

dyaco

岱宇國際

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Dyaco International Inc.
岱宇國際股份有限公司

2023 ANNUAL REPORTS



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Attachment 1 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.

Attachment 2 Parent Financial Report audited by CPA in the most recent year.

I. Letter to Shareholders

Dear shareholders:

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

In 2023, factors such as high interest rates, elevated inflation, and weaker-than-expected post-pandemic economic performance in China contributed to a global slowdown in demand for end products. This slowdown was further exacerbated by a deceleration in manufacturing activities across various countries. Additionally, the expansion of the US-China chip embargo, the Russia-Ukraine conflict, and the ongoing tensions in the Middle East have contributed to geopolitical tensions characterized by bloc confrontations, further impacting global economic development and social stability. Looking ahead to 2024, both the United States and China, the two major economies, continue to face challenges in consumption and investment. While other major economies, such as Europe, are expected to recover, the economic performance of emerging markets and developing economies surpasses that of 2023. However, the weak economic situation of the United States and China is unlikely to maintain, and therefore, international forecasting institutions believe that while global economic growth in 2024 will be slightly lower than 2023, but nevertheless, there is still an expectation of a revival in global commodity trade. This will help stabilize Taiwan's foreign trade performance.

Dyaco Group must comprehensively transform and enhance its competitiveness, including accelerating product development, responsiveness to market changes, responding to user needs, promoting employee innovation, and improving operational efficiency, which are our urgent goals. Here is a report on the 2022 business results, the 2023 business plan, and future development strategies:

1.1 The business of 2023

1.1.1 Business Plan Implementation Results

The global fitness equipment sales market has been suppressed due to the global economic downturn, industry inventory adjustments, and continuous price increases that have made consumers more cautious in their spending behavior. Despite these challenges, Dyaco remains committed to business growth. In the 2023 fiscal year, overall operating revenue increased by 9% compared to the same period last year. However, due to rising expenses and market competition, the expense ratio did not decrease, resulting in a net loss of NT\$110 million after tax, with a loss per share of NT\$0.88.

1.1.2 Budget Implementation Status

The Company did not disclose financial forecasts for 2023, the overall operating performance was affected by the economic environment and market competition, and did not meet the Company's internally formulated business plans.

1.1.3 Financial Income and Profit Analysis

1. Financial Income

Unit: NT \$1,000

| | 2023 | | 2022 | | Increase (Decrease) |
|-------------------------------------|-----------|------|-----------|--------|------------------------|
| | Amount | % | Amount | Amount | % |
| Net Operating Revenue | 7,786,471 | 100% | 7,122,411 | 100% | 9% |
| Operating Costs | 5,119,386 | 66% | 5,037,256 | 71% | 2% |
| Gross Profit | 2,667,085 | 34% | 2,085,155 | 29% | 28% |
| Operating Expenses | 2,765,508 | 36% | 2,441,738 | 34% | 13% |
| Other Operating Income and Expenses | -1,182 | 0% | -27,647 | 0% | -96% |
| Profit (Loss) from Operations | -99,605 | -1% | -384,230 | -5% | -74% |
| Non-Operating Income and Expenses | -69,826 | -1% | 303,169 | 4% | -123% |
| Profit (Loss) before Income Tax | -169,431 | -2% | -81,061 | -1% | 109% |
| Income Tax Expenses (Benefit) | 59,059 | 1% | -13,622 | 0% | -534% |
| Net Income (Loss) | -110,372 | -1% | -94,683 | -1% | 17% |

2. Profitability analysis

| Item | | 2023 | 2022 |
|-------------------|-------------------------------------|--------|-------|
| Liquidity | Quick Ratio (%) | 125.29 | 99.41 |
| | Times Interest Earned | 63.08 | 47.24 |
| | Average Collection Turnover (Times) | -0.73 | 0.04 |
| Operating ability | Average Inventory Turnover (Times) | 7.18 | 5.19 |
| | Return on Total Assets (%) | 1.87 | 1.55 |
| Profitability | Return on Equity (%) | -0.28 | -0.22 |
| | Net Margin (%) | -2.50 | -2.24 |
| | Earnings Per Share (NT\$) | -1.42 | -1.33 |
| | Quick Ratio (%) | -0.88 | -0.61 |

1.1.4 Research and Development Status

The Company's technology is mainly based on the integration of our Research & Development team, domestic upstream manufacturers, market demand, and research institutions. Through marketing personnel for closer access to the market and customers, we can better understand the development trends of products and the application of new technologies, and carry out product and technology development. When necessary, we will hire relevant consultants for advice, cooperate with schools and research institutions for technology development, making the overall product development efficiency and effectiveness faster and more efficient than competitors.

List of R&D achievements in 2023:

- (1) Rowing machine with adjustable water resistance
- (2) High-end commercial treadmill with enhanced user experience via smart cloud analysis
- (3) Stair stepper with medical grade dual-purpose left and right balance detection
- (4) Electric treadmill with medical grade six-axis induction gait balance rehabilitation
- (5) Electric assisted bicycles enter production line
- (6) Treadmill structure optimization and touch panel integration upgrade
- (7) Self-recharging exercise bike
- (8) Digital training content integrated and imported into touch panel models
- (9) Wheelchair suspended rehabilitation treadmill and assistive device integration

1.2 Summary of the business plan 2024

1.2.1 Management Policy

1. Adhering to the core values of "Brand, Service, and Innovation" for the Company management, developing products and creating value based on people's needs, focusing on providing consumers with simple, comfortable, and safe products, and continuously improving people's health, sports, and leisure life quality.
2. What we offer to our customers is not just a product, but also includes brand beliefs, product creativity, and after-sales experience, thereby enhancing relationships with partners; with this framework, we will continue to expand our own brands SOLE, SPIRIT, and XTERRA, as well as the authorized brand UFC's international market share.
3. Diversifying and expanding new products and brands, developing a new electric-assisted bicycle brand CIKADA, adding UFC mixed martial arts brand weight training, combat fighting, and related training equipment, focusing on the medical technology field's needs for physical treatment and elderly rehabilitation equipment, and cooperating with the American smart fitness content

producer STUDIO, combining STUDIO's online fitness courses with Dyaco's fitness equipment, etc.

4. Making the right decisions on key issues and not living in past successes, Dyaco will continue to commit to innovation in R&D technology, collaborate with academia, and extend the Company's R&D advantages by entering the medical rehabilitation equipment field. This way, the Company's products can benefit not only the general public but also people with mobility issues or elderly family members, allowing everyone to enjoy the fun of sports and better care for those in need of help. After all, having a healthy body leads to a better quality of life.

1.2.2 Marketing Policy

1. Establish e-commerce marketing tools to increase market share beyond physical channels.
2. Strengthen third-party sales platform materials and search engine resources to increase brand exposure in local markets.
3. Continuously develop brand agents in various countries while establishing brand communication platforms.
4. Integrate the official company website and fan pages to improve the Company's image in Taiwan and enhance the exposure of domestic products.
5. Enhance the function of the Company's website and deepen the impression with product press releases.
6. Standardize the design of global physical channel marketing materials.

1.2.3 Research and Development Policy

1. Actively develop new models for each brand series, offering diverse choices for consumers.
2. Provide cost-effective, practical, and aesthetically pleasing products under certain quality standards, and further introduce intelligent cloud platforms.
3. Strengthen collaboration with academia and continue to enter the medical rehabilitation equipment field, developing products suitable for the elderly and those with mobility impairments.
4. Develop new intelligent light commercial and commercial equipment series.
5. Combine IoT and wearable devices with sports equipment control, developing products with richer entertainment connections (APP software and 3C product control).

1.2.4 Production Policy

1. Moderately expand production capacity and improve production efficiency to ensure timely delivery, quality improvement, and cost reduction.
2. Integrate the industrial supply chain, enhance management efficiency and quality reliability,

establish information sharing mechanisms, quickly respond to end-market demand, and reduce inventory costs while increasing added value.

3. Automated warehousing system introduced to optimize and speed up the picking process.

1.3 Future Company Development Strategy

1.3.1 Consistently Innovating Product Technology

In addition to fitness equipment, Dyaco will continue to care for people. Apart from taking care of the general public's sports and leisure quality, it also wants to take care of the elderly and those with limited mobility, allowing them to enjoy the fun of sports. Therefore, the Company will continue to strengthen cooperation with the academic community to develop fitness and rehabilitation equipment that meets the needs of all levels, and innovate in research and development technology, enhancing the interaction mode between athletes and machines, allowing everyone to enjoy exercising and feel safe doing it, thereby providing people with a different understanding and definition of sports.

1.3.2 Developing Health and Rehabilitation Products

Influenced by the trend of exercise and health as well as the arrival of an aging society, the health and care industry has moved away from the traditional service industry atmosphere. Increasingly, more cases of IoT (Internet of Things) technology, AI artificial intelligence, and sensor technology applications have emerged, contributing to the thriving development of the health and care industry. Dyaco is committed to the long-term development of safe rehabilitation equipment, combining research and innovation capabilities, production technology and scale, and marketing channel strength to provide the best medical rehabilitation equipment worldwide, while also exploring new business opportunities beyond traditional sports and fitness equipment. This year, the Company has officially launched a series of rehabilitation equipment products and is actively promoting sales in various markets.

1.3.3 Developing The Brand

Adhering to the core values of "Brand, Service, and Innovation" for the Company management, we provide not only products but also brand beliefs, product creativity, and after-sales service experiences to our customers, enhancing relationships with partners. We continue to develop brand agents in various countries while establishing brand communication platforms to expand the market share of our own brands SOLE, SPIRIT, XTERRA, and licensed brand UFC, as well as develop

the new electric-assisted bicycle brand CIKADA.

1.3.4 Sticking to Principles and Beliefs

1. Our commitment to product quality and customer promises remains unchanged.
2. Our pursuit of excellence and change in research, development, and design remains unchanged.
3. Our principle of integrating the supply chain to benefit both customers and suppliers remains unchanged.
4. Our belief in promoting the brand, deepening local channels, and benefiting more people remains unchanged.
5. Our principle of cultivating international talents and localized management teams remains unchanged.

1.4 Affected by External Competitive, Regulatory and Overall Operating Environment.

Looking ahead to 2024, there are still many geopolitical and economic uncertainties affecting global economic performance. Companies continue to face a challenging overall operating environment, testing their resilience. However, we remain committed to the future development of the Company. Particularly, the sales explosion in 2020 not only helped strengthen our brand market share and visibility, but also improved our capabilities in marketing, logistics, and customer service, creating greater competitiveness. Additionally, through upstream and downstream integration, we aim to leverage synergies in corporate resources and capture more market opportunities.

Overall, in the face of rapidly changing markets and rising production costs, the challenges faced by businesses are becoming increasingly severe. We believe that by adhering to the Company's core management philosophy of sustainable operation, continuously following the Company's planned steps to steadily layout local markets, establishing an innovative growth-oriented corporate culture, fulfilling corporate social responsibility, and taking care of more people in need, we can maintain our competitive advantage and accumulate more strengths, allowing shareholders, customers, and employees to share in the 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 Date of incorporation: 2 June, 1990

2.2 Company 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. ◆ Merged with US-based Spirit Manufacturing Inc. and acquired the "SPIRIT" brand. ◆ Started its own production by building its own factory and office building in Chuanhsing Industrial Park, Hemi Township, Changhua County. ◆ Cash capital increase of NT\$115,100 thousand and paid-in capital of NT\$365,100 thousand after the capital increase. ◆ Obtained ISO-9001 quality management system certification. |
| 2009 | ◆ Acquired the second factory in the Chuanhsing Industrial Park to expand the production capacity. ◆ 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 | ◆ Product had won the "Best Buy" award in the United States for two consecutive years. ◆ Awarded the Innovative Product Excellence Award for the Flywheel Elliptical Machine. ◆ Reinvested in the establishment of Dyaco (Shanghai) Trading Co., LTD. to expand the sales market in China. ◆ Obtained ISO-13485 quality management system certification for medical device industry. |
| 2011 | ◆ The Flywheel Elliptical Machine won the Taiwan Excellence Award, and the Shake Weight won the Taiwan Excellence Award and Innovative Product Excellence Award. ◆ Cash capital increase of NT\$15,000 thousand and paid-in capital of NT\$494,900 thousand after the capital increase. ◆ Cash capital increase of NT\$15,100 thousand and paid-in capital of NT\$510,000 thousand after the capital increase. ◆ 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. ◆ Awarded the top 500 import and export excellent companies in 2010. ◆ Public issuance of its stock was approved by the Financial Supervisory Commission (FSC). ◆ Listing emerging stocks were approved on Oct 24. |
| 2012 | ◆ The Freewheel Race Bike with Additional Exerciser won the Innovative Product Excellence Award. ◆ Invested in the establishment of Dyaco Japan Co., Ltd. to expand the Japanese sales market. ◆ The US logistics headquarters was officially opened. ◆ 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. |

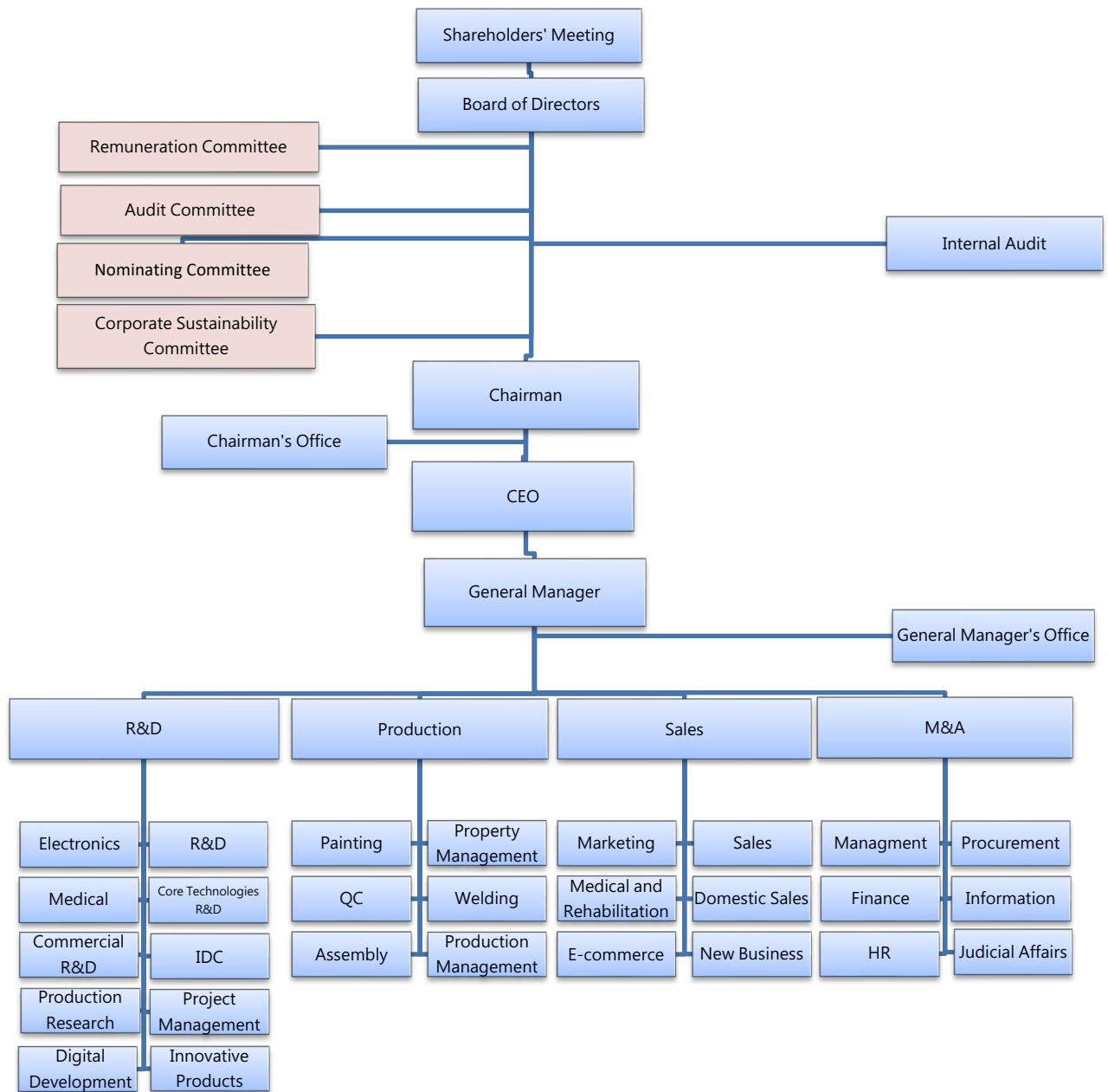
| Year | Key Milestones |
|------|--|
| 2013 | <ul style="list-style-type: none"> ◆ Sports and fitness equipment combined with micro projector playback won the Innovative Product Excellence Award. ◆ Acquired Maurice Pincoffs Canada Inc. ◆ Acquired Dongguan Dayu Sports Equipment Co., Ltd. ◆ Acquired Yongan Sports Technology Co., Ltd. ◆ Received the third Award for Best Companies to Work for. |
| 2014 | <ul style="list-style-type: none"> ◆ The Shaper won the Taiwan Excellence Silver Award. ◆ The Physiological Feedback's Gait Balance Training Bike won the Innovative Product Excellence Award. ◆ Invested in the establishment of Dyaco Germany GmbH to expand the European sales market. |
| 2015 | <ul style="list-style-type: none"> ◆ Cash capital increase of NT\$100,000 thousand and paid-in capital of NT\$781,088 thousand after the capital increase. ◆ Set up the O2O marketing model and established the Group's first physical store under the "Runners" brand. ◆ Changhua Chuanhsing factory was renovated and completed, with the central region office building handed over. ◆ 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. ◆ Established Daan Health Management Consulting Co., Ltd. to develop medical rehabilitation services business. |
| 2016 | <ul style="list-style-type: none"> ◆ Signed a sole strategic partnership agreement on fitness and rehabilitation equipment with the China Institute of Sport Science. ◆ The adjustable span elliptical trainer and multi-trainer - Super Wheel won the Taiwan Excellence Award. ◆ All-commercial series of fitness equipment were mass-produced and available on the market. ◆ 12th place in the Tiny Giant category of the CommonWealth Magazine's 2016 Excellence in CSR Award. ◆ Cash capital increase of NT\$109,360 thousand and paid-in capital of NT\$929,502 thousand after the capital increase. ◆ Officially listed and traded on the Taiwan Stock Exchange. |
| 2017 | <ul style="list-style-type: none"> ◆ Acquired 100% of CARDIOFitness GmbH & Co. KG and CARDIOFitness Verwaltungs GmbH equity in Germany. ◆ The Mountaineering Trainer and Medical Rehabilitation Treadmill won the Taiwan Excellence Award. ◆ The Company issued its first domestic secured corporate bonds at NT\$600,000 thousand. ◆ Acquired 60% of Shelton Corporation (Jiaxing), LTD equity. ◆ 11th-20th place at the MOHW Health Promotion Administration 2017 Dynamic Workplace Creativity Gold Medal Competition. ◆ The SOLE E95s elliptical machine won the 26th Excellence Award. |
| 2018 | <ul style="list-style-type: none"> ◆ Brand licensing partnership with Philips, a global health care technology company, to develop professional medical and rehabilitative fitness equipment products. ◆ Established Dyaco UK Ltd. subsidiary to develop the UK and Irish sales market. ◆ Established Wing Long Co., Ltd. to develop wine business. ◆ The Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award. ◆ Certified as a Sports Enterprise by the MOE Sports Administration. |
| 2019 | <ul style="list-style-type: none"> ◆ SOLE SC300 (XS300) Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award. ◆ 3rd place in the medical device and equipment industry in the 2019 Taiwan Top 5000 Regional Large Enterprises Ranking by China Credit Information Service Ltd. |

| Year | Key Milestones |
|------|---|
| 2020 | <ul style="list-style-type: none"> ◆ 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. ◆ Cash capital increase of NT\$190,000 thousand and paid-in capital of NT\$1,150,635 thousand after the capital increase. ◆ Set up Sole Inc., a U.S. subsidiary, to acquire 100% of Fitness Equipment Services, LLC equity in the US. ◆ The Sole CC81 Cardio Climber Machine won the Taiwan Excellence Silver Award. ◆ The Company issued its second domestic secured corporate bonds at NT\$603,000 thousand. ◆ Merged with PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD. |
| 2021 | <ul style="list-style-type: none"> ◆ Won 6th Taiwan Mittelstand Award by Ministry of Economic Affairs. ◆ The ST90 Crawler Mechanical Treadmill won the Taiwan Excellence Award. ◆ The Company was included in Fubon TWSE Corporate Governance 100 ETF and TWSE Corporate Governance 100 Index. ◆ The Company issued its third domestic unsecured corporate bonds at NT\$1,000,000 thousand. ◆ Acquired City Sport Co. Ltd and Sweatband.com Ltd. |
| 2022 | <ul style="list-style-type: none"> ◆ Acquired IUVO INDUSTRY CO., Ltd. |
| 2023 | <ul style="list-style-type: none"> ◆ Cash capital increase of NT\$250,000 thousand and paid-in capital of NT\$1,596,098 thousand after the capital increase. ◆ Cardio Climber won Taiwan Excellence Award. |

III. Corporate Governance Report

3.1 Company organization

3.1.1 Company structure



3.1.2 Function

| Department | Function |
|------------------------------------|---|
| Chairman's Office | <ul style="list-style-type: none"> • Formulate strategies, objectives, and business operation policies. |
| Nominating Committee | <ul style="list-style-type: none"> • Develop diverse and independent criteria that include professional knowledge, skills, experience, and gender for Board members and senior executives. Use these criteria to identify, assess, and nominate candidates for Director and senior executive positions. • Construct and develop the organizational structure of the Board of Directors and its committees, conduct performance evaluations of the Board of Directors, its committees, individual Directors, and senior executives, and assess the independence of Independent Directors. • Establish and periodically review training plans for Directors and succession plans for Directors and senior executives. • Develop corporate governance practices and guidelines for the Company. |
| Remuneration Committee | <ul style="list-style-type: none"> • Establishment and periodical assessment of the policies, systems, standards and structures for performance evaluation and compensation of the Company's directors and managers. • Establishment and periodical assessment of the remuneration of the Company's directors and managers. |
| Corporate Sustainability Committee | <ul style="list-style-type: none"> • Development of the Company's sustainable development policies. • Establishment of sustainable development of the Company, including sustainable governance, integrity management, environmental and social objectives, strategy and implementation plan development. • Regularly evaluate, follow up on, and amend the Company's sustainable development implementation, and report to the Board of Directors. • Address the concerns of various stakeholders, including shareholders, customers, suppliers, employees, governments, non-profit organizations, communities, and the media, and oversee communication plans. • Review of reports. • Any other matters assigned by the Board of Directors. |
| Audit Committee | <ul style="list-style-type: none"> • Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act. • Assessment of the effectiveness of the internal control system. • Adoption or amendment of handling procedures for financial or operational actions, such as acquisition or disposal of assets, engaging in derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act. • A matter bearing on the personal interest of a director. • A material asset or derivatives transaction. • The offering, issuance, or private placement of any equity-type securities. • The hiring or dismissal of an attesting CPA, or the compensation given thereto. • The appointment or discharge of a financial, accounting, or internal auditing officer. • 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. • Any other material matter required by the Company or the competent authority. |
| Internal Audit | <ul style="list-style-type: none"> • Responsible for business implementation assessments, audits, supervision, and recommendations for improvement of various departments. |
| General Manager's Office | <ul style="list-style-type: none"> • Coordinate the Company's business strategy, business planning, business policy formulation, investment planning and control. • Evaluate and control the operational status and internal control of each department, and manage the implementation, planning and coordination of the Company's overall business. |
| Finance | <ul style="list-style-type: none"> • Plan and implement the Company's financial management and fund dispatching business. • Plan and implement investment related operations. • Carry out the business related to customer credit and limit control. |

| Department | Function |
|--|---|
| | <ul style="list-style-type: none"> • Plan and summarize the total annual budget-related operations. • Accounting operations and preparation, analysis, control, and presentation of accounting statements. • Tax planning and declaration procedures. |
| Management | <ul style="list-style-type: none"> • Personnel, administration, general affairs, information, and fixed assets management and promotion. • Planning and implementation of staff education and training. • The formulation and implementation of administrative management processes, measures, and systems. • Occupational safety and health, environmental safety, gender work environment security, migrant workers and other related operations and management. • Matters related to internal ISO audit and related data file management. |
| Information | <ul style="list-style-type: none"> • Provide information hardware and software network, database maintenance and other services. • Development and maintenance of enterprise application system and introduction of new information technology. |
| Procurement | <ul style="list-style-type: none"> • Basic information establishment and evaluation of suppliers. • Price inquiry, comparison, negotiation and ordering of raw materials. • Raw material delivery management and control. • Processing of outsourcing operations. |
| Sales (Sales, Department Stores, Domestic Sales, and Medical and Rehabilitation) | <ul style="list-style-type: none"> • Plan and implement the achievement of business objectives. • Product profit margin and sales price setting. • Customer development and management. • Customer quotation and order acceptance review and management. • Accounts receivable collection, customer service and complaint handling, sales and production coordination. |
| Marketing | <ul style="list-style-type: none"> • Market information collection, analysis and feedback to keep abreast of market dynamics. • Plan and implement marketing strategy. • Product image presentation, advertising production and domestic and international exhibitions. |
| Production (Welding, Painting, and Assembly) | <ul style="list-style-type: none"> • Draft and implement production plans and keep tabs on production progress. • Production line process SOP and staff training. • Use and management of raw materials. • Machinery and equipment maintenance. |
| Property Management | <ul style="list-style-type: none"> • Coordinate the arrangement of raw materials and product import, export, and delivery control. • Coordinate the inventory management and record of products. |
| Production Management | <ul style="list-style-type: none"> • Production planning and capacity calculation. • Develop material requirements. • Arrange and control the production schedule. • Handling of production and marketing, delivery date, output, and other related matters. |
| Quality Control | <ul style="list-style-type: none"> • Planning and implementation of company-wide quality assurance. • Quality inspection and control. • Customer complaint handling. • Analysis and improvement of the causes of quality abnormalities. |
| R&D | <ul style="list-style-type: none"> • Draw up R&D plan process and schedule. • Product design, trial production and reliability verification. • Integrated production management of technical documents and patent application. • Fabrication and management of molds, gauges, and jigs. • Production process planning, engineering specification formulation, production procedure formulation, production process and technology retrofitting, document management and control, etc. |

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:

29 March 2024; Units: Shares

| Title | Name | Gender/Age | Nationality or Country of registration | Date of first appointment | Date of appointment | Office term | Shares held at time of appointment | | Shares currently held | | Shares Held by Spouse & Minors | | 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 |
|----------------------|-----------------------------------|----------------------------|--|---------------------------|---------------------|-------------|------------------------------------|-------|-----------------------|-------|--------------------------------|-------|-----------------------------------|---|---|---|---|------|----------|--------|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Chairman | CHUAN-FENG INVESTMENT CORPORATION | - | ROC | 2023.5.26 | 2023.5.26 | 3 | 8,111,882 | 5.48% | 8,757,882 | 5.48% | - | - | - | - | - | - | - | - | - | - |
| | Yu-Yin, Lin | Male/ 21-30 years old | ROC | | | | - | - | 39,401 | 0.02% | 85,183 | 0.01% | - | - | Bachelor of Department of Business, Northeastern University President and Director of Dyaco Canada Inc. | Director of Dyaco Canada Inc. | - | - | - | - |
| Director | Zhuang, Zhu-Wei | Female/ 51-60 years old | ROC | 2013.6.10 | 2020.5.28 | 3 | 1,000,000 | 0.63% | 1,159,176 | 0.73% | 61,436 | 0.04% | - | - | Bachelor of Department of Fiber and Composite Materials, Feng Chia University General Manager of CHANITEX CO., LTD. | Director of CHANITEX CO., LTD. General Manager of CHANITEX CO., LTD. | - | - | - | - |
| Director | Yong-Heng Investment Corporation. | - | ROC | 2014.5.14 | 2023.5.26 | 3 | 6,318,057 | 3.96% | 6,821,057 | 4.27% | - | - | - | - | - | - | - | - | - | - |
| | Chiu Shih-Chien | Male/ 51-60 years old | ROC | | | | - | - | 1,000 | - | - | - | - | - | Master of Department of Statistics, NCKU | Note 1 | - | - | - | - |
| Independent Director | Wang, Kai-Li | Male/ 51-60 years old | ROC | 2011.12.9 | 2020.5.26 | 3 | - | - | - | - | - | - | - | - | PhD of Economics Sciences, Utah State University Adjunct Associate Professor, Department of Financial, National Chung Hsing University Associate Professor, Department of Financial, Tunghai University Director, Department of Financial, Tunghai University Director of EMBA of Tunghai University Committee financial member of Taiwan Economic Association | Note 2 | - | - | - | - |

| | | | | | | | | | | | | | | | | | | | | |
|----------------------|------------------|------------------------------|-----|-----------|-----------|---|---|---|---|---|---|---|---|---|--|--------|---|---|---|---|
| Independent Director | Wang, Chih-Cheng | Male/ 51-60 years old | ROC | 2017.5.26 | 2020.5.26 | 3 | - | - | - | - | - | - | - | - | Adjunct Professor, School of Law, National Cheng Kung University Committee member of Foundation of Finance PhD of College of Law, National Chengchi University | Note 3 | - | - | - | - |
| Independent Director | Wu, Jiin-Po | Male/ 61-70 years old | ROC | 2011.6.23 | 2023.5.26 | 3 | - | - | - | - | - | - | - | - | Ph.D. in Computer Information Systems from the University of North Texas, System Analyst of Weiquan Co., Ltd., Lecturer at the University of North Texas, Associate Professor of the Department of Asset Management of Tamkang University, and Dean of the Department of Leisure Industry Management of Tamkang University | - | - | - | - | - |
| Independent Director | Tu, Chi-Yao | Male/ 61-70 years old) | ROC | 2023.5.26 | 2023.5.26 | 3 | - | - | - | - | - | - | - | - | PhD in Economic Law from China University of Political Science and Law, Partner of Qinye Accounting Firm, Financial Legal Advisor to Taiwanese Businessmen of the Straits Exchange Foundation | Note 4 | - | - | - | - |

Note 1 : Vice Chairman of Hwa Fong Rubber Ind. Co., Ltd./ Vice Chairman of Mediera Corporation/ Consultant of Jui Li Enterprise Co.,Ltd./ Consultant of Jian Sin Industrial Co.,Ltd.

Note 2 : Professor, Department of Financial, Tunghai University /Chairman of Taiwan Financial Development Association /Independent Director of PAIHO SHIH HOLDINGS CORPORATION/ Independent Director of Shekai Precision Co., Ltd /Independent Director of AKER Co., Ltd.

Note 3 : Independent Director of Lucky Cement Corporation/ Director of The Securities and Futures Investors Protection Center /Director of The Financial Ombudsman Institution /Arbitrator of Chinese Arbitration Association /Department head, Department of law, Chinese Culture University /Distinguished Professor, College of Law, National Chung Cheng University/Adjunct Professor, School of Law, Soochow University

Note 4 : Independent Director of Yummy Town (Cayman) Holdings Corporation/ Independent Director of TECO ELECTRO DEVICES CO., LTD.

Note 5 : 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: None.

Note 6 : 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.

1. Major Shareholders of Corporate Shareholder:

31 December 2023

| Name of institutional shareholders | Major shareholders |
|------------------------------------|--|
| CHUAN-FENG INVESTMENT CORPORATION | Jing Cheng International Holdings Corporation (62.49%) |
| Yong-Heng Investment Corporation. | Jing Cheng International Holdings Corporation (100%) |

2. Major Shareholders of Major Shareholders of Corporations:

31 December 2023

| Name of institutional shareholders | Major shareholders |
|---|---------------------|
| Jing Cheng International Holdings Corporation | Lin, I-Gin (99.32%) |

3. Professional Qualifications and Independence Analysis of Directors:

| Qualifications Position Name | Professional qualifications and experience (Note 1 and 2) | Independence (Note 3) | Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director |
|---|--|--|--|
| CHUAN-FENG INVESTMENT CORPORATION Representative: Yu-Yin, Lin | Being a chairman of the Company and President of Dyaco Canada Inc. On top of his excellent leadership and strategic management skills, being an expert in fintech industry help foreseeing industry trends and development. | (1) 、 (3) 、 (4) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | — |
| Zhuang, Zhu-Wei | Being a director and CEO of CHANITEX Co., LTD, chairman of CHANITEX Education Foundation, and independent directors of many listed companies has come with excellent decision making and business management skills in a wide variety of industries. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 1 |
| Yong-Heng Investment Corporation. Representative: : Chiu Shih-Chien | Being a Vice Chairman of Hwa Fong Rubber Ind. Co., Ltd., vice Chairman of Mediera Corporation Inc, and independent directors of many listed companies has come with excellent decision making and business management skills in a wide variety of industries. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | — |
| Wang, Kai-Li | Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of PAIHO SHIH HOLDINGS CORPORATION, Independent Director of Shekai Precision Co., Ltd, Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 3 |
| Wang, Chih-Cheng | Served in director of The Securities and Futures Investors Protection Center, director of The Financial Ombudsman Institution, Arbitrator of Chinese Arbitration Association, Department head, Department of law, Chinese Culture university and independent directors of many listed companies, has come with excellent legal and corporate governance experiences. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 1 |
| Wu, Jiin-Po | Former Associate Professor at Tamkang University's Department of Information Management, served as Supervisor in the eighth and ninth terms of the Company. Familiar with the Company's operations, possessing practical expertise in information and corporate governance. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | — |
| Tu, Chi-Yao | Currently a partner at Deloitte Taiwan, and serving as an independent director for other listed companies. Possesses practical expertise in taxation, accounting, and corporate governance. | (1) 、 (2) 、 (3) 、 (4) 、 (5) 、 (6) 、 (7) 、 (8) 、 (9) 、 (10) 、 (11) 、 (12) | 2 |

Note 1: Professional qualifications and experience: Details the professional qualifications and experience of individual director. Those who are members of the Audit Committee and who possess accounting or financial expertise should clearly explain their accounting or finance background and work experience.

Note 2: The matters stipulated in all paragraphs of Article 30 of the Company Act do not describe the directors mentioned above. For the academic experiences and position information of the Directors, please refer to 3. Corporate Governance Report (II) Information on directors, supervisors, presidents, vice presidents, assistant managers, and managers of each department and branch:

Note 3: The independent directors shall explain their compliance of independence, including, but not limited to, whether the person, person's spouse, or their relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates. The shareholdings of the person, person's spouse, or relative within the second degree of kinship (or using the name of others) and the ratio. Whether the person serves as a director, supervisor, or employee of companies with specific relationships with the Company (refer to Items 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The remuneration received for providing business, legal, financial, or accounting services to the Company or its affiliated enterprises in the most recent 2 years. Independence of Directors and Independent Directors in the two years before appointment and during their term. Those who comply will be disclosed above.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).
- (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 the Company or ranking in the top 10 in holdings. (
- (4) Not a manager in (1) or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in (2) and (3).
- (5) Not directors, supervisors or legal shareholders who directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (8) Not directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C

Note 4 : The diversity and Independence of the Board of Director :

- (1) The diversity of the Board of Director : Please refer to 3.7.3.
- (2) Independence of the Board of Directors: The Board of Directors consists of seven members, including four independent directors and three directors (57% and 43% of the total number of directors, respectively). A spousal relationship or a familial relationship within the second degree of kinship does not exist among directors. Therefore, it complies with the requirements of Article 26-3, paragraph 3 of the Securities and Exchange Act.

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

March 29, 2024; Units: Shares

| Title | Name | Gender | Nationality | Elected Date | Shares Held | | Shares Held by Spouse & Minors | | Shares held under names of others | | Education & Key Past Positions | Positions Held Concurrently | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions | | | Employee subscription warrants | Remark | |
|--|------------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|-----------------------------------|---|--|---|---|------|----------|--------------------------------|--------|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | | | |
| Chief Executive Officer | Hsu, Wen-Bin | Male | ROC | 2021.01.01 | 309,304 | 0.19% | 41,310 | 0.03% | - | - | Founder of Hsumao Industrial Co., LTD. Executive Assistant of Dyaco International Inc. | — | — | — | — | — | — | |
| Chief Operating Officer | Tseng, Yu-Hsiang | Male | ROC | 2022.03.09 | 13,000 | 0.00% | - | - | - | - | Concordia University B.A Economic Sales Director, Suzhou Zhongyao Technology Co., Ltd. Senior Sales Manager, KINPO ELECTRONICS, INC. | — | — | — | — | — | — | |
| Chief Strategy Officer | Ting, Ping-I | Male | ROC | 2023.12.27 | - | - | - | - | - | - | Tamkang University B.S Department of Statistics EMBA, National Taiwan University CEO of Dyaco International Inc, CEO of MJ Health Group Vice President of Greenmaster industrial Corporation | — | — | — | — | — | — | |
| President | Chen, Ming-Nan | Male | ROC | 2017.07.12 | 625,475 | 0.39% | 245,664 | 0.15% | - | - | EMBA, Feng Chia University Vice President, the R&D Department of Dyaco International Inc. | — | — | — | — | — | — | |
| Executive V.P. and Chief Financial Officer | Wu, Mei-Hua | Female | ROC | 1998.05.01 | 778,677 | 0.49% | 5,014 | 0.00% | - | - | EMBA, National Taipei University Accounting Officer, HOE HIN PAK FAH YEOW MANUFACTORY LIMITED Vice President, the Financial Department of Dyaco International Inc. | Supervisor of Dyaco (Shanghai) Trading Co., Ltd. Director of Yong-Heng Investment Corpoartion Directot of Chih-Ling Investment Corpoartion President of Daan Health Management Consulting Co., Ltd. Director of Wing Long Co., Ltd. | — | — | — | — | — | — |

| Title | Name | Gender | Nationality | Elected Date | Shares Held | | Shares Held by Spouse & Minors | | Shares held under names of others | | Education & Key Past Positions | Positions Held Concurrently | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions | | | Employee subscription warrants | Remark |
|--|--------------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|-----------------------------------|---|---|--|---|------|----------|--------------------------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | | |
| | | | | | | | | | | | | Supervisor of Shelton Corporation (Jiaxing), Ltd. Supervisor of PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD. | | | | | |
| Executive V.P. | Li, Chi-Jung | Male | ROC | 2014.01.01 | 221,209 | 0.13% | 743 | 0.00% | - | - | President, Tung Keng Enterprise Co., Ltd. | — | — | — | — | — | |
| Chief Technology Officer | Brian Keith Murray | Male | US | 2008.04.22 | 50,243 | 0.03% | 6,151 | 0.00% | - | - | BSEE Degree from New York Institute of Technology Cybex engineering supervisor Diamondback Fitness Vice president | - | — | — | — | — | |
| Senior V.P. of Production Department | Lo, Teng-I | Male | ROC | 2017.09.01 | 271,370 | 0.17% | 43,240 | 0.03% | - | - | Bachelor of Chienkuo Technology University Vice General Manager, the Production Department of Dyaco International Inc. | - | — | — | — | — | |
| Senior V.P. of Sales Department | Hsu, Li-Wen | Female | ROC | 1999.07.07 | 117,963 | 0.07% | - | - | - | - | EMBA, Tunghai University General Manager, the Sales Department of Dyaco International Inc. | - | — | — | — | — | |
| Senior V.P. of Financial Department Chief Accountant Officer Chief of Corporate Governance Affairs | Chiu, Yuan-Sheng | Male | ROC | 2013.12.27 | 113,298 | 0.07% | - | - | - | - | Master of the Department of Financial, Shih Hsin University Manager, the underwriting of TISC Pricewaterhousecoopers Taiwan | Supervisor of Wing Long Co., Ltd. Supervisor of Daan Health Management Consulting Co., Ltd. | | | | | |
| Senior V.P. of R&D Department | Huang, Hsuan-Fu | Male | ROC | 1997.07.23 | 22,775 | 0.01% | - | - | - | - | Taichung Municipal Wufeng Agricultural and Industrial High School General Manager, the R&D Department of | — | — | — | — | — | |

| Title | Name | Gender | Nationality | Elected Date | Shares Held | | Shares Held by Spouse & Minors | | Shares held under names of others | | Education & Key Past Positions | Positions Held Concurrently | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions | | | Employee subscription warrants | Remark |
|--|-----------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|-----------------------------------|---|---|--|---|------|----------|--------------------------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | | |
| | | | | | | | | | | | Dyaco International Inc. | | | | | | |
| Senior V.P. of Sales Department | Huang, Yu-Chih | Female | ROC | 2013.03.05 | 61,902 | 0.04% | - | - | - | - | Master of Japanese, Soochow University General Manager, the Sales Department of Dyaco International Inc. | — | — | — | — | — | — |
| Senior V.P. of Medical Rehabilitation Department | Lin, Shih-Chieh | Male | ROC | 2013.03.05 | 35,501 | 0.02% | - | - | - | - | MBA, University of North Alabama Director of Chunghwa Yuming Healthcare Co., Ltd. Sales Manager, ZUELLIG PHARMA, INC. | Senior V.P. of Medical Rehabilitation Department | — | — | — | — | — |
| V.P. of Management Department | Lin, Wei-Hsu | Male | ROC | 2008.05.12 | 378 | 0.00% | 2,827 | 0.00% | - | - | Master of Business and Information, Hua Fan University Supervisor, the Warehousing Department of SOLE ENERGY TECH CORP. Manager, the Operational Department of ACTI CORPORATION | V.P. of Management Department | — | — | — | — | — |
| V.P. of Production Management Department | Li, Mei-Yu | Female | ROC | 2012.08.16 | 50,175 | 0.03% | - | - | - | - | Bachelor of Chemical Engineering, Cheng Shiu University General Manager, the Production Management Department of Dyaco International Inc. | V.P. of Production Management Department | — | — | — | — | — |
| V.P. of Legal and Patent Affairs Department | Li, Che-Jung | Male | ROC | 2013.06.19 | - | - | - | - | - | - | Bachelor of Chemical Engineering, Feng Chia University Patent senior engineer of Starconn Electronics | V.P. of Legal and Patent Affairs Department | — | — | — | — | — |
| V.P. of Accounting Department | Wu, Shu-Mei | Female | ROC | 2016.09.01 | 27,862 | 0.02% | - | - | - | - | Master of Accounting, Tamkang University | V.P. of Accounting Department | — | — | — | — | — |
| V.P. of Sales Department | Ho, Chieh- | Male | ROC | 2017.09.20 | 42,910 | 0.03% | - | - | - | - | Master of Business Administration, Manchester Business School | V.P. of Sales Department | — | — | — | — | — |

| Title | Name | Gender | Nationality | Elected Date | Shares Held | | Shares Held by Spouse & Minors | | Shares held under names of others | | Education & Key Past Positions | Positions Held Concurrently | Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions | | | Employee subscription warrants | Remark |
|--------------------------------|-------------|--------|-------------|--------------|-------------|-------|--------------------------------|-------|-----------------------------------|---|---|--------------------------------|---|------|----------|--------------------------------|--------|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | | |
| | Shun | | | | | | | | | | President, the Taiwan branch of Gerage Jemnen EMBA, International Business of National Taiwan University Director, JT TOBACCO INTERNATIONAL TAIWAN CORP. Spokesperson, JT TOBACCO INTERNATIONAL TAIWAN CORP. General Manager, LIULIGONGFANG | | | | | | |
| V.P. of Procurement Department | Li, Tai-Lan | Female | ROC | 2018.11.01 | 47,435 | 0.03% | 33,669 | 0.02% | - | - | Bachelor of Business Administration, Chienkuo Technology University | V.P. of Procurement Department | — | — | — | — | — |

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: None.

3.2.3 Remuneration of Directors, Supervisors, President, and Vice President for the most recent year

1. Remuneration of Directors and Independent Directors

Unit: NT\$1,000; 1,000 Shares; %

| Title | 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 Other Compensation s from Other Investees or Parent Comany |
|----------------------|--|-----------------------|--------------------------------|-----------------------|--------------------------------|--|--------------------------------|--|--------------------------------|---|--------------------------------|--|--------------------------------|--------------------------------|--------------------------------|-----------------------------|-------|------|-------|---|--------------------------------|--|
| | | Base Compensation (A) | | Base Compensation (A) | | Salaries, Bonuses and Special Allowances (E) | | Salaries, Bonuses and Special Allowances (E) | | | | Salaries, Bonuses and Special Allowances (E) | | Severance Pay and Pensions (F) | | Employees' Compensation (G) | | | | | | |
| | | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | Cash | Stock | Cash | Stock | From Dyaco | From All Consolidated Entities | |
| Chairman | CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, Yu-Yin(Note 2) | 236 | 236 | - | - | - | - | 15 | 15 | 251 Note 1 | 251 Note 1 | - | - | - | -- | - | - | - | - | 251 Note 1 | 251 Note 1 | - |
| Director | Zhuang, Zhu-Wei | - | - | - | - | - | - | 105 | 105 | 105 Note 1 | 105 Note 1 | - | - | - | -- | - | - | - | - | 105 Note 1 | 105 Note 1 | - |
| Director | Yong-Heng Investment Corporation. Representative: Chiu Shih-Chien (Note 3) | - | - | - | - | - | - | 30 | 30 | 30 Note 1 | 30 Note 1 | - | - | - | -- | - | - | - | - | 30 Note 1 | 30 Note 1 | - |
| Independent Director | Wang, Kai-Li | 600 | 600 | - | - | - | - | 105 | 105 | 705 Note 1 | 705 Note 1 | - | - | - | -- | - | - | - | - | 705 Note 1 | 705 Note 1 | - |
| Independent Director | Wang, Chih-Cheng | 600 | 600 | - | - | - | - | 105 | 105 | 705 Note 1 | 705 Note 1 | - | - | - | -- | - | - | - | - | 705 Note 1 | 705 Note 1 | - |
| Independent Director | Wu, Jiin-Po (Note4) | 350 | 350 | - | - | - | - | 60 | 60 | 410 Note 1 | 410 Note 1 | - | - | - | -- | - | - | - | - | 410 Note 1 | 410 Note 1 | - |
| Independent Director | Tu, Chi-Yao (Note4) | 350 | 350 | - | - | - | - | 60 | 60 | 410 Note 1 | 410 Note 1 | - | - | - | -- | - | - | - | - | 410 Note 1 | 410 Note 1 | - |

| | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------|---|-------|-------|---|---|---|---|-------|-------|-----------------|-----------------|---|---|---|----|---|---|---|---|-----------------|-----------------|---|
| Chairman | Lin, Ing-Gin (Note4) | 3,051 | 3,051 | - | - | - | - | 1,293 | 1,293 | 4,344 Note 1 | 4,344 Note 1 | - | - | - | -- | - | - | - | - | 4,344 Note 1 | 4,344 Note 1 | - |
| Director | Chang, Chih-Chuan (Note4) | - | - | - | - | - | - | 45 | 45 | 45 Note 1 | 45 Note 1 | - | - | - | -- | - | - | - | - | 45 Note 1 | 45 Note 1 | - |
| Director | Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi(Note4) | - | - | - | - | - | - | 45 | 45 | 45 Note 1 | 45 Note 1 | - | - | - | -- | - | - | - | - | 45 Note 1 | 45 Note 1 | - |
| Independent Director | Hsieh, Chang-Hung (Note4) | 250 | 250 | - | - | - | - | 45 | 45 | 45 Note 1 | 45 Note 1 | - | - | - | -- | - | - | - | - | 45 Note 1 | 45 Note 1 | - |
| Chairman | CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, I-Gin (Note 2) | - | - | - | - | - | - | 30 | 30 | 30 Note 1 | 30 Note 1 | - | - | - | -- | - | - | - | - | 30 Note 1 | 30 Note 1 | - |
| Director | Yong-Heng Investment Corporation. Representative:Yuk, Lam(Note 3) | - | - | - | - | - | - | 15 | 15 | 15 Note 1 | 15 Note 1 | - | - | - | -- | - | - | - | - | 15 Note 1 | 15 Note 1 | - |

Note 1 : The Company's loss for the year 2023, not applicable

Note 2 : Replacement on November 10, 2023

Note 3 : Resignation on October 19, 2023.

