Sales   | 999                | -                         | -   |
|      |                 |                          | Wing Long Co., Ltd.                         | a                        | Other expenses                                    | 519                | -                         | -   |
|      |                 |                          |   |                          |   |                    |                           |   |
|      |                 |                          |   |                          |   |                    |                           |   |

(Continued)

| Year | No.<br>(Note 1) | Company                        | Investee Company                    | Relationship<br>(Note 2) | Transaction Details                               |                    |                           | % of Total<br>Sales or Assets<br>(Note 4) |
|------|-----------------|--------------------------------|-------------------------------------|--------------------------|---|--------------------|---------------------------|---|
|      |                 |                                |                                     |                          | Financial Statement Accounts                      | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |   |
|      |                 |                                | Dyaco UK Ltd.                       | a                        | Sales   | \$ 92,812          | -                         | 1   |
|      |                 |                                |                                     |                          | Interest revenue                                  | 2,399              | -                         | -   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 76,568             | -                         | 1   |
|      |                 |                                |                                     |                          | Other receivables from related parties            | 114,409            | -                         | 1   |
|      |                 |                                |                                     |                          | Investments accounted for using the equity method | 10,017             | -                         | -   |
|      |                 |                                | Shelton Corporation (Jiaxing), Ltd. | a                        | Sales   | 340                | -                         | -   |
|      |                 |                                |                                     |                          | Other operating revenue                           | 72                 | -                         | -   |
|      |                 |                                |                                     |                          | Cost of goods sold                                | 2,382,946          | -                         | 18  |
|      |                 |                                |                                     |                          | Accounts payable to related parties               | 1,246,892          | -                         | 9   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 191                | -                         | -   |
|      |                 |                                |                                     |                          | Inventories                                       | 209                | -                         | -   |
|      |                 |                                | CARDIO Fitness GmbH & Co. KG        | a                        | Accounts receivable from related parties          | 25,854             | -                         | -   |
|      |                 |                                |                                     |                          | Sales   | 45,430             | -                         | -   |
|      |                 |                                |                                     |                          | Other operating revenue                           | 2                  | -                         | -   |
|      |                 |                                |                                     |                          | Interest revenue                                  | 47                 | -                         | -   |
|      |                 |                                |                                     |                          | Investments accounted for using the equity method | 158                | -                         | -   |
|      |                 |                                | SOLE INC.                           | a                        | Other payables to related parties                 | 84,930             | -                         | 1   |
|      |                 |                                |                                     |                          | Other receivables from related parties            | 263                | -                         | -   |
|      |                 |                                | Fitness Equipment Services, LLC.    | a                        | Sales   | 1,275,871          | -                         | 10  |
|      |                 |                                |                                     |                          | Other operating revenue                           | 270,523            | -                         | 2   |
|      |                 |                                |                                     |                          | Other revenue                                     | 114,076            | -                         | 1   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 1,548,263          | -                         | 12  |
|      |                 |                                |                                     |                          | Other receivables from related parties            | 114,479            | -                         | 1   |
|      |                 |                                |                                     |                          | Investments accounted for using the equity method | 240,666            | -                         | 2   |
|      | 1               | Spirit Direct, LLC.            | Dyaco International Inc.            | b                        | Accounts payable to related parties               | 5,086              | -                         | -   |
|      |                 |                                |                                     |                          | Cost of goods sold                                | 5,018              | -                         | -   |
|      |                 |                                | Spirit Manufacturing Inc.           | c                        | Accounts payable to related parties               | 257                | -                         | -   |
|      |                 |                                |                                     |                          | Other payables to related parties                 | 36,739             | -                         | -   |
|      |                 |                                |                                     |                          | Cost of goods sold                                | 259                | -                         | -   |
|      | 2               | Fuel-Spirit International Inc. | Dyaco International Inc.            | b                        | Accounts payable to related parties               | 2,195              | -                         | -   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 16                 | -                         | -   |
|      |                 |                                |                                     |                          | Other payables to related parties                 | 47,419             | -                         | -   |
|      |                 |                                |                                     |                          | Other operating costs                             | 63,556             | -                         | -   |
|      |                 |                                | Dyaco Canada Inc.                   | c                        | Other operating revenue                           | 15,432             | -                         | -   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 6,123              | -                         | -   |
|      |                 |                                | Spirit Manufacturing Inc.           | c                        | Other operating revenue                           | 94,557             | -                         | 1   |
|      |                 |                                |                                     |                          | Accounts receivable from related parties          | 93,984             | -                         | 1   |
|      |                 |                                | Shelton Corporation (Jiaxing), Ltd. | c                        | Accounts payable to related parties               | 115,465            | -                         | 1   |
|      |                 |                                |                                     |                          | Cost of goods sold                                | 253,530            | -                         | 2   |
|      | 3               | Dyaco Japan Co., Ltd.          | Dyaco International Inc.            | b                        | Cost of goods sold                                | 26,342             | -                         | -   |
|      |                 |                                |                                     |                          | Other expense                                     | 11                 | -                         | -   |
|      |                 |                                |                                     |                          | Accounts payable to related parties               | 31,481             | -                         | -   |
|      |                 |                                |                                     |                          | Other payables to related parties                 | 10                 | -                         | -   |
|      |                 |                                |                                     |                          | Inventories                                       | 2,757              | -                         | -   |