Note 4 : Resignation on May 26, 2023

Note 5 : 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.
- The Company's Articles of Incorporation also stipulate that director remuneration shall not exceed 5% of annual profits. Therefore, the Company adheres to the provisions of the Remuneration Committee Charter and is reviewed by the Committee. The principles of remuneration distribution are as follows: (1) Taking into account the operating performance of the current year, with priority given to the interests of shareholders and employees; (2) Independent directors serving on functional committees bear responsibilities for participating in committee meetings and decisions, hence their remuneration is higher than that of general directors. In the fiscal year 2023, the Company's net loss before tax after deducting employee and director remuneration amounted to NT\$148,100,747. In accordance with Article 24 of the Company's Articles of Incorporation, it is proposed that no director remuneration be distributed due to the absence of profits for the year.

Note 6 : 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 | |
| | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities |
| Under NT\$ 1,000,000 | Lin, Yu-Yin Zhuang, Zhu-Wei Chiu Shih-Chien Chang, Chih-Chuan Li, Bo-Yi Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao Yuk, Lam | Lin, Yu-Yin Zhuang, Zhu-Wei Chiu Shih-Chien Chang, Chih-Chuan Li, Bo-Yi Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao Yuk, Lam | Lin, Yu-Yin Zhuang, Zhu-Wei Chiu Shih-Chien Chang, Chih-Chuan Li, Bo-Yi Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao Yuk, Lam | Lin, Yu-Yin Zhuang, Zhu-Wei Chiu Shih-Chien Chang, Chih-Chuan Li, Bo-Yi Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao Yuk, Lam |
| NT\$1,000,000~ NT\$2,000,000 | - | - | - | - |
| NT\$2,000,000~ NT\$3,500,000 | - | - | - | - |
| NT\$3,500,000~ NT\$5,000,000 | Lin, Ing-Gin | Lin, Ing-Gin | Lin, Ing-Gin | Lin, Ing-Gin |
| 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 | 12 | 12 | 12 | 12 |

2. Remuneration of President and Vice President

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

| Title | Name | Base Compensation (A) | | Severance Pay and Pensions (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 Comany |
|------------------------------------|--------------------|-----------------------|--------------------------------|--------------------------------|--------------------------------|------------------------------------|--------------------------------|-----------------------------|-------|--------------------------------|-------|---|--------------------------------|--|
| | | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | From All Consolidated Entities | From Dyaco | | From All Consolidated Entities | | From Dyaco | From All Consolidated Entities | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chief Executive Officer | Hsu, Wen-Bin | 22,008 | 22,008 | - | - | - | - | - | - | - | - | 22,008 Note 1 | 22,008 Note 1 | - |
| Chief Operating Officer | Tseng, Yu-Hsiang | | | | | | | | | | | | | |
| President | Chen, Ming-Nan | | | | | | | | | | | | | |
| Executive V.P. | Wu, Mei-Hua | | | | | | | | | | | | | |
| Executive V.P. | Li, Chi-Jung | | | | | | | | | | | | | |
| Chief Strategy Officer | Ting, Ping-I | | | | | | | | | | | | | |
| Seinor V.P. Chief Strategy Officer | Huang, Hsuan-Fu | | | | | | | | | | | | | |
| Seinor V.P. | Hsu, Li-Wen | | | | | | | | | | | | | |
| Seinor V.P. | Huang, Yu-Chih | | | | | | | | | | | | | |
| Seinor V.P. | Chiu, Yuan-Sheng | | | | | | | | | | | | | |
| Seinor V.P. | Lin, Shih-Chieh | | | | | | | | | | | | | |
| Seinor V.P. | Lo, Teng-I | | | | | | | | | | | | | |
| Chief Technology Officer | Brian Keith Murray | | | | | | | | | | | | | |

Note 1 : The Company's loss for the year 2023, not applicable.

Note 2 : Ting, Ping-I had appointed Chief Strategy Officer dated December 27, 2023.

Remuneration Range Table

| Bracket | Name of President and Vice President | |
|----------------------------------|--|--|
| | From Dyaco | From All Consolidated Entities |
| Under NT\$ 1,000,000 | Ting, Ping-I | Ting, Ping-I |
| NT\$1,000,000 ~ NT\$2,000,000 | Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I Wu, Mei-Hua Huang, Yu-Chih | Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I Wu, Mei-Hua Huang, Yu-Chih |
| NT\$2,000,000 ~ NT\$3,500,000 | Hsu, Wen-Bin Tseng, Yu-Hsiang Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung | Hsu, Wen-Bin Tseng, Yu-Hsiang Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung |
| NT\$3,500,000 ~ NT\$5,000,000 | - | - |
| 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 | 13 | 13 |

Note : CSO PING-I Ting Took office on 112.12.27.

3.Name 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 (%) |
|--------------------------|--------------------|-------|------|-------|--|
| Chief Executive Officer | Hsu, Wen-Bin | - | - | - | - |
| Chief Operating Officer | Tseng, Yu-Hsiang | | | | |
| President | Chen, Ming-Nan | | | | |
| Executive V.P. | Wu, Mei-Hua | | | | |
| Executive V.P. | Li, Chi-Jung | | | | |
| Chief Strategy Officer | Ting, Ping-I | | | | |
| Seinor V.P. | Lo, Teng-I | | | | |
| Seinor V.P. | Huang, Hsuan-Fu | | | | |
| Seinor V.P. | Hsu, Li-Wen | | | | |
| Seinor V.P. | Chiu, Yuan-Sheng | | | | |
| Seinor V.P. | Lin, Shih-Chieh | | | | |
| Seinor V.P. | Huang, Yu-Chih | | | | |
| Chief Technology Officer | Brian Keith Murray | | | | |
| V.P. | Lin, Wei-Hsu | | | | |
| 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:

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:NT1,000;%

| Items | 2022 | | | | 2023 | | | |
|---|--------------|---|--------------------------------|---|--------------|---|--------------------------------|---|
| | From Dyaco | | From All Consolidated Entities | | From Dyaco | | From All Consolidated Entities | |
| | Total Amount | Ratio of the total remuneration to net income after tax | Total Amount | Ratio of the total remuneration to net income after tax | Total Amount | Ratio of the total remuneration to net income after tax | Total Amount | Ratio of the total remuneration to net income after tax |
| Directors' remuneration | 9,144 | Note 1 | 9,144 | Note 1 | 7,140 | Note 2 | 7,140 | Note 2 |
| President and Vice Presidents' remuneration | 25,703 | Note 1 | 25,703 | Note 1 | 22,088 | Note 2 | 22,088 | Note 2 |

Note 1: The Company's loss for the year 2022, not applicable.

Note 2: The Company's loss for the year 2023, not applicable.

The Company's pre-tax net loss for the year 2022 and 2023. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit.

2.The correlation among the remuneration payment policy paid to directors, supervisors, president, and vice presidents, standards and combination, remuneration establishing procedures, and management performance.

(1)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.

(2)The remuneration paid by the Company to the directors in 2023 refers to the remuneration of the directors for the performance of their business, and the compensation of the directors allocated. In the event of moral hazard, other adverse events that may impair the Company' s reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to directors shall be adjusted with respect to their participation in and contribution to the operations. The Board of Directors is authorized to distribute compensation in accordance with the Remuneration Committee' s assessment and the typical pay levels adopted by peer companies.

(3).The Articles of Incorporation states that directors can be paid up to 5% of net profits as remuneration. Therefore, the Company follows the provisions of the Remuneration Committee's charter and the remuneration reviewed by the Committee is as follows.

A. To prioritize the interests of shareholders and employees based on the current year's

operating results.

B .The remuneration to independent directors is higher than that to the directors because they serve as members of functional committees and have the responsibility to participate in discussions and resolutions at committee meetings.

C .The Company's pre-tax net loss for the year 2023, after deducting employee and director remuneration, is NT\$148,100,747. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit.

(4).The remuneration of the president and vice presidents (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. In the event of moral hazard, other adverse events that may impair the Company' s reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to managers shall be adjusted with respect to their participation in and contribution to the operations. 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 typical pay levels for similar positions set in the industry. The Company's pre-tax net loss for the year 2023, after deducting employee and director remuneration, is NT\$148,100,747. In accordance with the provisions of Article 24 of the Company's Articles of Association, no employee remuneration will be distributed in the absence of profit.

3.3 Implementation of corporate governance

3.3.1 The Board meeting status

1. Nine Board meetings were convened in 2023 (A). The directors' attendance status was as follows.

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) 【 B / A 】 | Note |
|----------------------|---|--------------------------|----------|---|---|
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin | 3 | - | 100% | Replacement on November 10, 2023 |
| Director | Zhuang, Zhu-Wei | 9 | - | 100% | Appointed on May 26, 2023. |
| Director | Yong-Heng Investment Corporation Representative: Chiu Shih-Chien | 4 | - | 100% | Resignation on October 19, 2023. |
| Independent Director | Wang, Kai-Li | 8 | 1 | 83% | Appointed on May 26, 2023. |
| Independent Director | Wang, Chih-Cheng | 9 | - | 100% | Appointed on May 26, 2023. |
| Independent Director | Tu, Chi-Yao | 6 | - | 100% | Appointed on May 26, 2023. |
| Independent Director | Wu, Jiin-Po | 6 | - | 100% | Appointed on May 26, 2023. |
| Chairman | Lin, Ing-Gin | 3 | - | 100% | Resignation on May 26, 2023. |
| Director | Chang, Chih-Chuan | 3 | - | 100% | Resignation on May 26, 2023. |
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Ing-Gin | 3 | - | 100% | Appointed on May 26, 2023. Replacement on November 10, 2023. |
| Director | Yong-Heng Investment Corporation Representative: Lam, Yuk | 2 | - | 100% | Appointed on May 26, 2023. Resignation on October 19, 2023. |
| Director | Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi | 3 | - | 100% | Resignation on May 26, 2023. |
| Independent Director | Hsieh, Chang-Hung | 3 | - | 100% | Resignation on May 26, 2023. |

2. Other required notes for the Board meetings:

(1). In the event of either of the following situations, dates, sessions, contents of resolutions of the Board meetings, opinions from all independent directors, and Company responses to their opinions should be noted:

A. Matters listed in the Securities and Exchange Act §14-3.

| Board Meeting Dates | Resolution | Any Independent Director Had a Dissenting Opinion or Qualified Opinion |
|--|---|--|
| The 20 th meeting of the 11 th Board | (1). Amendment to Operation Procedure for Loaning Funds to others for Cikayda Inc.. | None |

| | | |
|--|--|------|
| on March 3, 2023 | (2). Cikayda Inc. made loans to sIUVO. | None |
| | (3). Increase investment in sub-subsidiary Neutron Ventures and Sweatband.com. | None |
| | (4). Increase investment in sub-subsidiary Dyaco Europe and Cardio Fitness. | None |
| | (5). Apply for bank loans. | None |
| | (6). To Chang Construction of the plant in Taichung Dajia. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 21 th meeting of the 11 th Board on March 23, 2023 | (1). Loaning of funds for the subsidiaries of the Company. | None |
| | (2). Approval of 2022 annual financial statements and business report. | None |
| | (3). Approval of 2022 statement of internal control system. | None |
| | (4). Approval of the capital increase through the issuance of common shares. | None |
| | (5). Approval of 2021 GHG Report | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 22 th meeting of the 11 th Board on May 12, 2023 | (1). Loaning of funds for the subsidiaries of the Company. | None |
| | (2). Approval of 2023 the first quarter consolidated financial statements. | None |
| | (3). Apply for bank loans. | None |
| | (4). The Company made endorsements/guarantees for Wing-long. | None |
| | (5). The Company made loans to sub-subsidiary City Sport. | None |
| | (6). Adjustment of the group' s investment structure ° | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| Resolution: All directors present at the meeting approved. | | |
| The 1 st meeting of the 12 th Board on August 8, 2023 | (1). Loaning of funds for the subsidiaries of the Company. | None |
| | (2). Approval of 2023 the second quarter consolidated financial statements. | None |
| | (3). Apply for bank loans. | None |
| | (4). The Company made loans to sub-subsidiary Winglong. | None |
| | (5). Approval of 2022 Sustainability Report. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 2 nd meeting | (1). Loaning of funds for the subsidiaries of the Company. | None |

| | | |
|---|--|------|
| of the 12 th Board on November 10, 2023 | (2). Determining whether there were loaning funds to unrelated parties in this quarter. | None |
| | (3). Approval of 2023 the third quarter consolidated financial statements. | None |
| | (4). Apply for bank loans. | None |
| | (5). Amendment to Operation Procedure for Loaning Funds to others for Fuel Spirit. | None |
| | (6). Amendment to Operating Procedures of Endorsement / Guarantees for Fuel Spirit. | None |
| | (7). The Company made loans to sub-subsidiary City Sport. | None |
| | (8). The Company made loans to sub-subsidiary Sweatband.com Ltd.. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 3 rd meeting of the 12 th Board on December 27, 2023 | (1). President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company. | None |
| | (2). The Company made endorsements/guarantees for IUVO. | None |
| | (3). The Company made loans to sub-subsidiary IUVO. | None |
| | (4). Sub-subsidiary Fuel Spirit made loans to the Company. | None |
| | (5). Apply for bank loans. ° | None |
| | (6). 2023 Assessment of independence of CPAs. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |

B. Besides the above-mentioned matters, other resolutions of the Board on which independent directors had dissenting or qualified opinions, and that were documented or issued through written statements: None.

(2).The Board reports on the implementation of corporate governance

| Board Meeting Dates | Corporate Governance Implementation Status | Attendance and Directors' Response |
|--|---|--|
| The 22 th meeting of the 11 th Board on May 12, 2023 | (1). Report: Communication between governance unit and CPAs. (2). Report: Communication between governance unit and internal auditors. | All directors present at the meeting acknowledged resolutions. |
| The 3 rd meeting of the 12 th Board on December | (1). Report: Corporate Sustainable Development implementation status in 2023. | All directors present at the meeting |

| | | |
|----------|---|---------------------------|
| 27, 2023 | <p>(2). Report: Ethical Corporate Management implementation status in 2023.</p> <p>(3). Report: Stakeholder reporting and communication in 2023.</p> <p>(4). Report: Status of the intellectual property management scheme in 2023</p> <p>(5). Report: Implementation of risk management policies in 2023.</p> <p>(6). Report: Communication between governance unit and CPAs.</p> <p>(7). Report::Reviewing on the 2023 programs for director education and the 2024 director education plans.</p> | acknowledged resolutions. |
|----------|---|---------------------------|

(3) In the event of recusals of directors due to conflicts of interests, the name of the directors, the motion, the grounds for recusal and the participation in voting should be noted:

| Name | Date | Motion | Grounds for Recusal | Participation in Voting |
|--|--|--|---|---|
| Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin, Zhuang, Zhu-Wei, Yong-Heng Investment Corporation Representative: Chiu Shih-Chien, Wang, Kai-Li, Wang, Chih-Cheng, Tu, Chi-Yao, Wu, Jiin-Po | The 3rd meeting of the 12th Board on December 27, 2023 | To evaluates the remuneration of the Company's directors and managers. | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin, Zhuang, Zhu-Wei, Yong-Heng Investment Corporation Representative: Chiu Shih-Chien, Wang, Kai-Li, Wang, Chih-Cheng, Tu, Chi-Yao, Wu, Jiin-Po were interested parties. | Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on resolutions of the Compensation Committee. |

(4). Evaluation of targets for strengthening of 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 adopted procedures for Board self-assessment or peer evaluation on Board meeting of November 11, 2016 and completed Board self-assessment report in December 2021. The result of the internal assessment is expected to be reported to the Board at its first quarter meeting in 2024 and disclosed on Company website.
- B. To enhance the transparency of information, the Company issues major operations news in the form of material information.
- C. The Company immediately discloses major resolutions on the Market Observation Post System after the Board meeting to protect shareholders' rights and interests, has a designated person responsible for the collection and disclosure of Company information, and establishes a spokesperson system to ensure timely and proper release of material information for shareholders and stakeholders.

D. The Company continually arranges professional training for directors. A total of 48 hours of director training with respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report. The training was as follows.

| Name | Date | Host by | Training/Speech Title | Duration | Total Hours |
|---|------------|---|---|----------|-------------|
| CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, Yu-Yin | 2023/11/09 | Taiwan Institute of Director | Discussion on Synergy Effects of Enterprise Mergers and Acquisitions and Analysis of Transaction Execution Practices | 3 | 12 |
| | 2023/11/15 | Securities & Futures Institute | Legal Compliance of Insider Equity Trading Advocacy Conference 2023 | 3 | |
| | 2023/11/22 | Taiwan Institute of Director | Decisions at the crossroads | 3 | |
| | 2023/12/12 | Taiwan Institute of Director | 2023 ESG/CSR and Sustainable Governance, the Trend of the World | 3 | |
| Zhuang, Zhu-Wei | 2023/11/09 | Taiwan Corporate Governance Association | Promoting Sustainable Development through Risk Management -Best Practice Principles on Risk Management for TWSE/TPEX Listed Companies | 3 | 6 |
| | 2023/11/09 | Taiwan Corporate Governance Association | Enterprise Management Mindset From CSR to ESG | 3 | |
| YONG-HENG INVESTMENT CORPORATION Representative: Chiu, Shih-Chien | 2023/08/23 | Taiwan Corporate Governance Association | How to Reduce The Risk of Insider Trading | 3 | 6 |
| | 2023/12/27 | Taiwan Corporate Governance Association | Corporate governance and regulation securities | 3 | |
| Wang, Kai-Li | 2023/08/03 | Taiwan Corporate Governance Association | Corporate Governance by Board under ESG | 3 | 6 |
| | 2023/08/03 | Taiwan Corporate Governance Association | Legal Issues that Should be Aware of in the Management of Insider Shareholdings and Share Transactions | 3 | |
| Wang, Chih-Cheng | 2023/10/12 | Taiwan Institute of Director | Legal Risks of Enterprise Investment and Financing | 3 | 6 |
| | 2023/05/26 | Ministry of Environment | Using Green Chemistry to developing the future | 3 | |
| Tu, Chi-Yao | 2023/10/23 | Securities & Futures Institute | Using "Intellectual Property Management" to Improve Corporate Governance and Internal Control Law Compliance | 6 | 6 |
| Wu, Jiin-Po | 2023/10/19 | Taiwan Institute of Director | Environmental taxation, anti-tax avoidance and corporate taxation governance viewed from the global ESG | 3 | 6 |

| | | | | | |
|--|------------|------------------------------|--|---|--|
| | | | wave | | |
| | 2023/11/20 | Taiwan Institute of Director | Underlying logic: See clearly the company' s financial cards from the three financial statements | 3 | |

(5). Board Performance Evaluation:

A. Performance Evaluation and Compensation

Pursuant to §24 of the Company' s Articles of Incorporation, not more than 5 percent of profit of the current year shall be distributed as compensation to directors. The procedures for determining compensation shall be subject to Board self-assessment or peer evaluation and stated in §21 of the Company' s Articles of Incorporation. The directors' compensation shall be determined by the Compensation Committee with respect to their participation in and contribution to the operations. The Board is authorized to distribute compensation in accordance with the Compensation Committee' s assessment and the typical pay levels adopted by peer companies.

In the event of moral hazard, other adverse events that may impair the Company' s reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to directors shall be adjusted with respect to their participation in and contribution to the operations.

B. Result of Performance Evaluation

The Company adopted procedures for Board self-assessment or peer evaluation on Board meeting of November 11, 2016. Beginning in 2016, performance evaluation is annually completed in December by the Board as a whole through self-assessment surveys via questionnaires. External board performance evaluation is performed at least once every three years by an external professional independent organization or a team of external experts, with current year performance evaluation conducted at the end of the year.

(i) Internal Evaluation:

The individual directors are assessed on the following six aspects:

- Understanding of the Company' s goals and mission
- Awareness of director' s duties
- Involvement in the Company' s operations
- Internal relationship and communication
- Expertise and continuing education
- Internal controls

The weighted average score for the 2023 overall performance of the directors was 4.93 out of 5 and is expected to report the result to the Board at March 12, 2024.

The Board of Directors are assessed on the following five aspects:

- Involvement in the Company' s operations
- Enhancement of the quality of the Board' s decision-making
- Makeup and structure of the Board

- Election of directors and continuing knowledge development
- Internal controls

The weighted average score for the 2023 overall performance of the Board of Directors was 5 out of 5 and is expected to report the result to the Board at March 12, 2024.

(ii) External Expert Evaluation:

According to procedures for Board self-assessment or peer evaluation, external expert evaluation shall be performed at least once every three years. The Company engaged Chainye Management Consulting Co. to conduct an external evaluation of the overall performance of Board, directors and functional committees for the year 2023. 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.

Evaluation scope was as follow.

| Board of Directors | Individual Director | Functional Committee |
|--|---|--|
| <ul style="list-style-type: none"> ● Involvement in the Company's operations ● Enhancement of the quality of the Board's decision-making ● Makeup and structure of the Board ● Election of directors and continuing knowledge development ● Internal controls | <ul style="list-style-type: none"> ● Understanding of the Company's goals and mission ● Awareness of director's duties ● Involvement in the Company's operations ● Internal relationship and communication ● Expertise and continuing education ● Internal controls | <ul style="list-style-type: none"> ● Involvement in the Company's operations ● Awareness of the functional committee's duties ● Enhancement of the quality of the functional committee's decision-making ● Makeup of the functional committee and election of members ● Internal controls |

Evaluation Result:

A. Chainye Management Consulting Co. on Jan 2, 2024 issued an assessment, stating that the Board of the Company has established policies and processes relating to the operation of the Board in compliance with relevant laws 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 understanding of the Company's operations and risks, and have a high level of participation in the Company's operations, with the overall assessment result being excellent.

B. The result of the above assessment was reported to the Board at March 12, 2024.

C. The suggestions from Chainye Management Consulting Co. are as follows.:

| Suggestions / Improvements | Measures to be adopted |
|---|---|
| <ul style="list-style-type: none"> ● The Company currently has more than half of its board seats occupied by independent directors. However, among the four independent directors, one independent director has served | <ul style="list-style-type: none"> ● The nomination review for the election of the thirteenth Board of Directors will be conducted in accordance with legal regulations. |

| | |
|---|---|
| <p>more than three terms, and one independent director is serving the third term as an independent director of the Company in this session. According to the provisions of the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, as of the year 2027, the consecutive tenure of all independent directors shall not exceed three terms. It is suggested that in the next election, the Company can nominate appropriate new candidates for independent directors through the Nominating Committee, in order to professionalize and ensure the independence of the operations of the Board of Directors and functional committees.</p> <ul style="list-style-type: none"> ● It is recommended that the conveners of each functional committee in the future establish the terms of office for each term and set forth the annual work plans and objectives for each year within the term. These plans and objectives should be agreed upon by the members of each functional committee, enhancing the supervisory and managerial functions of the functional committees within the Company. | <ul style="list-style-type: none"> ● Since the fiscal year 2025, it has been proposed to submit annual work plans for each functional committee. |
|---|---|

3.3.2 The operations of the Audit Committee and its participation in Board meetings

1. Committee member term: The 2nd term from May 28, 2020 to May 27, 2023. The 3rd term from May 26, 2023 to May 25, 2026.

2. 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.

3. Audit Committee's annual work plan for 2023 is as follows.

(1) Financial statements.

(2) The policies and procedures for auditing and accounting.

(3) The policies and procedures for internal controls.

(4) The material asset of derivatives transactions.

(5) The material loaning of funds and endorsements/guarantees.

(6) The offering, issuance, or private placement of equity-type securities.

(7) The status of derivatives transactions and investments.

(8) Regulation compliance.

(9) Risk management.

(10) The evaluation of the independence and suitability of its CPA.

(11) The hiring or dismissal of an attesting CPA, or the compensation given thereto.

(12) Regular communications between the Chief Internal Auditor and the CPA.

(13) The performance assessment of the Audit Committee.

4. Audit Committee's highlight of 2023:

(1) Review financial statements: The Board of Directors prepared the annual business report, the financial statements, and the earnings distribution proposal for the year 2022. The financial statements were audited and the audit report was issued by Deloitte. The above-mentioned business report, financial statements and earnings distribution proposal were forwarded to the Audit Committee for auditing, and the Audit Committee found that the same were prepared in accordance with the rules.

(2) The hiring of the CPA: The Audit Committee prepared CPA independence evaluation form with reference to Certified Public Accountant Act §47 and the Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence. The form evaluated the independence, competence and suitability of the CPA from the aspects of being a related party, having a business relationship, or having a financial interest with the Company.

On December 27, 2023, during the third meeting of the third term Audit Committee and the third meeting of the twelfth term Board of Directors, the Audit Quality Indicator (AQI) of the accounting firm was obtained. After deliberation and discussion, it was resolved that both Accountant Hsieh Chien-Hsin and Accountant Liao Wan-Yi from Deloitte Taiwan meet the independence evaluation criteria and are qualified to serve as the Company's Certified Public Accountants.

5.Six Audit Committee meetings were convened in 2023 (A). The members' qualification and attendance status are as follows

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) 【 B/A 】 | Note |
|----------------------|-------------------|-----------------------------|----------|--|-----------------------------|
| Independent Director | Wang, Kai-Li | 5 | 1 | 100% | Appointed on May 26, 2023 |
| Independent Director | Wang, Chih-Cheng | 6 | - | 100% | Appointed on May 26, 2023 |
| Independent Director | Tu, Chi-Yao | 3 | - | 100% | Appointed on May 26, 2023 |
| Independent Director | Wu, Jiin-Po | 3 | - | 100% | Appointed on May 26, 2023 |
| Independent Director | Hsieh, Chang-Hung | 3 | - | 100% | Resignation on May 26, 2023 |

6.Other required notes for the meetings:

In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Audit Committee' s opinions should be noted:

(1).Matters listed in the Securities and Exchange Act §14-5.

| Board Meeting Dates | Resolution | Any Independent Director Had a Dissenting Opinion or Qualified Opinion | |
|--|---|--|--|
| The 20 th meeting of the 11 th Board on March 3, 2023 | (7). Amendment to Operation Procedure for Loaning Funds to others for Cikayda Inc.. | None | |
| | (8). Cikayda Inc. made loans to s IUVO. | None | |
| | (9). Increase investment in sub-subsubsidiary Neutron Ventures and Sweatband.com. | None | |
| | (10). Increase investment in sub-subsubsidiary Dyaco Europe and Cardio Fitness. | None | |
| | (11). Apply for bank loans. | None | |
| | (12). To Chang Construction of the plant in Taichung Dajia. | None | |
| | Independent directors' opinions: None. | | |
| | The Company' s responses to independent directors' opinions: None. | | |
| Resolution: All directors present at the meeting approved. | | | |
| The 21 th meeting of the 11 th Board on March 23, 2023 | (6). Loaning of funds for the subsidiaries of the Company. | None | |
| | (7). Approval of 2022 annual financial statements and business report. | None | |
| | (8). Approval of 2022 statement of internal control system. | None | |
| | (9). Approval of the capital increase through the issuance of common shares. | None | |
| | Independent directors' opinions: None. | | |
| | The Company' s responses to independent directors' opinions: None. | | |
| | Resolution: All directors present at the meeting approved. | | |

| | | |
|--|--|------|
| The 22 th meeting of the 11 th Board on May 12, 2023 | (7). Loaning of funds for the subsidiaries of the Company. | None |
| | (8). Approval of 2023 the first quarter consolidated financial statements. | None |
| | (9). Apply for bank loans. | None |
| | (10). The Company made endorsements/guarantees for Wing-long. | None |
| | (11). The Company made loans to sub-subsidiary City Sport. | None |
| | (12). Adjustment of the group' s investment structure ° | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 1 st meeting of the 12 th Board on August 8, 2023 | (6). Loaning of funds for the subsidiaries of the Company. | None |
| | (7). Approval of 2023 the second quarter consolidated financial statements. | None |
| | (8). Apply for bank loans. | None |
| | (9). The Company made loans to sub-subsidiary Winglong. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 2 nd meeting of the 12 th Board on November 10, 2023 | (9). Loaning of funds for the subsidiaries of the Company. | None |
| | (10). Determining whether there were loaning funds to unrelated parties in this quarter. | None |
| | (11). Approval of 2023 the third quarter consolidated financial statements. | None |
| | (12). Apply for bank loans. | None |
| | (13). Amendment to Operation Procedure for Loaning Funds to others for Fuel Spirit. | None |
| | (14). Amendment to Operating Procedures of Endorsement / Guarantees for Fuel Spirit. | None |
| | (15). The Company made loans to sub-subsidiary City Sport. | None |
| | (16). The Company made loans to sub-subsidiary Sweatband.com Ltd.. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |
| The 3 rd meeting of the 12 th Board on December 27, | (7). President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company. | None |
| | (8). The Company made endorsements/guarantees for IUVO. | None |

| | | |
|------|--|------|
| 2023 | (9). The Company made loans to sub-subsidiary IUVO. | None |
| | (10). Sub-subsidiary Fuel Spirit made loans to the Company. | None |
| | (11). Apply for bank loans. ° | None |
| | (12). 2023 Assessment of independence of CPAs. | None |
| | Independent directors' opinions: None. | |
| | The Company' s responses to independent directors' opinions: None. | |
| | Resolution: All directors present at the meeting approved. | |

(2) Besides the above-mentioned matters, any matter that was not passed by the Audit Committee but was adopted with the approval of two-thirds or more of all Board directors: None.

7. In the event of recusals of independent directors due to conflicts of interests, the name of the independent directors, the motion, the grounds for recusal and the participation in voting should be noted: None.

8. Communications between the independent directors, the Company' s chief internal auditor and CPAs (e.g. the material items, methods and results of audits of financial position or operations, etc.)

(1). Communications between the independent directors and the CPA

| Date | Attendee | Summary |
|-------------------|--|---|
| March 23, 2023 | <u>Independent Director</u> Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng <u>Deloitte & Touche CPA</u> Hsieh, Chien-Hsin Liao, Wan-I | <p><u>Communications between the Independent Directors and the CPA</u></p> <ol style="list-style-type: none"> 1. Preparation of financial statement timely and improvement quality. 2. Hire the qualified accountant for preparation of financial statement. 3. Investment management. <p><u>Independent Directors' Response</u></p> <ol style="list-style-type: none"> 1. If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist. 2. There are many subsidiaries in the Dyaco International Group, and the parent company should fulfill the responsibility of supervising them. <p><u>The Company Follow-up</u></p> <ol style="list-style-type: none"> 1. Full cooperation with CPA in the audit. 2. The Company assigned additional manpower to carry out the responsibility of supervising the subsidiaries. |
| December 27, 2023 | <u>Independent Director</u> Wang, Kai-Li | <p><u>Communications between the Independent Directors and the CPA</u></p> <ol style="list-style-type: none"> 1. To communicate with the governance unit the key audit matters in the audit report. 2. Preparation of financial statement timely and improvement quality. <p><u>Independent Directors' Response</u></p> |

| | |
|---|---|
| Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao <u>Deloitte & Touche CPA</u> Hsieh, Chien-Hsin | If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist. <u>The Company Follow-up</u> 1. Full cooperation with CPA in the audit. 2. The exit meeting will be held after the audit of 2023 annual financial statements in the first quarter of 2024. |
|---|---|

(2). Communications between the independent directors and the chief internal auditor

| Date | Attendee | Summary |
|-------------------|---|--|
| December 27, 2023 | <u>Independent Director</u> Wang, Kai-Li Wang, Chih-Cheng Wu, Jiin-Po Tu, Chi-Yao | <u>Communications between the Independent Directors and the CIA</u> 1. Last meeting follow-up. 2. 2023 audit matters. 3. 2024 annual engagements. 4. Human resource allocation by audit department |
| | <u>Chief Internal Auditor</u> Liu, Yu-Li | <u>Independent Directors' Response</u> 1. Remind internal auditors to conduct the audit of major subsidiaries on major operation cycles. 2. Engagements are submitted to the Audit Committee and the Board of Directors for resolution. 3. Increase internal auditor depend on operation status. <u>The Company Follow-up</u> 1. Engagements were discussed and passed in the Audit Committee meeting and the Board meeting on December 27, 2023. 2. The 2024 audit of major subsidiaries on major operation cycles will be conducted in accordance with internal control standards. |

B. Audit Committee

The chief internal auditor submits the audit report to independent directors on a monthly basis, and reports to the Audit Committee and the Board of Directors on major findings of the internal control system. The chief internal auditor communicates with the Audit Committee the audit on a regular basis and responds to the Audit Committee members' questions after the release of monthly audit report. Relevant supervisors are invited to attend the meetings if necessary, and the chief internal auditor summarizes conclusions as well as suggestions and reports to the Audit Committee and the Board of Directors. The instructions of the Audit Committee and the Board of Directors are the guideline for implementation.

| Audit Committee Meeting Date | Attended Independent Director | Attended Chief Internal Auditor | Summary | Resolution |
|------------------------------|-------------------------------|---------------------------------|---------|------------|
| | | | | |

| | | | | |
|-------------------|--|------------|--|---|
| March 23, 2023 | Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng | Liu, Yu-Li | Reported the audit report of December 2022 and January 2023.. | Reported to the Board of Directors after the Audit Committee' s approval. |
| March 23, 2023 | Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng | Liu, Yu-Li | <ul style="list-style-type: none"> ● Approved 2022 internal control statement. ● Reported the audit report of February 2023. | <ul style="list-style-type: none"> ● The Audit Committee and the Board of Directors approved. ● Reported to the Board of Directors after the Audit Committee' s approval. |
| May 12, 2023 | Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng | Liu, Yu-Li | Reported the audit report of March 2023 and April 2023. | Reported to the Board of Directors after the Audit Committee' s approval. |
| August 8, 2023 | Wang, Chih-Cheng Wang, Kai-Li Wu, Jiin-Po Tu, Chi-Yao | Liu, Yu-Li | Reported the audit report of May 2023, June 2023 and July 2023. | Reported to the Board of Directors after the Audit Committee' s approval. |
| November 10, 2023 | Wang, Chih-Cheng Wang, Kai-Li Wu, Jiin-Po Tu, Chi-Yao | Liu, Yu-Li | Reported the audit report of August 2023, September 2023 and October 2023. | Reported to the Board of Directors after the Audit Committee' s approval. |
| December 27, 2023 | Wang, Chih-Cheng Wang, Kai-Li Wu, Jiin-Po Tu, Chi-Yao | Liu, Yu-Li | <ul style="list-style-type: none"> ● Reported the audit report of November 2023. ● Approved 2024 annual audit plan. | <ul style="list-style-type: none"> ● Reported to the Board of Directors after the Audit Committee' s approval. ● The Audit Committee and the Board of Directors approved. |

9.Evaluation of the Audit Committee

The Company conducted an evaluation of the Company's functional committee at the end of the year and the Audit Committee members were assessed on the following five aspects:

- (1) Involvement in the Company' s operations
- (2) Awareness of the Audit Committee' s duties
- (3) Enhancement of the quality of the Audit Committee' s decision-making
- (4) Makeup of the Audit Committee and election of members
- (5) Internal controls

The weighted average score for the 2023 overall performance of the Board of Directors was 4.94 out of 5 and is expected to report the result to the Board at March 12, 2024.

3.3.3 The composition, duties, and operations of the Remuneration Committee

1. Information of Remuneration Committee members

March 29, 2024

| Title | Qualification Name | Professional qualifications and experience | Independence (Note 3) | Number of other public companies in which the member also serves as a member of their Remuneration Committee |
|----------------------|----------------------------|--|---|--|
| Independent Director | Wang, Kai-Li | Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of Shen Kai Precision Co., Ltd. Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | 3 |
| Independent Director | Wang, Chih-Cheng | Served in director of The Securities and Futures Investors Protection Center, director of The Financial Ombudsman Institution, Arbitrator of Chinese Arbitration Association, Department head, Department of law, Chinese Culture university and independent directors of many listed companies, has come with excellent legal and corporate governance experiences. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | 1 |
| Independent Director | Wu, Jin-Po | Former Associate Professor at Tamkang University's Department of Information Management, possessing practical expertise in information and corporate governance. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | - |
| Independent Director | Tu, Chi-Yao | Served in partnership of Deloitte & Touche a financial legal adviser of Taiwanese companies of the Straits Exchange Foundation, and is currently an independent director of KY-Yaming Town and an independent director of TECO, with practical expertise in accounting, taxation and corporate governance. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | 2 |
| Independent Director | Hsieh, Chang-Hung (Note 1) | Served in Deputy Chief Secretary of National Science Council Head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication, President and General Manager of IBF Securities Investment Consulting, has come with excellent corporate governance experiences. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | - |
| other | Chen, Shih-Hsin (Note 1) | Served in Seniot consultant of Ogilvy Public Relations, Vice professor, Department of Health Care Management, National Taipei University of Nursing and Health Sciences has come with excellent health communication, company culture, . and c Social Contagion Theory 、 communication network analysis experiences. | (1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12) | - |

Note 1 : Term expired.

Note 2 : Independence of the Remuneration Committee members in the two years before appointment and during their term.

Those who comply will be disclosed above.

(1) Not an employee of the Company or any of its affiliates.

(2) Directors and supervisors who are not part of the Company or its affiliated companies (except if the Company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations).

- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, -68- 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 the Company or ranking in the top 10 in holdings.
- (4) Not a manager in (1) or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in (2) and (3).
- (5) Not directors, supervisors or legal shareholders who directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (8) Not directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C

2. Compensation Committee Operation

- (1) The Committee is currently comprised of 4 members.
- (2) Committee Member Term: The 2nd Term from May 28, 2020 to May 27, 2023. The 3rd Term from May 26, 2023 to May 25, 2026.
- (3) The Committee shall exercise the care of a good administrator to faithfully perform the

following duties and present its recommendations to the Board of Directors for discussion.

A. Establishing and periodically reviewing the performance assessment standards, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers.

B. Periodically assessing and setting the types and amounts of the compensation of the directors and managerial officers.

(4) Two Remuneration Committee meetings were convened in 2023 (A). The members' qualification and attendance status are as follows.

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) 【 B / A 】 | Note |
|--------|-------------------|--------------------------|----------|--|------------------------------|
| Chair | Wang, Kai-Li | 2 | - | 100% | Re-appointed on May 26, 2023 |
| Member | Tu, Chi-Yao | 1 | - | 100% | Appointed on May 26, 2023 |
| Member | Wang, Chih-Cheng | 2 | - | 100% | Re-appointed on May 26, 2023 |
| Member | Wu, Jiin-Po | 1 | - | 100% | Appointed on May 26, 2023 |
| Chair | Hsieh, Chang-Hung | 1 | - | 100% | Resignation on May 26, 2023 |
| Member | Chen, Shih-Hsin | 1 | - | 100% | Resignation on May 26, 2023 |

(5) Other required notes for the meetings:

In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company's responses to the Remuneration Committee's opinions should be noted:

| Remuneration Committee Meeting Date | Resolution |
|--|---|
| The 8 th meeting of the 4 th Remuneration Committee on May 12, 2023 | Review of the distribution of stock options to management from issuance of new shares for capital increase for the year 2023. |
| | Resolution of the Remuneration Committee: All Corporate remuneration committee members present at the meeting approved. |
| | The Company's responses to the Remuneration Committee's opinions: The Company implemented in accordance with the resolution. |
| The 1 st meeting of the 5 th Remuneration Committee on December 27, 2023 | (1). Approval of 2023 compensation structure. |
| | (2). Approval of directors' and managers' compensation. |
| | (3). Approval of 2023 distribution of managers' annual bonus. |
| | Resolution of the Remuneration Committee: Except members recused themselves from the discussion and voting, the chair put the motion before all members present at the meeting and none voiced an objection. |
| | The Company's responses to the Remuneration Committee's opinions: Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on the resolution of the Remuneration Committee. |

(6) If the Board of Directors refuses to adopt or modifies a recommendation by the Remuneration Committee, Board meeting dates, sessions, motions, resolutions of the meetings, and the Company's responses to the Remuneration Committee's opinions shall be noted (If the compensation approved by the Board of Directors is better than that suggested by the Remuneration Committee, the differences and reasons shall be stated): None.

(7) If, with respect to any resolution of the Remuneration Committee, any member had a dissenting opinion or qualified opinion which was documented or issued through written statements, Remuneration Committee meeting dates, sessions, motions, all members' opinions and the handling thereof shall be noted: None.

(8) Evaluation of the Remuneration Committee

The Company conducted an evaluation of the Company's functional committee at the end of the year and the Remuneration Committee members were assessed on the following four aspects:

- A. Involvement in the Company's operations.
- B. Awareness of the Remuneration Committee's duties.
- C. Enhancement of the quality of the Remuneration Committee's decision-making.
- D. Makeup of the Remuneration Committee and election of members.

The weighted average score for the 2023 overall performance of the Board of Directors was 4.74 out of 5 and was reported to the Board at March 12, 2024.

(9) Other required notes for the meetings: None.

3.3.4 The composition, duties and operations of the Corporate Sustainability Committee

1. The Board of Directors approved the Corporate Sustainability Committee charter on August 11, 2021 for the Committee to follow.

2. In accordance with the Company's Corporate Sustainability Committee chart, the Corporate Sustainability Committee consists of three independent directors with the chairman of the Board as the chairman of the Committee and the independent director Wu, Jiin -Po as the deputy chairman.

3. Term: From May 26, 2023 to May 25, 2026.

4. The duties of the Corporate Sustainability Committee:

- (1) Development of the Company's sustainable development policies.
- (2) Establishment of sustainable development of the Company, including sustainable governance, ethical management, environmental and social objectives, strategy and implementation plan development.
- (3) Regularly evaluate, follow up on, and amend the Company's sustainable development implementation, and report to the Board of Directors on a regular basis.
- (4) Address the concerns of various stakeholders, including shareholders, customers, suppliers,

employees, governments, non-profit organizations, communities, and the media, and oversee communication plans.

(5) Review of reports.

(6) Any other matters assigned by the Board of Directors.

5. Three Corporate Sustainability Committee meeting was convened in 2023 (A). The members' qualifications, specialty and attendance status are as follows.

| Title | Name | Specialty | Title | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) 【 B / A 】 | Note |
|-----------------|--|------------------------|----------------------|--------------------------|----------|---|--|
| Chairman | Lin, Ing-Gin | Corporate Governance | Chairman | 1 | - | 100% | Resignation on May 26, 2023. |
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Ing-Gin | Corporate Governance | Chairman | 1 | - | 100% | Appointed on May 26, 2023. Replacement on November 10, 2023. |
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin | Corporate Governance | Chairman | 1 | - | 100% | Replacement on November 10, 2023. |
| Deputy Chairman | Wang, Chih-Cheng | Legal | Independent Director | 2 | - | 100% | Appointed on May 26, 2023. |
| Member | Wang, Kai-Li | Finance | Independent Director | 2 | - | 100% | Appointed on May 26, 2023. |
| Member | Hsieh, Chang-Hung | Management | Independent Director | 1 | - | 100% | Resignation on May 26, 2023. |
| Member | Tu, Chi-Yao | Accounting | Independent Director | 2 | - | 100% | Appointed on May 26, 2023. |
| Member | Wu, Jiin-Po | Information Management | Independent Director | 2 | - | 100% | Appointed on May 26, 2023. |

6. In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company's responses to the Corporate Sustainability Committee's opinions should be noted:

| Corporate Sustainability Meeting Date | Resolution |
|---|---|
| The 5 th meeting of the 1 st Corporate Sustainability Committee on March 23, 2023 | Establish the Company's "Sustainable Development Practice Guidelines," sustainable development policies, and specific implementation plans. |
| | Resolution of the Corporate Sustainability Committee: All Corporate Sustainability Committee members present at the meeting approved. |
| | The Company's responses to the Corporate Sustainability Committee's opinions: The Company implemented in accordance with the resolution. |
| The 1 st meeting of the | (1).2022 Sustainable development report. |

| | |
|--|---|
| 2 nd Corporate Sustainability Committee on August 8, 2023 | (2).To implement training about materiality of TCFD and Sustainable development report for management ° |
| | Resolution of the Corporate Sustainability Committee: All Corporate Sustainability Committee members present at the meeting approved. |
| | The Company' s responses to the Corporate Sustainability Committee' s opinions: The Company implemented in accordance with the resolution. |
| The 2 nd meeting of the 3 rd Corporate Sustainability Committee on December 27, 2023 | (1).2023 materiality assessment. |
| | (2).2023 TCFD. |
| | Resolution of the Corporate Sustainability Committee: All Corporate Sustainability Committee members present at the meeting approved. |
| | The Company' s responses to the Corporate Sustainability Committee' s opinions: The Company implemented in accordance with the resolution. |

7.The Company conducted an evaluation of the Company's functional committee at the end of the year and the Corporate Sustainability Committee members were assessed on the following four aspects:

- (1)Involvement in the Company' s operations.
- (2)Awareness of the Corporate Sustainability Committee' s duties.
- (3)Enhancement of the quality of the Corporate Sustainability Committee' s decision-making.
- (4)Makeup of the Corporate Sustainability Committee and election of members.

The weighted average score for the 2023 overall performance of the directors was 4.8 out of 5 and was reported to the Board at March 12, 2024.

8.Other required notes for the meetings: None.

3.3.5 Nominating Committee Operation

1.The Nominating Committee of three independent directors with the chairman of the Board as the chairman of the Committee.

2.The duties of the Nominating Committee

(1)Develop diverse and independent criteria that include professional knowledge, skills, experience, and gender for Board members and senior executives. Use these criteria to identify, assess, and nominate candidates for Director and senior executive positions.

(2)Construct and develop the organizational structure of the Board of Directors and its committees, conduct performance evaluations of the Board of Directors, its committees, individual Directors, and senior executives, and assess the independence of Independent Directors.

(3)Establish and periodically review training plans for Directors and succession plans for Directors and senior executives.

(4)Develop corporate governance practices and guidelines for the Company.

3.The Nominating Committee status

(1)Four members.