(Continued)

| Year | No.<br>(Note 1) | Company                                     | Investee Company                            | Relationship<br>(Note 2) | Transaction Details                      |                    |                           | % of Total<br>Sales or Assets<br>(Note 4) |
|------|-----------------|---|---|--------------------------|--|--------------------|---------------------------|---|
|      |                 |   |   |                          | Financial Statement Accounts             | Amount<br>(Note 5) | Payment Terms<br>(Note 3) |   |
|      | 4               | Dyaco (Shanghai) Trading Co., Ltd.          | Dyaco International Inc.                    | b                        | Cost of goods sold                       | \$ 254,033         | -                         | 2   |
|      |                 |   |   |                          | Accounts payable to related parties      | 162,661            | -                         | 1   |
|      |                 |   |   |                          | Inventories                              | 18,424             | -                         | -   |
|      |                 |   | Shelton Corporation (Jiaxing), Ltd.         | c                        | Cost of goods sold                       | 103,712            | -                         | 1   |
|      |                 |   |   |                          | Accounts payable to related parties      | 40,448             | -                         | -   |
|      |                 |   |   |                          | Inventories                              | 4,045              | -                         | -   |
|      |                 |   | Dyaco Health Technology (Beijing) Co., Ltd. | c                        | Accounts receivable from related parties | 117                | -                         | -   |
|      |                 |   |   |                          | Other receivables from related parties   | 90                 | -                         | -   |
|      | 5               | Spirit Manufacturing Inc.                   | Dyaco International Inc.                    | b                        | Cost of goods sold                       | 5,240,205          | -                         | 40  |
|      |                 |   |   |                          | Other expenses                           | 72,028             | -                         | 1   |
|      |                 |   |   |                          | Accounts payable to related parties      | 2,224,332          | -                         | 17  |
|      |                 |   |   |                          | Other receivables from related parties   | 71,770             | -                         | 1   |
|      |                 |   |   |                          | Inventories                              | 203,536            | -                         | 2   |
|      |                 |   | Fuel-Spirit International Inc.              | c                        | Other expenses                           | 94,557             | -                         | 1   |
|      |                 |   |   |                          | Accounts payable to related parties      | 93,984             | -                         | 1   |
|      |                 |   | Dyaco Canada Inc.                           | c                        | Sales                                    | 11,367             | -                         | -   |
|      |                 |   | Spirit Direct, LLC.                         | c                        | Accounts receivable from related parties | 257                | -                         | -   |
|      |                 |   |   |                          | Other receivables from related parties   | 36,739             | -                         | -   |
|      |                 |   |   |                          | Sales                                    | 259                | -                         | -   |
|      |                 |   | Fitness Equipment Services, LLC.            | c                        | Sales                                    | 3,560,525          | -                         | 27  |
|      |                 |   |   |                          | Accounts receivable from related parties | 1,056,554          | -                         | 8   |
|      |                 |   |   |                          | Other receivables from related parties   | 24,846             | -                         | -   |
|      | 6               | Dyaco Canada Inc.                           | Dyaco International Inc.                    | b                        | Cost of goods sold                       | 316,408            | -                         | 2   |
|      |                 |   |   |                          | Accounts payable to related parties      | 92,979             | -                         | 1   |
|      |                 |   |   |                          | Inventories                              | 22,071             | -                         | -   |
|      |                 |   | Spirit Manufacturing Inc.                   | c                        | Cost of goods sold                       | 11,367             | -                         | -   |
|      |                 |   | Fuel-Spirit International Inc.              | c                        | Other expenses                           | 15,432             | -                         | -   |
|      |                 |   |   |                          | Other payables to related parties        | 6,123              | -                         | -   |
|      | 7               | Dyaco Europe GmbH                           | Dyaco International Inc.                    | b                        | Cost of goods sold                       | 40,650             | -                         | -   |
|      |                 |   |   |                          | Accounts payable to related parties      | 62,130             | -                         | -   |
|      |                 |   |   |                          | Inventories                              | 5,918              | -                         | -   |
|      |                 |   |   |                          | Other operating revenue                  | 3,438              | -                         | -   |
|      |                 |   |   |                          | Interest revenue                         | 1,137              | -                         | -   |
|      |                 |   | CARDIO Fitness GmbH & Co. KG                | c                        | Sales                                    | 10,553             | -                         | -   |
|      |                 |   |   |                          | Cost of goods sold                       | 231                | -                         | -   |
|      |                 |   |   |                          | Other operating revenue                  | 1,014              | -                         | -   |
|      |                 |   |   |                          | Other expenses                           | 868                | -                         | -   |
|      |                 |   |   |                          | Accounts receivable from related parties | 11,420             | -                         | -   |
|      |                 |   |   |                          | Accounts payable to related parties      | 85                 | -                         | -   |
|      |                 |   | Dyaco UK Ltd.                               | c                        | Sales                                    | 1,177              | -                         | -   |
|      |                 |   |   |                          | Cost of goods sold                       | 2,361              | -                         | -   |
|      | 8               | Daan Health Management Consulting Co., Ltd. | Dyaco International Inc.                    | b                        | Rental expenses                          | 24                 | -                         | -   |

(Continued)

| Year | No.<br>(Note 1) | Company                                     | Investee Company   | Relationship<br>(Note 2) | Transaction Details   |  |   | % of Total<br>Sales or Assets<br>(Note 4)           |
|------|-----------------|---|--|--------------------------|---|--|---|---|
|      |                 |   |  |                          | Financial Statement Accounts  | Amount<br>(Note 5)   | Payment Terms<br>(Note 3)                           |   |
|      | 9               | CARDIO Fitness GmbH & Co. KG                | Dyaco International Inc.<br><br>Dyaco Europe GmbH  | b<br><br>c               | Accounts payable to related parties<br>Cost of goods sold<br>Interest expense<br>Inventories<br>Cost of goods sold<br>Sales<br>Other operating revenue<br>Other expenses<br>Other revenue<br>Accounts payable to related parties<br>Accounts receivable from related parties        | \$ 25,854<br>45,432<br>47<br>158<br>10,599<br>233<br>525<br>968<br>341<br>11,420<br>85         | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- |
|      | 10              | Wing Long Co., Ltd.                         | Dyaco International Inc.   | b                        | Accounts payable to related parties<br>Accounts receivable from related parties<br>Cost of goods sold<br>Sales  | 4,091<br>1,134<br>999<br>519   | -<br>-<br>-<br>-                                    | -<br>-<br>-<br>-                                    |
|      | 11              | Dyaco UK Ltd.                               | Dyaco International Inc.<br><br>Dyaco Europe GmbH  | b<br><br>c               | Cost of goods sold<br>Other expense<br>Accounts payable to related parties<br>Inventories<br>Cost of goods sold<br>Sales  | 92,812<br>2,399<br>190,977<br>10,017<br>1,177<br>2,361   | -<br>-<br>-<br>-<br>-<br>-                          | 1<br>-<br>1<br>-<br>-<br>-                          |
|      | 12              | Shelton Corporation (Jiaxing), Ltd.         | Dyaco International Inc.<br><br>Fuel-Spirit International Inc.<br>Dyaco (Shanghai) Trading Co., Ltd. | b<br><br>c<br>c          | Sales<br>Accounts receivable from related parties<br>Accounts payable to related parties<br>Other payables to related parties<br>Cost of goods sold<br>Accounts receivable from related parties<br>Sales<br>Accounts receivable from related parties<br>Sales<br>Cost of goods sold | 2,382,534<br>1,246,892<br>188<br>13<br>209<br>115,465<br>253,530<br>40,448<br>103,712<br>4,045 | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-      | 18<br>9<br>-<br>-<br>-<br>1<br>2<br>-<br>1<br>-     |
|      | 13              | Dyaco Health Technology (Beijing) Co., Ltd. | Dyaco (Shanghai) Trading Co., Ltd.   | c                        | Other payables to related parties   | 207  | -   | -   |
|      | 14              | Fitness Equipment Services, LLC.            | Dyaco International Inc.<br><br>Spirit Manufacturing Inc.<br>SOLE INC.                               | b<br><br>c<br>c          | Cost of goods sold<br>Other expense<br>Accounts payable to related parties<br>Other payables to related parties<br>Inventories<br>Cost of goods sold<br>Accounts payable to related parties<br>Other receivables from related parties   | 1,546,394<br>114,076<br>1,548,263<br>114,479<br>240,666<br>3,560,525<br>1,081,400<br>9,219     | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-                | 12<br>1<br>12<br>1<br>2<br>27<br>8<br>-             |
|      | 15              | SOLE INC.                                   | Dyaco International Inc.<br>Fitness Equipment Services, LLC.   | b<br>c                   | Other receivables from related parties<br>Other payables to related parties<br>Other payables to related parties  | 84,930<br>263<br>9,219   | -<br>-<br>-   | 1<br>-<br>-   |

(Continued)

Note 1: Companies are numbered as follows:

- a. The parent is numbered as “0.”
- b. Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

- a. From the parent to the subsidiary.
- b. From the subsidiary to the parent.
- c. From the subsidiary to the subsidiary.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 11****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.

## **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       | %   |
| CURRENT ASSETS  |               |     |              |     |
| 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  | 6,448,880     | 59  | 2,580,856    | 43  |
| NON-CURRENT ASSETS  |               |     |              |     |
| 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  | 4,519,121     | 41  | 3,467,422    | 57  |
| TOTAL   | \$ 10,968,001 | 100 | \$ 6,048,278 | 100 |
| LIABILITIES AND EQUITY  |               |     |              |     |
| CURRENT LIABILITIES   |               |     |              |     |
| 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   | 4,991,086     | 46  | 3,203,247    | 53  |
| NON-CURRENT LIABILITIES   |               |     |              |     |
| 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   | 1,463,739     | 13  | 950,886      | 16  |
| Total liabilities   | 6,454,825     | 59  | 4,154,133    | 69  |
| EQUITY (Note 23)  |               |     |              |     |
| Share capital   |               |     |              |     |
| Ordinary shares   | 1,311,496     | 12  | 961,009      | 16  |
| Advance share capital   | 15,027        | -   | -            | -   |
| Total share capital   | 1,326,523     | 12  | 961,009      | 16  |
| Capital surplus   | 1,986,005     | 18  | 758,304      | 13  |
| 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   | 1,648,927     | 15  | 452,985      | 7   |
| Other equity  | (175,628)     | (2) | (105,813)    | (2) |
| Treasury shares   | (272,651)     | (2) | (172,340)    | (3) |
| Total equity  | 4,513,176     | 41  | 1,894,145    | 31  |
| TOTAL   | \$ 10,968,001 | 100 | \$ 6,048,278 | 100 |