(2)Committee Member Term: The 1ST term from August 12 , 2022 to May 27, 2023. The 2nd term from May 26, 2023 to May 25, 2026.

(3)Two Nominating Committee meeting was convened in 2023 (A). The members' qualifications, specialty and attendance status are as follows:

| Title | Name | Specialty | Attendance in Person (B) | By Proxy | Attendance Rate in Person (%) 【 B/A 】 | Note |
|----------|---|---------------------------------|--------------------------|----------|---------------------------------------|----------------------------------|
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin | Corporate Governance | 1 | - | 100%- | Replacement on November 10, 2023 |
| Member | Wang, Chih-Cheng | Corporate Governance Legal | 2 | - | 100% | Appointed on May 26, 2023. |
| Member | Wang, Kai-Li | Corporate Governance Finance | 1 | 1 | 50%- | Appointed on May 26, 2023. |
| Member | Tu, Chi-Yao | Corporate Governance Accounting | 1 | - | 100% | Appointed on May 26, 2023. |
| Member | Hsieh, Chang-Hung | Corporate Governance Management | 1 | - | 100% | Resignation on May 26, 2023. |
| Chairman | Lin, Ing-Gin | Corporate Governance | 1 | - | 100% | Resignation on May 26, 2023. |
| Chairman | Chuan-Feng Investment Corporation Representative: Lin, Ing-Gin | Corporate Governance | - | - | 100% | Replacement on November 10, 2023 |

4.In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Nominating Committee' s opinions should be noted:

| Nominating Committee Meeting Date | Resolution |
|--|---|
| The 1st meeting of the 1st Nominating Committee on March 23, 2023 | Review of the list for the directors and independent directors candidate. |
| | Resolution of the Nominating Committee: All Corporate Nominating Committee members present at the meeting approved. |
| | The Company' s responses to the Nominating Committee' s opinions: The Company implemented in accordance with the resolution. |
| The 1st meeting of the 2nd Nominating Committee on December 27, 2023 | Review of Chief Strategy Officer qualifications. |
| | Resolution of the Nominating Committee: All Corporate Nominating Committee members present at the meeting approved. |
| | The Company' s responses to the Nominating Committee' s opinions: The Company implemented in accordance with the resolution. |

5.The Company conducted an evaluation of the Company's functional committee at the end of the year and the Nominating Committee members were assessed on the following four aspects:

- (1). Involvement in the Company' s operations.
- (2). Awareness of the Nominating Committee' s duties.
- (3). Enhancement of the quality of the Nominating Committee' s decision-making.
- (4). Makeup of the Nominating Committee and election of members.

The weighted average score for the 2023 overall performance of the members was 4.75 out of 5 and was reported to the Board at March 12, 2024.

6.Other required notes for the meetings: None.

3.3.6 The corporate governance director' s duties, business execution highlights and continuing education

On March 8, 2019, the Board of Directors of the Company appointed the 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, as the corporate governance director. The main duties of which are furnishing information required for business execution by directors, assisting directors' compliance of law by providing the latest regulations related to the operation of the Company, and reporting to the Board of Directors at the end of each year regarding the effectiveness of operations.

Corporate Governance Director' s duties, business execution highlights and continuing education

1. The 2023 business promotion was as follows and reported to the Board of Directors on December 27, 2023:

| Year Activity | 2023 Implementation Status |
|--|---|
| Regularly informed the Board members of the latest regulations related to the Company's industry and corporate governance. | The regulations of Corporate Governance 3.0 and preparation of financial statements by the Company were promoted. |
| Offered inhouse training courses for the Board members. | Held 48 hours of the director training courses during 2023. |
| Evaluated the purchase of directors liability insurance. | The renewal of insurance was completed on September 15, 2023 and reported to the Board on November 10, 2023. |
| The agenda of the Board meeting followed the procedure | Held 2023 Board meetings. |

| | |
|--|--|
| of the Board meeting. | |
| The agenda of the shareholder meeting followed the procedure of the shareholder meeting. | Held 2023 shareholder meeting. |
| Stakeholder communication report. | Stakeholder communication report was reported to the Board on December 27, 2023. |
| Planned and implemented annual corporate governance evaluation. | Top 6%~20% of listed companies for 2022 corporate governance evaluation. |

2.The corporate governance training courses for corporate governance director in 2023:

| Date | | Host by | Course | Duration | Total Hours in 2023 |
|------------|------------|---|---|----------|---------------------|
| From | To | | | | |
| 2023.07.04 | 2023.07.04 | Taiwan Stock Exchange | 2023 Cathay sustainable finance and climate change summit | 6 | 18.0 |
| 2023.07.18 | 2023.07.18 | Taiwan Stock Exchange | 2023 Transition Finance and Sustainability Disclosure Forum | 3 | |
| 2023.09.04 | 2023.09.04 | Taiwan Corporate Governance Association | the 14th Taipei Corporate Governance Forum | 6 | |
| 2023.11.29 | 2023.11.29 | Taiwan Stock Exchange | Legal Compliance of Insider Equity Trading Advocacy Conference 2023 | 3 | |

3.3.7 Corporate Governance Status and Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” :

| Assessment Item | Implementation Status | | | Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|--|-----------------------|----|---|---|
| | Yes | No | Summary | |
| 1. Whether the Company has formulated and disclosed “Corporate Governance Best Practice Principles,” according to “Corporate Governance Best Practice Principles for TWSE/TPEX 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 www.dyaco.com for download and reference. | Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” |
| 2. The Company's shareholding structure and shareholders' interest (1). Whether the Company has formulated and implemented internal procedures 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/TPEX Listed Companies” |
| (2). 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, reports changes in their shareholdings on a monthly basis, and discloses the list of the top 10 shareholders in the annual report and on the Company's website at www.dyaco.com . | Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” |
| (3). 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/TPEX Listed Companies” |
| (4). 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/TPEX Listed Companies” |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|--------------------|--|---|-------|--------------------|--------|---|-----|------|---|-----|-----------|-------|--------------------|--------------|---|-----|--------------|---|-----|--------------|---|-----|--------------|-------|--------------------|-----------------|---|----|---------------------|---|------|--------------|-------|--------------------|----------|---|-----|----------------------|---|-----|---|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Composition and duties of the Board of Directors (1). Whether the Board of Directors has formulated and achieved diversification for the composition of its membership. | V | | <p>1. To implement the diversity of the Board of Directors, the core competencies 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 disclosed on the Market Observation Post System and the Company' s website at www.dyaco.com.</p> <p>2. The Company has drawn up a policy on diversity in the composition of the Board of Directors in the "Director Election Regulations." 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. (2) Accounting and financial analysis skills. (3) Operational management capacity. (4) Crisis management capacity. (5) Industrial knowledge. (6) Global market insights. (7) Leadership. (8) Decision-making capacity.</p> <p>3. The diversity of backgrounds of individual directors of the 12th Board is as follows:</p> <p>(1). The gender composition of the Company's directors is as follows:</p> <table border="1"> <thead> <tr> <th>Gender</th> <th>Place</th> <th>% of All Directors</th> </tr> </thead> <tbody> <tr> <td>Female</td> <td>1</td> <td>14%</td> </tr> <tr> <td>Male</td> <td>6</td> <td>86%</td> </tr> </tbody> </table> <p>The Company places emphasis on gender equality in the composition of the Board of Directors. The short-term goal 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 border="1"> <thead> <tr> <th>Age Range</th> <th>Place</th> <th>% of All Directors</th> </tr> </thead> <tbody> <tr> <td>Age 20 to 30</td> <td>1</td> <td>14%</td> </tr> <tr> <td>Age 51 to 60</td> <td>3</td> <td>43%</td> </tr> <tr> <td>Age 61 to 70</td> <td>3</td> <td>43%</td> </tr> </tbody> </table> <p>(3). Directors of the Company in their capacity as employee:</p> <table border="1"> <thead> <tr> <th>Directorship</th> <th>Place</th> <th>% of All Directors</th> </tr> </thead> <tbody> <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> </tbody> </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 border="1"> <thead> <tr> <th>Directorship</th> <th>Place</th> <th>% of All Directors</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>3</td> <td>43%</td> </tr> <tr> <td>Independent Director</td> <td>4</td> <td>57%</td> </tr> </tbody> </table> <p>During the twelfth term (2023) director election, the Company increased the number of independent director seats to four, surpassing more than half of the overall director seats, as part of efforts to strengthen the supervisory function of the Board of Directors.</p> | Gender | Place | % of All Directors | Female | 1 | 14% | Male | 6 | 86% | Age Range | Place | % of All Directors | Age 20 to 30 | 1 | 14% | Age 51 to 60 | 3 | 43% | Age 61 to 70 | 3 | 43% | Directorship | Place | % of All Directors | Part-time staff | 0 | 0% | Not part-time staff | 7 | 100% | Directorship | Place | % of All Directors | Director | 3 | 43% | Independent Director | 4 | 57% | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" |
| Gender | Place | % of All Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Female | 1 | 14% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Male | 6 | 86% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age Range | Place | % of All Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age 20 to 30 | 1 | 14% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age 51 to 60 | 3 | 43% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age 61 to 70 | 3 | 43% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Directorship | Place | % of All Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Part-time staff | 0 | 0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Not part-time staff | 7 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Directorship | Place | % of All Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | 3 | 43% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | 4 | 57% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|--|---|---|----------------------|------------------------|------------|--------------------------|-----|-----------|---|-----|--------------|---|-----|-------------------------------|-----------------------|--|---------------------------------|----------------------------|----------------------|------------------------|------------|--------------------------|-----------|--|--|--|--|--|--|--|--|---|---|---|---|---|---|---|---|---|-----------------|---|---|---|---|--|---|---|---|---|---|--|---|---|--|---|---|---|--------------|---|--|---|---|--|---|---|---|------------------|---|---|---|---|--|---|---|---|-------------|---|---|---|---|--|---|---|---|-------------|---|---|---|---|--|---|---|---|--|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>(6). The terms of office of the independent directors are as follows:</p> <table border="1"> <thead> <tr> <th>Directorship</th> <th>Place</th> <th>% of All Directors</th> </tr> </thead> <tbody> <tr> <td>1~3 years</td> <td>2</td> <td>50%</td> </tr> <tr> <td>4~6 years</td> <td>1</td> <td>25%</td> </tr> <tr> <td>Over 9 years</td> <td>2</td> <td>25%</td> </tr> </tbody> </table> <p>(7). The assessment of diversified core competencies for the directors are as follows::</p> <table border="1"> <thead> <tr> <th>Diversified core competencies</th> <th>Operational judgement</th> <th>Accounting and financial analysis skills</th> <th>Operational management capacity</th> <th>Crisis management capacity</th> <th>Industrial knowledge</th> <th>Global market insights</th> <th>Leadership</th> <th>Decision-making capacity</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, Yu-Yin</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>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>YONG-HENG INVESTMENT CORPORATION Representative: Chiu, Shih-Chien</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>Wang, Kai-Li</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>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> <tr> <td>Tu, Chi-Yao</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>Wu, Jiin-Po</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> </tbody> </table> <p>4. Board members and key management succession planning: The succession plans and operations for the board members and key management personnel are disclosed on the Company's website, www.dyaco.com.</p> | Directorship | Place | % of All Directors | 1~3 years | 2 | 50% | 4~6 years | 1 | 25% | Over 9 years | 2 | 25% | Diversified core competencies | Operational judgement | Accounting and financial analysis skills | Operational management capacity | Crisis management capacity | Industrial knowledge | Global market insights | Leadership | Decision-making capacity | Directors | | | | | | | | | CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, Yu-Yin | V | V | V | V | V | V | V | V | Zhuang, Zhu-Wei | V | V | V | V | | V | V | V | YONG-HENG INVESTMENT CORPORATION Representative: Chiu, Shih-Chien | V | | V | V | | V | V | V | Wang, Kai-Li | V | | V | V | | V | V | V | Wang, Chih-Cheng | V | V | V | V | | V | V | V | Tu, Chi-Yao | V | V | V | V | | V | V | V | Wu, Jiin-Po | V | V | V | V | | V | V | V | |
| Directorship | Place | % of All Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1~3 years | 2 | 50% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4~6 years | 1 | 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Over 9 years | 2 | 25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Diversified core competencies | Operational judgement | Accounting and financial analysis skills | Operational management capacity | Crisis management capacity | Industrial knowledge | Global market insights | Leadership | Decision-making capacity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CHUAN-FENG INVESTMENT CORPORATION Representative: Lin, Yu-Yin | V | V | V | V | V | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Zhuang, Zhu-Wei | V | V | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| YONG-HENG INVESTMENT CORPORATION Representative: Chiu, Shih-Chien | V | | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wang, Kai-Li | V | | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wang, Chih-Cheng | V | V | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tu, Chi-Yao | V | V | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wu, Jiin-Po | V | V | V | V | | V | V | V | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2). Whether the Company has established its own various functional committees other than the Remuneration Committee and the Audit Committee. | V | | <p>1. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it. The composition, responsibilities and operations of the Corporate Sustainability Committee are described in Section 3.3.5.</p> <p>2. To enhance corporate governance and improve the efficiency of the Board of</p> | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|---|-----------------------|----|--|---|
| | Yes | No | Summary | |
| | | | Directors, the Company established a Nominating Committee on August 12, 2022. For details regarding the composition, responsibilities, and operations of the Nominating Committee, please refer to Section 3 (5). | |
| (3). Whether the Company has formulated measures and methods for the evaluation of the performance of the Board of Directors, conducts performance evaluation annually and submits the results of the performance evaluation to the Board of Directors for the reference of individual director's compensation and nomination for reappointment? | V | | <p>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.</p> <p>2. For the 2023 Board of Directors' evaluation, please refer to Section 3.3.1.4.</p> <p>3. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the Company's directors 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.</p> | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| (4). 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 December 23, 2022 and December 27, 2023 to the Board of Directors for approval after deliberations by the Audit Committee; please refer to below for details of the 2023 evaluation. | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| 4. Whether the listed company has a suitable and appropriate number of corporate governance personnel and has designated a corporate governance officer to be responsible for corporate governance-related matters (This includes, but is not limited to, providing information necessary for directors and supervisors to carry out their business, assisting directors and supervisors in complying with laws and regulations, holding board meetings and shareholders' meetings in accordance with the law, preparing minutes of board meetings and shareholders' meetings, etc.). | V | | <p>1. On March 8, 2019, the Board of Directors of the Company appointed Vice President of Finance Chiu, Yuan-Sheng as the head of corporate governance, 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.</p> <p>2. See Section 3.3.6 for the corporate governance director's duties, business execution highlights and continuing education for 2023.</p> | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| 5. Whether the Company has established communications channel for stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) | V | | <p>1. 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.</p> <p>2. Communication between various types of stakeholders in 2023 was reported</p> | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| and dedicated sector for stakeholders in its website, in addition to responding properly to key issues in corporate social responsibility concerned by stakeholders. | | | by the head of corporate governance to a board meeting on December 27, 2023 and disclosed on the Company's website. | |
| 6. Whether the Company appoints a professional stock agent to conduct the affairs of the shareholders' meeting. | V | | The Company's stock agency to be represented by Fubon Securities Transfer Agency Department, which was approved for the record by a letter dated March 22, 2022 from Taiwan Depository & Clearing Corporation. | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| 7. Information publication (1). 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 www.dyaco.com. | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| (2). Whether the Company adopts other means of information disclosure (such as setting up an English website, designating a person responsible for the collection and disclosure of company information, implementing a spokesperson system, and posting of the process of investors' conference on the Company website, etc.) | 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 www.dyaco.com. 2. The Company's English website is maintained by dedicated staff, and the Company has also established a spokesperson system and an Investor Relations Department to serve shareholders and investors. 3. Information relating to shareholders' meetings or investors' conference is available on the Company's website. | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |
| (3). Whether the Company discloses and reports the annual financial reports within two months after the end of the fiscal year, and declares the first, second, and third quarter financial reports and the monthly operations 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/TPEX Listed Companies" |
| (4). Whether the Company has any other important information that would be useful in understanding the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier | V | | 1. Employee rights and employee care: Please refer to Section on labour relations. 2. Investor relations: The Company has spokespersons, acting spokespersons and investor relations division 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 and the Company's website in real time, which helps to enhance information transparency. 3. Supplier relations: The Company has smooth communication channels and good interaction with its suppliers. | Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| relations, rights of interested parties, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors). | | | <p>4.Rights of interested parties: Stakeholders may communicate with the Company and make suggestions to protect their legal rights and interests.</p> <p>5.Director training: The Company' s directors have participated in continuing education on corporate governance in accordance with the regulations. Please refer to Section 3.3.1.4 for further details.</p> <p>6.Implementation of risk management policies and risk measurement standards:</p> <p>(1) Risk management policies:</p> <p>A. Market risk management: Avoid excessive concentration of customers and product lines.</p> <p>B.Credit risk management: Periodically review the creditworthiness of customers, manage accounts receivable, and monitor cash flows and use of funds.</p> <p>C.Operational risk management: Establish, amend and promote various standard operating procedures.</p> <p>D. 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 units according to the nature of their business, and is monitored by the Audit Department for the existing or potential risks of each operation.</p> <p>A. 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>B.Business: Conduct product marketing and keep abreast of market trends to abate operational risks.</p> <p>C.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>D. Legal: In addition to reviewing the legality of contractual documents, assisting in controlling legal risks, complying with the laws and handling contractual and litigation disputes to mitigate legal risks.</p> <p>E. Audit: Promote the internal control system, conduct audit planning, and perform auditing 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>F. Board of Directors: The Board is the highest decision-making unit 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 Section on 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 liability insurance for directors and supervisors is as follows:</p> | |

| Assessment Item | Implementation Status | | | Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons | | | | | | | | | |
|---|---|----------------|---|---|------------------|----------------|-------------------|---|---------------|-------------------|--|---------------|--|
| | Yes | No | Summary | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Date of Most Recent Board Meeting</th> <th>Insurance Period</th> <th>Insured Amount</th> </tr> </thead> <tbody> <tr> <td>November 10, 2022</td> <td>September 15, 2022 – September 15, 2023</td> <td>USD 5,000,000</td> </tr> <tr> <td>November 10, 2023</td> <td>September 15, 2023– September 15, 2024</td> <td>USD 5,000,000</td> </tr> </tbody> </table> <p>9. The aforementioned communication with stakeholders and priority concerns shall be reported to the Board of Directors at least once a year and disclosed on the Company's website at www.dyaco.com; the communication with stakeholders in 2023 was reported to the Board of Directors on December 27, 2023.</p> | Date of Most Recent Board Meeting | Insurance Period | Insured Amount | November 10, 2022 | September 15, 2022 – September 15, 2023 | USD 5,000,000 | November 10, 2023 | September 15, 2023– September 15, 2024 | USD 5,000,000 | |
| Date of Most Recent Board Meeting | Insurance Period | Insured Amount | | | | | | | | | | | |
| November 10, 2022 | September 15, 2022 – September 15, 2023 | USD 5,000,000 | | | | | | | | | | | |
| November 10, 2023 | September 15, 2023– September 15, 2024 | USD 5,000,000 | | | | | | | | | | | |
| <p>Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange and propose priority enhancements and measures for those that have not yet been improved.</p> <ol style="list-style-type: none"> 1. In the 10th Corporate Governance Review, the Company was ranked at 6% to 20%. 2. Improvements made <ol style="list-style-type: none"> (1). The number of independent director seats exceeds half of the total board membership. (2). The entire proceedings of the shareholders' meeting are recorded and placed on the Company's website. 3. Priorities to be reinforced in the future: Compliance with Corporate Governance 3.0. | | | | | | | | | | | | | |

Note 1: Independence evaluation of its certified public accountants (CPA)

Independence evaluation of its certified public accountants (CPA)

1.Assessment committee: Audit committee

2.Approval unit: BOD

3.Assessment and approval date:2023.12.27 / 2023.12.27

4.Evaluation and appointment of accounting firm and accountants: Deloitte Taiwan, Chien-Hsin Hsieh, CPA, and Wan-Yi Liao, CPA.

5.Evaluation content: Stipulated in accordance with Article 47 of the Accountant Act and The 10th Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China, "Integrity, Objectivity, and Independence":

| Factors | Items | Yes / No |
|-------------------------------|---|--|
| Conflict of Interest | 1. Do you have any direct or significant indirect financial interests with the Company and its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 2. Have you engaged in any financing or guarantee activities with the Company, its related parties, or its directors? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 3. Have you considered the possibility of losing customers? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 4. Do you have any close business relationships with the Company or its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 5. Is there a potential employment relationship between you and the Company or its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 6. Are there any audit-related or public-expense matters involved? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Self-evaluation | 1. Has any member of the audit service team served as a Director, executive, or any position that has significant influence over audit cases for the Company or related parties in the current or past two years? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 2. Regarding non-audit services provided to the Company or its related parties, are there any important items that would directly affect the audit cases? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Defense | 1. Have you promoted or acted as an intermediary for the stocks or other securities the Company or its related parties issued? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 2. Have you acted as a defense attorney for the Company or related parties, or represented the Company or its related parties in coordinating conflicts with third parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Familiarity | 1. Are you related to a Director, executive, or other personnel with significant influence over audit cases for the Company or its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 2. Has any of the joint external auditors who resigned within the past year served as a Director, executive, or other personnel with significant influence over audit cases for the Company or its related parties? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 3. Have you received any significant gifts from the Company, its related parties, or their Directors or executives? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Coercion | 1. Has the Company or its related parties requested the auditor to accept improper choices of accounting policies or improper disclosures in the financial statements? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| | 2. Have the Company or its related parties pressured the auditor to improperly reduce the scope of audit work to reduce audit fees? | Y <input type="checkbox"/> N <input checked="" type="checkbox"/> |
| Accountant's statement | Has the signing auditor complied with the regulations regarding independence set out in The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 and obtained the independence statement issued by the signing auditor? | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |

6.Conclusion

The Company appointed Liao Wan-Yi, CPA from Deloitte Taiwan, to sign the audit report. Obtain the Audit Quality Indicators (AQIs) of the firm.The auditor's independence and suitability assessment has been conducted and found to be in compliance, with no concerns raised.

3.3.8 Promotion status of sustainable development and discrepancy with industry standards in sustainable development practices and reasons

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies |
|--|-----------------------|----|--|---|
| | Yes | No | Yes | |
| 1. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the highranking management with the implementation and supervise the status? | V | | <p>1. To implement the promotion of corporate sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021.</p> <p>2. The Board of Directors approved the Corporate Sustainability Committee charter on August 11, 2021 for the Committee to follow.</p> <p>3. The Company's corporate sustainable dedicated staff is the project secretary of the Corporate Sustainability Committee, responsible for promoting various programs and establishing ESG policies to be approved by the Board of Directors.</p> <p>4. The results of Corporate Sustainability Committee promotion in 2023 were reported to the Board of Directors on December 27, 2023. Please refer to the following section "Other important information to help understand the operation of corporate sustainable" for the implementation results.</p> <p>5. The supervision of sustainable development by the Board of Directors in 2023 is as follows:</p> <ul style="list-style-type: none"> ● In 2023, the Board of Directors pushed for the incorporation of energy-saving and carbon-reduction concepts, as well as automation, in the construction of the new plant. It was also suggested that the Company should apply for the Green Building Labeling from the Taiwan Architecture and Building Center (TABC). The Company anticipates completing this process by the second quarter of 2024. ● In 2023, the Board reviewed the GHG Inventory Report for the year 2021 and, upon approval, disclosed the report on the Company's website. ● In 2023, discussions were held on the four core elements of TCFD (Task Force on Climate-related Financial Disclosures) within the Company. During relevant meetings, significant sustainable-related risks identified by the Company were examined to determine whether corresponding response strategies were aligned with the Company's development strategy. <p>6. The Company's Corporate Sustainability Committee project secretary participates in external Corporate Sustainability-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. The social responsibility education and training courses in 2023 are as follows</p> <ul style="list-style-type: none"> ● Lead Verifier for ISO 14064-1:2018 GHG Inventory Standard ● Certification for Sustainable ESG Report Training ● Significance Analysis of Dyaco's Sustainability Report and TCFD Training Sessions ● Manager of ESG Sustainable Development at the Plastic Center ● Corporate Sustainable ESG Beginner Course ● How the service industry conducts organizational GHG inventories (for beginners) ● Carbon Reduction Talent Training Program for Business Sectors - Corporate Sustainability ESG ● Green Supply Chain Joint Training in Everbiz Industrial Co., Ltd. ● Net-zero Transition Plan of Carbon Inventory Practicing Department ● Teacher In-depth Workshop, Sustainable development objectives II at the department of finance, National Taipei University of Business | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies" |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | | | | | | | | | | | | |
|---|--|----|---|---|----------|--------------------------------|---|--|---|--------------------------------|---|---------------------------|--|---|--|---|
| | Yes | No | Yes | | | | | | | | | | | | | |
| 2.Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? | V | | <p>● Risk Management 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 assessment on environmental, social, corporate governance and IT security issues related to its operations, which serve as a reference for the Company’s risk management and operational strategies. The results of Risk Management in 2023 were reported to the Board of Directors on December 27, 2023.</p> <p>● Risk Management Policies and Procedures To establish a comprehensive risk management system and pursue sustainable development objectives in a prudent manner, our company has formulated the Risk Management Best Practice Principles, which were approved by the Board of Directors on November 12, 2022.</p> <p><u>Environmental issues</u> The Company has established procedures to respond to environmental management issues related to the Company’s business, with the main objective of reducing and preventing environmental impacts. The Company has established the following environmental management procedures:</p> <table border="1"> <thead> <tr> <th>Environmental Issues</th> <th>Response</th> </tr> </thead> <tbody> <tr> <td>Recycling and waste management</td> <td>Waste and recyclables management procedures</td> </tr> <tr> <td>Pollution prevention and resource conservation</td> <td>Environmental operation management procedures</td> </tr> <tr> <td>Hazardous substance management</td> <td>Environmental hazardous substance management procedures</td> </tr> <tr> <td>Water resource management</td> <td>Wastewater and plant noise management procedures</td> </tr> <tr> <td>Energy consumption and greenhouse gas emissions</td> <td>Energy consumption and greenhouse gas emission management procedures</td> </tr> </tbody> </table> <p>The Company obtained ISO14001 certification in Dec 2021.</p> | Environmental Issues | Response | Recycling and waste management | Waste and recyclables management procedures | Pollution prevention and resource conservation | Environmental operation management procedures | Hazardous substance management | Environmental hazardous substance management procedures | Water resource management | Wastewater and plant noise management procedures | Energy consumption and greenhouse gas emissions | Energy consumption and greenhouse gas emission management procedures | Compliance with “Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies” |
| Environmental Issues | Response | | | | | | | | | | | | | | | |
| Recycling and waste management | Waste and recyclables management procedures | | | | | | | | | | | | | | | |
| Pollution prevention and resource conservation | Environmental operation management procedures | | | | | | | | | | | | | | | |
| Hazardous substance management | Environmental hazardous substance management procedures | | | | | | | | | | | | | | | |
| Water resource management | Wastewater and plant noise management procedures | | | | | | | | | | | | | | | |
| Energy consumption and greenhouse gas emissions | Energy consumption and greenhouse gas emission management procedures | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | | | | | | | | | | | | | | |
|--|--|----|--|---|----------|--------------------------------|---|--|---|--------------------------------|---|---------------------------|--|---|--|--------------------------|-----------------------------------|---|
| | Yes | No | Yes | | | | | | | | | | | | | | | |
| | | | <p>Social issues</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>Corporate governance issues</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>IT security issues</p> <p>The IT security strategy focuses on the three aspects of information security governance, compliance with laws and regulations, and the use of technology to improve overall protection from system to technology and from personnel to organization. In view of the current emerging trend of IT security, such as DDoS (Distributed Denial of Service) attacks, ransomware, social engineering attacks, counterfeit websites, etc., we communicate with international IT security vendors every year, and through the cooperation of projects, we regularly pay attention to IT security issues and plan for responses, and conduct DDoS and ATM attack and defense exercises for different situations to strengthen the response ability of the personnel and expect to detect and block the attacks at the first time.</p> <p>The aforementioned risk management policies for environmental, social, corporate governance and IT security issues were approved by the Board of Directors on December 25, 2020.</p> | | | | | | | | | | | | | | | |
| <p>3. Environmental issues</p> <p>(1). Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> | V | | <p>1. The Company has established 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:</p> <table border="1"> <thead> <tr> <th>Environmental Issues</th> <th>Response</th> </tr> </thead> <tbody> <tr> <td>Recycling and waste management</td> <td>Waste and recyclables management procedures</td> </tr> <tr> <td>Pollution prevention and resource conservation</td> <td>Environmental operation management procedures</td> </tr> <tr> <td>Hazardous substance management</td> <td>Environmental hazardous substance management procedures</td> </tr> <tr> <td>Water resource management</td> <td>Wastewater and plant noise management procedures</td> </tr> <tr> <td>Energy consumption and greenhouse gas emissions</td> <td>Energy consumption and greenhouse gas emission management procedures</td> </tr> <tr> <td>Environmental management</td> <td>ISO14001 Environmental management</td> </tr> </tbody> </table> <p>2. The Company obtained ISO14001 certification in Dec 2021.</p> <p>3. Our company follows the ISO 14064-1 organizational GHG inventory system to conduct GHG inventories, and we engage a third-party verification unit to verify and certify the results.</p> | Environmental Issues | Response | Recycling and waste management | Waste and recyclables management procedures | Pollution prevention and resource conservation | Environmental operation management procedures | Hazardous substance management | Environmental hazardous substance management procedures | Water resource management | Wastewater and plant noise management procedures | Energy consumption and greenhouse gas emissions | Energy consumption and greenhouse gas emission management procedures | Environmental management | ISO14001 Environmental management | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| Environmental Issues | Response | | | | | | | | | | | | | | | | | |
| Recycling and waste management | Waste and recyclables management procedures | | | | | | | | | | | | | | | | | |
| Pollution prevention and resource conservation | Environmental operation management procedures | | | | | | | | | | | | | | | | | |
| Hazardous substance management | Environmental hazardous substance management procedures | | | | | | | | | | | | | | | | | |
| Water resource management | Wastewater and plant noise management procedures | | | | | | | | | | | | | | | | | |
| Energy consumption and greenhouse gas emissions | Energy consumption and greenhouse gas emission management procedures | | | | | | | | | | | | | | | | | |
| Environmental management | ISO14001 Environmental management | | | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-----------------------|--|--|---|------------|----------|------|------|--------------------------------|----------|--|---------|---------|-------------|-----------|-----------|-------------|-----------|-----------|----------------------------------|-------------|-----------|------------|-------|--|--|------------|------------|-------|--|--|-------|-------|---|
| | Yes | No | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (2). Does the Company endeavor to improve energy usage efficiency and use renewable materials which have a low impact on the environment? | V | | <p>1. The Company' s main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment. As of 2023, a total of 265 suppliers, 665% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards</p> <p>2. Energy-saving measures are formulated according to the "Administrative Measure for Energy Consumption and Greenhouse Gas Storage" , and the plans are promoted top-bottom within the company. To maximize the benefits of green energy use in factories, we have developed a policy on solar power generation systems. The roofs of factories are leased by the solar generation vendor, installed with solar power generation systems, and sold to Taipower.</p> <p>The energy usage in recent years:</p> <p style="text-align: right;">Unit : GJ</p> <table border="1"> <thead> <tr> <th colspan="2">Item</th> <th>Coverage</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Direct greenhouse gas emission</td> <td>Gasoline</td> <td rowspan="5">Changhua Factory, Factory 2, Factory 5, Taipei, and Taichung offices</td> <td>791.492</td> <td>817.014</td> </tr> <tr> <td>Diesel fuel</td> <td>1,092.993</td> <td>1,140.155</td> </tr> <tr> <td>Natural gas</td> <td>1,785.891</td> <td>2,728.356</td> </tr> <tr> <td>Indirect greenhouse gas emission</td> <td>Electricity</td> <td>9,098.743</td> <td>13,400.738</td> </tr> <tr> <td colspan="2">Total</td> <td></td> <td>12,769.119</td> <td>18,086.263</td> </tr> <tr> <td colspan="2">GJ/M2</td> <td></td> <td>0.361</td> <td>0.511</td> </tr> </tbody> </table> <p>The increase in unit area usage in 2023 compared to 2022 is primarily due to the impact of the COVID-19 pandemic, which led to remote working in 2022. There are three solar power generation systems, in 2023, the CO2 reduction is 827,391 kg. By installing the solar energy system, the radiation heat dissipation was blocked, achieving the indoor cooling effect, and indirectly reducing the power consumption of air conditioners. In 2024, we will continue to reduce energy consumption with a target of reducing electricity usage by 2% compared to 2023, aiming at optimizing energy efficiency.</p> <p>3. The president and management department promote energy saving The Company follows the regulations and the "Environmental Safety and Health Policy," the "Environmental Operation Management Procedures," and the "Wastewater and Plant Noise Management Procedures" in the Company's social responsibility management manual. It discharges pollutants from air, water, or waste according to the standards with the management department' s inspection and management.</p> | Item | | Coverage | 2022 | 2023 | Direct greenhouse gas emission | Gasoline | Changhua Factory, Factory 2, Factory 5, Taipei, and Taichung offices | 791.492 | 817.014 | Diesel fuel | 1,092.993 | 1,140.155 | Natural gas | 1,785.891 | 2,728.356 | Indirect greenhouse gas emission | Electricity | 9,098.743 | 13,400.738 | Total | | | 12,769.119 | 18,086.263 | GJ/M2 | | | 0.361 | 0.511 | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| Item | | Coverage | 2022 | 2023 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Direct greenhouse gas emission | Gasoline | Changhua Factory, Factory 2, Factory 5, Taipei, and Taichung offices | 791.492 | 817.014 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Diesel fuel | | 1,092.993 | 1,140.155 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Natural gas | | 1,785.891 | 2,728.356 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Indirect greenhouse gas emission | Electricity | | 9,098.743 | 13,400.738 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | | | | 12,769.119 | 18,086.263 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| GJ/M2 | | | 0.361 | 0.511 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|--|----------------------------|--|--|--|----------------------------------|-----------------------------|---|
| <p>(3). Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?</p> | <p>V</p> | <p>Currently, the Company has incorporated energy consumption, GHG emissions management, and inventory into short-term (3-year) objectives. For mid-term (5-year) and long-term (10-year) goals, we aim to improve resource consumption based on carbon inventory results and progressively reduce GHG emissions year by year.</p> <p>The Company has distributed a climate change-related risk questionnaire survey to internal senior executives to identify the risks and their financial impacts faced under climate change and to discuss opportunities arising from climate-related risks. In this survey, we identified 4 major risks and 1 minor risk, including: GHG reduction and carbon pricing, changes in customer preferences, increased raw material costs, low-carbon technology transformation, typhoons and heavy rainfall, as well as 2 opportunities: participating in renewable energy projects and adopting energy-saving measures, and entering new markets and increasing consumer purchasing willingness.</p> | <p>Compliance with “Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies”</p> | | | | |
| | <p>Risk Level</p> | <p>Risk Type</p> | <p>Risk Factor</p> | <p>Risk Description</p> | <p>Financial Impacts</p> | <p>Duration of Impact</p> | <p>Response Strategies And Objectives of Dyaco</p> |
| <p>Major</p> | <p>Transformation risk</p> | <p>Policy and Legal Risks</p> | <p>GHG reduction and carbon pricing</p> | <p>According to the carbon reduction targets set by domestic competent authorities in response to climate change, the Company is required to conduct carbon inventories and develop carbon reduction plans. Additionally, the government is promoting a carbon pricing mechanism, and if the Company exceeds the carbon emission quota, fines will be imposed, leading to additional</p> | <p>Increased Operating costs</p> | <p>Short-term (3 years)</p> | <p>To address the global carbon pricing mechanism, Dyaco has begun implementing ISO 14064-1 GHG inventories. Subsequently, Dyaco will identify emission hotspots and plan carbon reduction initiatives.</p> |

| Evaluation Item | Implementation status | | | | | | | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | |
|-----------------|-----------------------|----|-----|--|-------------|---------------------------------|--|--|----------------------|---|--|
| | Yes | No | Yes | | | | | | | | |
| | | | | | | | operating costs. | | | | |
| | | | | | Market Risk | Changes in customer preferences | Due to the global or regional rise in sustainability awareness, customers prefer products with low carbon emissions or lower environmental impact. Products that do not meet consumer demands may face market elimination. | Decreased revenue with increased research and development expenses | Short-term (3 years) | | Dyaco is following the global trend of energy conservation and carbon reduction by developing environmentally friendly energy products that meet consumer demands, such as electric-assisted bicycles. Additionally, we are assessing the use of recyclable materials in the manufacturing of these products. In the future, we will also strive to increase the proportion of revenue generated by green energy products. |

| Risk Level | Risk Type | | Risk Factor | Risk Description | Financial Impacts | Duration of Impact | Response Strategies and Objectives of Dyaco |
|------------|---------------------|-------------|------------------------------|--|---------------------------|--------------------|--|
| Major | Transformation risk | Market Risk | Increased raw material costs | Due to climate change, the cost of raw materials required for the manufacturing process of sports equipment has increased, leading suppliers to raise the contract amounts with the Company. Consequently, this has resulted in increased manufacturing costs. | Increased operating costs | Mid-term (5 years) | Conduct supplier inventory and investigation to understand the GHG emissions of each supplier, reducing the frequency of cooperation with suppliers with high GHG emissions and those without emission reduction targets, in order to effectively mitigate |

| | | | | | | | | | | |
|--|--|-------|---------------|-----------------|--------------------------------------|---|---|----------------------|--|---|
| | | | | | | | | | | te the risk of increased raw material costs. |
| | | | | Technology Risk | Low-carbon technology transformation | In response to climate change considerations, adopting innovative processes or treatment procedures under existing conditions, or changing the way services are provided to meet government and customer demand for low-carbon solutions. | Increased operating costs with increased operating expenses | Short-term (3 years) | | Dyaco intends to inventory existing factories and equipment, assess GHG emissions at each stage of the process, identify high-emission hotspots, and subsequently develop carbon reduction plans. |
| | | Minor | Physical Risk | Acute Risk | Typhoons and heavy rainfall | The increased frequency of severe typhoons and extrem | Decreased revenue with increased operating costs | Short-term (3 years) | | Dyaco will strengthen disaster preparedness drills |

| | | | | | | | | |
|--|--|--|--|--|---|--|--|---|
| | | | | | <p>heavy rainfall may lead to business disruptions or flooding in the factory premises, resulting in asset losses and affecting equipment production schedules.</p> | | | <p>and awareness at all locations to ensure personnel safety. Additionally, supply chain management will be implemented to reduce the risk of business disruptions caused by supply chain shortages or disruptions.</p> |
|--|--|--|--|--|---|--|--|---|

| Opportunity Type | Opportunity Factor | Response Strategies and Objectives of Dyaco | Financial Impacts | Duration of Impact |
|------------------|--|---|--|----------------------|
| Resilience | Participating in renewable energy projects and implementing energy-saving measures | All three factories of Dyaco in Changhua have installed solar panels on their rooftops. Additionally, when constructing new factories, plans have been made to install solar panels on the rooftops as well, participating in | The initial installation of solar power generation may incur additional cost expenditures. However, subsequent solar power generation can increase revenue from selling surplus electricity. | Short-term (3 years) |

| Evaluation Item | Implementation status | | | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | |
|-----------------|-----------------------|----|--------|--|---|---|--------------------|
| | Yes | No | Yes | | | | |
| | | | | renewable energy projects. | | | |
| | | | Market | Expanding into new markets and increasing consumer purchasing intent | Dyaco is venturing into the green energy market by developing electric-assisted bicycles, and in the future, we will continue to research and develop low-carbon products to meet consumer demand for green energy, enhancing the Company's green sustainable image and reputation. | During the research and development phase, there will be an increase in R&D expenditure costs. However, once the product is sold, it will lead to an increase in revenue. | Mid-term (5 years) |

| <p>(4). Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?</p> | <p>V</p> | <p>1. Greenhouse gas emission As a manufacturer of sports equipment, the main source of greenhouse gas emissions for Dyaco International is the purchased electricity. The Company has completed the verification of greenhouse gas emissions according to ISO 14064-1:2018 in the first quarter of 2023, Verification for the fiscal years 2022 and 2023 was completed in the first and second quarters of 2024, respectively. The greenhouse gas emissions for Changhua Factory, Factory 2, Factory 5, Taipei, and Taichung offices have been disclosed. For the inspection situation, please refer to 3.(10) Company climate-related information.</p> <p>2. Water usage (1). Tap water is used for Company' s process and non-process operations in each location, and no other water sources are used. Process water is mainly used in production operations, and the largest part of which is wastewater generated from the surface pre-treatment of the painting process - alkali dipping and film forming. To reduce water wastage, the wastewater from alkali dipping and film forming operations is recycled and reused. The generated wastewater is distributed to the wastewater pre-treatment system pursuant to the regulations. Non-process water is used for employees' daily use, and the sewage is treated to the extent that it complies with the regulations and is dumped into the sewer. (2). The Company also encourages employees to participate in water conservation and incorporates green management into its corporate sustainability strategy. At the same time, the Company has set up a wastewater pre-treatment system to reduce the COD and SS of the wastewater to permitted and approved discharge volume before it is dumped into the sewage sewer to reduce loads of sewage systems. In 2023, there was no violation of wastewater discharge standards. (3). The water usage, water discharge and water consumption in recent years: Unit:Million/Liters</p> <table border="1" data-bbox="563 1099 1264 1301"> <thead> <tr> <th>Item</th> <th>Coverage</th> <th>2022</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Total Water Usage</td> <td rowspan="4">Changhua Factory, Factory 2, Factory 5 and Taichung offices</td> <td>11.088</td> <td>15.567</td> </tr> <tr> <td>Total Water Discharge</td> <td>8.573</td> <td>15.221</td> </tr> <tr> <td>Water Consumption</td> <td>2.515</td> <td>3.46</td> </tr> <tr> <td>Million Liters/M2</td> <td>71.20</td> <td>97.95</td> </tr> </tbody> </table> <p>*Total Water Discharge = Wastewater + Sewage *Water Consumption = Total Water Usage – Total Water Discharge</p> <p>(4). To promote environmental sustainability and conserve water resources, the Company has set a reduction target of 1% to 3% annually for water consumption intensity. The increase in water consumption intensity in 2023 compared to 2022 was primarily due to the impact of remote working arrangements during the pandemic in 2022.</p> <p>3. The waste disposal Waste management is carried out by the general affairs department in accordance with the "Waste and Recyclables Management Procedures. Additionally, we have implemented the ISO 14001:2015 Environmental Management System to control waste management, aiming to minimize environmental impact in the storage, transportation, recycling, or incineration and landfilling of waste. The waste generated during the manufacturing process is general industrial waste, which is mainly organic sludge and scrapped furnace dust from production process, and general waste from company operations. The Company, in accordance with the laws, commissions qualified industrial waste disposal organization to perform the disposal of industrial waste. Total Waste in recent year:</p> | Item | Coverage | 2022 | 2023 | Total Water Usage | Changhua Factory, Factory 2, Factory 5 and Taichung offices | 11.088 | 15.567 | Total Water Discharge | 8.573 | 15.221 | Water Consumption | 2.515 | 3.46 | Million Liters/M2 | 71.20 | 97.95 | <p>Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies"</p> |
|---|--|---|--------|----------|------|------|-------------------|--|--------|--------|-----------------------|-------|--------|-------------------|-------|------|-------------------|-------|-------|--|
| Item | Coverage | 2022 | 2023 | | | | | | | | | | | | | | | | | |
| Total Water Usage | Changhua Factory, Factory 2, Factory 5 and Taichung offices | 11.088 | 15.567 | | | | | | | | | | | | | | | | | |
| Total Water Discharge | | 8.573 | 15.221 | | | | | | | | | | | | | | | | | |
| Water Consumption | | 2.515 | 3.46 | | | | | | | | | | | | | | | | | |
| Million Liters/M2 | | 71.20 | 97.95 | | | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|-----------------------|--------|---|---|------|------|---------|---------------------------|--------|-------|-----------------|-----------------------|-------|------|-----------------|------------------------------------|--------|----|------------|---------------------|--------|-------|--|---------|--------|--------|--|--|
| | Yes | No | Yes | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Unit : Tons/m2 | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023</th> <th>Methods</th> </tr> </thead> <tbody> <tr> <td>Organic Sludge (D-0902)</td> <td>22.900</td> <td>26.73</td> <td>Recycle & Reuse</td> </tr> <tr> <td>Waste Dust (D-1099)</td> <td>4.330</td> <td>3.22</td> <td>Recycle & Reuse</td> </tr> <tr> <td>General Household Waste (D-1801)</td> <td>29.790</td> <td>14</td> <td>Incinerate</td> </tr> <tr> <td>Total General Waste</td> <td>57.020</td> <td>43.95</td> <td></td> </tr> <tr> <td>Tons/m2</td> <td>0.0016</td> <td>0.0012</td> <td></td> </tr> </tbody> </table> | | 2022 | 2023 | Methods | Organic Sludge (D-0902) | 22.900 | 26.73 | Recycle & Reuse | Waste Dust (D-1099) | 4.330 | 3.22 | Recycle & Reuse | General Household Waste (D-1801) | 29.790 | 14 | Incinerate | Total General Waste | 57.020 | 43.95 | | Tons/m2 | 0.0016 | 0.0012 | | |
| | 2022 | 2023 | Methods | | | | | | | | | | | | | | | | | | | | | | | | | |
| Organic Sludge (D-0902) | 22.900 | 26.73 | Recycle & Reuse | | | | | | | | | | | | | | | | | | | | | | | | | |
| Waste Dust (D-1099) | 4.330 | 3.22 | Recycle & Reuse | | | | | | | | | | | | | | | | | | | | | | | | | |
| General Household Waste (D-1801) | 29.790 | 14 | Incinerate | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total General Waste | 57.020 | 43.95 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tons/m2 | 0.0016 | 0.0012 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <p>4. To reduce waste generation and avoid increasing environmental burden, our company has set a reduction target of 1% to 3% annually. In 2023, the total weight of waste decreased by 22.92% compared to 2022, achieving the set reduction target.</p> | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies | |
|--|-----------------------|--|--|---|---|
| | Yes | No | Yes | | |
| 4. Social issues (1). Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | V | 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 Bill of Human Rights and workplace safety-related laws and regulations: | | | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| | | Matter of Concern | The Company' s Specific Management Plan | 2023 Number of Case | |
| | | 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 in employment | 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 Labor Standards Act, prohibit the use of child labor and establish procedures for child and youth labor management. | 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 | |
| In 2023, a total of 456 hours of educational training were conducted to promote the International Human Rights Convention. | | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies |
|---|-----------------------|----|--|---|
| | Yes | No | Yes | |
| (2). Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries? | V | | <p>1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee compensation at no less than 1% of the current year's profitability and director compensation at no more than 5% of the current year's profitability. However, the Company's accumulated losses shall have been covered.</p> <p>2. The Company states its employees' obligations through internal meetings and advocacy letters on a regular or occasional basis that they shall comply with the Company's rules and regulations, and keeps records of such advocacy activities. In addition, the Company has established 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.</p> <p>3. The Company's bonus is based on 2% of annual after-tax operating income, which is distributed to all employees after considering their years of service and annual performance evaluation to motivate all employees toward the Company's goals. Based on the above performance appraisal results, the Company motivates its employees through employee compensation, bonuses, issuance of treasury shares and employee stock options, and implements a performance appraisal mechanism that is linked to various salary and benefits.</p> | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| (3). Does the company provide a safe and healthy working environment and provide employees with regular safety and health training? | V | | <p>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 workplace.</p> <p>2. The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in August 2023.</p> <p>3. 8-10 health programs and lectures in 203 and weekly promotional e-mails on health and safety.</p> <p>4. Half-yearly fire training in 2023 was held in compliance with Article 13 of the "Fire Services Act" and Article 15 of the "Enforcement Rules of Fire Services Act" to raise the awareness of personnel and to prevent disasters.</p> <p>5. 498 hours of external training and 2,042 hours of internal training on workplace safety-related education in 2023.</p> | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| (4). Does the company set up effective career development and training programs for its employees? | V | | <p>1. The Company values 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.</p> <p>2. Total training hours in 2023 were 4,261.5 hours for internal training courses and 680.5 hours for external training courses.</p> <p>3. In addition, employees are encouraged to enroll in professional courses in colleges and universities after work to improve themselves and provide them with different perspectives on decision-making in the workplace. Thus, there is an in-service training grant program, and four employee applied for it in 2023.</p> | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies |
|---|-----------------------|----|---|---|
| | Yes | No | Yes | |
| (5). Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures? | V | | <p>1. Customer health and safety The Company values quality, introduces the ISO operation process, and complies with the relevant governmental regulations on R&D, procurement, production, operation and service process in internal control to ensure the transparency and security of product labeling and service information.</p> <p>2. Customer privacy 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.</p> <p>3. Marketing and labelling 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 protect consumer rights.</p> <p>4. 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.</p> | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies |
|--|-----------------------|----|--|---|
| | Yes | No | Yes | |
| (6). Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation? | | | <p>1. We have established a "Supplier/Subcontractor Management Procedure" requiring all suppliers to sign a Supplier Responsibility Commitment before cooperation, committing to comply with relevant national and local labor laws and social standards.</p> <p>2. Evaluation is conducted by the Purchasing Department at least once a year according to "Supplier Social Responsibility Examination Form" on 5 topics of labor, health and safety, environment, ethics, and management, and a total of 60 assessment items, requesting suppliers to collaborate, improve and pledge to comply with labor regulations and social standards. Suppliers that do not meet the Company's environmental, occupational safety and social responsibility management requirements will have their contracts terminated or be removed from the supplier list.</p> <p>3. The Company's main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment.</p> <p>4. The Company launches an investigation into conflict minerals of electronic materials, ensures materials do not contain metals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries, and continuously monitors supply chain commitment to social and environment. Purchase Department actively reviews the website for updates and investigates suppliers every quarter.</p> <p>5. Implementation in 2023 is as follows:</p> <p>(1) As of 2023, a total of 265 suppliers, 65% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards.</p> <p>(2) 8 suppliers had been investigated in 2023 for electronic materials that did not contain conflict minerals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries.</p> <p>(3) 260 suppliers had been investigated in 2023 for supplier environment, occupational safety and social responsibility management.</p> <p>(4) To implement the ISO 45001 Occupational Health and Safety Management System supplier management, a total of 197 suppliers completed the signing of the "Supplier Occupational Health and Safety Commitment" in 2023.</p> | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| 5. Does the Company adopt internationally widely recognized standards or guidelines when producing sustainability reports and reports disclosing the Company's nonfinancial information? Do the reports above obtain assurance from a third party verification unit? | V | | The Company voluntarily prepared 2022 Sustainability Report in accordance with the GRI Guidelines (Core Compliance) and acquired SGS AA1000 Type 1 Moderate level assurance. The mentioned reports were uploaded to the Market Observation Post System on September 27, 2023. | Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies" |
| 6. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation: : The Company has formulated the "Sustainable Development Best Practice Principles" to fulfill its corporate social responsibility. | | | | |