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<br>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       |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |              |            |
| 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   | 233,195      | 536,683    |

(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>    |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>(4,740)</u>     | <u>(7,754)</u>    |
| <b>NET INCREASE IN CASH</b>   | <u>125,804</u>     | <u>407,487</u>    |
| <b>CASH, BEGINNING OF THE YEAR</b>  | <u>559,096</u>     | <u>151,609</u>    |
| <b>CASH, END OF THE YEAR</b>  | <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

| New IFRSs   | Effective Date<br>Announced by IASB                 |
|---|---|
| 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<br/>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

|                                       | December 31       |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2020              | 2019              |
| 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:

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

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

|   | <b>December 31</b> |                 |
|---|--------------------|-----------------|
|   | <b>2020</b>        | <b>2019</b>     |
| <u>Financial assets mandatorily classified as at FVTPL</u>    |                    |                 |
| Derivative financial assets (not under hedge accounting)      |                    |                 |
| Convertible bonds options (Note 19)                           | \$ 2,593           | \$ -            |
| <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                            | -                  | 650             |
|   | <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:

|                                    | <b>Currency</b> | <b>Maturity Date</b>  | <b>Notional Amount<br/>(In Thousands)</b> |
|------------------------------------|-----------------|-----------------------|---|
| <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

|                                  | <b>December 31</b> |                  |
|----------------------------------|--------------------|------------------|
|                                  | <b>2020</b>        | <b>2019</b>      |
| <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

|                                     | <b>December 31</b> |                  |
|-------------------------------------|--------------------|------------------|
|                                     | <b>2020</b>        | <b>2019</b>      |
| <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) | (62)              | (88)              | (26)           | (25)            | (56)            | (83,781)                                  | (84,038)          |
| 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) | (96)             | (38)              | (43)           | (589)           | (343)           | (84,149)                                  | (85,258)         |
| 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

|                  | <b>December 31</b> |                   |
|------------------|--------------------|-------------------|
|                  | <b>2020</b>        | <b>2019</b>       |
| 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

|                       | <b>December 31</b> |                  |
|-----------------------|--------------------|------------------|
|                       | <b>2020</b>        | <b>2019</b>      |
| 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

|                     | <b>December 31</b> |                   |
|---------------------|--------------------|-------------------|
|                     | <b>2020</b>        | <b>2019</b>       |
| 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:

|                     | <b>December 31</b> |             |
|---------------------|--------------------|-------------|
|                     | <b>2020</b>        | <b>2019</b> |
| 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

|  | December 31                                      |                     |
|--|--|---------------------|
|  | 2020   | 2019                |
| 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<br>Equipment | Transportatio<br>n Equipment | Office<br>Equipment | Leasehold<br>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

### Completed Investment Properties

#### Cost

|                              |               |
|------------------------------|---------------|
| Balance at January 1, 2019   | \$ -          |
| Reclassification             | <u>24,886</u> |
| Balance at December 31, 2019 | <u>24,886</u> |

#### Accumulated depreciation

|                              |              |
|------------------------------|--------------|
| 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> |
|--------------------------------------|------------------|

#### Cost

|  |                  |
|--|------------------|
| Balance at January 1, 2020 and December 31, 2020 | <u>\$ 24,886</u> |
|--|------------------|

#### Accumulated depreciation

|                              |              |
|------------------------------|--------------|
| 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:

|        | <b>December 31</b> |                 |
|--------|--------------------|-----------------|
|        | <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

|                                       | Computer<br>Software | Royalty          | Total             |
|---------------------------------------|----------------------|------------------|-------------------|
| <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

|                         | December 31         |                     |
|-------------------------|---------------------|---------------------|
|                         | 2020                | 2019                |
| 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

|                           | December 31       |                   |
|---------------------------|-------------------|-------------------|
|                           | 2020              | 2019              |
| <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

|                                    | December 31       |                  |
|------------------------------------|-------------------|------------------|
|                                    | 2020              | 2019             |
| 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

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2020</b>        | <b>2019</b>       |
| <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<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>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<br>included in net interest) | -  | (309)                                    | (309)  |
| Actuarial loss - changes in financial<br>assumptions                  | 767  | -  | 767  |
| Actuarial gain - changes in demographic<br>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<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>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<br>included in net interest) | -  | (312)                                    | (312)  |
| Actuarial loss - changes in financial<br>assumptions                  | 1,357  | -  | 1,357  |
| Actuarial loss - changes in demographic<br>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><br>(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                      | \$ (767)           | \$ (767)    |
| 0.25% decrease                      | \$ 796             | \$ 798      |
| Expected rate(s) of salary increase |                    |             |
| 0.25% increase                      | \$ 781             | \$ 786      |
| 0.25% decrease                      | \$ (756)           | \$ (759)    |

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 | \$ 505             | \$ 367      |
| 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)            | 200,000            | 150,000      |
| Share capital authorized                              | \$ 2,000,000       | \$ 1,500,000 |
| Number of shares issued and fully paid (in thousands) | 131,149            | 96,100       |
| Ordinary shares issued                                | \$ 1,311,496       | \$ 961,009   |