| Evaluation Item | Implementation status | | | Discrepancy with industry standards in sustainable development practices and reasons for listed companies |
|---|-----------------------|----|--|---|
| | Yes | No | Yes | |
| 1. Other important information to facilitate better understanding of the implementation of Sustainable Development: | | | | |
| The implementation of Sustainable Development in 2023 | | | | |
| Community involvement, social contribution, social services and social benefits | | | <p>1. Considering the possibility of reduced social resource allocation during the pandemic, the Company is committed to supporting social welfare organizations and caring for children in remote areas. In addition to sustainable business operations, we aim to give back to society promptly. In 2023, we donated to social welfare organizations and provided care to children in remote areas as detailed below:</p> <p>Donation of NT\$480,000 to the Taiwan Rett Syndrome Association for individual relief</p> <p>Donation of NT\$147,900 to Dyaco Academy for the remote reading program and volunteer training in rural areas.</p> <p>Donation of four walking machine and bike worth NT\$230,000 to department of health, Hualien City Government.</p> <p>2. In 2023, the Company invested in sports events and sports education promotion activities relevant to our industry to increase our exposure and enhance brand recognition. The expenses related to these activities are as follows:</p> <p>Donation of NT\$700,000 as a scholarship fund to the College of Public Health of National Taiwan University.</p> <p>Donation of fitness equipment worth NT\$791,997 to National Taiwan University.</p> <p>Sponsorship for NTU domestic handball competition and international invitational tournament: NT\$250,000</p> <p>Donated a walking treadmill for seniors valued at NT\$52,000 to the Tzuchiang community center in Dadu, Taichung</p> <p>3. The Company is committed to promoting ESG education and regularly organizes ESG-related events and courses for employees to participate in. The expenditure on related activities in 2023 is as follows:</p> <p>Collaboration with the NTU EMBA Alumni Foundation to arrange the "Voices of Freedom" movie screening event: NT\$55,250</p> | |
| Support domestic cultural development | | | <p>The Company actively participates in cultural and creative investment, hoping to drive the overall development of the cultural and creative industry and fulfill our corporate social responsibility. Therefore, we have invested NT\$4 million for a 40% equity stake in Hong-Da-Xin Projection Industry Co., Ltd. and NT\$7.5 million for a 7.5% equity stake in Firenze Cultural Co., Ltd.</p> <p>In 2022, Hong-Da Digital Film Co., Ltd., Far EasTone Telecommunications Co., Ltd., Star Ritz International Co., Ltd., and Pili International Multimedia Co., Ltd. jointly established IDEAWORKS Entertainment Co., Ltd. to focus on producing and investing in high-quality Taiwanese film and television content and promoting Taiwanese cultural content such as literature and films. In addition to enriching FriDay's video content, we will seek to expand our collaborations with additional partners and explore the possibility of promoting our content overseas.</p> <p>In 2022, Firenze Culture Co., Ltd. organized several curation projects by combining AR interactive device technology with art, including the "Alive Art Renaissance," the "Bologna Illustrators Exhibition and Silent Book Contest," and the "Top 100 Greatest Paintings Exhibition."</p> <p>Regarding the investment in the exhibition facilities, film, and television drama industries to promote the development of the cultural and creative industries, the Company is committed to closely aligning with government policies and collaborating to promote Taiwan's cultural and creative industries on the global stage.</p> <p>Additionally, in 2023, we collaborated with Mission Entertainment to participate in the Taiwan-Japan movie co-production of "18x2 Beyond Youthful Days".</p> <p>In 2023, Firenze Cultural Exchange International Co., Ltd. organized curatorial projects combining art with AR interactive installation technology, including the "Decoding the Cattedrale di Santa Maria del Fiore," the "Bologna Illustrators Exhibition," and the "150th Anniversary of Impressionism Light and Shadow Art Exhibition."</p> | |

3.3.9 The Company's Performance of Ethical Management and the Measures

| Assessment Item | Implementation Status | | | Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|---|-----------------------|----|--|--|
| | Yes | No | Summary | |
| 1. Establishment of policy and program for ethical corporate management (1). Whether the company has the policy and methods of ethical corporate management approved by the Board of Directors 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 | | <p>1. The Company has established 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. The recent board meeting approval dates were August 12, 2019 and March 9, 2022.</p> <p>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.</p> <p>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.</p> | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (2). Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates the business activities with a higher risk of unethical conduct within the business scope; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" ? | V | | <p>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.</p> <p>2. To prevent unethical conduct 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.</p> | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (3). Whether the company has established and implements the operating procedures, behavior guidelines, consequences of violation and complaint system to prevent unethical conduct, and periodically reviews and revises such policies? | V | | <p>1. The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to prevent unethical conduct.</p> <p>2. The Company has set up a section for stakeholders on the Company website (www.dyaco.com), where complaints about any unethical conduct can be filed, and the reception unit will immediately investigate and take disciplinary action in accordance with the Company's "Personnel Regulations" and other relevant regulations.</p> <p>3. No complaints about unethical conduct in 2023.</p> | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| 2. Ethical Management Practice (1). Whether the company has evaluated the ethical records of business partners and include business conduct and ethics related clauses in the contracts? | 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" |

| Assessment Item | Implementation Status | | | Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|--|-----------------------|----|---|--|
| | Yes | No | Summary | |
| (2). Whether the company has set up a unit under the Board of Directors which is dedicated to promoting the company' ethical standards and regularly (at least once a year) report directly to the Board of Directors on its ethical corporate management policy and relevant matters, program to prevent unethical conduct, supervision and implementation? | V | | <ol style="list-style-type: none"> 1. The Company has designated the Management Department as a dedicated unit under the Board of Directors, which established 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. 2. The report on 2023 promotion of ethical management was reported to the Board of Directors on December 27, 2023. 3. The Company has implemented the policy of ethical management, with a summary of the implementation status in fiscal 2023 as follows: <ol style="list-style-type: none"> (1). The 2023 educational training related to ethical management practices includes various regulatory advocacy (see Note 1) for a total of 563,5 hours. (2). The Company has a complaint and reporting system according to 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 case and 0 internal whistleblowing case in 2023. (3). To fully demonstrate our company's commitment to integrity in business operations, in the fiscal year 2022, we voluntarily prepared a Corporate Sustainability Report in both Chinese and English according to the GRI guidelines (core principles) and obtained SGS AA1000 Type 1 Assurance (Moderate Assurance). The aforementioned report was uploaded to the Market Observation Post System (MOPS) on September 27, 2023. | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (3). Whether the company has established policies to prevent conflict of interests and provided, as well as faithfully executed, proper channels for complaints? | V | | <ol style="list-style-type: none"> 1. The Company has set up a section for stakeholders on the Company website (www.dyaco.com), where stakeholders may contact the Company' s dedicated unit in a timely manner through various channels. 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. | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (4). To implement relevant policies on ethical corporate management, does the company establish effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and ethical conduct program audited by internal auditors or CPAs periodically? | V | | <ol style="list-style-type: none"> 1. The Company has an accounting system and a dedicated accounting unit, and financial reports are audited or reviewed by CPAs to ensure the fairness of the financial statements. 2. The Company establishes an internal audit system and a self-assessment system to maintain an effective and appropriate internal control system. | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |

| Assessment Item | Implementation Status | | | Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|---|-----------------------|----|---|--|
| | Yes | No | Summary | |
| (5). Whether the company regularly provides internal or external education and training on ethical corporate management? | V | | <ol style="list-style-type: none"> 1. The Company designated the Management Department as a dedicated unit to promote the concept of ethical management from time to time and disclosed this policy on the Company website at www.dyaco.com. 2. The 2023 educational training regarding ethical business practices includes various regulatory advocacy for a total of 563.5 hours. | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| <p>3. Status of the company' s reporting system</p> <p>(1). Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channels, and designated specific person handling the reporting?</p> | V | | <ol style="list-style-type: none"> 1. The Company provides a channel for employees to make suggestions, 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 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 accordance with the principle of confidentiality and protection of the whistleblower. 2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company' s dedicated unit in a timely manner through various channels (www.dyaco.com). | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (2). Whether the company has established standard operating procedures for investigating complaints received, follow-up procedures and related confidentiality mechanism? | V | | <ol style="list-style-type: none"> 1. The Company provides a channel for employees to make suggestions, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. 2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company' s dedicated unit in a timely manner through various channels (www.dyaco.com). 3. 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." | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| (3). Whether the company adopted measures to prevent a complainant from improper treatment? | V | | 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, 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." | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |
| 4. Intensifying information disclosure Whether the company discloses its "Ethical Corporate Management Best Practices Principles" as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)? | V | | The Company discloses information on the implementation of the "Ethical Corporate Management Best Practice Principles" on the Market Observation Post System and the Company website at www.dyaco.com . | Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" |

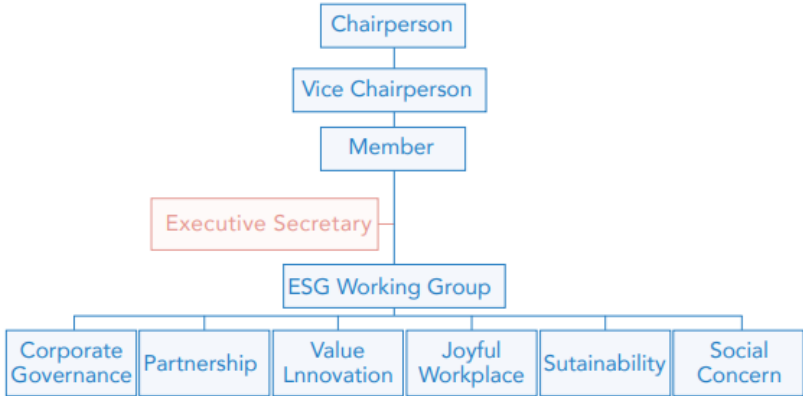
| Assessment Item | Implementation Status | | | Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons |
|--|-----------------------|----|---------|--|
| | Yes | No | Summary | |
| <p>5.If the company has established ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Company," specify any discrepancy between the policies and their implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" to perform good business practices and fulfill its social responsibility, with no material differences between the implementation and the principles.</p> <p>6. Other important information to facilitate better understanding of the company' s ethical corporate management (e.g., review and revision to the company' s ethical corporate management): The Company upholds ethical corporate management and takes into account the needs of its stakeholders to ensure business sustainability.</p> | | | | |

Note 1: The 2023 educational training regarding ethical business practices

| Course | Number of People | Hours |
|---|------------------|--------|
| 7.Seminar and discussion session on the return and declaration of the profit-seeking enterprise income tax as well as institutions and organizations for the fiscal year 2022 | 8.2 | 9.3 |
| 10. Advocacy for Gender Equality in Employment in 2023 | 11.1 | 12.3.5 |
| 13. Policy analysis of self-compiled Financial Reports and Sustainability Reports, as well as practical application with internal audit and internal control | 14.1 | 15.6 |
| 16. Workshop on General Safety and Performance Requirement and Technical Documentation under EU Medical Device Regulation. | 17.1 | 18.6 |
| 19. Promotion of social responsibility, anti-terrorism, anti-corruption, information security, and regulations governing personal data protection | 20.456 | 21.1 |
| 22. Comprehensive exploration of M&A synergies in enterprises and practical analysis of transaction execution | 23.1 | 24.3 |
| 25. Driving sustainable development through risk management | 26.1 | 27.6 |
| 28. Preventive plan for Prevention and Management of Unlawful Infringement in the Performance of Duties in 2023 | 29.65 | 30.1 |
| 31. Briefing on internal personnel equity trading legal compliance in 2023 | 32.4 | 33.3 |

3.3.10 Climate-related Information

1. Climate-related Information and Implementation Status :

| Item | Implementation Status |
|---|--|
| <p>1. Specify the supervision and governance that the Board of Directors and the management have on climate-related risks and opportunities.</p> | <p>1. The corporate sustainable development committee led by Chairman Yu-Yin Lin as the chairperson and the independent director Mr. Wu Jiin-Po as vice-chairperson to review the formulation of Dyaco' s sustainable development policy, its implementation, and effectiveness and report the results to the board of directors annually.</p> <p>2. On December 27, 2023, the Corporate Sustainable Development Committee reviewed and confirmed the material issues on sustainability and the identification results of climate-related risks and opportunities for the fiscal year 2023. The findings were reported and approved by the Board of Directors on the same day.</p> <p>3. The Sustainable Development Task Force is responsible for formulating the direction and goals of sustainable development, as well as proposing and implementing systems, management policies, and specific action plans, including those related to climate change. Additionally, they provide regular reports to the Corporate Sustainable Development Committee.</p> <p>4. Chart of Corporate Sustainable Development Committee:</p>  <pre> graph TD A[Chairperson] --> B[Vice Chairperson] B --> C[Member] C --> D[Executive Secretary] D --> E[ESG Working Group] E --> F[Corporate Governance] E --> G[Partnership] E --> H[Value Lnnovation] E --> I[Joyful Workplace] E --> J[Sutainability] E --> K[Social Concern] </pre> |
| <p>2. Specify how the identified climate risks and opportunities impact corporate business, strategies, and finance(short-term, mid-term, long-term).</p> | <p>Please refer to the aforementioned Section 3(8), (3) where the Company evaluates the potential risks and opportunities of climate change on the present and future of the enterprise. It also provides explanations of the corresponding measures taken to address these issues.</p> |
| <p>3. Specify the impacts of extreme weather incidents and the transitional action on finance.</p> | <p>Please refer to the aforementioned Section 3(8), (3) where the Company evaluates the potential risks and opportunities of climate change on the present and future of the enterprise. It also provides explanations of the corresponding measures taken to address these issues.</p> |
| <p>4. Specify how the climate risk identification, evaluation, and management procedures are integrated in the overall risk management system.</p> | <p>Please refer to the aforementioned Section 3(8), (3) where the Company evaluates the potential risks and opportunities of climate change on the present and future of the enterprise. It also provides explanations of the corresponding measures taken to address these issues.</p> |
| <p>5. If scenario analysis is applied in the evaluation of resilience against climate change risk, the</p> | <p>Please refer to the aforementioned Section 3(8), (3) where the Company evaluates the potential risks and opportunities of climate change on the present and future of the enterprise. It also provides explanations of the corresponding measures taken to address these issues.</p> |

| <p>scenario, parameters, assumptions, and analysis factors adopted as well as primary financial impacts shall be clarified.</p> | | | | | | | |
|---|---|---|------|------|---|--|---|
| <p>6. If a transition plan is available to cope with climate-related risks, details about the plan and the indicators adopted to identify and manage substantial risks and the transition risk as well as the goals shall be clarified.</p> | <p>Please refer to the aforementioned Section 3(8), (3) where the Company evaluates the potential risks and opportunities of climate change on the present and future of the enterprise. It also provides explanations of the corresponding measures taken to address these issues.</p> | | | | | | |
| <p>7. If internal carbon pricing is adopted as the planning tool, the pricing criteria shall be clarified.</p> | <p>No internal carbon pricing was applied this year. In the future, the Company will first identify the internal entities subject to carbon emissions regulation, categorizing them by different departments. It is proposed to conduct carbon emission inventories for these regulated entities based on data, and then refer to industry practices regarding carbon fees or taxes for carbon taxation. The direction of internal carbon pricing lies in encouraging various units within the Company to voluntarily propose ideas for carbon reduction. This approach involves seeking reduction opportunities from the bottom up and implementing them to increase the overall contribution to carbon emission reduction by the Company.</p> | | | | | | |
| <p>8. If related climate goals are set, the activities, greenhouse gas emission range, planned timeline, and annual targets, among others, that are covered shall be clarified. If carbon trade-off or renewable energy certificates (RECs) are used to achieve related goals, the source of the carbon reduction quota traded off and the quantity or the number of the renewable energy certificates (RECs) shall be clarified.</p> | <p>1. Green building materials : Besides green building materials, new factories or office areas also consider the ecology and prioritize purchasing innovative and high-value equipment with energy efficiency. 2. Process improvement : Instead of coal, natural gas is used as the heating material, and the paint-baking process is conducted by electrostatic powder coating, effectively reducing air pollution. 3. Building cold water system : To reduce and save daily office electricity consumption, the Changhua administration and factories use the cold water system and set automatic timing switches to avoid no-load operation. 4. Implementation of Recycling : the classification of recycled materials is implemented to reduce the general waste generated. 5. Replacement of old equipment : Since 2015, Dyaco has replaced power-consuming lamps with LED lamps. It will further replace outdated vehicles with electric or hybrid vehicles to reduce the use of gasoline and diesel. 6. Our company follows the ISO 14064-1 organizational GHG inventory system to conduct GHG inventories, and we engage a third-party verification unit to verify and certify the results. 7. Implement mid- and long-term carbon reduction targets and set a carbon reduction blueprint: :</p> <table border="1" data-bbox="459 1525 1460 1787"> <thead> <tr> <th data-bbox="459 1525 794 1563">2022</th> <th data-bbox="794 1525 1129 1563">2023</th> <th data-bbox="1129 1525 1460 1563">2024</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1563 794 1787"> <ul style="list-style-type: none"> ● Concentrate on Carbon Footprint Verification ● Locate the high emission hot spot </td> <td data-bbox="794 1563 1129 1787"> <ul style="list-style-type: none"> ● Getting ISO 14064-1 greenhouse gas inventory certification ● Develop a Carbon Reduction Declaration </td> <td data-bbox="1129 1563 1460 1787"> <ul style="list-style-type: none"> ● Plan to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework. ● Continuously reduce carbon emissions </td> </tr> </tbody> </table> | 2022 | 2023 | 2024 | <ul style="list-style-type: none"> ● Concentrate on Carbon Footprint Verification ● Locate the high emission hot spot | <ul style="list-style-type: none"> ● Getting ISO 14064-1 greenhouse gas inventory certification ● Develop a Carbon Reduction Declaration | <ul style="list-style-type: none"> ● Plan to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework. ● Continuously reduce carbon emissions |
| 2022 | 2023 | 2024 | | | | | |
| <ul style="list-style-type: none"> ● Concentrate on Carbon Footprint Verification ● Locate the high emission hot spot | <ul style="list-style-type: none"> ● Getting ISO 14064-1 greenhouse gas inventory certification ● Develop a Carbon Reduction Declaration | <ul style="list-style-type: none"> ● Plan to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework. ● Continuously reduce carbon emissions | | | | | |
| <p>9. . Greenhouse gas inventory check and verification/validation</p> | <p>Additionally, fill in 2, (1) and 2, (2))</p> | | | | | | |

2.Greenhouse gas inventory and verification status of the company in the past two years

(1) Greenhouse gas assurance information

| Year | 2022 | | 2023 | |
|--|---|---------|---|---------|
| Item | Total emissions (CO ₂ e in tonnage) | Density | Total emissions (CO ₂ e in tonnage) | Density |
| Scope 2: Direct GHG emissions | | | | |
| Parent company | 870.56 | 0.1222 | 522.67 | 0.0671 |
| Scope 2: Indirect GHG emissions | | | | |
| Parent company | 1,251.15 | 0.1757 | 1,606.12 | 0.2062 |
| Scope 1 & + Scope 2: Total GHG emissions | | | | |
| Parent company | 2,121.71 | 0.2979 | 2,128.79 | 0.2733 |
| Verifying/Validating institution | Auray Technology Corp. | | Auray Technology Corp. | |
| Description of verification/validation status | According to ISO 14064-1:2018. | | According to ISO 14064-1:2018. | |

Note1: Direct emissions (Scope 1, which are emissions directly from sources owned or controlled by the Company), energy indirect emissions (Scope 2, which result from the purchase of electricity, heat, or steam and are considered indirect GHG emissions), and other indirect emissions (Scope 3, which are emissions from company activities but not from sources owned or controlled by the Company, instead coming from other companies' emissions sources).

Note2: The coverage Area including Factory 1, 2, 5 in Changhua Taipei office and Taichung office.

(2) Greenhouse gas reduction targets, strategies and specific action plans

| | | | |
|--|-----------|---|--|
| Describe the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and the achievement of reduction targets. | | | |
| The company conducts greenhouse gas inventories according to the ISO 14064-1 organizational greenhouse gas inventory system and engages a third-party notary for verification and approval. | | | |
| 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 ₂) emissions, The base year for emission reduction is 2020 with the following emission reduction targets: | | | |
| Range | Period | Coverage Area | Reduction of CO ₂ emissions |
| Short term | 2020-2026 | Factory 1, 2, 5 in Changhua Taipei office and Taichung office | Average annual decrease of 800,000kg |
| Medium term | 2027-2031 | | Average annual decrease of 900,000kg |
| Long term | 2031- | | Average annual decrease of 950,000kg |
| The Company reduced its CO ₂ emissions due to solar power generation by a total of 875,402kg in 2023, reaching its short-term target. | | | |

3.3.11 Access to Corporate Governance Rules and Procedures

The Company has established the "Code of Corporate Governance for Dyaco" which is available on the Company website at: Home > Investors > Corporate Governance > Code of Corporate Director (<https://dyaco.com/zh-hant/investors/corporate-governance>).

3.3.12 Other Important Information to Facilitate Better Understanding of the Company's Corporate Governance Practices

1. The Company's Material Information Disclosure Procedure

The Company has enacted the "Insider Trading Prevention and Control and Procedures for

Handling Material Information " which clearly specifies material information disclosure procedures, insider trading management processes, and a requirement for strict compliance with all relevant rules and regulations of the TWSE/TPEX, in order to prohibit insider trading, any improper information disclosure, and to ensure accurate and timely disclosures. Below are key content categories:

- (1) Target audience and scope of material information.
- (2) Corporate confidentiality procedure.
- (3) Designated responsible unit.
- (4) The Company's material information disclosure procedure.

2. In fiscal year 2023, the Company's Corporate Governance Officer undertook 18 hours of corporate governance related courses and training.

3.3.13 Implementation of Internal Control System

1. Internal Control System Statement

Dyaco International Inc.

Internal Control System Statement

Date: March 12, 2024

In 2023, 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 communication, 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, 2023 (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 12, 2024, 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

General manager: Chen, Ming-Nan

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

3.3.14 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 during the most recent year or during the current year up to the date of publication of the annual report, specify the contents of the penalty, major deficiencies and improvement: None.

3.3.15 Material resolutions of shareholders meeting or Board of Directors meeting during the most recent year or during the current year up to the date of publication of the annual report:

1. Material resolutions of shareholders meeting

| Date | Type | Material Motions | Resolutions | | | | | | | | | | | | | | |
|---|---|--|---|-------|------|----------|---|----------|-----------------|----------|--|----------------------|------------------|-------------|--------------|---------|-------------|
| 2023.5.27 | Regular shareholders meeting | Report matters | | | | | | | | | | | | | | | |
| | | (1) To report the proposal for cash distribution of 2022 earnings. | The Board of Directors on March 23, 2023 decided to distribute cash dividends to shareholders in the amount of NT\$62,813,377 (NT\$0.50 per share), and set June 3, 2023 as the exdividend date and June 13, 2023 as the cash dividend payment date, which were completed based on the above schedule. | | | | | | | | | | | | | | |
| | | Ratifications matters | | | | | | | | | | | | | | | |
| | | (1) To accept 2022 Business Report and Financial Statements. | The proposal was adopted by shareholders meeting at May 26, 2023. | | | | | | | | | | | | | | |
| | | (2) To approve the proposal for distribution of 2022 earnings. | A. The proposal was adopted by shareholders meeting at May 26, 2023. B. The Company's 2022 loss after tax amounted to NT\$76,130,101, plus adjustments for retained earnings, reversal of special reserve and unappropriated earnings at the beginning of the period, resulting in accumulated distributable earnings of NT\$282,328,368. The proposed distribution is NT\$62,813,377, and cash dividend is NT\$0.50 per share. C. A motion for the distribution of cash dividends can be found in the first proposal of the aforementioned report. | | | | | | | | | | | | | | |
| | | Election matters | | | | | | | | | | | | | | | |
| | | Election of the 12th Directors. | <ul style="list-style-type: none"> The proposal was adopted by a vote. Title and name of the new position holder <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin</td> </tr> <tr> <td>Director</td> <td>Zhuang, Zhu-Wei</td> </tr> <tr> <td>Director</td> <td>Yong-Heng Investment Corporation. Representative: Yuk, Lam</td> </tr> <tr> <td>Independent Director</td> <td>Wang, Chih-Cheng</td> </tr> <tr> <td>Independent</td> <td>Wang, Kai-Li</td> </tr> <tr> <td>Directo</td> <td>Tu, Chi-Yao</td> </tr> <tr> <td>Independent</td> <td>Wu, Jiin-Po</td> </tr> </tbody> </table> <ul style="list-style-type: none"> 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 7, 2023 with its Jing-Shou-Shang-Zi letter No. 11230097750. | Title | Name | Director | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin | Director | Zhuang, Zhu-Wei | Director | Yong-Heng Investment Corporation. Representative: Yuk, Lam | Independent Director | Wang, Chih-Cheng | Independent | Wang, Kai-Li | Directo | Tu, Chi-Yao |
| Title | Name | | | | | | | | | | | | | | | | |
| Director | Chuan-Feng Investment Corporation Representative: Lin, Yu-Yin | | | | | | | | | | | | | | | | |
| Director | Zhuang, Zhu-Wei | | | | | | | | | | | | | | | | |
| Director | Yong-Heng Investment Corporation. Representative: Yuk, Lam | | | | | | | | | | | | | | | | |
| Independent Director | Wang, Chih-Cheng | | | | | | | | | | | | | | | | |
| Independent | Wang, Kai-Li | | | | | | | | | | | | | | | | |
| Directo | Tu, Chi-Yao | | | | | | | | | | | | | | | | |
| Independent | Wu, Jiin-Po | | | | | | | | | | | | | | | | |
| Other Matters | | | | | | | | | | | | | | | | | |
| To approve the lifting of non-competition restrictions on new directors | The proposal was adopted by a vote. | | | | | | | | | | | | | | | | |

2. Material resolutions of Board meeting

| Date and Term | Material Motions | Resolutions |
|--|--|--------------------------------|
| The 20 th meeting of the 11 th Board on March 3, 2023 | (1) Amendment to Operation Procedure for Loaning Funds to others for Cikayda Inc.. | All directors present approved |
| | (2) Cikayda Inc. made loans to s IUVO. | All directors present approved |
| | (3) Increase investment in sub-subsidiary Neutron Ventures and Sweatband.com. | All directors present approved |
| | (4) Increase investment in sub-subsidiary Dyaco Europe and Cardio Fitness. | All directors present approved |
| | (5) Apply for bank loans. | All directors present approved |
| | (6) To Chang Construction of the plant in Taichung Dajia. | All directors present approved |
| The 21 th meeting of the 11 th Board on March 23, 2023 | (1) Loaning of funds for the subsidiaries of the Company. | All directors present approved |
| | (2) Approval of 2022 annual financial statements and business report. | All directors present approved |
| | (3) Approval of 2022 statement of internal control system. | All directors present approved |
| | (4) Approval of the capital increase through the issuance of common shares. | All directors present approved |
| | (5) Approval of 2021 GHG Report | All directors present approved |
| The 22 th meeting of the 11 th Board on May 12, 2023 | (1) Loaning of funds for the subsidiaries of the Company. | All directors present approved |
| | (2) Approval of 2023 the first quarter consolidated financial statements. | All directors present approved |
| | (3) Apply for bank loans. | All directors present approved |
| | (4) The Company made endorsements/guarantees for Wing-long. | All directors present approved |
| | (5) The Company made loans to sub-subsidiary City Sport. | All directors present approved |
| | (6) Adjustment of the group' s investment structure | All directors present approved |
| The 1 st meeting of the 12 th Board on August 8, 2023 | (1) Loaning of funds for the subsidiaries of the Company. | All directors present approved |
| | (2) Approval of 2023 the second quarter consolidated financial statements. | All directors present approved |
| | (3) Apply for bank loans. | All directors present approved |
| | (4) The Company made loans to sub-subsidiary Winglong. | All directors present approved |
| | (5) Approval of 2022 Sustainability Report. | All directors present approved |
| The 2 nd meeting of the 12 th Board on November 10, 2023 | (1) Loaning of funds for the subsidiaries of the Company. | All directors present approved |
| | (2) Determining whether there were loaning funds to unrelated parties in this quarter. | All directors present approved |
| | (3) Approval of 2023 the third quarter consolidated financial statements. | All directors present approved |
| | (4) Apply for bank loans. | All directors present approved |
| | (5) Amendment to Operation Procedure for Loaning Funds to others for Fuel Spirit. | All directors present approved |
| | (6) Amendment to Operating Procedures of Endorsement / Guarantees for Fuel Spirit. | All directors present approved |
| | (7) The Company made loans to sub-subsidiary City Sport. | All directors present approved |
| | (8) The Company made loans to sub-subsidiary Sweatband.com Ltd.. | All directors present approved |
| The 3 rd meeting of the 12 th Board on December 27, 2023 | 1. President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company. | All directors present approved |
| | 2. The Company made endorsements/guarantees for IUVO. | All directors present approved |
| | 3. The Company made loans to sub-subsidiary IUVO. | All directors present approved |

| Date and Term | Material Motions | Resolutions |
|---------------|--|--------------------------------|
| | 4.Sub-subsiidiary Fuel Spirit made loans to the Company. | All directors present approved |
| | 5.Apply for bank loans. | All directors present approved |
| | 6.2023 Assessment of independence of CPAs. | All directors present approved |

3.3.16 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 during the most recent year or during the current year up to the date of publication of the annual report: None.

3.3.17 During the most recent year or during the current year up to the date of publication of the annual report, the Company's chairman, general manager, accounting director, financial director, chief internal auditor, corporate governance director and R&D director had resigned or been dismissed: .

| Title | Name | On Board Date | Dismissal date | Reason for resignation or dismissal |
|--------------------|-----------|---------------|----------------|-------------------------------------|
| Chief Audit Offier | Liu, Yuli | 2015/3/25 | 2024/3/12 | Job adjustment |

3.4 CPA' s Fee Information

Unit: NT\$1,000

| Accounting Firm | Name | Period | audit fees | non-audit fees | Total | Note |
|-------------------|--|-------------------------|------------|----------------|-------|--|
| Deloitte & Touche | Mr. Hsieh, Chien-Hsin Ms. Liao, Wan-I | 2023/1/1~ 2023/12/31 | 6,200 | 330 | 6,530 | The non-audit fees were incurred for the 2023 transfer pricing report. |

3.4.1 The Company changes the CPA firm and the audit fee paid in the year of change of firm is less than that in the year before the change of firm: None.

3.4.2 The audit fee is reduced by over 10% from the previous year: None.

3.5 Information on Replacement of CPA

3.5.1 About the former CPA

| | | | |
|--|--|--------|------------------------------------|
| Date of Change | Approved by the Board of Directors on November 10, 2022 | | |
| 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 | The Parties | Status | Accountant |
| | 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 | Mr. Hsieh Chien-Hsin and Ms. Liao Wan-I |
| Date of appointment | November 10, 2022 |
| 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 Where the Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

3.7 Any transfer of equity interests or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

3.7.1 Change in equity interests of the Company's directors, supervisors, managerial officers, and ten-percent shareholders

Unit: Shares

| Title | Name | 2022 | | For the year ended March 28 | |
|--|---|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman and company's 10 largest shareholders | Lin, Ing-Gin (Note1) | (1,659,000) | 2,540,000 | (600,000) | - |
| Chairman | Lin, Yu-Yin (Note2) | - | - | - | - |
| Director | Wanshida Construction Co., Ltd. (Note3) | (11,000) | - | - | - |
| Representative | Li, Bo-Yi(Note3) | - | - | - | - |
| Director | Yong-Heng Investment Corporation. (Note4) | 503,000 | 1,928,000 | - | 800,000 |
| Representative | Lam, Yuk (Note5) | - | - | - | - |
| Representative | Chiu Shih-Chien (Note6) | - | - | - | - |
| Director | Zhuang, Zhu-Wei | 159,176 | - | - | - |
| Director | Chang, Chih-Chuan (Note3) | - | - | - | - |
| Independent Director | Hsieh, Chang-Hung (Note3) | - | - | - | - |
| Independent Director | Wang, Kai-Li | - | - | - | - |
| Independent Director | Wang, Chih-Cheng | - | - | - | - |
| Independent Director | Wu, Jiin-Po | - | - | - | - |
| Independent Director | Tu, Chi-Yao | - | - | - | - |
| CEO | Hsu, Wen-Bin | 71,962 | - | - | - |
| COO | Tseng, Yu-Hsiang | 11,000 | - | - | - |
| CSO | PING-I Ting (Note7) | - | - | - | - |
| General Manager | Chen, Ming-Nan | 114,889 | - | - | - |
| Executive V.P. and Chief Financial Officer | Wu, Mei-Hua | 179,479 | - | (65,000) | - |
| Executive V.P. | Li, Chi-Jung | 227,000 | - | (12,000) | - |
| Senior V.P. Chief Accountant Officer and Chief of Corporate Governance | Chiu, Yuan-Sheng | 29,716 | - | (70,000) | - |
| Senior V.P. | Huang, Hsuan-Fu | 9,539 | - | - | - |
| Senior V.P. | Hsu, Li-Wen | 28,276 | - | - | - |
| Senior V.P. | Huang, Yu-Chih | (26,011) | - | - | - |
| Senior V.P. | Lo, Teng-I | 55,067 | - | - | - |
| Senior V.P. | Lin, Shih-Chieh | 28,501 | - | - | - |
| CTO | Brian Keith Murray | - | - | - | - |
| V.P. | Lin,Wei-Hsu | (811) | - | - | - |
| V.P. | Li, Che-Jung | - | - | - | - |
| V.P. | Li, Mei-Yu | 39,555 | - | - | - |
| V.P. | Wu, Shu-Mei | (12,000) | - | - | - |
| V.P. | Ho, Chieh-Shun | 37,910 | - | (3,000) | - |
| V.P. | Li, Tai-Lan | 25,000 | - | - | - |

Note1: Chairman Lin, Ing-Gin resigned on 112.11.10.

Note2: Chairman Lin, Yu-Yin took office on 112.11.10.

Note3: Resigned on 112.5.12.

Note4: Took office on 112.5.12.

Note5: Took office on 112.5.12 and resigned on 112.10.19.

Note6: Took office on 112.10.19.

Note7: CSO PING-I Ting Took office on 112.12.27.

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 | Transaction Date | Transferee | Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding | Shares | Transaction Price (NT\$) |
|------------------|--------------------|------------------|------------------------------------|--|--------|--------------------------|
| Wu, Mei-Hua | Donation | 2023.03.17 | Chang, Jing-Wen | Offspring | 50,000 | NA |
| SYU,LI-WUN | Donation | 2023.3.21 | SYU,LI-HUA | second degree relationship | 40,000 | NA |
| Chiu, Yuan-Sheng | Donation | 2023.3.24 | CIOU,YI-LING | second degree relationship | 52,000 | NA |
| Li, Chi-Jung | Donation | 2023.3.24 | LI,SU-FEI | second degree relationship | 90,000 | NA |
| Lin,Wei-Hsu | Donation | 2023.3.15 | LIN,YU-HUA | Offspring | 13,000 | NA |
| Li, Che-Jung | Donation | 2023.7.13 | ZENG,SIN-LAN | NA | 21,750 | NA |
| Lin,Wei-Hsu | Donation | 2023.8.16 | LIN,YU-HUA | Offspring | 11,000 | NA |
| Lin, Ing-Gin | Donation | 2023.11.23 | Taipei Dyaco charitable foundation | The same as Chairman | 25,000 | NA |
| Chiu, Yuan-Sheng | Donation | 2024.02.01 | CIOU,YI-LING | second degree relationship | 70,000 | NA |

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 Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

March 29, 2024 / Unit: Share

| Name | Shareholding | | Spouse & Minor | | Shareholding in the Name of Others | | Relationship e | | Note Shares |
|---|--------------|-------|----------------|---|------------------------------------|--------|-----------------------------------|-------------------|-------------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| Lin, Ing-Gin | 7,754,283 | 4.86% | - | - | 32,743,723 | 20.51% | GUANG-YING LIMITED | Representative | - |
| | | | | | | | YONG-HENG INVESTMENT CORPORATION | President | |
| | | | | | | | CHIH-LING INVESTMENT CORPORATION | President | |
| | | | | | | | CHUAN-FENG INVESTMENT CORPORATION | Major shareholder | |
| GUANG-YING LIMITED Representative: Lin, Ing-Gin | 10,346,727 | 6.48% | - | - | - | - | Lin, Ing-Gin | Representative | - |
| Dyaco International Inc. | 8,963,000 | 5.62% | - | - | - | - | - | - | - |
| CHUAN-FENG INVESTMENT | 8,757,882 | 5.49% | - | - | - | - | Lin, Ing-Gin | Major shareholder | - |

| Name | Shareholding | | Spouse & Minor | | Shareholding in the Name of Others | | Relationship e | | Note Shares |
|---|--------------|-------|----------------|---|------------------------------------|---|----------------|--------------|-------------|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| CORPORATION Representative: Yang, Yu-Tao | 3,450 | - | - | - | - | - | - | - | - |
| HO, I-HSING INVESTMENT CORPORATION Representative: Yang, Hsiu-Yu | 8,105,048 | 5.08% | - | - | - | - | - | - | - |
| YONG-HENG INVESTMENT CORPORATION Representative: Lin, Ing-Gin | 6,821,057 | 4.27% | - | - | - | - | Lin, Ing-Gin | President | - |
| CHIH-LING INVESTMENT CORPORATION Representative: Lin, Ing-Gin | 6,818,057 | 4.27% | - | - | - | - | Lin, Ing-Gin | President | - |
| Chanitex Co., Ltd. | 2,845,778 | 1.78% | - | - | - | - | - | - | - |
| Yang, Hsiu-Yu | 2,820,185 | 1.77% | - | - | - | - | - | - | - |
| JuiLi Enterprise Co., Ltd. | 2,600,000 | 1.63% | - | - | - | - | - | - | - |

3.9 Long-Term Investment Ownership

December 31, 2023 / 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 | 126,415 | 100% | - | - | 126,415 | 100% |
| Fuel Spirit International Inc. | - | - | 5,848 | 100% | 5,848 | 100% |
| Dyaco Europe GmbH | - | 100% | - | - | - | 100% |
| CARDIO fitness GmbH& Co. KG | - | - | - | 100% | - | 100% |
| CARDIO fitness Verwaltungs GmbH | - | - | - | 100% | - | 100% |
| Dyaco UK Ltd. | - | 97% | - | - | - | 97% |
| Spirit Manufacturing Inc. | 1,668 | - | - | 100% | 1,668 | 100% |
| Spirit Direct, LLC | - | - | - | 100% | - | 100% |
| Sole Inc. | - | 100% | - | - | - | 100% |
| Fitness Equipment Service, LLC | - | - | - | 100% | - | 100% |
| Dyaco Canada Inc. | 1,000 | - | - | 100% | 1,000 | 100% |
| Neutron Ventures Ltd | - | - | 308 | 100% | 308 | 100% |
| Interactive Online Commerce Ltd | - | - | - | 100% | - | 100% |
| Neutron Ventures Poland S.p.Z.o.o | - | - | - | 100% | - | 100% |
| Sweatband.com Ltd | - | - | - | 100% | - | 100% |
| CITY SPORT (THAILAND)CO.,LTD. | 176,000 | 44% | - | - | 176,000 | 44% |
| Dyaco Japan Co., Ltd. | 201 | 100% | - | - | 201 | 100% |
| Dyaco (Shanghai) Trading Co., Ltd. | - | - | - | 100% | - | 100% |
| Dyaco Health Technology (Beijing) Co., Ltd. | - | - | - | 100% | - | 100% |
| Shelton Corporation (Jiaying), Ltd. | - | - | - | 60% | - | 60% |
| President Plastic Products MFG. Co., Ltd. | 391 | 100% | - | - | 391 | 100% |
| Wing Long Co., Ltd. | 2,500 | 100% | - | - | 2,500 | 100% |
| Cikayda Inc. | 2,000 | 100% | - | - | 2,000 | 100% |
| Daan Health Management Consulting Co., Ltd. | 1,000 | 100% | - | - | 1,000 | 100% |
| IUVO INDUSTRY CO.,Ltd | 18,300 | 92% | - | - | 183,000 | 92% |

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of Capital

March 29, 2024

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

| Y/M | Issue Price (NT\$) | Authorized Capital | | Paid-in Capital | | Note | | |
|---------|--------------------|--------------------|-----------|-----------------|-----------|--|--|---------|
| | | Shares | Amount | Shares | Amount | Source | 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 reserves 15,800,000 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 reserves 137,700,000 | - | Note 7 |
| 2012.10 | 10 | 100,000 | 1,000,000 | 68,109 | 681,088 | Capital reserves 33,388,000 | - | 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 reserves 39,054,000 | - | 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 reserves 31,133,000 | - | Note 12 |
| 2019.11 | 10 | 150,000 | 1,500,000 | 96,100 | 961,009 | Share capital of 374,000 converted from convertible corporate bonds | - | Note 13 |
| 2020.01 | 39 | 150,000 | 1,500,000 | 115,100 | 1,151,009 | Cash capital 190,000,000 | - | Note 14 |
| 2020.07 | 10 | 200,000 | 2,000,000 | 120,981 | 1,209,820 | Share capital of 58,311,000 converted from convertible corporate bonds and 500,000 converted from employee stock option certificates | - | Note 15 |
| 2020.10 | 10 | 200,000 | 2,000,000 | 131,149 | 1,311,496 | Share capital of 99,176,000 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 14,027,000 converted from convertible corporate bonds and 1,000,000 converted from employee stock option certificates | - | Note 17 |
| 2021.04 | 10 | 200,000 | 2,000,000 | 133,444 | 1,334,443 | Share capital of 5,539,000 converted from convertible corporate bonds and 2,380,000 converted from employee stock option certificates | - | Note 18 |
| 2021.07 | 10 | 200,000 | 2,000,000 | 133,982 | 1,339,823 | Share capital of 5,380,000 converted from employee stock option certificates | - | Note 19 |
| 2022.01 | 10 | 200,000 | 2,000,000 | 134,022 | 1,340,223 | Share capital of 400,000 converted from employee stock option certificates | - | Note 20 |
| 2022.04 | 10 | 200,000 | 2,000,000 | 134,114 | 1,341,148 | Share capital of 925,000 converted from employee stock option certificates | - | Note 21 |
| 2023.04 | 10 | 200,000 | 2,000,000 | 134,610 | 1,346,098 | 4,950,000 converted from employee stock option certificates | - | Note 22 |
| 2023.07 | 10 | 200,000 | 2,000,000 | 159,610 | 1,596,098 | Cash capital 250,000,000 | - | Note 23 |

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 19: Jing-Shou-Shang-Zi No. 11001122520 dated July 20, 2021

Note 21: Jing-Shou-Shang-Zi No. 11101063620 dated April 18, 2022

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

Note 18: Jing-Shou-Shang-Zi No. 11001066510 dated April 29, 2021

Note 20: Jing-Shou-Shang-Zi No. 11101008790 dated January 18, 2022

Note 22: Jing-Shou-Shang-Zi No. 11230065500 dated April 26, 2023

March 29, 2024; Unit: Shares

| Share Type | Authorized Capital | | | Note |
|--------------|--------------------|-----------------|--------------|------|
| | Outstanding Shares | Unissued Shares | Total Shares | |
| Common Share | 159,609,754 | 40,390,246 | 200,000,000 | - |

4.1.2 Shareholder Structure

March 29, 2024; Unit: Shares

| Shareholder Structure | Government Agencies | Financial Institutions | Other Juridical Person | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|------------------------|---------------------|------------------------|------------------------|--------------------------|--|-------------|
| Number of Shareholders | - | - | 64 | 11,708 | 65 | 11,837 |
| Shareholding (Shares) | - | - | 61,801,344 | 89,525,062 | 8,283,348 | 159,609,754 |
| Percentage | - | - | 38.72% | 56.09% | 5.19% | 100.00% |

Note: Above is a shareholder structure without any mainland area investors.