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

|  | <b>December 31</b>  |                   |
|--|---------------------|-------------------|
|  | <b>2020</b>         | <b>2019</b>       |
| <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:

|   | <b>Issuance of Ordinary Shares</b> | <b>Convertible Bond Premium</b> | <b>Treasury Shares Transaction</b> | <b>Conversion of Employee Share Options</b> | <b>Conversion of Bond-options</b> | <b>Employee Share Options</b> | <b>Employee Share Options in Subsidiaries</b> |
|---|------------------------------------|---------------------------------|------------------------------------|---|-----------------------------------|-------------------------------|---|
| 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:

|                       | Appropriation of Earnings |           | Dividends Per Share<br>(NT\$) |         |
|-----------------------|---------------------------|-----------|-------------------------------|---------|
|                       | 2019                      | 2018      | 2019                          | 2018    |
| 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<br/>of Earnings</b> | <b>Dividends Per<br/>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<br/>Transferred to<br/>Employees<br/>(In Thousands<br/>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,<br>2020 | December 31,<br>2019 | January 1, 2019 |
|---|----------------------|----------------------|-----------------|
| Notes receivable (Note 9)                             | \$ 1,829             | \$ 1,232             | \$ 3,799        |
| Accounts receivable (Note 9)                          | \$ 142,678           | \$ 93,313            | \$ 99,424       |
| Accounts receivable from related parties<br>(Note 33) | \$ 4,189,287         | \$ 1,061,571         | \$ 1,074,821    |
| Contract liabilities                                  |                      |                      |                 |
| Sale of goods   | \$ 29,640            | \$ 4,191             | \$ 7,241        |

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:

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

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>For the Year Ended December 31</b> |             |
|--|---------------------------------------|-------------|
|  | <b>2020</b>                           | <b>2019</b> |
| Profit before tax  | \$ 1,602,281                          | \$ 241,378  |
| 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 | (19,059)                              | 2,255       |
| Income tax expense recognized in profit or loss                    | \$ 281,172                            | \$ 52,377   |

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

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<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>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)

|   | <b>Opening<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b>       |
|---|----------------------------|---|---|----------------------------------|
| Defined benefit obligations                           | \$ 3,944                   | \$ (34)                                     | \$ 212  | \$ 4,122                         |
| Unrealized financial instrument<br>loss, net          | -                          | 116   | -   | 116                              |
| Unrealized foreign exchange loss,<br>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<br>the equity method | \$ 72,930                  | \$ 36,157                                   | \$ -  | \$ 109,087                       |
| Unrealized financial instrument<br>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><br>(Concluded) |

For the year ended December 31, 2019

|   | <b>Opening<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b>       |
|---|----------------------------|---|---|----------------------------------|
| <u>Deferred tax assets</u>                            |                            |   |   |                                  |
| Temporary differences                                 |                            |   |   |                                  |
| Deferred revenue                                      | \$ 25,183                  | \$ (7,293)                                  | \$ -  | \$ 17,890                        |
| Investment loss recognized under<br>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<br>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><br>(Continued) |

|   | Opening<br>Balance | Recognized<br>in Profit or<br>Loss | Recognized<br>in Other<br>Compre-<br>hensive<br>Income | Closing<br>Balance              |
|---|--------------------|------------------------------------|--|---------------------------------|
| <u>Deferred tax liabilities</u>                       |                    |                                    |  |                                 |
| Temporary differences                                 |                    |                                    |  |                                 |
| Investment gain recognized under<br>the equity method | \$ 50,568          | \$ 22,362                          | \$ -   | \$ 72,930                       |
| Unrealized financial instrument<br>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><br>(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> |                   |
|--|---------------------------------------|-------------------|
|  | <u>2020</u>                           | <u>2019</u>       |
| 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<br>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> |                |
|---|---------------------------------------|----------------|
|   | <u>2020</u>                           | <u>2019</u>    |
| Weighted average number of ordinary shares used in the<br>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<br>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:

|  | For the Year Ended December 31                     |   |  |   |
|--|--|---|--|---|
|  | 2020   |   | 2019   |   |
| Employee Share Options                                 | Number of<br>Options (In<br>Thousands of<br>Units) | Weighted-<br>average<br>Exercise<br>Price<br>(\$) | Number of<br>Options (In<br>Thousands of<br>Units) | Weighted-<br>average<br>Exercise<br>Price<br>(\$) |
| 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<br>granted (\$) | <u>\$ 10.42</u>                                    |   | <u>\$ 10.42</u>                                    |   |

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

|  | December 31 |         |
|--|-------------|---------|
|  | 2020        | 2019    |
| 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>For the Year Ended<br/>December 31, 2020</b>              |  |
|---|--|--|
| <b>Employee Share Options</b>                       | <b>Number of<br/>Options (In<br/>Thousands of<br/>Units)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>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>-</u></u>  |  |
| Options exercisable, end of period                  | <u><u>-</u></u>  |  |
| Weighted-average fair value of options granted (\$) | <u><u>\$ 29.70</u></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>For the Year Ended<br/>December 31, 2020</b>              |  |
|---|--|--|
| <b>Employee Share Options</b>                       | <b>Number of<br/>Options (In<br/>Thousands of<br/>Units)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price (\$)</b> |
| Balance at January 1                                | -  | \$ -   |
| Options granted                                     | <u>748</u>   | 30.54  |
| Balance at December 31                              | <u>748</u>   |  |
| Options exercisable, end of period                  | <u>748</u>   |  |
| Weighted-average fair value of options granted (\$) | <u>\$ 82.46</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

|                                | <b>Opening<br/>Balance</b> | <b>Cash Flows</b> | <b>Non-cash Changes</b>     |                             |                  | <b>Closing<br/>Balance</b> |
|--------------------------------|----------------------------|-------------------|-----------------------------|-----------------------------|------------------|----------------------------|
|                                |                            |                   | <b>Assets<br/>Component</b> | <b>Equity<br/>Component</b> | <b>Interests</b> |                            |
| 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<br>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<br>Balance  | Cash Flows        | Non-cash Changes |                     |                 | Closing<br>Balance  |
|--------------------------------|---------------------|-------------------|------------------|---------------------|-----------------|---------------------|
|                                |                     |                   | New Leases       | Equity<br>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<br>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<br>Amount | Fair Value |            |         |            |
|--|--------------------|------------|------------|---------|------------|
|  |                    | Level 1    | Level 2    | Level 3 | Total      |
| <u>Financial liabilities</u>               |                    |            |            |         |            |
| Financial liabilities at<br>amortized cost |                    |            |            |         |            |
| Convertible bonds                          | \$ 462,372         | \$ -       | \$ 466,792 | \$ -    | \$ 466,792 |

December 31, 2019

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

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

|   | Financial Assets at FVTOCI |
|---|----------------------------|
| <u>Financial assets</u>   |                            |
| 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  | \$ 41,141                  |

For the year ended December 31, 2019

|   | <b>Financial Assets<br/>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<br>- 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<br>- put options   | Binomial-tree model for convertible bond pricing:<br><br>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> |             |
|---|--------------------|-------------|
|   | <u>2020</u>        | <u>2019</u> |
| <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

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

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

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

December 31, 2019

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

| <b>Related Party</b>                           | <b>Relationship with the Corporation</b>               |
|--|--|
| 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 (Jiaxing), Ltd.            | Indirect subsidiary                                    |
| Fitness Equipment Services LLC.                | Indirect subsidiary since February 2020<br>(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

| <b>Line Item</b> | <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |                     |
|------------------|------------------------------------|---------------------------------------|---------------------|
|                  |                                    | <b>2020</b>                           | <b>2019</b>         |
|                  | <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

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

d. Operation expense - advertising

| <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>\$ 3,438</u>                       | <u>\$ -</u> |

e. Operation expense - others

| <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>\$ 519</u>                         | <u>\$ 606</u> |

f. Other income and expense - product service income

| Related Party Category/Name      | For the Year Ended December 31 |                  |
|----------------------------------|--------------------------------|------------------|
|                                  | 2020                           | 2019             |
| <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

| Related Party Category/Name | For the Year Ended December 31 |             |
|-----------------------------|--------------------------------|-------------|
|                             | 2020                           | 2019        |
| <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

| Related Party Category/Name | For the Year Ended December 31 |              |
|-----------------------------|--------------------------------|--------------|
|                             | 2020                           | 2019         |
| <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

| Related Party Category/Name        | December 31         |                     |
|------------------------------------|---------------------|---------------------|
|                                    | 2020                | 2019                |
| <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

| Related Party Category/Name      | December 31       |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2020              | 2019              |
| <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

| Related Party Category/Name         | December 31         |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | 2020                | 2019              |
| <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

| Related Party Category/Name    | December 31      |               |
|--------------------------------|------------------|---------------|
|                                | 2020             | 2019          |
| <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

|                              | Foreign<br>Currencies | Exchange Rate     | Carrying<br>Amount |
|------------------------------|-----------------------|-------------------|--------------------|
| <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

|                              | Foreign<br>Currencies | Exchange Rate     | Carrying<br>Amount |
|------------------------------|-----------------------|-------------------|--------------------|
| <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

TABLE 1

## 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<br>(JPY 71,316 thousand)      | \$ 18,320<br>(JPY 66,306 thousand) | \$ 18,320<br>(JPY 66,306 thousand) | -             | Business transaction | \$ 26,175                   | -                               | \$ -                          | -          | \$ -  | \$ 26,175<br>(Note 2)                      | \$ 1,805,270<br>(Note 4)                    |      |
|     |                           | Dyaco Europe GmbH                | Other receivables from related parties | Yes             | 58,970<br>(EUR 1,684 thousand)          | 25,921<br>(EUR 740 thousand)       | 25,921<br>(EUR 740 thousand)       | -             | Business transaction | 59,902                      | -                               | -                             | -          | -     | 59,902<br>(Note 2)                         | 1,805,270<br>(Note 4)                       |      |
|     |                           | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 14,245<br>(EUR 407 thousand)            | -                                  | -                                  | -             | Business transaction | 45,573                      | -                               | -                             | -          | -     | 45,573<br>(Note 2)                         | 1,805,270<br>(Note 4)                       |      |
|     |                           | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 17,510<br>(EUR 500 thousand)            | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 1,805,270<br>(Note 1)                      | 1,805,270<br>(Note 4)                       |      |
|     |                           | Dyaco UK Ltd.                    | Other receivables from related parties | Yes             | 19,450<br>(GBP 500 thousand)            | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 1,805,270<br>(Note 1)                      | 1,805,270<br>(Note 4)                       |      |
|     |                           | Dyaco UK Ltd.                    | Other receivables from related parties | Yes             | 143,456<br>(GBP 3,688 thousand)         | 111,910<br>(GBP 2,877 thousand)    | 111,910<br>(GBP 2,877 thousand)    | -             | Business transaction | 191,910                     | -                               | -                             | -          | -     | 191,910<br>(Note 2)                        | 1,805,270<br>(Note 4)                       |      |
| 1   | Dyaco Europe GmbH         | CARDIO Fitness GmbH & Co. KG     | Other receivables from related parties | Yes             | 9,455<br>(EUR 270 thousand)             | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 85,893<br>(Note 3)                         | 85,893<br>(Note 3)                          |      |
| 2   | SOLE INC.                 | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes             | 85,440<br>(US\$ 3,000 thousand)         | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 202,113<br>(Note 3)                        | 202,113<br>(Note 3)                         |      |
| 3   | Spirit Manufacturing Inc. | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes             | 256,320<br>(US\$ 9,000 thousand)        | -                                  | -                                  | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 338,586<br>(Note 3)                        | 338,586<br>(Note 3)                         |      |
|     |                           | Spirit Direct, LLC.              | Other receivables from related parties | Yes             | 2,848<br>(US\$ 100 thousand)            | 2,848<br>(US\$ 100 thousand)       | 2,848<br>(US\$ 100 thousand)       | -             | Short-term financing | -                           | Operating turnover              | -                             | -          | -     | 338,586<br>(Note 3)                        | 338,586<br>(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.