4.1.3 Diffusion of Ownership

1. Diffusion of ownership of common shares: The par value for each share is NT\$10.

March 29, 2024

| Class of Shareholding (Shares) | Number of Shareholders | Shareholding (Shares) | Percentage |
|--------------------------------|------------------------|-----------------------|------------|
| 1-999 | 1,418 | 281,507 | 0.18% |
| 1,000-5,000 | 7,851 | 16,111,405 | 10.09% |
| 5,001-10,000 | 1,247 | 9,559,061 | 5.99% |
| 10,001-15,000 | 440 | 5,455,941 | 3.42% |
| 15,001-20,000 | 250 | 4,491,518 | 2.81% |
| 20,001-30,000 | 234 | 5,879,763 | 3.68% |
| 30,001~50,000 | 175 | 6,788,521 | 4.25% |
| 50,001-100,000 | 98 | 6,876,062 | 4.31% |
| 100,001-200,000 | 60 | 7,933,654 | 4.97% |
| 200,001-400,000 | 27 | 7,202,208 | 4.51% |
| 400,001-600,000 | 9 | 4,423,686 | 2.77% |
| 600,001-800,000 | 8 | 5,443,753 | 3.41% |
| 800,001-1,000,000 | - | - | - |
| Over 1,000,001 | 20 | 79,162,675 | 49.60% |
| Total | 11,837 | 159,609,754 | 100.00% |

2. Diffusion of ownership of preferred shares: None.

4.1.4 List of Major Shareholders

March 29, 2024

| Major Shareholders' Name | Shares | Percentage |
|---|------------|------------|
| Lin, Ing-Gin | 7,754,283 | 4.86% |
| GUANG-YING LIMITED | 10,346,727 | 6.48% |
| Dyaco International Inc. (Treasury Stock) | 8,963,000 | 5.62% |
| CHUAN-FENG INVESTMENT CORPORATION | 8,757,882 | 5.49% |
| HO, I-HSING INVESTMENT CORPORATION | 8,105,048 | 5.08% |
| YONG-HENG INVESTMENT CORPORATION | 6,821,057 | 4.27% |
| CHIH-LING INVESTMENT CORPORATION | 6,818,057 | 4.27% |
| Chanitex Co., Ltd. | 2,845,778 | 1.78% |
| Yang, Hsiu-Yu | 2,820,185 | 1.77% |
| JUI LI ENTERPRISE CO.,LTD. | 2,600,000 | 1.63% |

4.1.5 Share prices, the Company's net worth per share, earnings per share, dividends per share, and related information for the past 2 years

Unit: NT\$

| Item \ Year | | 2022 | 2023 | |
|------------------------|---|----------------------------------|---------|---------|
| Market Price per Share | Highest Market Price | 56.50 | 52.80 | |
| | Lowest Market Price | 34.30 | 30.25 | |
| | Average Market Price | 42.30 | 38.79 | |
| Net Worth per Share | Before Distribution | 29.43 | 31.50 | |
| | After Distribution | 28.93 | Note 1 | |
| Earnings per Share | Weighted Average Shares (thousand Shares) | | 125,706 | 138,842 |
| | Earnings per Share | Before Adjusted | (0.61) | (0.88) |
| | | After Adjusted (Note1) | — | — |
| Dividends per Share | Cash Dividends | | 0.50 | - |
| | Stock Dividends | Dividends from Retained Earnings | - | - |
| | | Dividends from Capital Surplus | - | (0.50) |
| | Accumulated Undistributed Dividends | | - | - |
| Return on Investment | Price/Earnings Ratio (Note2) | | (69.34) | (44.08) |
| | Price/Dividend Ratio (Note3) | | 84.60 | Note 5 |
| | Cash Dividend Yield Rate (Note4) | | 1.18% | Note 5 |

Note 1: The dividend distribution for 2023 is subject to the resolution of the shareholders' meeting in 2024.

Note 2: Price/Earnings Ratio = Average Market Price / Earnings per Share.

Note 3: Price/Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 5 : The Company does not plan to distribute dividends for the fiscal year 2023.

4.1.6 Company's Dividend Policy and Implementation Thereof

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.

(1) 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 bonuses, except that stock dividends may be paid in full if the cash dividend is less than \$1 per share.

2. Distribution of dividends proposed for the year:

Cash Dividends: The Company does not plan to distribute dividends for the fiscal year 2023. The Company incurred a loss in the fiscal year 2023, with a net loss after tax of NT\$122,769 million. After considering the recalculated definite welfare and other items, it resulted in retained earnings of NT\$3,725 million and a reversal of special reserve of NT\$492 million. The unappropriated earnings at the end of the period amounted to NT\$100,963 million. This proposal was approved by the Board of Directors on March 12, 2024, and is subject to approval at the shareholders' meeting scheduled for May 27, 2024.

Stock Dividends: The Company intends to allocate NT\$75,323,380 from the capital reserve generated by issuing shares at a premium over the face value to conduct a bonus issue, issuing 7,532,338 new shares (dividends of NT\$0.50 per share). The par value per share is NT\$10.00. This proposal has been approved by the Board of Directors and is subject to approval at the shareholders' meeting scheduled for May 27, 2024.

4.1.7 Effect of any stock dividend distribution (to be adopted by the shareholders' meeting) upon business performance and earnings per share: None.

4.1.8 Compensation of employees, directors and supervisors

1. The percentages or ranges with respect to employee, director and supervisor compensation, as set forth in the company's 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 pretax 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.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure:

If the Board of Directors approves a change in the amount of employee, director and supervisor compensation, 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.

3 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 discrepancy, cause, and how it is treated should be disclosed.

On March 12, 2024, The Company's pre-tax net loss for the year 2022. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit, which was approved by the Board of Directors and submitted to the 2023 shareholders' meeting in accordance with relevant regulations. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in estimate.

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: The proposed distribution of employee compensation is entirely in cash and is therefore not applicable.

4. Report of the shareholders' meeting on the distribution of compensation and the results: The Company's 2024 earnings distribution proposal will be submitted to the shareholders' meeting on May 27, 2024.

5. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

On March 23, 2023, The Company's pre-tax net loss for the year 2021. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit, which was approved by the Board of Directors and submitted to the 2023 shareholders' meeting in accordance with relevant regulations. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in estimate.

4.1.9 Repurchase Shares Status:

1.The Company is compliance with Article 28-2 of the Securities and Exchange Act and Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.

2.Status of repurchasing its own shares at a centralized securities exchange market

(1)Buyback of Treasury Stock (Completed)

| | | |
|--|---|---|
| Treasury stocks in batches | 1 st Batch | 2 nd Batch |
| Purpose of stock buyback | Transfer ownership of shares to employees | Transfer ownership of shares to employees |
| Period of stock buyback | 2017/12/22~2018/02/21 | 2020/02/27~2020/03/20 |
| Price range | NT\$40.45~NT\$44.80 | NT\$30.15~NT\$36.97 |
| Type and number of shares | Common Share/4,000,000 Shares | Common Share/3,000,000 Shares |
| Actual amount of buyback shares | NT\$172,339,773 | NT\$ 104,927,035 |
| Actual buyback shares as a percentage of scheduled buyback shares (%) | 100% | 100% |
| Shares canceled and transferred | 3,939,000 Shares | 0 Shares |
| Cumulative number of its own shares | 8,963,000 Shares | 8,963,000 Shares |
| Cumulative number of its own shares as a percentage of issued shares (%) | 6.68% | 6.68% |
| Treasury stocks in batches | 3 rd Batch | 4 th Batch |
| Purpose of stock buyback | Transfer ownership of shares to employees | Transfer ownership of shares to employees |
| Period of stock buyback | 2020/03/20~2020/05/19 | 2021/09/30~2021/11/29 |
| Price range | NT\$31.44~NT\$32.93 | NT\$60.10~NT\$66.40 |
| Type and number of shares | Common Share /1,565,000 Shares | Common Share/2,488,000 Shares |
| Actual amount of buyback shares | NT\$50,663,964 | NT\$156,988,000 |
| Actual buyback shares as a percentage of scheduled buyback shares (%) | 34.78% | 62.20% |
| Shares canceled and transferred | 0 Shares | 0 Shares |
| Cumulative number of its own shares | 8,963,000 Shares | 8,963,000 Shares |
| Cumulative number of its own shares as a percentage of issued shares (%) | 6.68% | 6.68% |
| Treasury stocks in batches | 5 th Batch | |
| Purpose of stock buyback | Transfer ownership of shares to employees | |
| Period of stock buyback | 2022/05/12~2022/07/11 | |
| Price range | NT\$39.38~NT\$342.16 | |
| Type and number of shares | Common Share /2,338,000 shares | |
| Actual amount of buyback shares | NT\$96,415,064 | |
| Actual buyback shares as a percentage of scheduled buyback shares (%) | 77.93% | |
| Shares canceled and transferred | 0 Shares | |
| Cumulative number of its own shares | 8,963,000 Shares | |
| Cumulative number of its own shares as a percentage of issued shares (%) | 6.68% | |

4.2 Status of corporate bonds

4.2.1 Status of corporate bonds

Unit: NT\$1,000

| | | |
|--|--|--|
| Type of Corporate Bond | 3 rd Domestic Unsecured Convertible Corporate Bonds | |
| Issue Date | 2021.6.28 | |
| Par Value | NT\$100,000 | |
| Issue and Trading Place | Taipei Exchange | |
| Issue Price | Issued at face value | |
| Total Amount | NT\$1,000,000,000 | |
| Interest Rate | 0% | |
| Duration | 3 years | |
| Assurance Institution | Bank SinoPac | |
| Assignee | Cathay United Bank | |
| Underwriting Institution | President Securities Corporation | |
| Singed Lawyer | Handsome Attorneys-at-Law Chiu, Ya-Wen | |
| Singed CPA | Deloitte & Touche Taiwan/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, exercise repurchase rights in accordance with Article 18 of these Terms, exercise early redemption rights 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\$1,200,000 | |
| Redeption or Advanced Repayment | Please refer to Article 17 and Article 18 of the Company's terms of issuance and conversion of corporate bonds. | |
| Restrictive Clauses | N/A | |
| Credit Rating Institution, Credit Rating Date and The Rating | None | |
| Other Rights Attached | Amount of common shares converted as of the printing date of the annual report | None |
| | Issuance and conversion method | Please refer to the Company's terms of issuance and conversion of corporate bonds. |
| Shares Dilution & Influense on Stockholders' Equity | Convertible bonds do not have a dilutive effect on the Company's stock until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on stock dilution. The conversion of convertible bonds into common stock will not only reduce liabilities, but increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run. | |
| Entrust Insitution of Exchange Object | N/A | |

4.2.2 Information on convertible corporate bonds

Unit: NT\$

| Type of Corporate Bonds | | 2 nd Domestic Secured Convertible Corporate Bonds | |
|---|---|--|----------------------|
| Item | Year | 2023 | |
| | Market price of the convertible corporate bonds | Highest | 103.50 |
| | | Lowest | 99.60 |
| | | Average | 101.64 |
| Conversion price | | 89.90 | |
| Issue date and conversion price at issuance | | August 24, 2020 89.90 | |
| Fulfilling the conversion obligation | | Issuing new shares | |
| Type of Corporate Bonds | | 3 rd Domestic Unsecured Convertible Corporate Bonds | |
| Item | Year | 2023 | As of March 29, 2024 |
| | Market price of the convertible corporate bonds | Highest | 100.70 |
| | | Lowest | 99.00 |
| | | Average | 99.00 |
| Conversion price | | 100.60 | |
| Issue date and conversion price at issuance | | June 28, 2021 100.60 | |
| Fulfilling the conversion obligation | | Issuing new shares | |

Note: The second domestic secured conversion of corporate bonds was launched on 112.0824 expires.

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 the effect of such warrants upon shareholders' equity

| Employee stock warrants | 1 st Issuance of Employee Stock Warrants |
|--|---|
| Date of approval by competent authorities | May 18, 2017 |
| Issue date | December 21, 2017 |
| Units granted | 4,000,000 Shares |
| Units granted to total issued shares (%) | 2.51% |
| Duration | 6 years |
| Fulfilling the obligation | Issuing 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. |
| Units exercised (Shares) | 1,803,500 |
| Amount exercised (NT\$) | 69,357,350 |
| Units unexercised (Shares) | 1,265,500股 |
| Exercise price for unexercised units | 33.50元 |
| Units unexercised to total issued shares (%) | 0.79% |
| 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 holding employee stock options as of the date of publication of the annual report:

| | Title | Name | Number of Option (1,000 Shares) | Option as a Percentage of Issued Shares | Exercised | | | | Unexercised | | | |
|------------------------|-----------------------------|----------------------|---------------------------------|---|----------------------------------|----------------|--------|---|----------------------------------|----------------|--------|---|
| | | | | | Number of Options (1,000 Shares) | Exercise Price | Amount | Option as a Percentage of Issued Shares | Number of Options (1,000 Shares) | Exercise Price | Amount | Option as a Percentage of Issued Shares |
| Executive | Consultant | Wang, Ching-Tsung | 4,000 | 2.51% | 1,803 | 38.5 | 69,357 | 1.13% | 1,265 | 33.5 | 42,394 | 0.79 |
| | President | Chen, Ming-Nan | | | | | | | | | | |
| | CEO | Ting, Ping-I (Note) | | | | | | | | | | |
| | Executive V.P. | 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: Wang, Hong-Yo resigned on July 6, 2018, Ting, Ping-I had job adjustments on June 25, 2019, Ko, Yu-Wen resigned on June 25, 2019, and Lin, I-Chun resigned on February 3, 2020.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Issuance of Shares in Connection with a Merger or Acquisition or with Acquisition of Shares of Other Company: None.

4.8 Financing Plans and Implementation: As of the printing date of the annual report, the Company has no financing plan that has not been completed or the plan has been completed but the benefits have not been demonstrated.

V. Business Overview

5.1 Business Activities

5.1.1 Business scope

1. Major business activities

| | |
|------------|---|
| (2)CA02990 | Other Fabricated Metal Products Manufacturing Not Elsewhere Classified |
| CC01040 | Lighting Equipment Manufacturing |
| CC01080 | Electronic Parts and Components Manufacturing |
| CC01990 | Electrical Machinery, Supplies Manufacturing |
| CD01050 | Bicycles and Parts 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 |
| 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. |

(3) Percentage of sales revenue

Unit: NT\$1,000;%

| Item | Year | 2022 | | 2023 | |
|-------------------|------|-----------|---------|-----------|---------|
| | | Amount | % | Amount | % |
| Treadmill | | 3,254,691 | 45.70% | 4,074,597 | 52.33% |
| Elliptical | | 984,170 | 13.82% | 1,098,438 | 14.11% |
| Bike | | 799,705 | 11.23% | 819,542 | 10.52% |
| Outdoor Furniture | | 911,149 | 12.79% | 568,128 | 7.30% |
| Others | | 1,172,696 | 16.46% | 1,225,766 | 15.74% |
| Total | | 7,122,411 | 100.00% | 7,786,471 | 100.00% |

(4) Current goods and services

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. |

| R&D Program | Areas of Application |
|--|---|
| 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 | 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. 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. |

2. Industry overview

(1) Fitness equipment

With economic development, modern people's lives have become more affluent and materialistic, leading to many problems, such as obesity and weakened immune systems. Additionally, the aging population has led to an increasing emphasis on health consciousness, and sports culture is prevalent in Europe and America. Sports and fitness activities have become an important part of modern life. Indoor sports and fitness equipment, which are not affected by weather and time restrictions, can provide users with opportunities to engage in fitness activities at home or fitness centers when they cannot engage in outdoor sports or fitness training. Therefore, fitness equipment plays an extremely important role in the sports and leisure industry.

Fitness equipment can be categorized into home and commercial-use markets based on their intended usage environment and design durability.

A.The Home-Use Market

Fitness equipment designed for home use primarily targets the household fitness and healthcare market. As these types of equipment are typically intended for use by a fixed user, their product features often include small-sized, lightweight, simple functions, relatively lower product durability and pricing compared to the commercial market. They are primarily sold to end consumers through specialized sports equipment stores and large chain stores.

B.The Commercial/Light-Commercial market

Commercial fitness equipment is mainly placed in places such as hotels, fitness centers, clubs, and medical rehabilitation centers for non-fixed users. Therefore, the equipment has a variety of functions, high product quality, and higher price and durability characteristics. The product's design also

focuses more on appearance and aesthetics, and it is mainly provided to the above places through commercial sales channels. In addition, light-commercial fitness equipment is mostly used in small fitness rooms in communities and schools.

According to market research agency Statista, the global market size of fitness equipment exceeded US\$10 billion for the first time in 2016, reaching US\$10.504 billion. In 2019, before the outbreak of the COVID-19 pandemic, the market grew to US\$11.726 billion. However, during the pandemic, various countries implemented epidemic prevention regulations such as maintaining social distancing and lockdowns to prevent the spread of the virus, forcing gyms to shut down and significantly reducing the demand for commercial fitness equipment.

As a result, the overall market size of fitness equipment in 2020 decreased by US\$2.653 billion compared to the previous year. With the gradual easing of COVID-19 in 2021 and 2022 and the gradual lifting of restrictions, the commercial market has seen a recovery. The overall market size of fitness equipment in 2021 and 2022 grew to US\$10.229 billion and US\$11.286 billion, respectively.

The Global Market Size for Fitness Equipment



Date : Statista/FY23

During the COVID-19 pandemic, to prevent the spread of infection, various countries have implemented epidemic prevention measures such as maintaining social distancing and lockdowns, causing people around the world to stay home. This has led to new lifestyles like remote work and home fitness. Additionally, many fitness coaches, gyms, and fitness clubs have started offering online coaching courses, making home fitness increasingly popular and stimulating demand for home fitness equipment. According to research by eBusiness Research Company, the global home fitness equipment market is expected to have an annual growth rate of up to 40% in 2020. The home fitness equipment industry has become one of the few industries that can achieve significant revenue growth during the global pandemic impact of 2020, in addition to ICT and other remote concept products.

According to statistics from Expert Market Research, the global sports equipment market size was US\$125.8 billion in 2023. It is projected to grow at a compound annual growth rate (CAGR) of 4% and reach US\$179 billion by 2032. On the other hand, the global home fitness equipment market was

valued at US\$115 billion in 2023, according to research by Imarc. With a projected compound annual growth rate (CAGR) of 2.38%, it is expected to reach US\$142 billion by 2032.

The fitness equipment industry is highly correlated with national economic development and population structure. From a regional perspective, North America and Europe are currently the main demand markets for sports and fitness equipment globally, accounting for nearly 60% of the total market share. The North American market mainly includes the United States and Canada, while Germany, the United Kingdom, and France are the main countries in Europe. Relevant data also shows a high market concentration in the fitness equipment demand market.

The North American Market

The United States is the world's largest single market for fitness equipment. According to the Sport & Fitness Industry Association (SFIA), the size of the US fitness equipment market reached US\$5 billion in 2014 and reached US\$5.37 billion and US\$5.546 billion in 2018 and 2019, respectively. Regarding market application, the US fitness equipment market is mainly driven by the home use market, accounting for as much as 70% of the total market. The home use market is about twice that of the commercial market, with an annual market size of around US\$4 billion. In 2021, the total sales of home fitness equipment in the United States reached US\$6.4 billion, an increase of more than 60% compared to pre-pandemic levels.

According to Research and Markets, North America is the largest single market for fitness equipment globally.

According to Statista, the projected size of the sports equipment market in North America is estimated to reach US\$70 billion in 2024. Furthermore, the compound annual growth rate (CAGR) from 2024 to 2028 is forecasted to be 4.74%. The data indicates that the demand market for sports equipment is continuing to grow steadily.

The European Market

According to a report by Triton Market Research, the top three countries in terms of revenue ranking in the European fitness market are Germany, the United Kingdom, and France. According to the statistical data from Eurostat, the prevalence of overweight and obesity among adults in Europe has significantly increased, which has led to the rise of the fitness culture. According to Statista, the projected size of the sports equipment market in Europe is estimated to reach US\$60 billion in 2024. Furthermore, the compound annual growth rate (CAGR) from 2024 to 2028 is forecasted to be 4.33%.

According to the industry report by Data Bridge Market Research, the value of the European fitness equipment market is expected to increase to a scale of US\$9.1 billion by 2028, with a CAGR of approximately 6.2% from 2021 to 2028. The European market for sports-related apps is expected to increase to a scale of US\$7.3 billion by 2028, with a CAGR of approximately 24.6% between 2021 and 2028.

Other Markets

According to the relevant industry report from Data Bridge Market Research, the market value of fitness equipment in the Asia-Pacific region is expected to have a CAGR of 8.3% from 2022 to 2029. Furthermore, the sports-related app market in the Asia-Pacific region is expected to increase to a size of US\$7.4 billion by 2028, with a CAGR of approximately 28.8% from 2021 to 2028. The sport-related app market in the Middle East and Africa is expected to reach a value of US\$800 million in 2028, with a CAGR of approximately 19.5% from 2021 to 2028.

(2) Outdoor Leisure Furniture

The demand for outdoor leisure furniture is mainly concentrated in European and American countries. Due to their higher economic development and higher per capita income, consumers in these regions have sufficient purchasing power for outdoor leisure furniture. In addition, people in European and American countries value their quality of life and seek comfort in their leisure activities. Many homes in these regions have a yard or terrace suitable for outdoor leisure furniture, so the main consumer group in the market is still households in European and American countries.

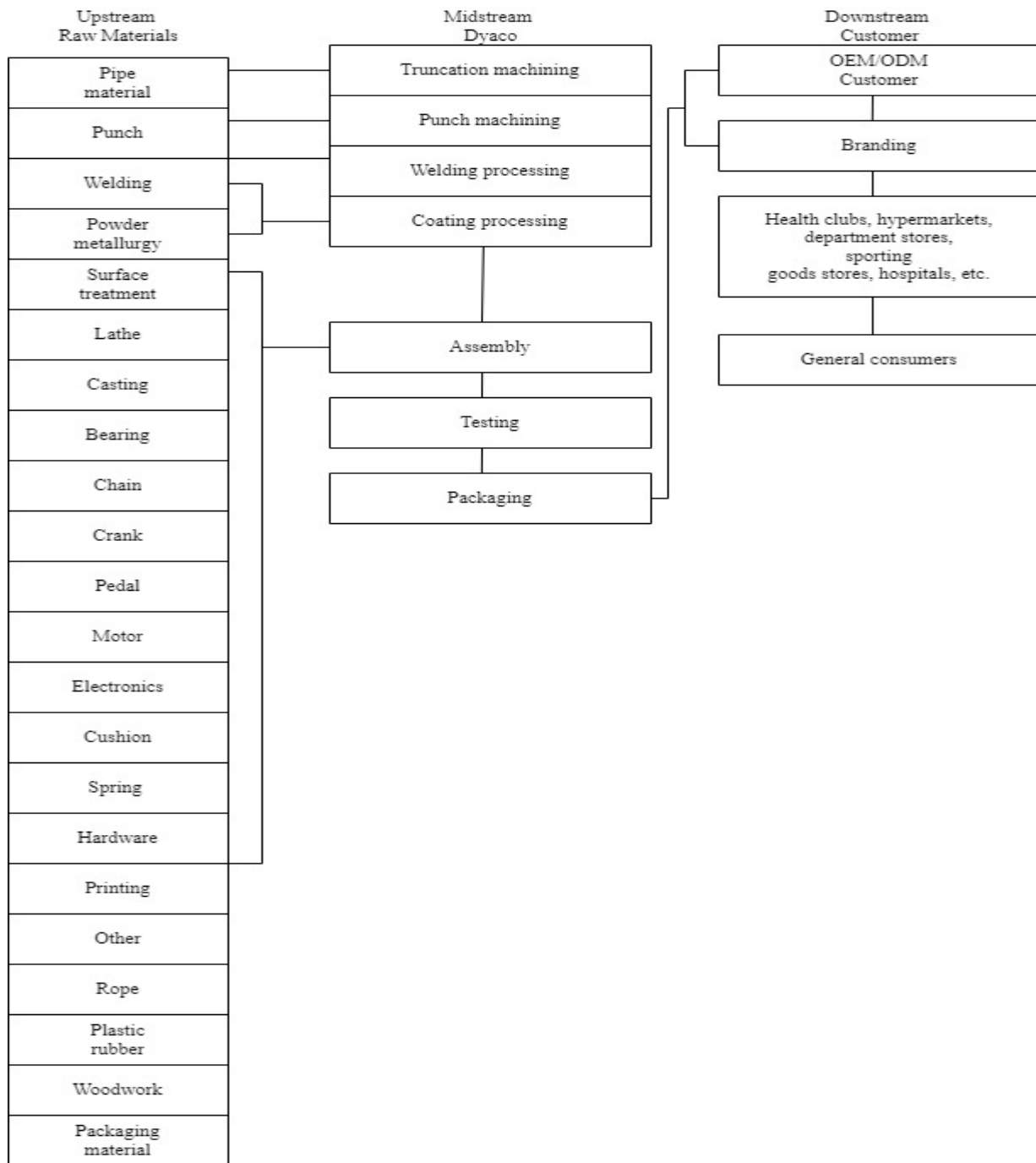
The earliest outdoor leisure furniture purchased by consumers consisted of a complete table and chairs set. Nowadays, in addition to traditional table and chair sets, related products such as sun umbrellas, tents, and swings have also been developed. Because outdoor leisure furniture is placed outside, its usage environment will be affected by climate conditions. In European and American countries, where the seasons are distinct, consumer demand for outdoor leisure furniture gradually increases as winter ends and the weather starts to warm. The peak purchasing season is concentrated at the end of spring and throughout the summer. Major retail stores start selling outdoor furniture products around the end of the first quarter of each year to meet consumers' demand for purchasing or replacing outdoor leisure furniture. The sales period will continue until the end of the summer, and the peak production season is from October to April of the following year. Affected by the seasonality mentioned above, the peak and off-peak seasons of the industry are more apparent.

Due to long-term outdoor exposure, outdoor leisure furniture is susceptible to climate conditions and may have a shorter lifespan. In addition, consumer preferences for colors and styles change rapidly, resulting in a relatively short product life cycle for outdoor leisure furniture. According to a survey conducted by Casual Living, a professional research institute on outdoor furniture in the United States, American consumers tend to replace their outdoor furniture after an average usage of 2-4 years. Therefore, manufacturers must constantly innovate and introduce new products to meet consumer demands. The outdoor leisure furniture industry has matured and stabilized, and the main market for outdoor leisure furniture in the future will still be concentrated in countries such as the United States, Canada, and European countries. These regions have already formed a stable market size and have a higher level of market maturity. In addition to the demand for outdoor leisure furniture in European and American countries, there are also emerging markets in Asia, Oceania,

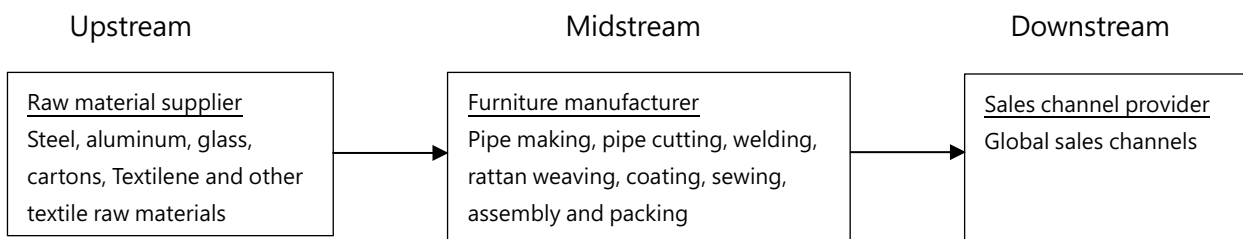
Africa, and South America. Although the demand for outdoor leisure furniture in these emerging markets is lower than in European and American countries, the market growth potential is more significant in these regions, which will continue to drive the growth of the global outdoor leisure furniture industry. According to the Outdoor Furniture Industry report by Data Bridge Market Research, the CAGR of the global outdoor furniture market from 2021 to 2028 is 6.1%, and the market size will grow to US\$29.98 billion. The Asia-Pacific region will grow rapidly in the next few years, including China, Malaysia, South Korea, Singapore, and India.

3.Upstream, midstream and downstream correlation of industry

(1) Fitness equipment



(2) Outdoor leisure furniture



4.Product development trends

(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. A report by American College of Sports Medicine, "Worldwide Survey of Fitness Trends for 2021," predicts that new global fitness trends this year will include online training, wearable technology, weight training, outdoor activities, and high-intensity interval training. 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 or heart disease), etc. Customized fitness equipment that meets the needs of this low-load health workout will be even more desirable.

B.Towards user-friendly 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 and 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 to a choice of exercise 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 changes in consumer electronics, integrating fitness equipment with electronic products can still be improved. 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 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. Though people may not be able to do this in everything they do in life, when spending money on consumer goods or luxury goods, they can

consider the reduction of carbon footprint, how to reduce electricity consumption and weight, as well as the use of consumables and parts, so that the product itself can be recognized to a certain extent, and from which comfort can be drawn.

(2). Outdoor furniture

The demand for outdoor leisure furniture is mainly driven by factors such as consumer usage demand, lifestyle habits and the 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.Product competition

(1) Fitness equipment

The fitness equipment industry has entered a mature stage, with a high concentration of product demand, an increasing brand influence, 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, but also attach importance to the brand image and product appearance design. Therefore, 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 relatively short product life cycle. As such, in addition to marketing channels, innovative R&D and design capabilities are also key factors 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 joining in; Landice, True Fitness and Johnson are competitors in the light commercial market; Life Fitness, Technogym, Precor, Cybex and Johnson compete in 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, Raxon, Tonic, SportsArt, Steelflex, Reallusion, Tung Keng, HealthStream and Strength Master, etc. However, except for Johnson and Raxon, which are listed companies, and Strength Master Fitness Tech. Co., which has been registered on the Emerging Stock Market, the rest of 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, fashion trends and product design direction, we continue to maintain the existing advantages in Taiwan under the threat of low production costs and soaring prices of raw materials, develop innovative products with added value and differentiate them from products

made in China, improve international marketing capabilities, maximize our competitive edge in the international market, and actively explore global business opportunities.

(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 ourselves from 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.

5.1.2 Technology and R&D overview

1. The technical level of the business

Our technology comes from our R&D team, domestic upstream manufacturers, market demand, industry and academic research institutions. The Company can further understand the development trend of products and the application of new technologies, and develop products and technologies by being close to the market through our marketing staff, agents and distributors in different countries. If necessary, we consult with professionals and cooperate with schools and research institutions to conduct technical training courses or product testing and analysis to make the overall product development more efficient and effective than competitors.

During the product design planning stage, we evaluate the market and consumer needs, analyze the competition, and design our products under the standards set by the international market, such as CE, EN, GS, EMC & LVD and UL/CSA. At the same time, market surveys are conducted by distributors and agents around the world to understand the market acceptance of the new products and to ensure that the new products meet market expectations in mass production.

2. R&D of the business

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. The Company improves the feasibility of product function specification, reduces design modifications, and preserves the design process data.

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 December 2023, the Company has

acquired a total of 109 domestic and foreign patents (including invention, utility model and design), with 1 patents pending. The Company owns more than 200 trademarks.

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, and electrostatic gun test equipment.

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

| Item | Year | 2023 (Per Audited) | 2024 Q1 (Per Book) |
|---|------|-----------------------|-----------------------|
| R&D Expenses | | 118,559 | 28,482 |
| Net Operating Revenue | | 7,786,471 | 1,767,361 |
| R&D Expenses as a percentage of Net Operating Revenue | | 1.52% | 1.61% |

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)Folding Elliptical Trainers
- (2)Full-view Multimedia Touchscreen Elliptical Trainer
- (3)Full-view Multimedia Touchscreen Exercise Bikes
- (4)Rowing Machine
- (5)Full-view Multimedia Touchscreen Recumbent Bikes

5.1.3 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:

1.Short-term development plans

(1) Marketing policy

- A. Build e-commerce marketing tools to increase market share outside the physical channels.
- 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. Design global physical channel marketing materials in a consistent manner.
- F. Continue to build a global channel for the marketing of fitness and medical equipment and seek partners to join our operations.
- G.Draw up a marketing plan for the Spirit Medical Systems Group range of products.

(2) Production policy

- A. Appropriately expand production capacity and strengthen production management 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.

(3) R&D policy

- A. Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
- B. 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.
- 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. Develop products with richer entertainment connectivity (APP software and 3C product connection control) to the control instrument.

2. Long-term development plans

(1) 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 focuses on improving the quality of people's workouts and leisure life.

(2) Besides products, the Company provides brand belief, product creativity and after-sales service experience, which builds 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.

(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 our products can benefit not only the general public, but also those with mobility difficulties or elders at home. 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

1.Areas where the Company's primary products (services) are sold (provided)

Unit: NT\$1,000; %

| Sales Region | Year | 2022 | | 2023 | |
|--------------|---------|-----------|---------|-----------|---------|
| | | Sales | % | Sales | % |
| Domestic | | 137,187 | 1.93% | 142,261 | 1.83% |
| Exports | America | 5,131,274 | 72.04% | 5,567,231 | 71.50% |
| | China | 282,226 | 3.96% | 245,837 | 3.16% |
| | Europe | 1,151,426 | 16.17% | 1,378,977 | 17.71% |
| | Others | 420,298 | 5.90% | 452,165 | 5.80% |
| Total | | 7,122,411 | 100.00% | 7,786,471 | 100.00% |

2.Market share

(1)Fitness equipment

The Company has long focused on the development, manufacture and sale of fitness equipment, with a focus on household and light commercial products, and is expected to be the number one domestic exporter of home gym equipment as the impact of the epidemic has helped boost the Company's market share. 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 | Sales of Dyaco | Sales of Taiwan | Market Share |
|------|----------------|-----------------|--------------|
| 2019 | 3,544,844 | 27,664,271 | 12.81% |
| 2020 | 8,485,910 | 38,040,043 | 22.31% |
| 2021 | 6,872,833 | 58,243,196 | 11.80% |
| 2022 | 2,728,902 | 16,314,201 | 16.73% |
| 2023 | 3,672,798 | 16,142,376 | 22.75% |

(2)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.

3.Future supply and demand conditions and growth of the market

(1) Fitness equipment

The advancement of technology and medical science has led to a continuous extension of human life expectancy. The global trend is shifting from "living longer" to how to age well. The health industry's development not only brings people a better life but also contains endless business opportunities. Therefore, governments and industries worldwide are investing in the health economy, providing diverse and innovative services to meet the growing demand in the health market. The health promotion service industry comprises four major categories: health

management, dietary health, exercise and fitness, and mental health. Exercise and fitness equipment is essential to the industry's future development. The development strategy will also focus on older people and people with disabilities rather than just young and middle-aged adults by developing gentle, interesting, and easy-to-use products suitable for these groups to meet the needs of the healthcare market. In addition, gender is also one of the driving forces of consumer trends. Females are more active in participating in fitness activities than males. In recent years, the outstanding performance of female athletes has further spurred the trend of women using fitness equipment.

The fitness equipment industry caters to those who aim for better health and reduce the effects of aging, making it a customer base that includes the general public and falls under the category of proactive and enthusiastic industries. By exploring the future products of the fitness equipment industry based on the global age structure, the development will move towards body shaping and stress-relieving equipment with high development potential and health-preserving equipment with high economic value. In addition, fitness equipment manufacturers should focus on developing brands and distribution channels, accelerating the research and development of multi-functional and specialized products, designing products based on physical fitness, using electronic technology, and enhancing integrated marketing and innovative value. In the future, fitness equipment will also steadily grow under such development trends.

The global fitness equipment market is primarily concentrated in North America, accounting for over 60% of the global market. In terms of demand, according to the observations of Grand View Research, a market research firm in the United States, the global smart fitness market generated revenue of approximately US\$6 billion in 2006 and is projected to reach a revenue scale of roughly US\$30 billion by 2025. With the increasing popularity of home fitness, according to the estimation of the research firm TechNavio on the global home fitness equipment market in September 2022, the home fitness market is expected to grow by US\$2.01 billion from 2022 to 2026, with a CAGR of 7.73% during the forecast period.

(2) Outdoor furniture

The rise and fall of the furniture industry are usually closely linked with the real estate and construction-related industries. The United States is the main importer in the global furniture trade market. With continued population influx and economic development, the demand for real estate and construction-related industries continues to expand, leading to long-term and steady growth in the furniture market. From the perspective of furniture demand in the United States, US residents' proportion of consumer spending on furniture products has remained relatively stable. In recent years, the growth rate of consumer spending on personal furniture products in the United States has been consistent with the growth rate of total personal consumption expenditure, indicating that the demand for furniture in the United States is steadily expanding along with the overall economic development.

On the supply side, domestic furniture manufacturers in the United States face challenges from imported furniture from Asia. The main country of import is China, followed by Mexico, accounting for about 60% of the overall import ratio. Other import countries include Vietnam, Malaysia, and Indonesia. China offers a complete range of furniture products with abundant supply. Vietnam mainly exports wooden products and has a competitive advantage in low cost and price. Malaysia and Indonesia ranked behind Vietnam and held important positions in wooden furniture production. Compared to local US manufacturers, these imported furniture products have lower labor costs and production expenses, giving them a better competitive pricing advantage.

5.2.1 Competitive niche

1. Acquire marketing channels

- (1) Ownership of four fitness equipment brands SOLE, SPIRIT, FUEL and XTERRA, rehabilitation equipment brand Dyaco Medical, and authorized ultimate fighting brand UFC.
- (2) 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 brands and raise the competition threshold, by accessing the marketing channels and distribution bases and offering a consistent production process from research and development, production, sales to after-sales service.
- (3) 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.

2. Innovative R&D

- (1) 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 6 to 12 months.
- (2) 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.
- (3) We work with the academic institutes in industrial-academic exchanges and technical cooperation to make the products more diversified and creative.
- (4) 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, the Company is leading the industry in creating a range of high-end rehabilitative medical equipment.

3. Manufacturing efficiency

- (1) With 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.
- (2) 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.

(3) 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.

(4) 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.

4. Pros, cons and countermeasures to the development vision

(1) 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 experienced marketing, business and R&D teams consisting of nearly a hundred people, which continue 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 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.

(2) Cons

A. 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:

- a. 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.
- b. 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.

B. Multiple competitors and price cutting

As the industry continues to grow, 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:

- a. 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 unites the efforts of local agents to fight together, but also makes it difficult for consumers to make purchasing decisions only based on price.
- b. Seek strategic alliance partners in potential markets.
- c. 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.

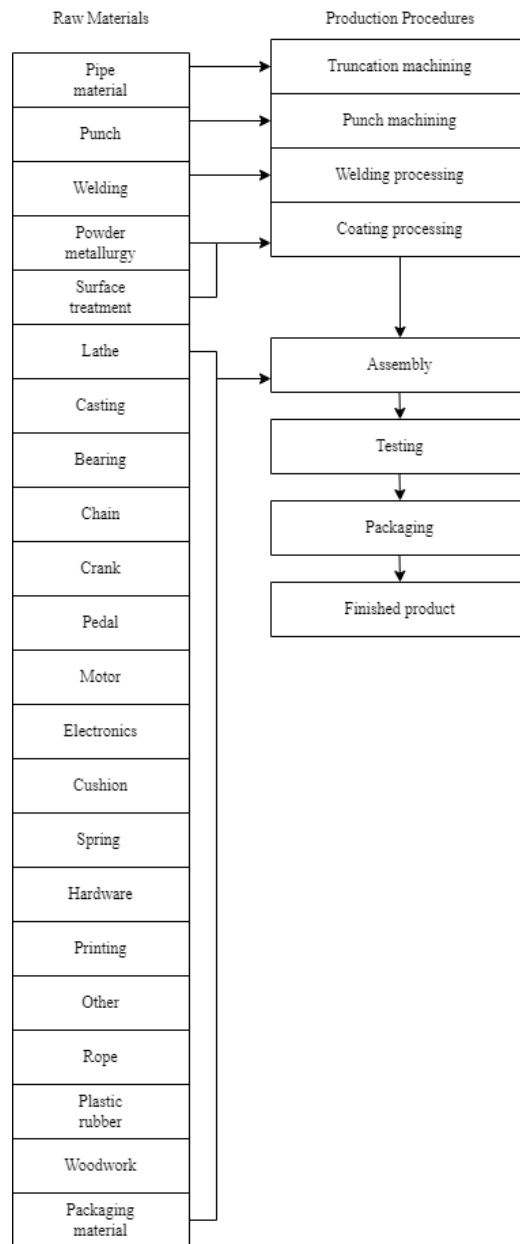
5.2.3 Important uses and manufacturing processes of primary products

1. Important uses of primary products

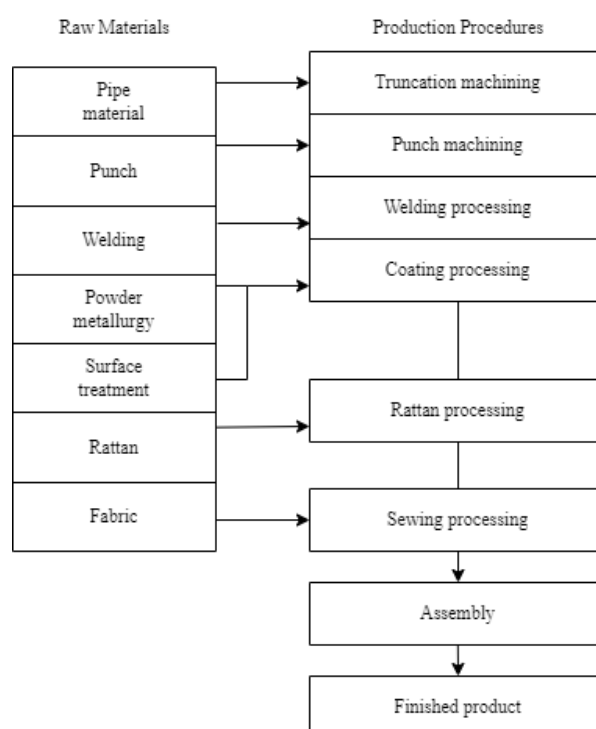
| Product Category | Usage |
|----------------------------------|---|
| General fitness equipment | Used in homes, hotels, companies, schools, gyms, etc., to burn calories and fat through exercise for healthy body shaping. |
| Medical rehabilitation equipment | Used in medical institutions, care centers, 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. |

2. Manufacturing process

(1) Fitness equipment



(2) Outdoor furniture



5.2.4 Supply of major raw materials

| Major raw materials | Major suppliers | Supply status |
|---------------------|---|---------------|
| System | Guangzhou Yunzan Co./EJEK TECHNOLOGY CO., LTD. 、 /CORESTAR CO., LTD. , etc | Good |
| Plastic | WAN CHANG PRECISION CO.,LTD, etc | Good |
| Motor | Guangdong Wanrui Co., etc | Good |
| Metal | JIAXING Youqiang metal Co., 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.

5.2.5 List of main procurement/sales suppliers/clients

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.

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 | 2022 | | | | 2023 | | | |
|------|------------|-----------|-----------------------------|--------------------------|------------|-----------|-----------------------------|--------------------------|
| | Name | Amount | Percentage of net sales (%) | Relationship with issuer | Name | Amount | Percentage of net sales (%) | Relationship with issuer |
| 1 | A Customer | 720,810 | 10.12 | None | A Customer | 1,511,256 | 19.41 | None |
| 2 | B Customer | 732,069 | 10.28 | None | B Customer | 459,690 | 5.90 | None |
| | Others | 5,669,532 | 79.60 | - | Others | 5,815,525 | 74.69 | None |
| | Net sales | 7,122,411 | 100.00 | - | Net sales | 7,786,471 | 100.00 | - |

The reason for increases or decreases:

A Customer :Due to the slowdown in overall demand for home fitness equipment in the market, in order to reduce the risk of inventory backlog, the Company actively reduced inventory in 2022 and responded by reducing purchases.

Demand gradually increased in the fiscal year 2023.

B Customer : Due to the slowdown in demand for Outdoor furniture.

5.2.6 Output volume and value during the most recent two years

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

| Output volume \ Year | 2022 | | | 2023 | | |
|----------------------|----------|---------|-----------|----------|---------|-----------|
| | Capacity | QTY | Amount | Capacity | QTY | Amount |
| Main Products | | | | | | |
| Treadmill | 180,000 | 115,217 | 1,242,640 | 150,000 | 128,393 | 1,799,154 |
| Elliptical | 60,000 | 19,819 | 338,529 | 40,000 | 28,844 | 501,986 |
| Bike | 30,000 | 11,005 | 143,212 | 20,000 | 16,869 | 226,978 |
| Furniture | - | - | 847,540 | - | - | 310,754 |
| Others | - | - | 275,940 | - | - | 305,254 |
| Total | 270,000 | 146,041 | 2,847,861 | 210,000 | 174,106 | 3,144,126 |

Note1: Due to the wide variety of furniture, the total quantity cannot be expressed.

Note2: 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:

- 1.The overall demand for household fitness equipment market is rebounding, inventory clearance is completed, coupled with new product launches, driving an increase in production volume.
- 2.The increase in other items mainly started in 2023 when the Company added the E-bike product line.

5.2.7 Sales volume and value during most recent two years

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

| Sales volume / Main Products | Year | | 2022 | | | | 2023 | | | |
|---------------------------------|-------|---------|----------|------------|--------|---------|----------|-----------|--------|--|
| | | | Domestic | | Export | | Domestic | | Export | |
| | QTY | Amount | QTY | Amount | QTY | Amount | QTY | Amount | | |
| Treadmill | 1,414 | 48,805 | 141,871 | 3,205,886 | 1,282 | 46,805 | 132,937 | 4,027,993 | | |
| Elliptical | 384 | 12,533 | 39,526 | 971,637 | 395 | 11,530 | 43,781 | 1,086,957 | | |
| Bike | 1,186 | 22,321 | 52,596 | 683,922 | 713 | 14,185 | 62,243 | 717,945 | | |
| Furniture | - | - | - | 911,149 | - | - | - | 568,128 | | |
| Others | - | 53,527 | - | 1,,212,630 | - | 69,742 | - | 1,243,187 | | |
| Total | 2,984 | 137,187 | 295,814 | 6,985,224 | 2,390 | 142,262 | 238,961 | 7,644,210 | | |

The reason for increases or decreases:

The recovery of market demand for home fitness equipment, coupled with the launch of a number of new products of the Company, the overall sales value increased.

5.3 The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report

| Year | | 2022 | 2023 | 2024/3/31 |
|---------------------------------|------------------------------|-------|-------|-----------|
| Number of employees | Direct Labor | 698 | 594 | 581 |
| | Indirect Labor | 720 | 760 | 759 |
| | Total | 1,418 | 1,354 | 1340 |
| Average age (Year) | | 41.51 | 41.60 | 41.58 |
| Average years of service (Year) | | 7.96 | 8.42 | 8.57 |
| Education level (%) | PHD | 0.07 | 0.07 | 0.07 |
| | Master | 5.46 | 5.54 | 5.29 |
| | Bachelor | 34.18 | 34.17 | 34.47 |
| | Senior High School and below | 60.44 | 60.22 | 60.16 |

5.4 Disbursements for environmental protection

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:

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

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

6.The Company obtained ISO14001 certification in 2021.

5.4.2 Describing the process undertaken by the Company on environmental pollution protection and its potential benefits.

Unit: NT\$

| 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 | - | Meet the environmental regulations for wastewater discharge. |
| Wastewater treatment refurbishment works | 1 | 2015/08/01 | 350,000 | - | |
| Wastewater treatment refurbishment works - Pipework for 10-ton plastic drums for acid and alkali storage | 1 | 2020/3/20 | 160,000 | 98,667 | |

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 annual report 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.

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

5.5 Labor Relations

5.5.1 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.

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:

- (1) Providing staff with various internal and external education and training to enhance their professional competence.
- (2) Providing various staff welfare allowances such as for wedding, funeral, celebration, maternity and paternity leave.
- (3) Providing bonuses for birthdays, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, etc., as well as domestic and international travel for employees.
- (4) Paying attention to the physical safety of employees, providing all employees with labor insurance, health insurance, group insurance and health check-ups.

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. In 2023, the total number of hours of internal training courses was 4,261.5 and the total number of hours of external training courses was 680.5.

In addition, employees are encouraged to pursue professional courses at colleges and universities to expand their professional competency and provide different perspectives for decision-making in the workplace. The Company has an on-the-job training program, and 4 employee applied for it in 2023.

3. Retirement system 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. The amount of appropriation for 2023 is NT\$368,000. 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 amount of appropriation for 2023 is NT\$16,418,000.

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

(1) Employees who apply for voluntary retirement:

An employee 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.

(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 65.

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.

(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.

(4) Pension payments:

The Company shall pay pensions to employees within 30 days from the date of receipt by the Company of their applications.

4. The status of agreements between labor and management

The Company upholds the rights of employees in accordance with labor laws and relevant regulations. We maintain smooth communication channels between labor and management online and offline. Employees are encouraged to communicate and discuss with their department

supervisors directly, and other communication channels are available to facilitate mutual, timely, and comprehensive understanding to work together to achieve common goals. In response to the employment of foreign employees, the Company also provides multilingual support to facilitate the communication of complete information. As of December 31, 2023, the Company has no significant disputes between labor and management.

(1)The communication methods are as follows:

A.Labor-management meetings

The Company holds a quarterly labor-management meeting to discuss and negotiate the plans and relevant content between labor and management. Significant matters addressed in the meeting will be announced after the meeting.

B.Human Resources Announcement

Human Resources periodically posts important matters such as leave policies, annual calendars, and updates to internal management systems on the internal website.

C.Company Suggestion Box

The Company has a physical suggestion box where employees can provide anonymous feedback. The management department confirms and collects feedback every week.

D.Bulletin Board

The Company provides physical bulletin boards in each department and management office to provide employees with timely information and important announcements, such as measures to prevent workplace harassment and disciplinary actions.

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.

6.Protective measures for the working environment and personal safety of employees

Dyaco cares for employees and attaches great importance to workplace safety and health. According to the "Occupational Safety and Health Act," occupational safety and health committee are set up with 13 members, including the general manager as the chairperson, 5 labor representatives (38%), occupational safety and health personnel, department supervisors, and medical staff. Meetings were held quarterly to review and discuss policies well as results tracking. We create the most suitable work environment for employees to reduce the operational risks, reaching the goals of zero hazards and zero occupational diseases.

(1)Workplace Promotion

(2)Occupational Safety Management System & Policy

(3)Notification System

(4)Special Health Check

7. Workplace Promotion

According to the "Occupational Safety and Health Act" and "Occupational Safety and Health Education and Training Regulations," new employees will take 6 hours of pre-employment class, including regulations, work inspection, standard operation procedures, emergency response, first aid, etc. to prevent and remind employees to pay attention while working. In addition, only employees with a bridge crane or forklift license can operate to ensure safety.

8. Occupational Safety Management System & Policy

(1) Working Environment Monitoring Report

To ensure the employees' health and safety, grasp the working environment's actual conditions, and assess the risk exposure to employees, three factories in Changhua entrust a qualified monitoring company to implement the risks assessment every six months.

(2) Strengthen On-Site Inspections

In Dyaco, we believe prevention is always better than treatment. This makes the on-site safety observation and auditing a critical task, discovering the unsafe behaviors, environments, and equipment in advance and improving to ensure that every employee is working under safety protection. Therefore, it is required for the supervisor to frequent on-site patrol. Any unsafe behavior will be communicated and corrected immediately; if there is danger (such as fire, explosion, etc.) during work, employees should retreat to a safe place without endangering their safety and immediately report to the supervisor.

(3) Chemical Classification Management

According to the Chemical Control Banding (CCB) of the Occupational Safety and Health Administration of the Ministry of Labor's safety data sheet, the chemical operation in factories can be divided into different hazard groups. Employees are educated to identify accordingly to avoid hazards happening.

Currently, the Group does not use any chemicals that pose risks or hazards in the production process. When purchasing from suppliers, the Group always requests the corresponding Safety Data Sheets (SDS) to ensure that all chemicals used in the process are classified and labeled according to the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) as non-hazardous substances.

(4) Safety And Health Management of Contractors

Contractors must fill in a hazard notice, which indicates the construction time and location and possible hazards and provides instructions for safety precautions when entering the factory for construction.

9. Notification System

When an accident occurs, the department personnel must follow the protocol, report to the related people, and the on-site nurses will assess the injury status. Injuries analysis reports are announced every three months at the occupational safety and health meeting, and relevant

improvement and protective measures will be carried out to reduce accidents.

10.Risk and Opportunity Management Process

The Company utilizes a systematic analytical approach to conduct workplace hazard and risk assessments, implementing preventive improvements to avoid any unsafe environment or behaviors during operations.

11.Special Health Check

In addition to general health checks, employees in particular work areas, including noise, dust, dimethylformamide, n-hexane, etc., will be provided with special health inspections. For instance, employees in the pipe cutting and punching areas of the factory undergo specialized noise and dust inspections.

12.Occupational Health and Safety Statistics

No major occupational disasters occurred in the Dyaco Taiwan area. Factories are also gradually adopting automatic machinery such as automatic sealing machines, automatic lifting platforms, automatic arms, etc., to reduce the chances of employees getting injuries. Pre-employment training is implemented to strengthen safety in each department, and training courses are held every quarter to reduce occupational hazards.

We implement pre-employment training and enhance safety supervision in each department. We conduct quarterly occupational safety training courses to effectively reduce the occurrence of disasters. We are committed to ongoing advocacy, on-site inspections, and a robust reporting system to ensure minimal personnel harm.

The internal Biotechnology Department has designed an auxiliary device for chair back covers that ensures consistent tension during the installation. This eliminates the need for manual labor and mitigates the risk of hand injuries.

13.Disaster Prevention

Dyaco holds fire drills twice a year to improve the emergency response capability of the employees and teach them the correct way to use fire-fighting equipment. The fire safety equipment is set up following the regulations and is regularly inspected. The inspection results are reported to the local fire department for future reference.

14.Occupational Hazard Statistics

In 2023, there were 3 occupational injury cases, representing an increase compared to the previous year. The main causes were strains and crush injuries occurring during work. Departmental supervisors have intensified safety awareness campaigns, reminding employees of safety precautions, and will continue to do so.

15.The safety measures implemented to protect the working environment and the well-being of employees in 2023 are as follows:

(1)Preventing occupational disasters, protecting workers' health, avoiding physical and chemical hazards, providing employees 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.

(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.).

E.498 hours of external training and 2,042.5hours of internal training on workplace safety-related education and training in 2023.

(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.

(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 working 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)Employee health check

The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in September 2023.

(6)Third-party Certification

In 2023, the Company obtained the ISO 45001 certification issued by SGS, with a validity period from July 31, 2023, to July 31, 2026.

16.Gender Equality and Workplace Diversity

64.94% of the employees are between the ages of 30 and 49, which indicates that the Company hires experienced employees in the workplace, facilitating its steady growth and dedication to its expertise. Nearly 95% of the employees are under the age of 50, which brings innovation and development into the Company. The gender breakdown is 63.15% male and 36.85% female, which is a result of the industry that the Company operates in. Moreover, 27.03% of the executives are female. The Company is committed to promoting diversity and equal advancement opportunities in the workplace.

5.5.2 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 Cyber security management

5.6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

1. 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, and builds a full range of information security defense capabilities and good information security awareness among staff. The Company reports to the Board of Directors at least once a year on issues related to information security risk management and the direction of execution. In 2023, the information security risk management framework, information security policy, specific management plans, and resources allocated to information security management were reported to the Board of Directors on December 27, 2023.

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.

(1) Cyber security policies :

| Cyber security policies | | |
|---------------------------------|---|--|
| Information security governance | <ul style="list-style-type: none"> • Refine management system • Manage risk and enhance prevention • Build a joint defense system | 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"> • Regular review/revision • Establish a compliance cycle mechanism | 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"> • Internal and external data collection • Data analysis • Threat prediction and decision making | Use new technologies to predict information security risks and make early security decisions. |

(2) Concrete management programs, and investments in resources for cyber security management :

| Item | Implementation Status |
|---|--|
| The handling of information security incidents that pose a threat | Due to the upgraded system with a multi-factor authentication mechanism, there has been no incident of email account theft. Regular verification of staff login information has been conducted, and all colleagues have been reminded to confirm the authenticity of suspicious emails from related vendors. |
| The prevention of attacks on company emails | We have strengthened our email system to prevent phishing attacks. The system is now able to block high-risk emails and related domains automatically. For cases of misjudgment, high-risk emails are manually processed. We also ask our employees to notify our vendors to improve their information security practices to maintain a secure information environment for both parties. |
| The prevention of fraudulent emails | Because of system upgrades, the number of fraudulent emails received by employees has been significantly reduced. To further address any occasional suspected fraudulent emails received by various departments, we have implemented information security measures to enhance employee detection of fraudulent emails. We have also implemented sandbox filtering to identify fraudulent behavior patterns and effectively block and prevent any company losses. |
| The upgrade of information security equipment | We updated the firmware for related network security devices, such as firewalls and network switches, and upgraded all company computer operating systems to Win10 or later, which will enhance our information security protection and optimize our network experience. |

5.6.2 In the most recent year, and as of the printing date of the annual report, if the damages, possible effects, and response measures of major information security incidents cannot be reasonably estimated, the reason for being unable to provide a reasonable estimation should be explained: In the most recent year and as of the printing date of the annual report, no major information security incidents caused financial losses.

5.7 Important contracts

| Nature of Contract | The parties | Term of Contract | Content | Restriction Clauses |
|--------------------|--------------|-----------------------|--------------------------------------|---------------------|
| Bank Loan | Mega Bank | 2019.09.27-2024.09.27 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2020.02.26-2025.02.26 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2022.07.26-2027.07.25 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2022.07.26-2027.07.25 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2023.03.01-2027.07.25 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2023.06.05-2027.07.25 | Long-term Secured borrowings | None |
| Bank Loan | Mega Bank | 2023.07.03-2027.07.25 | Mid and 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 |

| Nature of Contract | The parties | Term of Contract | Content | Restriction Clauses |
|--------------------------|------------------------------|---|---|---------------------|
| Bank Loan | Bank SinoPac | 2016.10.31-2023.10.31 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2022.12.15-2032.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2023.02.14-2032.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2023.03.31-2032.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2023.05.05-2032.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2023.07.17-2032.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2023.03.31-2027.12.15 | Long-term Secured borrowings | None |
| Bank Loan | TAIWAN BUSINESS BANK | 2018.11.30-2027.12.15 | Long-term Secured borrowings | None |
| Bank Loan | Taiwan Cooperative Bank | 2018.11.30-2038.11.26 | 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 | Long-term Secured borrowings | None |
| Bank Loan | Cathay United | 2023.10.15-2027.03.15 | Long-term Secured borrowings | None |
| Bank Loan | First Horizon Bank | 2022.12.11-2042.12.11 | Long-term Secured borrowings | None |
| Co-branded Agreement | Johnny G Method | Beginning of 2017.01 | The partnership agreement with Johnny G | None |
| Construction Contracting | Houli Construction Co., Ltd. | From March 10, 2022, to the completion date | Contracting project at Dajia Factory | None |

VI. Financial Overview

6.1 Condensed balance sheets and statements of comprehensive income for the past 5 years(IFRS)

6.1.1 Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

| Item | Year | Financial Statements for the past five years | | | | |
|---|---------------------|--|------------|------------|------------|------------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 3,550,149 | 8,255,861 | 6,967,059 | 5,818,100 | 5,113,911 |
| Property, Plant and Equipment | | 2,656,050 | 2,877,597 | 2,923,838 | 3,691,829 | 3,755,859 |
| Intangible Assets | | 416,321 | 1,238,670 | 1,285,100 | 1,355,244 | 1,315,161 |
| Other Assets | | 672,781 | 879,860 | 1,024,794 | 1,099,426 | 1,104,243 |
| Total Assets | | 7,295,301 | 13,251,988 | 12,200,791 | 11,964,599 | 11,289,174 |
| Current Liabilities | Before Distribution | 3,822,171 | 6,608,905 | 5,298,358 | 5,853,132 | 4,081,683 |
| | After Distribution | 3,697,850 | 5,655,878 | 4,980,856 | 5,790,319 | Note 2 |
| Non-current Liabilities | | 1,228,813 | 1,773,221 | 2,521,150 | 2,047,507 | 2,435,814 |
| Total Liabilities | Before Distribution | 5,050,984 | 8,382,126 | 7,819,508 | 7,900,639 | 6,517,497 |
| | After Distribution | 4,926,663 | 7,429,099 | 7,502,006 | 7,837,826 | Note 2 |
| Equity Attributable to Owners of the Parent | | 1,894,145 | 4,513,176 | 3,986,350 | 3,669,108 | 4,374,094 |
| Capital | | 961,009 | 1,326,523 | 1,340,222 | 1,341,147 | 1,596,097 |
| Capital Surplus | | 758,304 | 1,986,005 | 2,115,925 | 2,142,919 | 2,756,721 |
| Retained Earnings | Before Distribution | 452,985 | 1,648,927 | 1,136,888 | 737,509 | 555,650 |
| | After Distribution | 328,664 | 695,900 | 819,386 | 674,696 | Note 2 |
| Other Equity | | (105,813) | (175,628) | (238,081) | (126,177) | (125,684) |
| Treasury Share | | (172,340) | (272,651) | (368,604) | (426,290) | (408,690) |
| Non-controlling Interest | | 350,172 | 356,686 | 394,933 | 394,852 | 397,583 |
| Total Equity | Before Distribution | 2,244,317 | 4,869,862 | 4,381,283 | 4,063,960 | 4,771,677 |
| | After Distribution | 2,119,996 | 3,916,835 | 4,063,781 | 4,001,147 | Note 2 |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2023.

Note 3: As of the printing date of the Annual Report, financial data for the first quarter of 2024 has not been reviewed by the auditor and therefore has not been disclosed.

6.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000

| Item | Year | Financial Statements for the past five years | | | | |
|---|------|--|------------|------------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Net Operating Revenue | | 5,850,528 | 13,123,756 | 11,742,081 | 7,122,411 | 7,786,471 |
| Gross Profit | | 1,716,399 | 5,484,319 | 4,057,402 | 2,085,155 | 2,667,085 |
| Profit (Loss) from Operations | | 327,705 | 1,852,910 | 785,373 | (384,230) | (99,605) |
| Non-Operating Income and Expenses | | (49,061) | (198,006) | (236,910) | 303,169 | (69,826) |
| Profit (Loss) before Income Tax | | 278,644 | 1,654,904 | 548,463 | (81,061) | (169,431) |
| Net Income (Loss) from Continuing Operations | | 220,095 | 1,318,056 | 443,598 | (94,683) | (110,372) |
| Income (Loss) on Discontinued Operations | | - | - | - | - | - |
| Net Income (Loss) | | 220,095 | 1,318,056 | 443,598 | (94,683) | (110,372) |
| Other Comprehensive Income (Net amount after tax) | | (43,447) | (61,094) | (63,201) | 114,085 | (3,305) |
| Total Comprehensive Income | | 176,648 | 1,256,962 | 380,397 | 19,402 | (113,677) |
| Profit attributable to Owners of the Parent | | 189,001 | 1,321,109 | 440,342 | (76,129) | (122,770) |

| | | | | | |
|--|---------|-----------|---------|----------|-----------|
| Profit Attributable to Non-controlling Interest | 31,094 | (3,053) | 3,256 | (18,554) | 12,398 |
| Comprehensive Income (Loss) Attributable to Owners of the Parent | 160,352 | 1,250,448 | 378,535 | 37,842 | (118,553) |
| Comprehensive Income Attributable to Non-controlling Interest | 16,296 | 6,514 | 1,862 | (18,440) | 4,876 |
| Earnings Per Share | 2.05 | 11.69 | 3.47 | (0.61) | (0.88) |

Note1: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

Note 2 : As of the printing date of the Annual Report, financial data for the first quarter of 2024 has not been reviewed by the auditor and therefore has not been disclosed.

6.1.3 Condensed Balance Sheet (Parant Company Only)

Unit: NT\$1,000

| Item | Year | Financial Statements for the past five years | | | | |
|---|---------------------|--|------------|------------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current Assets | | 2,580,856 | 6,448,880 | 5,627,552 | 3,972,184 | 4,063,367 |
| Property, Plant and Equipment | | 1,690,350 | 1,672,688 | 1,620,884 | 1,801,014 | 1,926,584 |
| Intangible Assets | | 119,356 | 91,538 | 128,350 | 104,955 | 96,776 |
| Other Assets | | 1,657,716 | 2,754,895 | 2,780,531 | 3,677,254 | 3,366,058 |
| Total Assets | | 6,048,278 | 10,968,001 | 10,157,317 | 9,555,407 | 9,452,785 |
| Current Liabilities | Before Distribution | 3,203,247 | 4,991,086 | 3,856,584 | 4,685,150 | 3,438,590 |
| | After Distribution | 3,078,926 | 4,038,059 | 3,539,082 | 4,622,337 | Note 2 |
| Non-current Liabilities | | 950,886 | 1,463,739 | 2,314,383 | 1,201,149 | 1,640,101 |
| Total Liabilities | Before Distribution | 4,154,133 | 6,454,825 | 6,170,967 | 5,886,299 | 5,078,691 |
| | After Distribution | 4,029,812 | 5,501,798 | 5,853,465 | 5,823,486 | Note 2 |
| Equity attributable to Owners of the Parent | | 1,894,145 | 4,513,176 | 3,986,850 | 3,669,108 | 4,374,094 |
| Capital | | 961,009 | 1,326,523 | 1,340,222 | 1,341,147 | 1,596,097 |
| Capital Surplus | | 758,304 | 1,986,005 | 2,115,925 | 2,142,919 | 2,756,721 |
| Retained Earnings | Before Distribution | 452,985 | 1,648,927 | 1,136,888 | 737,509 | 555,650 |
| | After Distribution | 328,664 | 695,900 | 819,386 | 674,696 | Note 2 |
| Other Equity | | (105,813) | (175,628) | (238,081) | (126,177) | (125,684) |
| Treasury Share | | (172,340) | (272,651) | (368,604) | (426,290) | (408,690) |
| Non-controlling Interest | | - | - | - | - | - |
| Total Equity | Before Distribution | 1,894,145 | 4,513,176 | 3,986,850 | 3,669,108 | 4,374,094 |
| | After Distribution | 1,769,824 | 3,560,149 | 3,669,348 | 3,606,295 | Note 2 |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2023.

6.1.4 Condensed Statement of Comprehensive Income (Parant Company Only)

Unit: NT\$1,000

| Item | Year | Financial Statements for the past five years | | | | |
|--|------|--|-----------|-----------|-----------|-----------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Net Operating Revenue | | 3,544,844 | 8,485,910 | 6,872,833 | 2,728,902 | 3,672,798 |
| Gross Profit | | 795,984 | 2,598,498 | 1,668,316 | 508,543 | 843,119 |
| Profit (Loss) from Operations | | 359,077 | 1,665,999 | 1,071,546 | 195,643 | 412,777 |
| Non-Operating Income and Expenses | | (117,699) | (63,718) | (527,733) | (230,814) | (560,879) |
| Profit (Loss) before Income Tax | | 241,378 | 1,602,281 | 543,813 | (35,171) | (148,102) |
| Net Income (Loss) from Continuing Operations | | 189,001 | 1,321,109 | 440,342 | (76,129) | (122,770) |
| Income (Loss) on Discontinued Operations | | - | - | - | - | - |
| Net Income (Loss) | | 189,001 | 1,321,109 | 440,342 | (76,129) | (122,770) |
| Other Comprehensive Income (Net amount after tax) | | (28,649) | (70,661) | (61,807) | 113,971 | 4,217 |
| Total Comprehensive Income | | 160,352 | 1,250,448 | 378,535 | 37,842 | (118,553) |
| Profit attributable to Owners of the Parent | | 189,001 | 1,321,109 | 440,342 | (76,129) | (122,770) |
| Profit Attributable to Non-controlling Interest | | - | - | - | - | - |
| Comprehensive Income (Loss) Attributable to Owners of the Parent | | 160,352 | 1,250,448 | 378,535 | 37,842 | (118,553) |
| Comprehensive Income Attributable to Non-controlling Interest | | - | - | - | - | - |
| Earnings Per Share | | 2.05 | 11.69 | 3.47 | (0.61) | (0.88) |

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

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

| Year | Accounting Firm | CPA | Audit opinion |
|------|--------------------------|--|---------------------|
| 2019 | Deloitte & Touche Taiwan | Ms. Chen, Chao-Mei/Mr. Hsieh, Chien-Hsin | Unqualified Opinion |
| 2020 | Deloitte & Touche Taiwan | Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei | Unqualified Opinion |
| 2021 | Deloitte & Touche Taiwan | Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei | Unqualified Opinion |
| 2022 | Deloitte & Touche Taiwan | Mr. Hsieh, Chien-Hsin/ Ms. Liao, Wan-Yi | Unqualified Opinion |
| 2023 | Deloitte & Touche Taiwan | Mr. Hsieh, Chien-Hsin/ Ms. Liao, Wan-Yi | Unqualified Opinion |

6.2 Financial analyses for the past 5 years

6.2.1 Financial Analysis - Consolidated and Standalone Financial Statements (IFRS)

1. Consolidated Financial Statement

| Item | | Year | Financial analyses of the last five years (Note 1) | | | | |
|-------------------------|---|------|--|--------|--------|--------|--------|
| | | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt to Asset Ratio | | 69.24 | 63.25 | 64.09 | 66.03 | 57.73 |
| | Long-term Fund to Property, Plant and Equipment | | 130.76 | 230.86 | 236.07 | 165.54 | 191.90 |
| Liquidity (%) | Current Ratio | | 92.88 | 124.92 | 131.49 | 99.41 | 125.29 |
| | Quick Ratio | | 60.40 | 76.69 | 63.88 | 47.24 | 63.08 |
| | Times Interest Earned | | 5.69 | 30.49 | 9.01 | 0.04 | -0.73 |
| Operating ability | Average Collection Turnover (Times) | | 5.28 | 6.05 | 4.85 | 5.19 | 7.18 |
| | Average Days of Collection | | 69 | 60 | 75 | 70 | 50.82 |
| | Average Inventory Turnover (Times) | | 3.41 | 3.52 | 2.30 | 1.55 | 1.87 |
| | Average Payables Turnover (Times) | | 3.60 | 3.55 | 3.35 | 4.14 | 4.82 |
| | Average Days of Sales | | 107 | 104 | 158 | 236 | 195 |
| | Property, Plant and Equipment Turnover (Times) | | 2.14 | 4.74 | 4.05 | 2.15 | 2.09 |
| | Total Assets Turnover (Times) | | 0.82 | 1.28 | 0.92 | 0.59 | 0.67 |
| Profitability | Return on Total Assets (%) | | 3.74 | 13.27 | 3.92 | -0.22 | -0.28 |
| | Return on Equity (%) | | 10.18 | 37.05 | 9.59 | -2.24 | -2.50 |
| | Pre-tax Income to Paid-in Capital Ratio (%) | | 28.99 | 124.76 | 40.92 | -6.04 | -10.62 |
| | Net Margin (%) | | 3.76 | 10.04 | 3.78 | -1.33 | -1.42 |
| | Earnings Per Share (NT\$) | | 2.05 | 11.69 | 3.47 | -0.61 | -0.88 |
| Cash flows | Cash Flow Ratio (%) | | 10.77 | 19.30 | -14.75 | 10.71 | 15.11 |
| | Cash Flow Adequacy Ratio (%) | | 42.36 | 53.87 | 12.58 | 37.79 | 47.50 |
| | Cash Flow Reinvestment Ratio (%) | | 11.00 | 19.87 | -29.80 | 6.14 | 8.84 |
| Leverage | Operating Leverage | | 1.89 | 1.17 | 1.36 | 0.27 | -1.68 |
| | Financial Leverage | | 1.22 | 1.03 | 1.10 | 0.82 | 0.50 |

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%).

- Liquidity: The significant reduction in short-term payable corporate bonds due within one year led to a decrease in current liabilities, increasing both the current ratio and quick ratio; the increase in the net loss before tax resulted in a decrease in the interest coverage ratio.
- Operating ability: The current period's revenue growth, coupled with a decrease in accounts receivable and inventory, led to an improvement in operating turnover rate..
- Profitability: Mainly, the overall revenue growth compared to last year led to a reduction in operating losses. However, the foreign exchange gains were significantly lower than last year, resulting in this year's loss being higher than last year's.
- Cash flows: The current period's current liabilities decreased significantly, coupled with an increase in operating cash flow over the past five years, resulting in an increase in various cash flow ratios.
- Leverage: No operating profit in the past two years, not applicable.

Note: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

2. Financial Statement (Parant Company Only)

| Item | | Financial analyses of the last five years (Note 1) | | | | |
|-------------------------|---|--|--------|--------|--------|--------|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt to Asset Ratio | 68.68 | 58.85 | 60.76 | 61.60 | 53.73 |
| | Long-term Fund to Property, Plant and Equipment | 168.31 | 357.32 | 388.75 | 270.42 | 312.17 |
| Liquidity (%) | Current Ratio | 80.57 | 129.21 | 145.87 | 84.78 | 118.17 |
| | Quick Ratio | 71.21 | 114.58 | 132.97 | 77.51 | 108.79 |
| | Times Interest Earned | 7.31 | 46.62 | 13.42 | 0.38 | -1.06 |
| Operating ability | Average Collection Turnover (Times) | 2.83 | 3.00 | 1.70 | 0.95 | 1.79 |
| | Average Days of Collection | 129 | 122 | 215 | 382 | 204 |
| | Average Inventory Turnover (Times) | 9.76 | 11.99 | 8.75 | 5.54 | 9.12 |
| | Average Payables Turnover (Times) | 2.89 | 3.10 | 2.70 | 2.19 | 2.79 |
| | Average Days of Sales | 37 | 30 | 42 | 66 | 40 |
| | Property, Plant and Equipment Turnover (Times) | 2.05 | 5.05 | 4.17 | 1.59 | 1.97 |
| | Total Assets Turnover (Times) | 0.60 | 1.00 | 0.65 | 0.28 | 0.39 |
| Profitability | Return on Total Assets (%) | 3.75 | 15.86 | 4.51 | -0.31 | -0.69 |
| | Return on Equity (%) | 10.39 | 41.24 | 10.38 | -1.99 | -3.05 |
| | Pre-tax Income to Paid-in Capital Ratio (%) | 25.12 | 120.79 | 40.58 | -2.62 | -9.28 |
| | Net Margin (%) | 5.33 | 15.57 | 6.42 | -2.79 | -3.34 |
| | Earnings Per Share (NT\$) | 2.05 | 11.69 | 3.47 | -0.61 | -0.88 |
| Cash flows | Cash Flow Ratio (%) | 16.75 | 4.67 | -14.72 | 9.85 | 19.67 |
| | Cash Flow Adequacy Ratio (%) | 71.81 | 90.88 | 42.33 | 80.63 | 107.95 |
| | Cash Flow Reinvestment Ratio (%) | 16.89 | 1.81 | -15.93 | 6.10 | 11.62 |
| Leverage | Operating Leverage | 1.07 | 1.18 | 1.08 | 0.45 | 1.16 |
| | Financial Leverage | 1.12 | 1.02 | 1.04 | 1.41 | 1.21 |

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%).

- Solvency (declining current ratio, quick ratio, and interest coverage ratio): The decrease in current liabilities and the increase in the current ratio and quick ratio due to the significant decrease in corporate bonds payable due for repayment in one year led to a decrease in the interest protection ratio due to the increase in the net loss before tax for the period.
- Operational Capability (Inventory Turnover, Accounts Payable Turnover, Average Days Sales Outstanding, PP&E Turnover, and Total Asset Turnover): Operating Revenue increased during the period, accounts receivable and inventory decreased, and operating turnover increased.
- Profitability Capability (Return on Total Assets, Return on Equity, Pre-tax Income to Paid-in Capital Ratio, Net Margin, and Earnings Per Share): The Operating revenue increased compared with last year, and the operating profit increased, but the exchange profit decreased significantly compared with last year, resulting in a higher loss this year than last year.
- Cash Flow (Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Reinvestment Ratio Increased): Current liabilities decreased significantly in the current period, and net cash flow from operating activities increased in the past five years, resulting in an increase in various cash flow ratios.
- Leverage: The production and sales scale for this period grew compared to last year, coupled with a decrease in cost rates and expense rates, resulting in a significant increase in operating net profit and an increase in operating leverage.

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2019~2023.

Note 2: The formulas for financial analysis calculations are as follows:

1. Financial structure

- Debt to Asset Ratio = Total Liabilities / Total Assets
- Long-term Fund to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity

- Current Ratio = Current Assets / Current Liabilities
- Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities
- Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating ability

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)
- (2) Average Days of Collection = 365 / Average Collection Turnover
- (3) Average Inventory Turnover = Cost of Goods Sold / Average Amount of Inventory
- (4) Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- (5) Average Days of Sales = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

- (1) Return on Total Assets = (Net Income + Interest Expenses * (1 – Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Equity
- (3) Net Margin = After-tax Profit / Net Operating Income
- (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash flows

- (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liabilities
- (2) 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.
- (3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities – Cash Dividend) / (Gross Margin of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Operating Revenue – Variable Operating Cost and Expenses) / Operating Profit
- (2) 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 Review Report

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

The Board of Directors has prepared and submitted the 2023 consolidated financial statements (including standalone financial statements), business report, and earnings distribution proposal. Independent auditors Mr. Hsieh, Chien-Hsin and Ms. Liao, Wan-Yi of Deloitte & Touche Taiwan audited the consolidated financial statements (including standalone financial statements) and has issued an audit report. These have been reviewed and determined to be correct and accurate by the Audit Committee. 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: Wang, Chih-Cheng

March 29, 2023

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 Attachment 1.

6.5 Parent Financial Report audited by CPA in the most recent year: Please refer to Attachment 2.

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 most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

VII. Review and Analysis of the Financial Statuses, 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 | | Difference | |
|-------------------------------|------------|------------|-------------|---------|
| | 2022 | 2023 | Amount | % |
| Current Assets | 5,818,100 | 5,113,911 | 704,189 | (12.10) |
| Property, Plant and Equipment | 3,691,829 | 3,755,859 | 64,030 | 1.73 |
| Intangible Assets | 1,355,244 | 1,315,161 | (40,083) | (2.95) |
| Other Non-current Assets | 1,099,426 | 1,104,243 | 4,817 | 0.43 |
| Total Assets | 11,964,599 | 11,289,174 | (675,425) | 5.64 |
| Current Liabilities | 5,853,132 | 4,081,683 | (1,771,449) | (30.26) |
| Non-current Liabilities | 2,047,507 | 2,435,814 | 388,307 | 18.96 |
| Total Liabilities | 7,900,639 | 6,517,497 | (1,383,142) | (17.50) |
| Capital | 1,341,147 | 1,596,097 | 254,950 | 19.01 |
| Capital Surplus | 2,142,919 | 2,756,721 | 613,802 | 28.64 |
| Retained Earnings | 737,509 | 555,650 | (181,859) | (24.66) |
| Other Equity | (126,177) | (125,684) | 493 | (0.39) |
| Treasury Share | (426,290) | (408,690) | 17,600 | (4.13) |
| Non-controlling Interest | 394,852 | 397,583 | 2,731 | 0.69 |
| Total Equity | 4,063,960 | 4,771,677 | 707,717 | 17.41 |

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.The difference in current assets was due to the recovery of global demand for fitness equipment and the reduction in inventory caused by inventory clearance.
- 2.The increase in capital surplus was due to the issuance of shares with a premium resulting from cash capital increase..
- 3.The decrease in retained earnings was due to the net loss and the distribution of cash dividends in 2023..

7.2 Financial Performance

The reasons for, and impact of, any significant change over the most recent 2 fiscal years in its operating revenues, operating income, or income before tax.

7.2.1 Comparative Analysis of Financial Performance

Unit: NT\$1,000

| Item | Year | | Increase (Decrease) Amount | Difference (%) |
|-------------------------------------|-----------|-----------|----------------------------------|----------------|
| | 2022 | 2023 | | |
| Net Operating Revenue | 7,122,411 | 7,786,471 | 664,060 | 9.32 |
| Operating Costs | 5,037,256 | 5,119,386 | 82,130 | 1.63 |
| Gross Profit | 2,085,155 | 2,667,085 | 581,930 | 27.91 |
| Operating Expenses | 2,441,738 | 2,765,508 | 323,770 | 13.26 |
| Other Operating Income and Expenses | (27,647) | (1,182) | 26,465 | (95.72) |

| Item | Year | | Increase (Decrease) Amount | Difference (%) |
|-----------------------------------|-----------|-----------|----------------------------------|----------------|
| | 2022 | 2023 | | |
| Profit from Operations | (384,230) | (99,605) | 284,625 | (74.08) |
| Non-operating Income and Expenses | 303,169 | (69,826) | (372,995) | (123.03) |
| Profit before Income Tax | (81,061) | (169,431) | (88,370) | (109.01) |
| Income Tax Expense | 13,622 | (59,059) | (72,681) | (533.55) |
| Net Profit | (94,683) | (110,372) | (15,689) | 14.21 |
| Other Comprehensive Loss | 114,085 | (3,305) | (117,390) | (102.90) |
| Total Comprehensive Income | 19,402 | (113,677) | (133,079) | (685.90) |

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

1. The changes in operating gross profit are due to the beginning of market recovery, the completion of downstream inventory adjustments, along with the launch of new products, resulting in the resumption of growth in fitness equipment sales. In addition, the increase in capacity utilization rate, the decrease in transportation costs, and changes in currency exchange rates have also contributed to the increase in gross profit margin.

2. The difference in operating net profit was due to the increase in operating income and gross profit, with operating expenses increasing only slightly, resulting in a significant decrease in operating net loss.

3. The difference in non-operating income (expenses) was mainly due to the appreciation of the US dollar in the same period last year, continuously generating exchange gains. This year, the change in the appreciation of the US dollar is not as significant as last year, resulting in a significant decrease in exchange gains.

4. The difference in profit before tax was mainly due to the overall revenue growth compared to last year and the reduction in operating net loss. However, the significant decrease in exchange gains compared to last year resulted in a higher loss for this year compared to last year.

5. The increase in income tax benefits was due to the increase in net loss before tax, the impact of different tax rates applicable to consolidated entities, and various adjustments from the previous year.

6. The decrease in other comprehensive income was due to the reduction in the foreign exchange differences from the translation of the financial statements of overseas operating entities.

7. The decrease in Total Comprehensive Income was due to the decrease in Other Comprehensive Loss.

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 increase in the coming year based on changes in the general economic environment, industry trends and the Company's future development direction, 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 improve profitability by reducing production costs and increasing its competitiveness and market share.

7.3 Cash Flows

7.3.1 Analysis of liquidity for the last two years

| Item | Year | | Difference (%) |
|----------------------------------|-------|-------|----------------|
| | 2022 | 2023 | |
| Cash Flow Ratio (%) | 10.71 | 15.11 | 41.06% |
| Cash Flow Adequacy Ratio (%) | 37.79 | 47.50 | 25.67% |
| Cash Flow Reinvestment Ratio (%) | 6.14 | 8.84 | 13.60% |

Analysis of changes in cash flows:

Cash Flow: The significant reduction in short-term payable corporate bonds due within one year led to a decrease in current liabilities.

Additionally, the operating cash flow has increased over the past five years, resulting in an increase in various cash flow ratios.

7.3.2 Analysis of changes in cash flow for the coming year

Unit: NT\$1,000

| Beginning cash balance (1) | Estimated net cash flow from operating activities (2) | Estimated net cash flow from investing activities (3) | Estimated net cash flow from financing activities (4) | Estimated surplus (shortfall) amount (1)+(2)+ (3)+(4) | Remedial measures for cash deficit | |
|-------------------------------|--|--|--|---|------------------------------------|----------------|
| | | | | | Investment plan | Financial plan |
| 1,158,512 | 785,984 | (435,617) | (396,779) | 1,112,100 | - | - |

The Company's operating plans for the coming year will continue to boost the Company's profitability. It was estimated that a net cash inflow of \$ 785,984 in thousands was generated from operating activities, a net cash outflow of \$ 435,617 in thousands from investing activities such as construction of plant and purchase of equipment, and a net cash outflow of \$396,779 in thousands from financing activities such as distribution of cash dividends and bank borrowings. The Company had no significant capital expenditures in the upcoming fiscal year 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 Most Recent Year, Profit/Loss Analysis, Improvement Plans, and Investment Plans for The Coming Year

7.5.1 Investment policy in the most recent 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 profit or loss on reinvestment, improvement plans and investment plans for the coming year

Unit: NT\$1,000

| Reinvestment Company | Main Business | Profit (Loss) for 2023 | Main Reasons for Profit or Loss | Improvement Plan | Investment Plan |
|---|---|------------------------|--|---|---|
| Dyaco International Holding Limited | Investment holding | 43,341 | The Profit is due to the Profit of the investee company. | — | None |
| Dyaco Eurpoe GmbH | Investment holding and sales of fitness equipment | (96,534) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | Increase capital in accordance with capital requirements |
| Daan Health Management Consulting Co., Ltd. | Medical equipment | 440 | — | — | None |
| Dyaco Japan Co., Ltd. | Sales of fitness equipment | (7,815) | Competition in the market has affected the Company's profitability and the commercial and rehabilitation market has been affected by the epidemic. | New sales initiatives are implemented to reduce costs and the benefits of new product and brand rollouts are expected to improve profitability. | Increase capital in accordance with capital requirements |
| Wing Long Co., Ltd. | Sales of alcoholic drinks | (2,819) | The Company is still in the start-up phase and the operations have not yet reached scale. | Increase sales by developing new customers and reduce expenditures. | Increase capital in accordance with capital requirements. |
| Dyaco UK Ltd. | Sales of fitness equipment | (55,301) | 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 |
| SOLE INC. | Investment holding | (256,188) | The loss is due to the loss of the investee company. | — | None |

| Reinvestment Company | Main Business | Profit (Loss) for 2023 | Main Reasons for Profit or Loss | Improvement Plan | Investment Plan |
|---|---|------------------------|---|--|--|
| President Plastic Products MFG. Co., Ltd. | Real estate lease | 231 | – | – | None |
| Cikayda Inc. | Management consultation | (743) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | None |
| City Sport (Thailand) Co., Ltd | Sales of fitness equipment | (4,925) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | None |
| Neutron Ventures Ltd | Investment holding | (25,268) | The loss is due to the loss of the investee company. | – | None |
| CARDIOfitness GmbH & CO. KG | Sales of fitness equipment | (75,025) | Lower demand for home fitness equipment. | Adjustment to business development strategies and reduction of expenditures to improve operational conditions. | None |
| CARDIOfitness Verwaltungs GmbH | Investment holding | (47) | – | – | None |
| Fitness Equipment Services, LLC | Sales of fitness equipment | (232,619) | Losses are incurred due to the slowdown in demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation expenses. | Adjustment to business development strategies and reduction of expenditures to improve operational conditions. | Increase capital in accordance with capital requirements |
| Fuel-Spirit International Inc. | Investment holding and trading business | 5,868 | – | – | None |
| Spirit Manufacturing Inc. | Sales of fitness equipment | (40,137) | Due to the slowdown in the market demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation costs, losses were generated. | Adjust business development strategies and reduce expenditure to improve operating conditions. | None |
| Dyaco Canada Inc. | Sales and services of fitness equipment | (14,421) | Due to the slowdown in the market demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation costs, losses were generated. | Adjust business development strategies and reduce expenditure to improve operating conditions. | None |
| Spirit Direct | Sales of fitness equipment | (23,180) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | Increase capital in accordance with capital requirements |
| Interactive Online Commerce Ltd | Investment holding | (47,742) | The loss is due to the loss of the investee company. | – | None |
| Neutron Ventures Poland S.p Z.o.o | Management Consultation | (2,107) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | None |
| Sweatband.com Ltd | Sales of sporting goods | (47,742) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has | Increase capital in accordance with capital |

| Reinvestment Company | Main Business | Profit (Loss) for 2023 | Main Reasons for Profit or Loss | Improvement Plan | Investment Plan |
|---|--|------------------------|---|--|-----------------|
| | | | | materialized. | requirements |
| Dyaco (Shanghai) Trading Co., LTD. | Sales of fitness equipment | (25,016) | The China' s government impletment epidemic prevention policies in the second half of 2022. | – | None |
| Dyaco Health Technology (Beijing) Co., Ltd. | Health management consultation | (3,096) | The business is still in the consolidation stage, with operations not yet at scale. | This should improve once the local business has stabilized and the scale of operations has materialized. | None |
| Shelton Corporation (Jiaxing), LTD. | Manufacture and sale of outdoor furniture | 43,644 | – | – | None |
| IUVO INDUSTRY CO.,LTD. | Sales and manufacturing of electricity-assisted bike | (23,380) | – | – | None |

7.6 Risk Analysis and Assessment

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:

1. Changes in interest rates:

Unit: NT\$1,000; %

| Item | Year | |
|---|----------|-----------|
| | 2022 | 2023 |
| Interest Income (Expense) | (82,254) | (84,490) |
| Profit (Loss) before Income Tax | (81,061) | (169,431) |
| Interest Income (Expense) to Profit (Loss) before Tax (%) | 101.47 | 49.87 |

The Company's interest expense is incurred as a result of bank loans in the operating activities. The net interest income and expense for 2022 and 2023 were (NT\$82,254) thousand and (NT\$84,490) thousand, respectively, which constituted for 101.47% and 49.87% of the Company's net profit (loss) before income tax. Changes in interest rates have an impact on the Company's profitability to some extent. The Company's interest expense increased in 2023 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.

2. Exchange rate fluctuations

Unit: NT\$1,000; %

| Item | Year | |
|--|-----------|-----------|
| | 2022 | 2023 |
| Exchange Gain (Loss) | 441,757 | 15,117 |
| Profit (Loss) before Income Tax | (81,061) | (169,431) |
| Exchange Gain (Loss) to Profit (Loss) before Tax (%) | (544.97%) | (8.92%) |

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:

- (1). 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.
- (2). 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.

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 costs. 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.

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:

(1)The Company's financial operations are conservative and prudent and it does not engage in high-risk, highly leveraged investments.

(2)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."

(3)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:

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

(1)Expediting the entry into medical rehabilitation and health aids products.

(2)Upgrading independent new technology development design, strengthening patent protection and increasing the profitability of product sales.

(3)Expanding the product appearance designer lineup and increasing the business sales options.

2.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 2024.

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:

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.
2. Information security risk management framework, information security policy, specific management solutions, and spend efforts on information security. Please refer to 5.6 .
3. In the most recent year, and as of the printing date of the annual report, if the damages, possible effects, and response measures of major information security incidents cannot be reasonably estimated, the reason for being unable to provide a reasonable estimation should be explained: In the most recent year and as of the printing date of the annual report, no major information security incidents caused financial 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 measures to be taken in response:

As of the most recent fiscal year and up to the printing date of the Annual Report, the Company has no plans for mergers or acquisitions. However, should there be any such plans in the future, the Company will adhere to its Procedures for the Acquisition and Disposal of Assets, Procedures for the Prevention of Insider Trading, and relevant legal regulations. It will adopt a cautious assessment approach to ensure the protection of company interests and shareholders' rights.

7.6.7 Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:

With the promotion of various countries' energy policies and the rise of green environmental awareness, the global electric-assisted bicycle industry is experiencing rapid growth. Recognizing this business opportunity, the Company has ventured beyond the indoor fitness equipment industry. In early 2022, we planned to enter the electric-assisted bicycle industry and began constructing a factory in Dajia, Taichung, to manufacture our own brand of electric-assisted bicycles under the brand name "Cikada." It is estimated that the facility will be completed and operational by the first half of 2024, and we plan to leverage the numerous sales channels that our group currently has in Europe

and the Americas to market these bicycles.

7.6.8 Risks associated with concentration of sales or purchasing operations, and measures to be taken in response:

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 overconcentration of sources of supply, and maintains good cooperative relationships with all suppliers to ensure stable sources of supply.

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. The Company mainly sells its own brands and it has taken relevant measures to reduce the risk of concentration of sales:

- (1) 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 of our products.
- (2) 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.
- (3) 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.
- (4) Proactively promote own brands and launch a variety of own brands to capture overseas business opportunities. We currently own the global best-selling brand Spirit, emerging brands Fuel and Xterra, and the 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 or during the current year up to the date of publication 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 the Company's operation as a result of the change in management rights during the most recent year or during the current year up to the date of publication of the annual report.

7.6.11 Litigious and non-litigious matters

- (1) 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 annual report publication date, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case shall be disclosed: None.