TABLE 2

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<br>Endorsement/<br>Guarantee<br>Provided to Each<br>Guaranteed<br>Party (Note 1) | Maximum<br>Balance for the<br>Period<br>(Note 2) | Ending Balance<br>(Note 2)          | Amount Actually<br>Drawn           | Amount of<br>Endorsement/<br>Guarantee<br>Collateralized by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Worth in Latest<br>Financial<br>Statements (%) | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowable<br>(Note 1) | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries<br>(Note 3) | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent<br>(Note 3) | Endorsement/<br>Guarantee Given<br>on Behalf of<br>Companies in<br>Mainland China<br>(Note 3) | Note |
|-----|--------------------------|-------------------------------------|----------------------------|--|--|-------------------------------------|------------------------------------|---|---|---|--|--|---|------|
|     |                          | Name                                | Relationship               |  |  |                                     |                                    |   |   |   |  |  |   |      |
| 0   | Dyaco International Inc. | Fuel-Spirit International Inc.      | Indirectly held subsidiary | \$ 2,256,588   | \$ 25,632<br>(US\$ 900<br>thousand)              | \$ 25,632<br>(US\$ 900<br>thousand) | \$ -                               | \$ -  | 0.57  | \$ 2,256,588  | Y  | -  | -   |      |
|     |                          | Shelton Corporation (Jiaying), Ltd. | Indirectly held subsidiary | 451,318  | 56,960<br>(US\$ 2,000<br>thousand)               | 56,960<br>(US\$ 2,000<br>thousand)  | 28,480<br>(US\$ 1,000<br>thousand) | -   | 1.26  | 451,318   | Y  | -  | Y   |      |
|     |                          | Dyaco UK Ltd.                       | Directly held subsidiary   | 2,256,588  | 1,167<br>(GBP 30<br>thousand)                    | 1,167<br>(GBP 30<br>thousand)       | 449<br>(GBP 12<br>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.

**TABLE 3**

**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<br>(US\$ 1,000 thousand) | 10.0                    | \$ 32,556<br>(US\$ 1,000 thousand) | Note 1 |
|                                    | Uniigym Global Holdings Limited.                       | -            | Financial assets at fair value through other comprehensive income (FVTOCI) | -                 | 8,585<br>(US\$ 300 thousand)       | 2.5                     | 8,585<br>(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<br>(RMB 1,162 thousand)      | 2.5                     | 5,087<br>(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<br>(RMB 1,128 thousand)      | 9.0                     | 4,936<br>(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.

TABLE 4

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/<br>Sale   | Amount       | % to Total<br>(Note) | Payment Terms | Unit Price                                   | Payment Terms | Ending Balance                      | % to Total<br>(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 (Jiaxing), 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 (Jiaxing), 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 (Jiaxing), 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 (Jiaxing), 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)



**TABLE 6**

**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.<br>Fitness Equipment Services, LLC.<br>Dyaco (Shanghai) Trading Co., Ltd. | Indirectly held subsidiary                  | Accounts receivable            | \$ 2,224,332   | 3.47%         | \$ -    | -             | \$ 1,503,244                         | \$ -                          |
|                                     |   | Indirectly held subsidiary                  | Accounts receivable            | 1,548,263      | 2.00%         | -       | -             | 339,852                              | -                             |
|                                     |   | 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.<br>Fuel Spirit International Inc.  | Ultimate parent                             | Accounts receivable            | 1,246,892      | 2.80%         | -       | -             | 1,015,764                            | -                             |
|                                     |   | 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.