(2) 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 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 annual report publication date, the information shall be disclosed: Former Chairman Lin, Ing-Gin and others of the company were prosecuted by the Taiwan Taipei District Prosecutors Office on May 3, 2024, for suspected violations of the Securities and Exchange Act regarding stock price manipulation in 2018. Mr. Lin, Ing-Gin resigned from the position of Chairman of the company on November 10, 2023 and was succeeded by Lin, Yu-Yin. The company has long been committed to corporate governance and all operations are proceeding normally with no significant impact on shareholder equity.

7.6.12 Other major risks and response measures: None.

7.7 Other Important Matters: None.

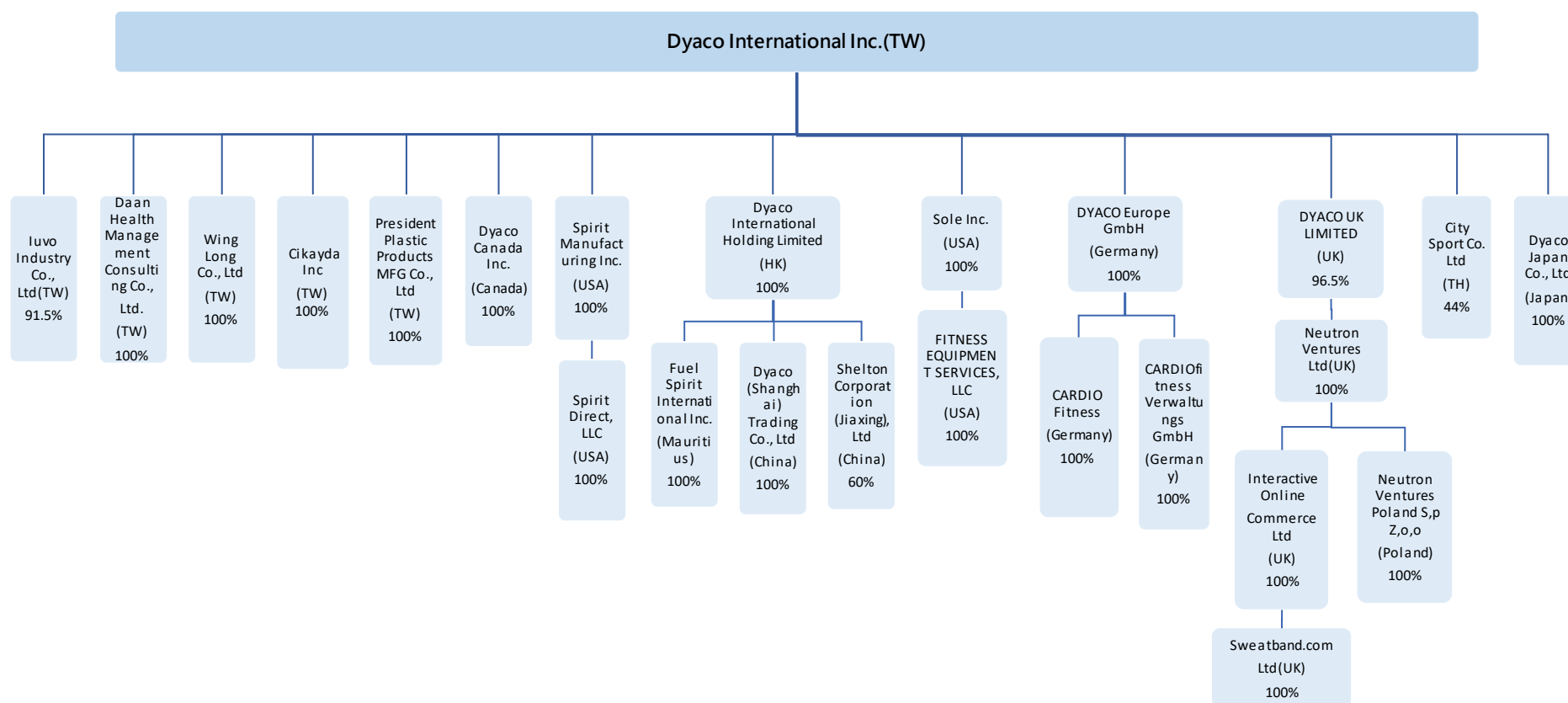
VIII. Special Notes

8.1 Profiles of Affiliated Enterprises

8.1.1 Consolidated operating report of affiliated enterprises

1 Organizational chart of affiliated enterprises

December 31, 2023



2.Information on affiliated enterprises:

| Name | 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 126,415,463 | Investment |
| Fuel-Spirit International Inc. | 2007.01.25 | 4th Floor,Amod Building,19 Poudriere Street,Port Louis,Mauritius | USD 5,848,456 | Investment and sales of fitness equipment |
| Dyaco Canada Inc. | 2013.07.01 | 5955 Don Murie Street Niagara Falls, Ontario L2G 0A9 | CAD 1,000 | Sales of fitness equipment |
| Spirit Manufacturing Inc. | 2008.01.01 | 3000 Nestle Rd. Jonesboro,AR,U.S.A. | USD 41,687.5 | Sales of fitness equipment |
| Spirit Direct LLC. | 2013.01.29 | 22900 VENTURA BLVD STE 255 WOODLAND HILLS CA 91364 | USD 2,000,000 | Sales of fitness equipment |
| Dyaco (Shanghai) Trading Co., LTD. | 2010.07.28 | Room 601, 6F, Block A, No. 125, Shijie Road, Yangpu District, Shanghai | USD 3,000,000 | Sales of fitness equipment |
| Shelton Corporation (Jiaxing), LTD | 2002.11.14 | No. 1058, Changsheng East Road, Jingji Technology Development Area, Jiaxing City, Zhejiang Province | USD 18,800,000 | Sales and manufacturing of outdoor furniture and fitness equipment |
| Daan Health Management Consulting Co., Ltd. | 2015.12.18 | 12F., No.111, Songjiang Rd., Taipei City | TWD 10,000,000 | Health management consultation and leasing of rehabilitation equipment |
| Dyaco Japan Co., Ltd. | 2012.09.18 | 6-24-7, Nishikasai, Edogawa-ku, Tokyo | JPY 30,000,000 | Sales of fitness equipment |
| Wing Long Co., Ltd. | 2018.06.27 | 12F., No.111, Songjiang Rd., Taipei City | TWD 25,000,000 | Sales of alcoholic drinks |
| Dyaco UK, Ltd. | 2018.03.05 | Unit 5 Featherstone Road Mill Square, Wolverton Mill, Milton Keynes, Bucks, MK12 5ZD | GBP 3,201,533 | Sales of fitness equipment |
| Dyaco Europe GmbH | 2014.06.26 | Technologiepark Bergisch Gladbach Haus 56,Friedrich-Ebert-Straße 75,51429 Bergisch Gladbach | EUR 500,000 | Sales of fitness equipment |
| CARDIO Fitness GmbH &CO. KG | 2002.11.14 | Industriestr. 154, 50996 Köln, Germany | EUR 41,000 | Sales of fitness equipment |
| CARDIO Fitness Verwaltungs GmbH | 2009.11.11 | Industriestr. 154, 50996 Köln, Germany | EUR 25,000 | Investment |
| Cikayda Inc. | 2021.04.09 | 12F., No.111, Songjiang Rd., Taipei City | TWD 20,000,000 | Management consultation |
| Sole Inc. | 2019.11.27 | 56 E Exchange P1, Salt Lake City, UT 84111 | USD 53,000,000 | Investment |
| Fitness Equipment Service, LLC | 2001.08.23 | 56 E Exchange P1, Salt Lake City, UT 84111 | USD 2,100,000 | Sales of fitness equipment |
| President Plastic Products MFG. Co., Ltd. | 1967.10.24 | 31F., No. 213, Chaofu Rd., Xitun Dist., Taichung City | TWD 39,100,000 | Real estate lease |
| Neutron Ventures Ltd | 2008.04.17 | C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW | GBP 146 | Investment |
| Interactive Online Commerce Ltd | 2008.09.02 | C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW | GBP 25,818 | Investment |
| Neutron Ventures Poland S,p Z,o,o | 2009.10.15 | Ul. Piotrkowska 60-2.12-2.18, 90-105 Łódź, Woj. łó dzkie | PLN 5,000 | Management consultation |
| Sweatband.com Ltd | 1995.11.29 | 94 Cleveland Street, London, England, W1T 6NW | GBP 1,593 | Sales of fitness equipment |
| City Sport Co. Ltd | 2001.10.19 | 18/28 Moo 9 Khlong Lam Chiak Road, Bung Kum, Thailand | THB 40,000,000 | Sales of fitness equipment |
| IUVU INDUSTRY CO.,LTD. | 2000.01.14 | No.460-1 Zhongsan Road Sec. 1, Tachia Dist.,Taichung City | TWD 200,000,000 | Sales and manufacturing of electricity-assisted bike |

3.Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation: None.

4.Industries covered by the operations of all affiliates: Industries covered by the overall related business operations: The main business operations of the Company and most related companies are research and development, manufacturing, and sales in the fitness equipment industry. Some affiliated companies are engaged in outdoor furniture manufacturing, e-bike manufacturing, liquor trading, and real estate leasing.

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

| Name | Title | Name or Representative | Shares hold | |
|---|----------------|--|---------------------------------------|-------|
| | | | Share | Share |
| Dyaco International Holding Limited | Director | Lin, Ing-Gin | Dyaco holds 126,415,463 shares | 100% |
| Fuel-Spirit International Inc. | Director | Lin, Ing-Gin | Dyaco Holding holds 5,848,456 shares | 100% |
| Dyaco Europe GmbH | Director | Lin, Ing-Gin | Dyaco invests EUR16,400,000 | 100% |
| CARDIO Fitness GmbH &CO. KG | Representative | Ting, Ping-I | Dyaco invests EUR8,096,000 | 100% |
| CARDIO Fitness Verwaltungs GmbH | Representative | Ting, Ping-I | Dyaco invests EUR26,000 | 100% |
| Dyaco UK, Ltd. | Director | Lin, Ing-Gin | Dyaco holds 3,088,076 shares | 100% |
| Spirit Manufacturing Inc. | President | Chen, Ting-Chung | Dyaco holds 1,667.5 shares | 100% |
| Spirit Direct LLC | Representative | John Gibbs | Spirit invests USD2,000,000 | 100% |
| Sole Inc. | Director | Chen, Ting-Chung | Dyaco invests USD31,490,000 | 100% |
| Fitness Equipment Service, LLC | Representative | William Macfarlane | Sole Inc. invests USD2,100,000 | 100% |
| Dyaco Canada Inc. | Chairman | Michael Thorne | Dyaco holds 1,000 shares | 100% |
| | Director | Lin, Ing-Gin | | |
| Dyaco Japan Co., Ltd. | President | Naitou Jin | Dyaco holds 201,020 shares | 100% |
| Dyaco (Shanghai) Trading Co., LTD. | Chairman | Chen, Hsien-Ming | Dyaco Holding invests USD3,000,000 | 100% |
| | Director | Wang, Shun-Chien and Lin, Ing-Gin | | |
| | Supervisor | Wu, Mei-Hua | | |
| Dyaco Health Technology (Beijing) Co., Ltd. | Representative | Huang, Kuo-I | Dyaco (Shanghai) invests RMB3,500,000 | 100% |
| Shelton Corporation (Jiaxing), LTD | Representative | Tzeng, Huei-Feng | Dyaco Holding invests USD21,830,000 | 60% |
| Wing Long Co., Ltd. | Chairman | Lin, Ing-Gin | Dyaco holds 2,500,000 shares | 100% |
| | Director | Wu, Mei-Hua and Chen, Hsien-Ming | | |
| | Supervisor | Chiu, Yuan-Sheng | | |
| President Plastic Products MFG. Co., Ltd. | Chairman | Lin, Ing-Gin | Dyaco holds 391,000 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 and Chen, Hsien-Ming | | |
| | Supervisor | Chiu, Yuan-Sheng | | |
| Neutron Ventures Ltd | Director | Maziar Darvish Pierre Jean · De Villiers · Lin, Ing-Gin · Ting, Ping-I · Daen Jackson | Dyaco UK holds 308,070 shares | 100% |
| Interactive Online Commerce Ltd | Director | Maziar Darvish · Pierre Jean · De Villiers | Dyaco invests GBP2,632,000 | 100% |
| Sweatband.com Ltd | Director | Maziar Darvish Pierre Jean De Villiers | Dyaco invests GBP2,604,000 | 100% |
| Neutron Ventures Poland S,p Z,o,o | Representative | Maziar Darvish | Neutron Ventures invests PLN5,000 | 100% |
| City Sport Co. Ltd | Director | Liu, I-Chen | Dyaco holds 176,000 shares | 44% |
| Cikayda Inc. | Chairman | Lin, Ing-Gin | Dyaco holds 2,000,000 shares | 100% |

| | | | | |
|-------------------------|------------|---|-------------------------------|-----|
| | Director | Chiu, Yuan-Shen and Ho, Chieh-Shun | | |
| IUVVO INDUSTRY CO.,LTD. | Chairman | Lin, Ing-Gin | Dyaco holds 18,300,000 shares | 92% |
| | Director | Chen, Ming-Nan Huang, chih-Yuan Ting, Ping-I | | |
| | Supervisor | Hsu, Wen-Bin | | |

6. Affiliated enterprises' operational review in 2023

| Name | Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Profit | Current Profit and Loss (After Tax) | EPS |
|---|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|-------------------------------------|-------------------|
| Dyaco Holding Limited | HKD 126,415,463 | HKD 277,148,208 | HKD 379,039 | HKD 276,769,169 | HKD - | HKD 2,453,377 | HKD 8,410,790 | HKD 0.66 |
| Fuel-Spirit International Inc. | USD 5,848,456 | USD 7,755,544 | USD 1,528,325 | USD 6,227,218 | USD 5,399,547 | USD 150,036 | USD 188,363 | USD 0.3221 |
| Dyaco Europe GmbH | EUR 500,000 | EUR 5,207,992 | EUR 373,302 | EUR 4,834,690 | EUR 1,657,882 | EUR (759,366) | EUR (2,864,516) | N/A |
| CARDIO Fitness GmbH & CO. KG | EUR 41,000 | EUR 3,983,752 | EUR 2,721,419 | EUR 1,262,333 | EUR 7,908,902 | EUR (2,331,376) | EUR (2,157,181) | N/A |
| CARDIO Fitness Verwaltungs GmbH | EUR 25,000 | EUR 27,877 | EUR 557 | EUR 27,320 | EUR 1,500 | EUR (1,397) | EUR (1,397) | N/A |
| Dyaco UK, Ltd. | GBP 3,201,533 | GBP 7,445,593 | GBP 3,959,511 | GBP 3,486,082 | GBP 5,212,008 | GBP (812,239) | GBP (1,455,318) | N/A |
| Spirit Manufacturing Inc. | USD 41,688 | USD 40,487,252 | USD 31,081,169 | USD 9,406,083 | USD 43,235,455 | USD (681,126) | USD (1,288,311) | USD (309.03) |
| Spirit Direct LLC | USD 2,000,000 | USD 2,402,134 | USD 2,935,587 | USD 531,453 | USD 2,772,889 | USD (775,820) | USD (744,034) | N/A |
| Sole Inc. | USD 53,000,000 | USD (4,020,631) | USD 321,238 | USD (3,327,048) | USD - | USD - | USD (7,466,507) | N/A |
| Fitness Equipment Service, LLC | USD 2,100,000 | USD 62,159,752 | USD 66,180,382 | USD (4,020,631) | USD 105,963,571 | USD (7,537,349) | USD (7,466,507) | N/A |
| Dyaco Canada Inc. | CAD 1,000 | CAD 14,751,634 | CAD 4,963,811 | CAD 9,787,823 | CAD 16,861,530 | CAD (773,799) | CAD (624,543) | CAD (6,245.43) |
| Neutron Ventures Ltd | GBP 146 | GBP 1,649,920 | GBP 222,932 | GBP 1,426,988 | GBP - | GBP (245) | GBP (1,287,001) | N/A |
| Interactive Online Commerce Ltd | GBP 25,818 | GBP 1,864,077 | GBP 212,839 | GBP 1,651,238 | GBP - | GBP - | GBP (1,232,362) | N/A |
| Neutron Ventures Poland S.p Z.o.o | PLN 5,000 | PLN 385,048 | PLN 431,652 | PLN (46,604) | PLN 2,197,845 | PLN (268,133) | PLN (271,284) | N/A |
| Sweatband.com Ltd | GBP 1,593 | GBP 5,070,196 | GBP 3,424,311 | GBP 1,645,885 | GBP 12,659,557 | GBP (1,505,331) | GBP (1,232,362) | N/A |
| CITY SPORTS (THAILAND) CO., LTD. | THB 40,000,000 | THB 32,908,975 | THB 52,563,166 | THB (19,654,191) | THB 17,307,864 | THB (14,228,368) | THB (11,937,983) | N/A |
| Dyaco Japan Co., Ltd. | JPY 30,000,000 | JPY 132,995,201 | JPY 152,051,692 | JPY (19,056,491) | JPY 169,370,203 | JPY (27,166,923) | JPY (35,188,919) | JPY (11.73) |
| Dyaco (Shanghai) Trading Co., LTD. | RMB 19,307,950 | RMB 45,531,808 | RMB 21,527,991 | RMB 27,003,818 | RMB 49,801,236 | RMB (6,792,710) | RMB (5,700,814) | N/A |
| Dyaco Health Technology (Beijing) Co., Ltd. | RMB 3,500,000 | RMB 769,257 | RMB 47,386 | RMB 721,871 | RMB - | RMB (64,415) | RMB (64,415) | N/A |
| Shelton Corporation (Jiaxing), LTD | RMB 151,913,772 | RMB 311,089,054 | RMB 150,521,170 | RMB 160,567,884 | RMB 456,476,704 | RMB 21,786,166 | RMB 19,434,058 | N/A |
| President Plastic Products MFG. Co., Ltd. | TWD 39,100,000 | TWD 38,891,88 | TWD 959,479 | TWD 37,932,409 | TWD - | TWD (297,049) | TWD 228,392 | TWD 0.0584 |
| Wing Long Co., Ltd. | TWD 25,000,000 | TWD 11,381,785 | TWD 6,423,514 | TWD 4,958,271 | TWD 4,586,870 | TWD (653,680) | TWD (2,819,195) | TWD (1.13) |
| Cikayda Inc. | TWD 20,000,000 | TWD 17,659,069 | TWD 362,476 | TWD 17,296,593 | TWD 990,476 | TWD (791,180) | TWD (742,375) | TWD (0.3712) |
| Daan Health Management Consulting Co., Ltd. | TWD 10,000,000 | TWD 8,913,822 | TWD 13,623 | TWD 8,900,199 | TWD 571,428 | TWD 402,132 | TWD 439,722 | TWD 0.4397 |
| IUVO INDUSTRY CO., LTD. | TWD 200,000,000 | TWD 726,170,834 | TWD 666,107,463 | TWD 60,063,371 | TWD 87,632,501 | TWD (28,051,873) | TWD (28,297,681) | TWD (1.41) |

8.1.2 Consolidated financial statements of affiliated enterprises: Please refer to Attachment 1.

8.1.3 Affiliation report: None.

8.2 Private placement of securities during the most recent year or during the current year up to the date of publication of the annual report: None.

8.3 Holding or disposal of stocks of the Company by subsidiaries during the most recent year or during the current year up to the date of publication of the annual report: None.

8.4 Other supplemental information: None.

IX. Matters, if any, that may materially affect shareholders' interests or the price of securities under Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act during the most recent year or during the current year up to the date of publication of the annual report: None.

Attachment 1

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.

Dyaco International Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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, 2023. 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:

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, 2023, the carrying amount of goodwill held by the Group was \$560,815 thousand, which represented 4.97% 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-k and 5-b. 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 2023 when considering the assessment of reliability prediction for 2024 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, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2023 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 Wan-I Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| ASSETS | 2023 | | 2022 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,158,512 | 10 | \$ 1,120,781 | 9 |
| Financial assets at fair value through profit or loss (Notes 4 and 7) | 16,555 | - | 3,739 | - |
| Financial assets at amortized cost (Notes 4, 9 and 37) | 83,095 | 1 | 240,578 | 2 |
| Notes receivable (Notes 4, 10 and 27) | 984 | - | 940 | - |
| Accounts receivable (Notes 4, 10 and 27) | 1,071,044 | 9 | 1,095,392 | 9 |
| Other receivables (Notes 4 and 10) | 15,099 | - | 65,176 | 1 |
| Other receivables from related parties (Note 36) | - | - | 24,909 | - |
| Current tax assets (Note 29) | 93,998 | 1 | 51,611 | 1 |
| Inventories (Notes 4, 5, 11 and 37) | 2,474,495 | 22 | 2,989,456 | 25 |
| Prepayments (Note 12) | 187,734 | 2 | 214,900 | 2 |
| Other current assets | 12,395 | - | 10,618 | - |
| Total current assets | <u>5,113,911</u> | <u>45</u> | <u>5,818,100</u> | <u>49</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 118,124 | 1 | 147,071 | 1 |
| Financial assets at fair value through other comprehensive income (Notes 4 and 8) | 50,970 | 1 | 65,697 | - |
| Financial assets at amortized cost - non-current (Note 9) | 6,141 | - | 30,710 | - |
| Investments accounted for using the equity method (Notes 4 and 14) | 6,368 | - | 6,823 | - |
| Property, plant and equipment (Notes 4, 15, 36 and 37) | 3,755,859 | 33 | 3,691,829 | 31 |
| Right-of-use assets (Notes 4, 16 and 37) | 286,306 | 3 | 311,457 | 3 |
| Investment properties (Notes 4, 17 and 37) | 25,258 | - | 28,547 | - |
| Goodwill (Notes 4, 5, 18 and 32) | 560,815 | 5 | 558,377 | 5 |
| Other intangible assets (Notes 4, 19 and 36) | 754,346 | 7 | 796,867 | 7 |
| Deferred income tax assets (Notes 4 and 29) | 493,769 | 4 | 453,080 | 4 |
| Prepayments for equipment | 3,679 | - | 9,487 | - |
| Refundable deposits | 78,064 | 1 | 36,312 | - |
| Other non-current assets | 35,564 | - | 10,242 | - |
| Total non-current assets | <u>6,175,263</u> | <u>55</u> | <u>6,146,499</u> | <u>51</u> |
| TOTAL | <u>\$ 11,289,174</u> | <u>100</u> | <u>\$ 11,964,599</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 20 and 37) | \$ 2,118,015 | 19 | \$ 2,390,915 | 20 |
| Financial liabilities at fair value through profit or loss (Notes 4 and 7) | - | - | 25,305 | - |
| Contract liabilities (Note 27) | 145,721 | 1 | 177,567 | 2 |
| Notes payable (Note 22) | 43,705 | 1 | 46,117 | - |
| Accounts payable (Note 22) | 941,012 | 8 | 1,015,770 | 9 |
| Other payables (Note 23) | 457,690 | 4 | 497,800 | 4 |
| Other payables to related parties (Note 36) | 8,598 | - | - | - |
| Current income tax liabilities (Note 29) | 7,066 | - | 10,696 | - |
| Provisions (Notes 4 and 24) | 12,044 | - | 13,927 | - |
| Lease liabilities (Notes 4 and 16) | 11,613 | - | 16,522 | - |
| Current portion of bonds payable (Notes 4 and 21) | 1,200 | - | 1,398,537 | 12 |
| Current portion of long-term borrowings (Notes 20 and 37) | 296,527 | 3 | 218,987 | 2 |
| Other current liabilities | 38,492 | - | 40,989 | - |
| Total current liabilities | <u>4,081,683</u> | <u>36</u> | <u>5,853,132</u> | <u>49</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 20 and 37) | 1,918,802 | 17 | 1,483,762 | 12 |
| Deferred tax liabilities (Notes 4 and 29) | 423,526 | 4 | 437,337 | 4 |
| Lease liabilities (Notes 4 and 16) | 13,926 | - | 23,708 | - |
| Long-term payable (Note 23) | 58,829 | 1 | 83,093 | 1 |
| Other payables to related parties (Note 36) | 7,369 | - | - | - |
| Net defined benefit liabilities (Note 25) | 11,647 | - | 16,467 | - |
| Guarantee deposits received | 1,715 | - | 3,140 | - |
| Total non-current liabilities | <u>2,435,814</u> | <u>22</u> | <u>2,047,507</u> | <u>17</u> |
| Total liabilities | <u>6,517,497</u> | <u>58</u> | <u>7,900,639</u> | <u>66</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26) | | | | |
| Share capital | | | | |
| Ordinary shares | 1,596,097 | 14 | 1,341,147 | 11 |
| Capital surplus | 2,756,721 | 25 | 2,142,919 | 18 |
| Retained earnings | | | | |
| Legal reserve | 329,002 | 3 | 329,002 | 3 |
| Special reserve | 126,177 | 1 | 238,087 | 2 |
| Unappropriated earnings | 100,471 | 1 | 170,420 | 1 |
| Total retained earnings | 555,650 | 5 | 737,509 | 6 |
| Other equity | (125,684) | (1) | (126,177) | (1) |
| Treasury shares | (408,690) | (4) | (426,290) | (3) |
| Total equity attributable to owners of the Corporation | 4,374,094 | 39 | 3,669,108 | 31 |
| NON-CONTROLLING INTERESTS (Notes 13 and 26) | 397,583 | 3 | 394,852 | 3 |
| Total equity | <u>4,771,677</u> | <u>42</u> | <u>4,063,960</u> | <u>34</u> |
| TOTAL | <u>\$ 11,289,174</u> | <u>100</u> | <u>\$ 11,964,599</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2023 | | 2022 | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 4 and 27) | \$ 7,970,344 | 102 | \$ 7,298,112 | 102 |
| LESS: SALES RETURNS | 35,540 | - | 30,878 | - |
| SALES DISCOUNTS AND ALLOWANCES | <u>148,333</u> | <u>2</u> | <u>144,823</u> | <u>2</u> |
| NET OPERATING REVENUE | 7,786,471 | 100 | 7,122,411 | 100 |
| OPERATING COSTS (Notes 11 and 28) | | | | |
| Cost of sales | <u>5,119,386</u> | <u>66</u> | <u>5,037,256</u> | <u>71</u> |
| GROSS PROFIT | <u>2,667,085</u> | <u>34</u> | <u>2,085,155</u> | <u>29</u> |
| OPERATING EXPENSES (Note 28) | | | | |
| Selling and marketing | 1,834,475 | 24 | 1,492,314 | 21 |
| General and administrative | 815,672 | 10 | 768,083 | 11 |
| Research and development (Note 10) | 118,559 | 1 | 108,315 | 1 |
| Expected credit (gain) loss | <u>(3,198)</u> | <u>-</u> | <u>73,026</u> | <u>1</u> |
| Total operating expenses | <u>2,765,508</u> | <u>35</u> | <u>2,441,738</u> | <u>34</u> |
| OTHER OPERATING INCOME AND EXPENSES (Note 28) | <u>(1,182)</u> | <u>-</u> | <u>(27,647)</u> | <u>-</u> |
| LOSS FROM OPERATIONS | <u>(99,605)</u> | <u>(1)</u> | <u>(384,230)</u> | <u>(5)</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Interest income | 13,404 | - | 2,275 | - |
| Rental income | 9,924 | - | 14,480 | - |
| Other income | 25,016 | - | 36,912 | 1 |
| Foreign exchange gain, net (Note 28) | 15,117 | - | 441,757 | 6 |
| Impairment loss (Note 14) | - | - | (24,882) | - |
| Expected credit loss (Note 10) | - | - | (39,500) | (1) |
| Loss on valuation of financial instruments | (30,660) | - | (768) | - |
| Other expenses (Notes 10 and 28) | (4,398) | - | (40,609) | (1) |
| Interest expense (Note 28) | (97,894) | (1) | (84,529) | (1) |
| Share of loss of associates (Note 14) | <u>(335)</u> | <u>-</u> | <u>(1,967)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>(69,826)</u> | <u>(1)</u> | <u>303,169</u> | <u>4</u> |

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2023 | | 2022 | |
|---|---------------------|------------|--------------------|------------|
| | Amount | % | Amount | % |
| LOSS BEFORE INCOME TAX | \$ (169,431) | (2) | \$ (81,061) | (1) |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 29) | <u>59,059</u> | <u>1</u> | <u>(13,622)</u> | <u>-</u> |
| NET LOSS | <u>(110,372)</u> | <u>(1)</u> | <u>(94,683)</u> | <u>(1)</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plan | 4,655 | - | 2,584 | - |
| Unrealized loss on investments in equity instruments at fair value through other comprehensive income | (14,661) | - | (4,907) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29) | <u>(931)</u> | <u>-</u> | <u>(517)</u> | <u>-</u> |
| | <u>(10,937)</u> | <u>-</u> | <u>(2,840)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating foreign operations | <u>7,632</u> | <u>-</u> | <u>116,925</u> | <u>1</u> |
| Total other comprehensive gain (loss) | <u>(3,305)</u> | <u>-</u> | <u>114,085</u> | <u>1</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ (113,677)</u> | <u>(1)</u> | <u>\$ 19,402</u> | <u>-</u> |
| NET (LOSS) PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | \$ (122,770) | (1) | \$ (76,129) | (1) |
| Non-controlling interests | <u>12,398</u> | <u>-</u> | <u>(18,554)</u> | <u>-</u> |
| | <u>\$ (110,372)</u> | <u>(1)</u> | <u>\$ (94,683)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | \$ (118,553) | (1) | \$ 37,842 | - |
| Non-controlling interests | <u>4,876</u> | <u>-</u> | <u>(18,440)</u> | <u>-</u> |
| | <u>\$ (113,677)</u> | <u>(1)</u> | <u>\$ 19,402</u> | <u>-</u> |
| LOSS PER SHARE (Note 30) | | | | |
| Basic | <u>\$ (0.88)</u> | | <u>\$ (0.61)</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, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

| | Equity Attributable to Owners of the Corporation (Note 26) | | | | | | | | | | | |
|---|--|-----------------------|-----------------|-------------------|-----------------|-------------------------|---|---|-----------------|--------------|--|--------------|
| | Share Capital | | | Retained Earnings | | | Other Equity | | Treasury Shares | Total | Non-controlling Interests (Notes 13 and 26) | Total Equity |
| | Ordinary Shares | Advance Share Capital | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| BALANCE AT JANUARY 1, 2022 | \$ 1,339,822 | \$ 400 | \$ 2,115,925 | \$ 284,853 | \$ 175,628 | \$ 676,407 | \$ (235,721) | \$ (2,360) | \$ (368,604) | \$ 3,986,350 | \$ 394,933 | \$ 4,381,283 |
| Issuance of ordinary shares under employee share options (Note 31) | 1,325 | (400) | 38,932 | - | - | - | - | - | - | 39,857 | - | 39,857 |
| Changes in capital surplus from investments using the equity method (Note 13) | - | - | - | - | - | (7,815) | - | - | - | (7,815) | 7,815 | - |
| Appropriation of prior year's earnings | - | - | - | 44,149 | - | (44,149) | - | - | - | - | - | - |
| Legal reserve | - | - | - | 44,149 | - | (44,149) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 62,459 | (62,459) | - | - | - | - | - | - |
| Cash dividends to shareholder - NT\$2.50 per share | - | - | - | - | - | (317,502) | - | - | - | (317,502) | - | (317,502) |
| | - | - | - | 44,149 | 62,459 | (424,110) | - | - | - | (317,502) | - | (317,502) |
| Net loss for the year ended December 31, 2022 | - | - | - | - | - | (76,129) | - | - | - | (76,129) | (18,554) | (94,683) |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 2,067 | 116,811 | (4,907) | - | 113,971 | 114 | 114,085 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | (74,062) | 116,811 | (4,907) | - | 37,842 | (18,440) | 19,402 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | 6,200 | 6,200 |
| Buy-back of ordinary shares (Note 26) | - | - | - | - | - | - | - | - | (96,415) | (96,415) | - | (96,415) |
| Treasury shares transferred to employees (Note 26) | - | - | (11,938) | - | - | - | - | - | 38,729 | 26,791 | 4,344 | 31,135 |
| BALANCE AT DECEMBER 31, 2022 | 1,341,147 | - | 2,142,919 | 329,002 | 238,087 | 170,420 | (118,910) | (7,267) | (426,290) | 3,669,108 | 394,852 | 4,063,960 |
| Changes in capital surplus from investments using the equity method (Note 31) | - | - | 3,321 | - | - | - | - | - | - | 3,321 | (3,321) | - |
| Issuance of new ordinary shares for cash | 250,000 | - | 572,332 | - | - | - | - | - | - | 822,332 | - | 822,332 |
| Organization restructure | - | - | (702) | - | - | - | - | - | - | (702) | 702 | - |
| Issuance of ordinary shares under employee share options (Note 31) | 4,950 | - | 41,824 | - | - | - | - | - | - | 46,774 | 474 | 47,248 |
| Appropriation of prior year's earnings | - | - | - | - | - | (62,813) | - | - | - | (62,813) | - | (62,813) |
| Cash dividends to shareholder - NT\$0.50 per share | - | - | - | - | - | (62,813) | - | - | - | (62,813) | - | (62,813) |
| Reversal of special reserve | - | - | - | - | (111,910) | 111,910 | - | - | - | - | - | - |
| | - | - | - | - | (111,910) | 49,097 | - | - | - | (62,813) | - | (62,813) |
| Net profit for the year ended December 31, 2023 | - | - | - | - | - | (122,770) | - | - | - | (122,770) | 12,398 | (110,372) |
| Other comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | 3,724 | 15,154 | (14,661) | - | 4,217 | (7,522) | (3,305) |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | (119,046) | 15,154 | (14,661) | - | (118,553) | 4,876 | (113,677) |
| Treasury shares transferred to employees (Note 26) | - | - | (2,973) | - | - | - | - | - | 17,600 | 14,627 | - | 14,627 |
| BALANCE AT DECEMBER 31, 2023 | \$ 1,596,097 | \$ - | \$ 2,756,721 | \$ 329,002 | \$ 126,177 | \$ 100,471 | \$ (103,756) | \$ (21,928) | \$ (408,690) | \$ 4,374,094 | \$ 397,583 | \$ 4,771,677 |

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (169,431) | \$ (81,061) |
| Adjustments for: | | |
| Depreciation expense | 183,356 | 173,448 |
| Amortization expense | 82,791 | 80,321 |
| Expected credit loss recognized (reversal of losses) | (3,198) | 112,526 |
| Net loss on fair value changes of financial instrument at fair value through profit or loss | 30,660 | 768 |
| Interest expense | 97,894 | 84,529 |
| Interest income | (13,404) | (2,275) |
| Compensation costs of employee share options | 29,972 | 40,788 |
| Share of loss of associates | 335 | 1,967 |
| (Gain) loss on disposal of property, plant and equipment | 1,182 | (433) |
| Loss on inventories valuation and obsolescence | 65,465 | 73,502 |
| Impairment losses | - | 24,882 |
| Impairments loss on prepayment for goods | - | 28,080 |
| Gain on redemption of bonds payable | (270) | - |
| Unrealized gain on foreign currency exchange | (100,146) | (409,046) |
| Changes in operating assets and liabilities | | |
| Notes receivable | (44) | 550 |
| Accounts receivable | 29,729 | 601,778 |
| Accounts receivables from related parties | - | (24,909) |
| Other receivables | 50,077 | (36,586) |
| Other receivable from related parties | 24,909 | - |
| Inventories | 582,662 | 768,900 |
| Prepayments | 27,166 | (86,992) |
| Other current assets | (1,777) | 8,126 |
| Contract liabilities | (31,846) | 156,097 |
| Notes payable | (2,412) | 12,846 |
| Accounts payable | (78,231) | (476,108) |
| Other payables | (43,005) | (200,542) |
| Provisions | (1,479) | (5,012) |
| Other current liabilities | (2,497) | (35,572) |
| Net defined benefit liabilities | (165) | (233) |
| Cash generated from operations | 758,293 | 810,339 |
| Interest received | 13,404 | 2,275 |
| Interest paid | (113,647) | (65,346) |
| Income tax paid | (41,440) | (120,502) |
| Net cash generated from operating activities | <u>616,610</u> | <u>626,766</u> |

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ - | \$ (11,761) |
| Proceeds from sale of financial assets at amortized cost | 182,052 | 21,106 |
| Purchase of financial assets at fair value through profit or loss | (17,400) | (600) |
| Purchase of investments accounted for using the equity method | - | (4,000) |
| Net cash outflow on acquisition of subsidiaries (Note 32) | - | (49,951) |
| Payments for property, plant and equipment (Note 33) | (218,197) | (355,560) |
| Proceeds from disposal of property, plant and equipment | 12 | 17,216 |
| Increase in refundable deposits | (41,752) | (12,872) |
| Payments for intangible assets (Note 33) | (45,901) | (32,811) |
| Increase in other non-current assets | <u>(25,322)</u> | <u>(7,387)</u> |
| Net cash used in investing activities | <u>(166,508)</u> | <u>(436,620)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (300,981) | (502,054) |
| Repayments of corporate bonds | (1,407,553) | - |
| Proceeds from long-term borrowings | 765,513 | 723,145 |
| Repayments of long-term borrowings | (223,637) | (166,873) |
| Proceeds from (refund of) guarantee deposits received | (1,439) | 176 |
| Repayment of the principal portion of lease liabilities | (20,781) | (25,962) |
| Cash dividends | (62,813) | (317,502) |
| Issuance of new ordinary shares for cash | 822,332 | - |
| Exercise of employee share options | 17,276 | 3,413 |
| Payments for buy-back of ordinary shares | - | (96,415) |
| Proceeds from treasury shares transferred to employees | <u>14,627</u> | <u>26,791</u> |
| Net cash used in financing activities | <u>(397,456)</u> | <u>(355,281)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(14,915)</u> | <u>73,280</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 37,731 | (91,855) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | <u>1,120,781</u> | <u>1,212,636</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | <u>\$ 1,158,512</u> | <u>\$ 1,120,781</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 12, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB</u> |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |
| Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” | January 1, 2023 |

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|---|--|
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements” | January 1, 2024 (Note 3) |

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. 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:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) 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
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) 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
- 3) 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.

d. 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 or loss 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.

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 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. 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.

f. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., 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).

g. 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.

h. Investments in associates

An associate is an entity over which the Group has significant influence and 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.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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.

i. 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.

j. 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.

k. 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.

l. Intangible assets

1) 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.

2) 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.

3) 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.

m. 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.

n. 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.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 35.

ii. 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.

iii. 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.

b) 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):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. 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.

c) 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.

2) 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.

3) 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.

4) 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.

o. 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.

p. Revenue recognition

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

1) 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 ownership of goods has been transferred from seller to buyer because it is the time when the customer has full 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.

2) Revenue from the rendering of services

Revenue is recognized when services are rendered.

q. Leasing

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

1) 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.

2) 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.

r. Employee benefits

1) 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.

2) 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.

s. 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.

t. Taxation

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

1) 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 Act 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.

2) 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.

3) Current and deferred tax

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. MATERIAL 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 on 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.

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 in the investments in subsidiaries

Determining whether goodwill in the investments in subsidiaries is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The calculation of the recoverable amount 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 AND CASH EQUIVALENTS

| | December 31 | |
|---------------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Cash on hand | \$ 15,240 | \$ 75,100 |
| Checking accounts and demand deposits | 1,112,567 | 922,841 |
| Time deposits | <u>30,705</u> | <u>122,840</u> |
| | <u>\$ 1,158,512</u> | <u>\$ 1,120,781</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--|--------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Financial assets - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Limited Partnership | | |
| Changneng Capital Limited Partnership | \$ 16,555 | \$ 568 |
| Financial liabilities held for trading | | |
| Derivative financial assets (not under hedge accounting) | | |
| Cross-currency swap contracts | - | 3,171 |
| | <u>\$ 16,555</u> | <u>\$ 3,739</u> |
| <u>Financial assets - non-current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Hybrid financial assets | | |
| Convertible promissory notes (Note 14) | \$ 118,124 | \$ 147,071 |
| <u>Financial liabilities - current</u> | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities | | |
| Convertible bonds options (Note 21) | \$ - | \$ 25,305 |

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|-------------------------------|-----------------|----------------------|---|
| <u>December 31, 2022</u> | | | |
| Cross-currency swap contracts | NTD/USD | 2023.01.03 | NTD27,539/USD1,000 |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

| | <u>December 31</u> | |
|--------------------------|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Listed shares | \$ 8,966 | \$ 11,759 |
| Unlisted ordinary shares | 6,865 | 9,915 |
| Foreign investments | | |
| Unlisted ordinary shares | <u>35,139</u> | <u>44,023</u> |
| | <u>\$ 50,970</u> | <u>\$ 65,697</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.

9. FINANCIAL ASSETS AT AMORTIZED COST

| | December 31 | |
|-------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Restricted deposits (a) | \$ 23,390 | \$ 240,578 |
| Bank debenture (b) | 30,705 | - |
| Redeemable GICs (c) | <u>29,000</u> | <u>-</u> |
| | <u>\$ 83,095</u> | <u>\$ 240,578</u> |
| <u>Non-current</u> | | |
| Bank debenture (b) | <u>\$ 6,141</u> | <u>\$ 30,710</u> |

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

| | December 31 | |
|---------------------|--------------------|-------------|
| | 2023 | 2022 |
| Restricted deposits | 3.50%-5.00% | 0.60%-4.83% |

- b. In June 2022, the Group purchased 1.5-year financial debentures of Mega International Commercial Bank at a face value of \$21,784 thousand (US\$750 thousand), with a maturity date of January 5, 2024. The coupon rate and effective interest rate are both 2.5%. In September 2022, the Group purchased 2-year financial debentures of Mega International Commercial Bank at a face value of \$7,609 thousand (US\$250 thousand), with a maturity date of September 15, 2024. The coupon rate and effective interest rate are both 3.05%. In March 2023, the Group purchased 2.5-year financial debentures of Mega International Commercial Bank at a face value of \$6,096 thousand (US\$200 thousand), with a maturity date of October 3, 2025. The coupon rate and effective interest rate are both 4.3%.
- c. In May 2023, the Group purchased redeemable GICs issued by Bank of Montreal of \$29,350 thousand (CAD1,250 thousand). The period is from May 17, 2023 to May 15, 2024 at an interest rate of 4.25%.
- d. The Group invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and external credit ratings are continuously monitored. The Group reviews changes in bond yields and other publicly available information and makes an assessment of whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Group considers the current financial condition of debtors and the future prospects of the industries.

The Group's current credit risk grading mechanism is as follows:

| Category | Description | Basis for Recognizing Expected Credit Losses (ECLs) |
|------------|--|---|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows | 12m ECLs |
| Doubtful | There has been a significant increase in credit risk since the initial recognition | Lifetime ECLs - not credit impaired |
| In default | There is evidence indicating the asset is credit impaired | Lifetime ECLs - credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The Group assesses the counterparty has a low risk of default and a strong capacity to meet contractual cash flows. As of December 31, 2023, there was no expected credit loss for an investment in debt instruments.

- e. The financial assets at amortized cost pledged as collateral are set out in Note 37.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | December 31 | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| <u>Notes receivable (a)</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 984 | \$ 940 |
| Less: Allowance for impairment loss | - | - |
| | <u>\$ 984</u> | <u>\$ 940</u> |
| <u>Accounts receivable (b)</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 1,201,732 | \$ 1,333,623 |
| Less: Allowance for impairment loss | <u>130,688</u> | <u>238,231</u> |
| | <u>\$ 1,071,044</u> | <u>\$ 1,095,392</u> |
| <u>Other receivables (c)</u> | | |
| Tax refund receivables | \$ 10,037 | \$ 13,165 |
| Compensation advance payment receivables | - | 49,818 |
| Others | <u>5,062</u> | <u>2,193</u> |
| | <u>\$ 15,099</u> | <u>\$ 65,176</u> |

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, 2023

| | 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%-5.72% | 0%-60.57% | 0%-83.82% | 0%-91.89% | 0%-100% | 100% | |
| Gross carrying amount | \$ 936,370 | \$ 136,424 | \$ 15,441 | \$ 26,155 | \$ 13,516 | \$ 73,826 | \$ 1,201,732 |
| Loss allowance (Lifetime ECLs) | (6,107) | (8,211) | (9,070) | (21,068) | (12,406) | (73,826) | (130,688) |
| Amortized cost | <u>\$ 930,263</u> | <u>\$ 128,213</u> | <u>\$ 6,371</u> | <u>\$ 5,087</u> | <u>\$ 1,110</u> | <u>\$ -</u> | <u>\$ 1,071,044</u> |

December 31, 2022

| | 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%-5.65% | 0%-36.04% | 4.19%-57.50% | 5.26%-58.75% | 5%-100% | 100% | |
| Gross carrying amount | \$ 865,336 | \$ 167,372 | \$ 103,311 | \$ 14,155 | \$ 31,576 | \$ 151,873 | \$ 1,333,623 |
| Loss allowance (Lifetime ECLs) | (3,323) | (16,122) | (32,969) | (6,537) | (27,407) | (151,873) | (238,231) |
| Amortized cost | <u>\$ 862,013</u> | <u>\$ 151,250</u> | <u>\$ 70,342</u> | <u>\$ 7,618</u> | <u>\$ 4,169</u> | <u>\$ -</u> | <u>\$ 1,095,392</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, 2022, accounts receivable from New Level UK Ltd. amounted to \$108,645 thousand. Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Group recognized a loss allowance. The customer has completed the liquidation in March 2023 and returned \$8,568 thousand, and for the remaining uncollectible accounts, all relevant accounts receivable and loss allowance shall be written off.

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

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Beginning balance | \$ 238,231 | \$ 160,010 |
| Add: Net remeasurement of loss allowance | - | 73,026 |
| Less: Net reversal of loss allowance | (3,198) | - |
| Less: Amounts written off | (103,696) | (293) |
| Foreign exchange gains and losses | <u>(649)</u> | <u>5,488</u> |
| Ending balance | <u>\$ 130,688</u> | <u>\$ 238,231</u> |

c. Other receivables

Other receivables consist of tax refund receivables, compensation advance payment receivables and others.

Due to the overdue deposit refund receivables of the Group and debtor's current weak financial status, the unrecovered amount of \$39,500 thousand has been fully determined as expected credit loss before the release date for the year ended December 31, 2022, but the Group will continue to pursue recourse against the debtor.

The advance payment receivable is from a subsidiary of the Group, Fitness Equipment Services, LLC, due to the discrepancy between the horsepower measurement value of the treadmill products and the consumer's perception, the consumer filed a class action lawsuit. In 2022, the Group reached a settlement with the consumer and paid the compensation of \$108,788 thousand (US\$3,650 thousand). However, in 2020, according to the acquisition agreement with the original shareholder when acquiring Fitness Equipment Services, LLC., there is compensation for the aforementioned disputes with consumers, two-thirds of the compensation must be paid by the original three shareholders, and the advance payment of the Group as of the year ended December 31, 2022 accounts for other receivables of \$49,818 thousand (US\$1,622 thousand) and other receivables - related parties \$24,909 thousand (US\$811 thousand). As of March 2023, the advance payment of the compensation has been recovered in full, and the Group has recognized a compensation loss of \$36,263 thousand (recognized as miscellaneous expenses) in 2022, please refer to Note 28 for details.