**TABLE 7**

**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)<br>of the Investee | Share of Profit<br>(Loss)<br>(Note 1)          |
|-------------------------------------|--|----------------|------------------------------|--------------------------------------|--------------------------------------|------------------------------------|-----|---------------------------------------|--------------------------------------|--|
|                                     |  |                |                              | December 31, 2020                    | December 31, 2019                    | Number of Shares<br>(In Thousands) | %   | Carrying Amount<br>(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<br>(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<br>(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<br>(EUR 6,296<br>thousand)   | 216,813<br>(EUR 6,296<br>thousand)   | -                                  | 100 | 84,372<br>(EUR 2,409<br>thousand)     | 29,936<br>(EUR 888<br>thousand)      | 25,278<br>(EUR 750<br>thousand)<br>(Note 4)    |
|                                     | CARDIO fitness Verwaltungs GmbH                | Germany        | Investment                   | 977<br>(EUR 29<br>thousand)          | 977<br>(EUR 29<br>thousand)          | -                                  | 100 | 973<br>(EUR 28<br>thousand)           | (28)<br>(EUR -1)                     | (28)<br>(EUR -1)                               |
| SOLE INC.                           | Fitness Equipment Services, LLC.               | America        | Import, export and selling   | 63,262<br>(US\$ 2,100<br>thousand)   | -                                    | -                                  | 100 | 139,241<br>(US\$ 4,889<br>thousand)   | 78,946<br>(US\$ 2,672<br>thousand)   | 78,946<br>(US\$ 2,672<br>thousand)             |
| Dyaco International Holding Limited | Fuel Spirit International Inc.                 | Mauritius      | Import, export and selling   | 379,727<br>(US\$ 12,400<br>thousand) | 379,727<br>(US\$ 12,400<br>thousand) | 12,400,000                         | 100 | 679,733<br>(HK\$ 185,062<br>thousand) | 146,196<br>(HK\$ 38,382<br>thousand) | 146,196<br>(HK\$ 38,382<br>thousand)           |
| Fuel Spirit International Inc.      | Spirit Manufacturing Inc.                      | America        | Import, export and selling   | 265,734<br>(US\$ 8,890<br>thousand)  | 265,734<br>(US\$ 8,890<br>thousand)  | 1,667.50                           | 100 | 297,801<br>(US\$ 11,889<br>thousand)  | 75,206<br>(US\$ 2,545<br>thousand)   | 75,206<br>(US\$ 2,545<br>thousand)             |
|                                     | Dyaco Canada Inc.                              | Canada         | Import, export and selling   | 271,752<br>(US\$ 9,058<br>thousand)  | 271,752<br>(US\$ 9,058<br>thousand)  | 1,000                              | 100 | 234,956<br>(US\$ 8,250<br>thousand)   | 50,942<br>(US\$ 1,724<br>thousand)   | 50,679<br>(US\$ 1,715<br>thousand)<br>(Note 5) |
| Spirit Manufacturing Inc.           | Spirit Direct, LLC                             | America        | Import, export and selling   | 62,118<br>(US\$ 2,000<br>thousand)   | 62,118<br>(US\$ 2,000<br>thousand)   | -                                  | 100 | (35,417)<br>(US\$ -1,244<br>thousand) | (6,337)<br>(US\$ -214<br>thousand)   | (6,337)<br>(US\$ -214<br>thousand)             |
|                                     | Dyaco Commercial & Medical North America, LLC. | America        | Import, export and selling   | 6,092<br>(US\$ 200<br>thousand)      | 6,092<br>(US\$ 200<br>thousand)      | -                                  | 100 | 4,924<br>(US\$ 173<br>thousand)       | (28,771)<br>(US\$ -974<br>thousand)  | (28,771)<br>(US\$ -974<br>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.

**TABLE 8**

**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<br>(US\$ 3,000 thousand) | Through an investment company registered in a third region (Note 1) | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ -                | \$ -   | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ 4,737<br>(HK\$ 1,244 thousand) | 100  | \$ 4,737<br>(HK\$ 1,244 thousand)             | \$ 175,160<br>(HK\$ 47,689 thousand)             | \$ -  |
|                          | Shelton Corporation (Jiaxing), Ltd.                             | Manufacturing and selling        | 659,471<br>(HK\$ 21,830 thousand)  | Through an investment company registered in a third region (Note 1) | 659,471<br>(US\$ 21,830 thousand)   | -                   | -      | 659,471<br>(HK\$ 21,830 thousand)   | 5,746<br>(HK\$ 1,508 thousand)    | 60   | (8,990)<br>(HK\$ -2,360 thousand)<br>(Note 3) | 679,354<br>(HK\$ 184,959 thousand)               | -   |
|                          | Dyaco Health Technology (Beijing) Co., Ltd.                     | Healthcare management consulting | 16,029<br>(RMB 3,500 thousand)     | Others (Note 4)   | -   | -                   | -      | Others (Note 4)   | (969)<br>(RMB -226 thousand)      | 100  | (969)<br>(RMB -226 thousand)                  | 9,872<br>(RMB 1,055 thousand)                    | -   |
|                          | Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | Healthcare management consulting | 12,807<br>(RMB 3,000 thousand)     | Others (Note 5)   | -   | -                   | -      | Others (Note 5)   | -                                 | 40   | -   | 5,252<br>(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<br>(US\$ 24,830 thousand)  | \$ 748,251<br>(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.

**TABLE 9**

**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.<br>Shelton Corporation (Jiaxing), Ltd. | Sales<br>Purchase | \$ (254,033)<br>2,382,534 | 3<br>44    | Flexible<br>Flexible | Based on mutual agreement<br>Based on mutual agreement | \$ 162,661<br>(1,246,892)           | 4<br>44    | \$ 18,424<br>4,167     |      |

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

**TABLE 10****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.

*dyaco*

岱宇國際

Stock code: 1598

Dyaco International Inc.  
岱宇國際股份有限公司