11. INVENTORIES

| | December 31 | |
|------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Finished goods | \$ 1,896,332 | \$ 2,226,015 |
| Merchandise | 275,514 | 346,970 |
| Work in progress | 175,929 | 227,624 |
| Raw materials | <u>126,720</u> | <u>188,847</u> |
| | <u>\$ 2,474,495</u> | <u>\$ 2,989,456</u> |

The nature of the cost of goods sold is as follows:

| | For the Year Ended December 31 | |
|---|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Cost of inventories sold | \$ 4,991,189 | \$ 4,882,928 |
| Inventory write-downs and loss for market price | 65,465 | 73,502 |
| Warranties | <u>62,732</u> | <u>80,826</u> |
| | <u>\$ 5,119,386</u> | <u>\$ 5,037,256</u> |

The inventories pledged as collateral for bank borrowings are set out in Note 37.

12. PREPAYMENTS

| | December 31 | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| Prepayments for goods | \$ 98,877 | \$ 113,169 |
| Prepaid expenses | 64,528 | 63,671 |
| Tax overpayment retained for offsetting future tax payable | 20,512 | 30,002 |
| Others | <u>3,817</u> | <u>8,058</u> |
| | <u>\$ 187,734</u> | <u>\$ 214,900</u> |

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

| Investor | Investee | Nature of Activities | Proportion of Ownership | | Remark |
|-------------------------------------|---|--|--------------------------------|-------------|--------|
| | | | (%) | | |
| | | | December 31 | | |
| | | | 2023 | 2022 | |
| Dyaco International Inc. | Dyaco International Holding Limited | Investment | 100 | 100 | - |
| | Dyaco Europe GmbH | Import, export and selling | 100 | 100 | Note 7 |
| | Daan Health Management Consulting Co., Ltd. | Rental of medical equipment | 100 | 100 | - |
| | Dyaco Japan Co., Ltd. | Import, export and selling | 100 | 100 | Note 6 |
| | Wing Long Co., Ltd. | Import, export and selling | 100 | 100 | - |
| | Dyaco UK Ltd. | Import, export and selling | 97 | 100 | Note 8 |
| | SOLE INC. | Investment | 100 | 100 | Note 9 |
| | President Plastic Products MFG. Co., Ltd. | Rental of property | 100 | 100 | Note 1 |
| | Cikayda Inc. | Manufacturing and selling | 100 | 100 | - |
| | CITY SPORTS (THAILAND) CO., LTD | Fitness equipment selling | 44 | 44 | Note 2 |
| | Neutron Ventures Ltd | Sporting goods online selling | - | 80 | Note 3 |
| | Spirit Manufacturing Inc. | Import, export and selling | 100 | 100 | Note 4 |
| | Dyaco Canada Inc. | Import, export and selling | 100 | 100 | Note 4 |
| | Iuvo Industry Co., Ltd. | Electric-assisted bicycle manufacturer | 92 | 90 | Note 5 |
| | SOLE INC. | Fitness Equipment Services, LLC. | Import, export and selling | 100 | 100 |
| Dyaco Europe GmbH | CARDIO fitness GmbH & Co. KG | Import, export and selling | 100 | 100 | - |
| | CARDIO fitness Verwaltungs GmbH | Investment | 100 | 100 | - |
| | Fuel-Spirit International Inc. | Import and export | 100 | 100 | - |
| Dyaco International Holding Limited | Dyaco (Shanghai) Trading Co., Ltd. | Import, export and selling | 100 | 100 | - |
| | Shelton Corporation (Jiaxing), Ltd. | Manufacturing and selling | 60 | 60 | - |

(Continued)

| Investor | Investee | Nature of Activities | Proportion of Ownership (%) | | Remark |
|------------------------------------|---|----------------------------------|--------------------------------|------|---------|
| | | | December 31 | | |
| | | | 2023 | 2022 | |
| Dyaco (Shanghai) Trading Co., Ltd. | Dyaco Health Technology (Beijing) Co., Ltd. | Healthcare management consulting | - | 100 | Note 10 |
| Spirit Manufacturing Inc. | Spirit Direct, LLC. | Import, export and selling | 100 | 100 | - |
| Dyaco UK Ltd. | Neutron Ventures Ltd | Sporting goods online selling | 100 | - | Note 3 |
| Neutron Ventures Ltd | Interactive Online Commerce Ltd | Investment | 100 | 100 | Note 3 |
| Interactive Online Commerce Ltd | Neutron Ventures Poland S.p z.o.o | Service industry | 100 | 100 | Note 3 |
| | Sweatband.com Ltd | Sporting goods selling | 100 | 100 | Note 3 |

(Concluded)

Remarks:

- 1) In November 2022, the Group acquired interest in subsidiary, President Plastic Products MFG. Co., Ltd. for \$28,000 thousand.
- 2) In November 2021, the Corporation purchased 44% equity of CITY SPORTS (THAILAND) CO., LTD. for THB14,420 thousand (NT\$12,450 thousand), and according to the acquisition agreement, the Group obtained two out of three seats in the board of directors of CITY SPORTS (THAILAND) CO., LTD. as the Group has control over the decision making of the relevant activities of the company; therefore, it is listed as a subsidiary.
- 3) In December 2021, the Corporation purchased 80% equity of Neutron Ventures Ltd. for GBP3,220 thousand (NT\$119,421 thousand). On March 2023, the Group acquired interest for \$69,673 thousand, the Group did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 80% to 95%, and adjusted unappropriated earnings for \$4,320 thousand. After the Corporation went through a share exchange reorganization on July 1, 2023, Neutron Ventures Ltd. are directly 100% held by Dyaco UK Ltd.
- 4) On July 1, 2022, the Corporation underwent organizational restructuring through a non-cash reduction of capital method, resulting in Dyaco International Inc. directly holding 100% ownership of Spirit Manufacturing Inc. and Dyaco Canada Inc.
- 5) On August 24, 2022, the Corporation signed a contract with the major shareholder of Iuvo Industry Co., Ltd. The Corporation acquired 83% interest for \$55,000 thousand on the base date October 3, 2022. In December 2022, the Group acquired interest for \$70,000 thousand, the Group did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 83% to 90%, and adjusted unappropriated earnings for \$7,815 thousand. In August 2023, the Group acquired interest for \$30,000 thousand, the Group did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 90% to 92%, and adjusted capital surplus for \$1,509 thousand.
- 6) The Corporation acquires interest in subsidiary, Dyaco Japan Co., Ltd. through debt equity swap for \$44,560 thousand in August 2022.
- 7) The Group acquires interest in subsidiary, Dyaco Europe GmbH through debt equity swap for \$126,368 thousand in August 2022. In March 2023, the Group acquired interest of subsidiary, Dyaco Europe GmbH for \$61,332 thousand.

- 8) The Group acquires interest in subsidiary, Dyaco UK Ltd. through debt equity swap for \$182,850 thousand in August 2022. Dyaco UK Ltd. issued additional new shares for \$121,145 in July 2023, with parent company and Neutron Ventures Ltd.'s non-controlling interests exchange for 100% equity of Neutron Ventures Ltd. Parent company did not subscribe according to its shareholding ratio. Thus, and adjusted capital surplus for \$510 thousand. After the Corporation went through reorganization, the Group held the Dyaco UK Ltd. shareholding ratio decreased from 100% to 97%, and adjusted capital surplus for \$702 thousand.
- 9) The Group acquires interest in subsidiary, SOLE INC. through debt equity swap for \$694,235 thousand in November 2022.
- 10) Dyaco Health Technology (Beijing) Co., Ltd. as been completed the liquidation and was eliminated in July 2023.

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 | |
| | | 2023 | 2022 |
| Shelton Corporation (Jiaxing), Ltd. | China | 40% | 40% |

Refer to Table 7 for the information on the places of incorporation and principal places of business.

| Name of Subsidiary | Profit (Loss) Allocated to Non-controlling Interests | | Accumulated Non-controlling Interests | |
|-------------------------------------|--|----------|---------------------------------------|------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Shelton Corporation (Jiaxing), Ltd. | \$ 28,680 | \$ 8,080 | \$ 389,311 | \$ 368,858 |

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

| | December 31 | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Current assets | \$ 1,106,893 | \$ 1,258,962 |
| Non-current assets | 796,964 | 880,495 |
| Current liabilities | (650,392) | (928,405) |
| Non-current liabilities | <u>(125,799)</u> | <u>(134,168)</u> |
| Equity | <u>\$ 1,127,666</u> | <u>\$ 1,076,884</u> |
| Equity attributable to: | | |
| Owners of Shelton Corporation (Jiaxing), Ltd. | \$ 738,355 | \$ 708,026 |
| Non-controlling interests of Shelton Corporation (Jiaxing), Ltd. | <u>389,311</u> | <u>368,858</u> |
| | <u>\$ 1,127,666</u> | <u>\$ 1,076,884</u> |

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Revenue | <u>\$ 2,006,672</u> | <u>\$ 2,100,584</u> |
| Net profit from continuing operations (Note) | \$ 71,698 | \$ 20,200 |
| Other comprehensive loss for the period | <u>(20,560)</u> | <u>(8)</u> |
| Total comprehensive income for the period | <u>\$ 51,138</u> | <u>\$ 20,192</u> |
| Profit (loss) attributable to: | | |
| Owners of Shelton Corporation (Jiaxing), Ltd. | \$ 43,018 | \$ 12,120 |
| Non-controlling interests of Shelton Corporation (Jiaxing), Ltd. | <u>28,680</u> | <u>8,080</u> |
| | <u>\$ 71,698</u> | <u>\$ 20,200</u> |
| Total comprehensive income attributable to: | | |
| Owners of Shelton Corporation (Jiaxing), Ltd. | \$ 30,683 | \$ 12,115 |
| Non-controlling interests of Shelton Corporation (Jiaxing), Ltd. | <u>20,455</u> | <u>8,077</u> |
| | <u>\$ 51,138</u> | <u>\$ 20,192</u> |
| Net cash inflow (outflow) from: | | |
| Operating activities | \$ 154,758 | \$ 364,193 |
| Investing activities | (11,732) | (9,762) |
| Financing activities | <u>(111,320)</u> | <u>(301,352)</u> |
| Net cash inflow | <u>\$ 31,706</u> | <u>\$ 53,079</u> |

Note: Net profit was \$85,432 thousand less amortization of \$13,734 thousand for the year ended December 31, 2023. Net profit was \$34,016 thousand less amortization of \$13,816 thousand for the year ended December 31, 2022.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| Investments in associates | <u>\$ 6,368</u> | <u>\$ 6,823</u> |
| Associates that are not individually material | | |
| Hongdaxin Projection Co., Ltd. | \$ 3,714 | \$ 3,889 |
| Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | <u>2,654</u> | <u>2,934</u> |
| | <u>\$ 6,368</u> | <u>\$ 6,823</u> |

The Group acquired 40% equity of Hongdaxin Projection Co., Ltd. for \$4,000 thousand in March 2022. It provides investment in domestic film and television production.

On August 11, 2021, the board of directors resolved to invest in Morsel Inc., an intelligent fitness content production company, with a total amount of US\$6,000 thousand. The ordinary shares were acquired for US\$1,000 thousand, (approximately NT\$27,750 thousand), which accounted for 11% of Morsel Inc.'s total equity; and in accordance with the investment agreement, the parent company has the right to appoint one third of the director seats and the ability to exercise significant influence over Morsel Inc. In addition, the three-year convertible promissory notes issued by Morsel Inc. were acquired for US\$5,000 thousand (approximately NT\$138,750 thousand) at an annual interest rate of 1%, which was recognized as financial assets at fair value through profit or loss and (loss) gain on fair value changes to \$(28,947) thousand and \$8,036 thousand, respectively, refer to Note 7.

Morsel Inc., an investment associate recognized by the Group using the equity method, is expected to decrease the operating cash inflows in the future due to poor sales in the market. As a result, the recoverable amount of the associate in value-in-use calculations is less than the carrying amount of the Group's investment. After the evaluation, the Group recognized the impairment losses of \$24,882 thousand in 2022.

Refer to Tables 6 and 7 for the principal places of business and countries of incorporation.

Aggregate information of associates that are not individually material:

| | <u>For the Year Ended December 31</u> | |
|-----------------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| The Group's share of: | | |
| Loss from continuing operations | \$ (335) | \$ (1,967) |
| Other comprehensive income (loss) | <u>-</u> | <u>-</u> |
| | <u>\$ (335)</u> | <u>\$ (1,967)</u> |

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

15. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery Equipment | Transportation Equipment | Office Equipment | Leasehold Improvements | Property under Construction | Total |
|--|---------------------|---------------------|------------------------|-----------------------------|---------------------|---------------------------|-----------------------------------|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ 1,659,253 | \$ 2,230,479 | \$ 687,066 | \$ 51,805 | \$ 83,920 | \$ 25,409 | \$ 317,724 | \$ 5,055,656 |
| Additions | - | 2,341 | 71,148 | 640 | 5,664 | 756 | 144,618 | 225,167 |
| Disposals | - | (6,009) | (59,578) | (5,981) | (6,234) | (261) | - | (78,063) |
| Reclassification | - | 1,464 | - | - | - | - | - | 1,464 |
| Effects of foreign currency exchange differences | (5) | (13,593) | (4,446) | (52) | 412 | 583 | - | (17,101) |
| Balance at December 31, 2023 | <u>1,659,248</u> | <u>2,214,682</u> | <u>694,190</u> | <u>46,412</u> | <u>83,762</u> | <u>26,487</u> | <u>462,342</u> | <u>5,187,123</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | - | 748,313 | 497,003 | 35,340 | 68,853 | 14,318 | - | 1,363,827 |
| Depreciation expenses | - | 75,375 | 64,620 | 4,495 | 6,905 | 3,080 | - | 154,475 |
| Disposals | - | (5,493) | (58,925) | (5,972) | (6,218) | (261) | - | (76,869) |
| Reclassification | - | 444 | - | - | - | - | - | 444 |
| Effects of foreign currency exchange differences | - | (8,069) | (3,130) | (113) | 333 | 366 | - | (10,613) |
| Balance at December 31, 2023 | <u>-</u> | <u>810,570</u> | <u>499,568</u> | <u>33,750</u> | <u>69,873</u> | <u>17,503</u> | <u>-</u> | <u>1,431,264</u> |
| Carrying amounts at December 31, 2023 | <u>\$ 1,659,248</u> | <u>\$ 1,404,112</u> | <u>\$ 194,622</u> | <u>\$ 12,662</u> | <u>\$ 13,889</u> | <u>\$ 8,984</u> | <u>\$ 462,342</u> | <u>\$ 3,755,859</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 1,283,139 | \$ 1,906,647 | \$ 626,529 | \$ 51,566 | \$ 78,641 | \$ 21,986 | \$ 150,758 | \$ 4,119,266 |
| Acquisitions through business combinations (Note 32) | 373,978 | 350 | 15,741 | - | 3,582 | 1,712 | 107,713 | 503,076 |
| Additions | - | 4,515 | 48,886 | 3,623 | 5,548 | 2,062 | 289,786 | 354,420 |
| Disposals | - | (833) | (17,854) | (4,648) | (7,656) | (1,203) | - | (32,194) |
| Reclassification | (6) | 265,330 | - | - | 2,118 | - | (242,105) | 25,337 |
| Effects of foreign currency exchange differences | 2,142 | 54,470 | 13,764 | 1,264 | 1,687 | 852 | 11,572 | 85,751 |
| Balance at December 31, 2022 | <u>1,659,253</u> | <u>2,230,479</u> | <u>687,066</u> | <u>51,805</u> | <u>83,920</u> | <u>25,409</u> | <u>317,724</u> | <u>5,055,656</u> |

(Continued)

| | Land | Buildings | Machinery Equipment | Transportation Equipment | Office Equipment | Leasehold Improvements | Property under Construction | Total |
|--|---------------------|---------------------|---------------------|--------------------------|------------------|------------------------|-----------------------------|---------------------|
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ - | \$ 663,820 | \$ 420,878 | \$ 33,376 | \$ 65,616 | \$ 11,738 | \$ - | \$ 1,195,428 |
| Acquisitions through business combinations (Note 32) | - | 142 | 6,095 | - | 2,886 | 197 | - | 9,320 |
| Depreciation expenses | - | 70,141 | 62,734 | 4,977 | 6,280 | 2,323 | - | 146,455 |
| Disposals | - | (833) | (2,903) | (3,837) | (7,381) | (457) | - | (15,411) |
| Reclassification | - | 2,053 | - | - | - | - | - | 2,053 |
| Effects of foreign currency exchange differences | - | 12,990 | 10,199 | 824 | 1,452 | 517 | - | 25,982 |
| Balance at December 31, 2022 | - | <u>748,313</u> | <u>497,003</u> | <u>35,340</u> | <u>68,853</u> | <u>14,318</u> | - | <u>1,363,827</u> |
| Carrying amounts at December 31, 2022 | <u>\$ 1,659,253</u> | <u>\$ 1,482,166</u> | <u>\$ 190,063</u> | <u>\$ 16,465</u> | <u>\$ 15,067</u> | <u>\$ 11,091</u> | <u>\$ 317,724</u> | <u>\$ 3,691,829</u> |

(Concluded)

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 37.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Carrying amounts</u> | | |
| Land | \$ 263,819 | \$ 273,046 |
| Buildings | 20,566 | 32,052 |
| Transportation equipment | <u>1,921</u> | <u>6,359</u> |
| | <u>\$ 286,306</u> | <u>\$ 311,457</u> |
| | | |
| | <u>For the Year Ended December 31</u> | |
| | <u>2023</u> | <u>2022</u> |
| Additions for right-of-use assets | <u>\$ 5,169</u> | <u>\$ 2,627</u> |
| Acquisitions through business combinations | <u>\$ -</u> | <u>\$ 3,903</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 10,026 | \$ 7,673 |
| Buildings | 12,195 | 10,669 |
| Transportation equipment | <u>4,520</u> | <u>6,437</u> |
| | <u>\$ 26,741</u> | <u>\$ 24,779</u> |

Right-of-use assets used by the Group and pledged as collateral for bank borrowings are set out in Note 37.

b. Lease liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2023 | 2022 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 11,613</u> | <u>\$ 16,522</u> |
| Non-current | <u>\$ 13,926</u> | <u>\$ 23,708</u> |

Range of discount rate for lease liabilities was as follows:

| | December 31 | |
|--------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Land | 5.84% | 5.84% |
| Buildings | 1.36%-4.90% | 1.36%-4.90% |
| Transportation equipment | 1.65%-3.99% | 1.65%-2.50% |

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 lease information

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------|
| | 2023 | 2022 |
| Expenses relating to short-term leases | <u>\$ 36,091</u> | <u>\$ 40,625</u> |
| Expenses relating to low-value asset leases | <u>\$ 440</u> | <u>\$ 427</u> |
| Total cash outflow for leases | <u>\$ (58,305)</u> | <u>\$ (69,362)</u> |

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 Investment Properties |
|--|--|
| <u>Cost</u> | |
| Balance at January 1, 2023 | \$ 54,456 |
| Reclassification | (1,464) |
| Effects of foreign currency exchange differences | <u>(520)</u> |
| Balance at December 31, 2023 | <u>52,472</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2023 | 25,909 |
| Depreciation expenses | 2,140 |
| Reclassification | (444) |
| Effects of foreign currency exchange differences | <u>(391)</u> |
| Balance at December 31, 2023 | <u>27,214</u> |
| Carrying amount at December 31, 2023 | <u>\$ 25,258</u> |
| <u>Cost</u> | |
| Balance at January 1, 2022 | \$ 78,917 |
| Reclassification | (25,337) |
| Effects of foreign currency exchange differences | <u>876</u> |
| Balance at December 31, 2022 | <u>54,456</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2022 | 25,436 |
| Depreciation expenses | 2,214 |
| Reclassification | (2,053) |
| Effects of foreign currency exchange differences | <u>312</u> |
| Balance at December 31, 2022 | <u>25,909</u> |
| Carrying amount at December 31, 2022 | <u>\$ 28,547</u> |

The investment properties were leased out for 1 to 7 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

| | <u>December 31</u> | |
|--------|--------------------|-----------------|
| | 2023 | 2022 |
| Year 1 | \$ 3,290 | \$ 4,255 |
| Year 2 | 671 | 675 |
| Year 3 | 671 | 675 |
| Year 4 | 280 | 675 |
| Year 5 | <u>-</u> | <u>281</u> |
| | <u>\$ 4,912</u> | <u>\$ 6,561</u> |

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

As of December 31, 2023 and 2022, the fair value of investment property located in Zhongshan District, Taipei City was \$24,979 thousand and \$23,925 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. Management was unable to reliably measure the fair value of the investment property located in Jiaxing 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.

The investment properties pledged as collateral for bank borrowings were set out in Note 37.

18. GOODWILL

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Cost</u> | | |
| Balance at January 1 | \$ 566,721 | \$ 501,442 |
| Acquisitions through business combinations (Note 32) | - | 24,731 |
| Effect of foreign currency exchange differences | <u>2,760</u> | <u>40,549</u> |
| Balance at December 31 | <u>569,481</u> | <u>566,722</u> |
| <u>Accumulated impairment losses</u> | | |
| Balance at January 1 | 8,345 | 7,987 |
| Effect of foreign currency exchange differences | <u>321</u> | <u>358</u> |
| Balance at December 31 | <u>8,666</u> | <u>8,345</u> |
| Carrying amounts at December 31 | <u>\$ 560,815</u> | <u>\$ 558,377</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, Fitness Equipment Services, LLC, CITY SPORTS (THAILAND) CO., LTD, Neutron Ventures Ltd and Iuvo Industry Co., Ltd.

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 and is recognized as a cash-generating unit (Group A) and CARDIO fitness GmbH & Co. KG is recognized as other cash-generating unit (Group B).

As of December 31, 2023, cash-generating unit (Group A) and carrying amount (Group B) including the amount of goodwill were \$533,313 thousand and \$27,502 thousand.

As of December 31, 2022, cash-generating unit (Group A) and carrying amount (Group B) including the amount of goodwill were \$507,164 thousand and \$26,482 thousand.

On December 31, 2023 and 2022, the management assessed the recoverable amount by value in use of asset's cash-generating unit (Group A), cash-generating unit (Group B), respectively, and considered the financial budget in the future as a 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:

| | <u>December 31</u> | |
|---------|--------------------|-------------|
| | 2023 | 2022 |
| Group A | 12.7% | 12.9% |
| Group B | 14.0% | 12.3% |

The Corporation evaluated Group A and B in 2023 and 2022, its recoverable amount was still higher than the related carrying amount, and thus, no impairment loss was recognized.

19. OTHER INTANGIBLE ASSETS

| | Computer Software | Patents | Customer Relationship | Existing Technologies | Royalty | Brand Value | Website | Copyright | Total |
|---|----------------------|-----------------|--------------------------|--------------------------|------------------|-------------------|---------------|------------------|-------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2023 | \$ 101,405 | \$ 82,454 | \$ 107,029 | \$ 7,685 | \$ 293,407 | \$ 749,481 | \$ 1,106 | \$ - | \$ 1,342,567 |
| Additions | 16,351 | - | - | - | - | 3,599 | - | 17,026 | 36,976 |
| Disposals | (514) | - | - | (7,685) | - | - | - | - | (8,199) |
| Effects of foreign currency exchange differences | 866 | 2,278 | 1,698 | - | (8) | 2,641 | - | - | 7,475 |
| Balance at December 31, 2023 | <u>118,108</u> | <u>84,732</u> | <u>108,727</u> | <u>-</u> | <u>293,399</u> | <u>755,721</u> | <u>1,106</u> | <u>17,026</u> | <u>1,378,819</u> |
| <u>Accumulated amortization</u> | | | | | | | | | |
| Balance at January 1, 2023 | 78,572 | 74,691 | 78,330 | 7,685 | 202,478 | 103,109 | 835 | - | 545,700 |
| Amortization expenses | 12,071 | 4,323 | 2,950 | - | 25,038 | 35,300 | 271 | 2,838 | 82,791 |
| Effects of foreign currency exchange differences | (514) | - | - | (7,685) | - | - | - | - | (8,199) |
| Balance at December 31, 2023 | <u>90,619</u> | <u>81,179</u> | <u>82,957</u> | <u>-</u> | <u>227,464</u> | <u>138,314</u> | <u>1,102</u> | <u>2,838</u> | <u>624,473</u> |
| Carrying amounts at December 31, 2023 | <u>\$ 27,489</u> | <u>\$ 3,553</u> | <u>\$ 25,770</u> | <u>\$ -</u> | <u>\$ 65,935</u> | <u>\$ 617,407</u> | <u>\$ 4</u> | <u>\$ 14,188</u> | <u>\$ 754,346</u> |
| <u>Cost</u> | | | | | | | | | |
| Balance at January 1, 2022 (retrospectively adjusted) | \$ 86,724 | \$ 78,105 | \$ 94,338 | \$ 7,685 | \$ 288,159 | \$ 680,676 | \$ 996 | \$ - | \$ 1,236,683 |
| Acquisitions through business combinations | - | - | 6,592 | - | - | - | - | - | 6,592 |
| Additions | 14,113 | - | - | - | - | - | - | - | 14,113 |
| Effects of foreign currency exchange differences | 568 | 4,349 | 6,099 | - | 5,248 | 68,805 | 110 | - | 85,179 |
| Balance at December 31, 2022 | <u>101,405</u> | <u>82,454</u> | <u>107,029</u> | <u>7,685</u> | <u>293,407</u> | <u>749,481</u> | <u>1,106</u> | <u>-</u> | <u>1,342,567</u> |
| <u>Accumulated amortization</u> | | | | | | | | | |
| Balance at January 1, 2022 (retrospectively adjusted) | 66,957 | 63,742 | 72,556 | 7,685 | 172,830 | 60,767 | 501 | - | 445,038 |
| Amortization expenses | 11,099 | 7,247 | 2,008 | - | 24,905 | 34,791 | 271 | - | 80,321 |
| Effects of foreign currency exchange differences | 516 | 3,702 | 3,766 | - | 4,743 | 7,551 | 63 | - | 20,341 |
| Balance at December 31, 2022 | <u>78,572</u> | <u>74,691</u> | <u>78,330</u> | <u>7,685</u> | <u>202,478</u> | <u>103,109</u> | <u>835</u> | <u>-</u> | <u>545,700</u> |
| Carrying amounts at December 31, 2022 | <u>\$ 22,833</u> | <u>\$ 7,763</u> | <u>\$ 28,699</u> | <u>\$ -</u> | <u>\$ 90,929</u> | <u>\$ 646,372</u> | <u>\$ 271</u> | <u>\$ -</u> | <u>\$ 796,867</u> |

a. The Group signed royalty agreements of authorization with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as a royalty and included in intangible assets at the beginning of the authorization period, and the related liability was recognized as current and non-current payables for royalties. The interest expenses were calculated by the effective interest method.

b. 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 | 2-6 years |
| Brand value | 3-23 years |
| Website | 4 years |
| Copyright | 3 years |

20. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|-------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Unsecured borrowings | \$ 622,485 | \$ 1,182,395 |
| Secured borrowings | <u>1,495,530</u> | <u>1,208,520</u> |
| | <u>\$ 2,118,015</u> | <u>\$ 2,390,915</u> |
| Range of interest rates | | |
| Unsecured borrowings | 1.81%-2.59% | 1.43%-4.50% |
| Secured borrowings | 1.85%-7.59% | 1.60%-3.85% |

b. Long-term borrowings

| | December 31 | |
|---------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| <u>Secured borrowings</u> | | |
| Mega Bank | \$ 888,900 | \$ 580,100 |
| Taiwan Cooperative Bank | 478,390 | 488,875 |
| Bank SinoPac | 300,333 | 90,974 |
| Taiwan Business Bank | 216,139 | 121,320 |
| First Horizon Bank | 149,767 | 153,550 |
| Taishin Bank | 142,500 | 157,500 |
| Cathay United Bank | 39,300 | 39,300 |
| Bank of Montreal | - | 36,390 |
| CTBC Bank | - | 30,000 |
| Chang Hua Bank | - | 4,740 |
| | <u>2,215,329</u> | <u>1,702,749</u> |
| Less: Current portion | <u>296,527</u> | <u>218,987</u> |
| Long-term borrowings | <u>\$ 1,918,802</u> | <u>\$ 1,483,762</u> |

- 1) Secured borrowings from Mega Bank: In September 2019, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2024. As of December 31, 2023 and 2022, the borrowings were \$40,700 thousand and \$92,300 thousand, respectively, at the annual borrowing interest rate were 2.15% and 2.03%, respectively. In February 2020, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to February 2025. As of December 31, 2023 and 2022, the borrowings were \$48,200 thousand and \$87,800 thousand, respectively, at the annual borrowing interest rate were 2.20% and 2.08%, respectively. In 2022, the parent company signed a contract for borrowings, under which the interests are repayable for the first three years from July 2022 and repayable monthly from July 2025 to July 2027. As of December 31, 2023 and 2022, the borrowings were both \$300,000 thousand, at the annual borrowing interest rate were 2.15% and 2.05%, respectively. In 2022, the parent company signed a contract for borrowings, under which the interests are repayable for the first one and a half years from July 2022 and repayable monthly from January 2024 to July 2027. As of December 31, 2023 and 2022, the borrowings were both \$100,000 thousand, at the annual borrowing interest rate were 2.30% and 2.05%, respectively. In March 2023, the parent company signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$100,000 thousand, at the annual borrowing interest rate of 2.30%. In June 2023, the parent company signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$100,000 thousand, at the annual borrowing interest rate of 2.30%. In July 2023, the parent company signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$200,000 thousand, at the annual borrowing interest rate of 2.30%.

- 2) Secured borrowings from Taiwan Cooperative Bank: In 2018, the parent company signed a contract for borrowings, under which the interests are repayable for the first two years from November 2018, and the principal and interest are repayable monthly from December 2020 to November 2038. As of December 31, 2023 and 2022, the borrowings were \$152,918 thousand and \$161,579 thousand, respectively, at annual borrowing interest rate of 2.10% and 1.60%, respectively. In 2021, Iuvo Industry Co., Ltd. signed a contract for borrowings under which the interest is repayable monthly. As of December 31, 2023 and 2022, the borrowings were both \$266,400 thousand, at annual borrowing interest rate of 2.208% and 1.956%, respectively. In 2022, Iuvo Industry Co., Ltd. signed a contract for borrowings under which the interest is repayable monthly. As of December 31, 2023 and 2022, the borrowings were both \$47,566 thousand, at annual borrowing interest rate of 2.208% and 1.956%, respectively. The total amount of the two loans mentioned above is \$313,966 thousand, with both due on December 31, 2024. However, in the third quarter of 2024, the Cooperative Bank will review whether it meets the conditions for extending the maturity date. If the conditions are met, the maturity date will be extended to September 30, 2041. Interest is paid monthly in the first year, and principal and interest are amortized monthly from the second year onwards. In 2022, Iuvo Industry Co., Ltd. signed a contract for borrowings under which the principal and interest are repayable monthly to March 2029. As of December 31, 2023 and 2022, the borrowings were \$11,506 thousand and \$13,330 thousand, respectively, at annual borrowing interest rate of 2.598% and 2.346%, respectively.

- 3) Secured borrowings from Bank SinoPac: In 2009, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2023 and 2022, the borrowings were \$6,923 thousand and \$16,154 thousand, respectively, at annual interest rate of 2.24% and 2.10%. In 2015, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2030. As of December 31, 2023 and 2022, the borrowings were \$63,410 thousand and \$71,808 thousand, respectively, at annual interest rate of 2.01% and 1.89%, respectively. In 2016, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of December 31, 2022, the borrowings was \$3,012 thousand, at annual interest rate of 1.99%. In 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable quarterly and monthly, respectively, from September 2023 to December 2026. As of December 31, 2023, the borrowings was \$230,000 thousand, at annual interest rate of 2.60%.
- 4) Secured borrowings from Taiwan Business Bank: In 2022, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2022 to December 2032. As of December 31, 2023 and 2022, the borrowings were \$109,188 thousand and \$121,320 thousand, respectively, at annual borrowing interest rate of 1.55% and 1.43%, respectively. In February 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$53,292 thousand, at annual interest rate of 1.55%. In March 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2027. As of December 31, 2023, the borrowings were \$7,818 thousand, at annual interest rate of 1.55%. In March 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$2,239 thousand, at annual interest rate of 1.55%. In May 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$2,278 thousand, at annual interest rate of 1.55%. In July 2023, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$41,324 thousand, at annual interest rate of 1.55%.
- 5) Secured borrowings from First Horizon Bank: In 2022, Spirit Manufacturing Inc. signed a contract for borrowings under which the principal and interest are repayable monthly from December 2022 to December 2042. As of December 31, 2023 and 2022, the annual borrowing interest rate were both 6.50%.
- 6) Secured borrowings from Taishin Bank: In June 2019, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2023 and 2022, the borrowings were \$138,000 thousand and \$144,000 thousand, respectively, at annual interest rate of 2.20% and 1.96%, respectively. In June 2019, the parent company signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2024. As of December 31, 2023 and 2022, the borrowings were \$4,500 thousand and \$13,500 thousand, respectively, at annual interest rate of 2.20% and 1.96%, respectively.
- 7) Secured borrowings from Cathay United Bank: In 2022, Iuvo Industry Co., Ltd. signed a contract for borrowings under which the principal and interest are repayable monthly from May 2024 to April 2027. As of December 31, 2023 and 2022, the annual borrowing interest rates were 1.40% and 1.15%, respectively.
- 8) 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, 2022, at the annual borrowing interest rate all of 4.07%.

- 9) Secured borrowings from CTBC Bank: In 2021, Iuvo Industry Co., Ltd. signed a contract for borrowings under which the principal and interest are repayable monthly from May 2021 to December 2023. The Secured borrowings had been settled on September 2023. As of December 31, 2022, the annual borrowing interest rates was 2.95%.
- 10) 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, 2022, at the annual borrowing interest rate of 2.15%.

21. BONDS PAYABLE

| | <u>December 31</u> | |
|--------------------------------------|--------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Secured domestic convertible bonds | \$ - | \$ 421,580 |
| Unsecured domestic convertible bonds | 1,200 | 976,957 |
| Less: Current portion | <u>(1,200)</u> | <u>(1,398,537)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

- a. 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 common 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.

| | |
|---|------------------|
| 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 - call 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 | 462,372 |
| Interest charged at an effective interest rate of 0.93% | 3,985 |
| Convertible bonds converted into ordinary shares | <u>(48,701)</u> |
| Liability component at December 31, 2021 | 417,656 |
| Interest charged at an effective interest rate of 0.93% | 3,924 |
| Liability component at December 31, 2022 | <u>421,580</u> |
| Interest charged at an effective interest rate of 0.93% | 2,520 |
| Principle is repaid at maturity at August 24, 2023 | <u>(424,100)</u> |
| Liability component at December 31, 2023 | <u>\$ -</u> |

Financial assets at fair value through profit or loss - call options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$0 thousand and \$42 thousand for the years ended December 31, 2023 and 2022, respectively.

- b. On June 28, 2021, the Corporation issued 0% three-year unsecured domestic convertible bonds at 100.0% of face value of \$1,000,000 thousand for the third time, with maturity date of June 28, 2024, totaling \$1,000,000 thousand, and the trustee is Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$100.6. Conversion may occur at any time between September 29, 2021 and June 28, 2024.

According to restrictions for third-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from September 29, 2021 to May 19 2024, if the closing price of common 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 June 28, 2023. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 40-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 101.0% 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 1.57% per annum on initial recognition.

| | |
|---|------------------|
| Proceeds from issuance (less transaction costs of \$5,406 thousand) | \$ 994,594 |
| Equity component (less transaction costs allocated to the equity component of \$212 thousand) | (38,988) |
| Financial liabilities held for trading - call and put options | <u>(1,492)</u> |
| Liability component at the date of issue | 954,114 |
| Interest charged at an effective interest rate of 1.57% | <u>7,666</u> |
| Liability component at December 31, 2021 | 961,780 |
| Interest charged at an effective interest rate of 1.57% | <u>15,177</u> |
| Liability component at December 31, 2022 | 976,957 |
| Interest charged at an effective interest rate of 1.57% | 7,696 |
| Redeem bonds payable | <u>(983,453)</u> |
| Liability component at December 31, 2023 | <u>\$ 1,200</u> |

Financial assets at fair value through profit or loss - call and put options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options were \$300 thousand and \$11,900 thousand for the years ended December 31, 2023 and 2022, respectively.

In June 2023, a bondholder exercised the right to sell back 9,988 units of convertible bonds with a sale price of \$998,800 thousand and interest compensation of \$9,988 thousand. The Corporation wrote off bonds payable and financial liabilities at FVTPL of \$983,453 thousand and \$25,605 thousand, respectively. The difference between the sale price and the carrying amount of \$270 thousand recognized as a gain on redemption on of convertible bonds (accounted for non-operating income and expenses - other income). The equity components were converted to capital surplus - convertible bonds - expired of \$38,942 thousand. As of December 31, 2023, there were \$1,200 thousand convertible bonds whose face value had not been exercised.

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 PAYABLES AND LONG-TERM PAYABLES

| | <u>December 31</u> | |
|--------------------------------------|--------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Current</u> | | |
| Payables for freight | \$ 88,865 | \$ 100,919 |
| Payables for salaries and bonuses | 65,500 | 74,952 |
| Payables for employee benefits | 44,054 | 44,878 |
| Payables for advertisements | 33,466 | 35,879 |
| Payables for value added taxes | 32,338 | 36,783 |
| Payables for royalties (Note 19) | 24,264 | 24,302 |
| Payables for labor costs | 13,083 | 12,908 |
| Payables for annual leave | 12,792 | 6,771 |
| Payables for insurance | 12,414 | 10,309 |
| Payables for commissions | 4,758 | 6,580 |
| Payables for purchases of equipment | 3,385 | 2,813 |
| Payables for employees' compensation | - | 5,518 |
| Others | <u>122,771</u> | <u>135,188</u> |
| | <u>\$ 457,690</u> | <u>\$ 497,800</u> |
| <u>Non-current</u> | | |
| Payables for royalties (Note 19) | <u>\$ 58,829</u> | <u>\$ 83,093</u> |

24. PROVISIONS

| | <u>December 31</u> | |
|------------|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Warranties | <u>\$ 12,044</u> | <u>\$ 13,927</u> |

| | Warranties |
|---|-------------------|
| Balance at January 1, 2023 | \$ 13,927 |
| Amount used | (53,637) |
| Additional provisions recognized | 62,732 |
| Effect of foreign currency exchange differences | <u>(10,978)</u> |
| Balance at December 31, 2023 | <u>\$ 12,044</u> |
| Balance at January 1, 2022 | \$ 19,343 |
| Amount used | (57,249) |
| Additional provisions recognized | 80,826 |
| Effect of foreign currency exchange differences | <u>(28,993)</u> |
| Balance at December 31, 2022 | <u>\$ 13,927</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., Cikayda Inc and Iuvo Industry 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., President Plastic Products MFG. Co., Ltd. and Iuvo Industry 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, Germany, UK, Japan and Thailand are members of a state-managed retirement benefit plan operated by the government of the US, China, Germany, UK, Japan and Thailand 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 Act 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 Act 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:

| | December 31 | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Present value of defined benefit obligation | \$ 24,499 | \$ 28,692 |
| Fair value of plan assets | <u>(12,852)</u> | <u>(12,225)</u> |
| Deficit | <u>11,647</u> | <u>16,467</u> |
| Net defined benefit liabilities | <u>\$ 11,647</u> | <u>\$ 16,467</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|---|--|--|--|
| Balance at January 1, 2022 | <u>\$ 30,230</u> | <u>\$ (10,946)</u> | <u>\$ 19,284</u> |
| Recognized in profit or loss | | | |
| Net interest expenses (income) | <u>205</u> | <u>(71)</u> | <u>134</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (841) | (841) |
| Actuarial gain - changes in financial assumptions | (1,410) | - | (1,410) |
| Actuarial loss - changes in demographic assumptions | 5 | - | 5 |
| Actuarial gain - experience adjustments | <u>(338)</u> | <u>-</u> | <u>(338)</u> |
| Recognized in other comprehensive income | <u>(1,743)</u> | <u>(841)</u> | <u>(2,584)</u> |
| Contributions from employer | <u>-</u> | <u>(367)</u> | <u>(367)</u> |
| Balance at December 31, 2022 | <u>\$ 28,692</u> | <u>\$ (12,225)</u> | <u>\$ 16,467</u> |
| Balance at January 1, 2023 | <u>\$ 28,692</u> | <u>\$ (12,225)</u> | <u>\$ 16,467</u> |
| Recognized in profit or loss | | | |
| Net interest expenses (income) | <u>352</u> | <u>(149)</u> | <u>203</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (110) | (110) |
| Actuarial loss - changes in financial assumptions | 109 | - | 109 |
| Actuarial gain - experience adjustments | <u>(4,654)</u> | <u>-</u> | <u>(4,654)</u> |
| Recognized in other comprehensive income | <u>(4,545)</u> | <u>(110)</u> | <u>(4,655)</u> |
| Contributions from employer | <u>-</u> | <u>(368)</u> | <u>(368)</u> |
| Balance at December 31, 2023 | <u>\$ 24,499</u> | <u>\$ (12,852)</u> | <u>\$ 11,647</u> |

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

| | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|---------------|
| | 2023 | 2022 |
| Operating costs | \$ 58 | \$ 40 |
| Selling and marketing expenses | 17 | 16 |
| General and administrative expenses | 70 | 43 |
| Research and development expenses | <u>58</u> | <u>35</u> |
| | <u>\$ 203</u> | <u>\$ 134</u> |

Through the defined benefit plans under the Labor Standards Act, 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:

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Discount rate(s) | 1.20% | 1.25% |
| Expected rate(s) of salary increase | 2.00% | 2.00% |

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

| | December 31 | |
|-------------------------------------|--------------------|-----------------|
| | 2023 | 2022 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (535)</u> | <u>\$ (607)</u> |
| 0.25% decrease | <u>\$ 553</u> | <u>\$ 628</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 548</u> | <u>\$ 622</u> |
| 0.25% decrease | <u>\$ (532)</u> | <u>\$ (604)</u> |

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

| | <u>December 31</u> | |
|---|--------------------|---------------|
| | <u>2023</u> | <u>2022</u> |
| Expected contributions to the plans for the next year | \$ <u>367</u> | \$ <u>367</u> |
| Average duration of the defined benefit obligation | 8 years | 8 years |

26. EQUITY

a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Number of shares authorized (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Share capital authorized | \$ <u>2,000,000</u> | \$ <u>2,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>159,610</u> | <u>134,115</u> |
| Ordinary shares issued | \$ <u>1,596,097</u> | \$ <u>1,341,147</u> |

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

On March 23, 2023, the Corporation's board of directors resolved to issue 25,000 thousand shares at \$10 per share. On April 27, 2023, the above-mentioned was approved by the FSC. The Corporation's board of directors resolved the base date as June 19, 2023. The transaction costs for the issuance of new shares, totaling \$2,668 thousand, were deducted from the capital surplus as issuance premium.

b. Capital surplus

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> | | |
| Issuance of ordinary shares | \$ 1,918,498 | \$ 1,327,831 |
| Conversion of bonds | 613,057 | 613,057 |
| Treasury share transaction | 127,204 | 124,774 |
| <u>May only be used to offset a deficit</u> | | |
| Convertible bonds - expired | 47,894 | - |
| Conversion of employee share options | 19,610 | 1,460 |
| Changes in percentage of ownership interests in subsidiaries | 2,619 | - |
| Gain on disorgement | 140 | 140 |
| <u>May not be used for any purpose</u> | | |
| Conversion of bonds | 47 | 47,941 |
| Employee share options | - | 4,678 |
| Employee share options in subsidiaries | <u>27,652</u> | <u>23,038</u> |
| | <u>\$ 2,756,721</u> | <u>\$ 2,142,919</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 2023 and 2022 was as follows:

| | Issuance of Ordinary Shares | Convertible Bond Premium | Treasury Shares Transaction | Convertible Bonds - Expired | Conversion of Employee Share Options | Changes in Ownership Interests in Subsidiaries | Enforce Disgorgement | Conversion of Bond - Options | Employee Share Options | Employee Share Options in Subsidiaries |
|--|-----------------------------|--------------------------|-----------------------------|-----------------------------|--------------------------------------|--|----------------------|------------------------------|------------------------|--|
| Balance at January 1, 2023 | \$ 1,327,831 | \$ 613,057 | \$ 124,774 | \$ - | \$ 1,460 | \$ - | \$ 140 | \$ 47,941 | \$ 4,678 | \$ 23,038 |
| Exercise of employee share options | 14,009 | - | - | - | 18,150 | - | - | - | (19,833) | - |
| Compensation costs of employee share options (remark) | - | - | - | - | - | - | - | - | 5,403 | 5,945 |
| Treasury shares transferred to employees | - | - | 2,430 | - | - | - | - | - | (5,403) | - |
| Issuance of ordinary shares | 572,332 | - | - | - | - | - | - | - | 18,150 | - |
| Repurchase convertible bonds | - | - | - | 47,894 | - | - | - | (47,894) | - | - |
| Organization restructure | - | - | - | - | - | (702) | - | - | - | - |
| Expired employee share option | 4,326 | - | - | - | - | - | - | - | (2,995) | (1,331) |
| Acquisition of subsidiaries interest not subscribe according to shareholding ratio | - | - | - | - | - | 3,321 | - | - | - | - |
| Balance at December 31, 2023 | <u>\$ 1,918,498</u> | <u>\$ 613,057</u> | <u>\$ 127,204</u> | <u>\$ 47,894</u> | <u>\$ 19,610</u> | <u>\$ 2,619</u> | <u>\$ 140</u> | <u>\$ 47</u> | <u>\$ -</u> | <u>\$ 27,652</u> |
| Balance at January 1, 2022 | \$ 1,325,152 | \$ 613,057 | \$ 117,644 | \$ - | \$ 1,460 | \$ - | \$ 140 | \$ 47,941 | \$ 4,869 | \$ 5,662 |
| Exercise of employee share options | 2,679 | - | - | - | - | - | - | - | (191) | - |
| Compensation costs of employee share options (remark) | - | - | - | - | - | - | - | - | (19,068) | 17,376 |
| Treasury shares transferred to employees | - | - | 7,130 | - | - | - | - | - | (19,068) | - |
| Balance at December 31, 2022 | <u>\$ 1,327,831</u> | <u>\$ 613,057</u> | <u>\$ 124,774</u> | <u>\$ -</u> | <u>\$ 1,460</u> | <u>\$ -</u> | <u>\$ 140</u> | <u>\$ 47,941</u> | <u>\$ 4,678</u> | <u>\$ 23,038</u> |

Remark: On January 3, 2023 and January 11, 2022, 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 \$5,403 thousand and \$19,068 thousand, respectively. For the years ended December 31, 2023 and 2022, the compensation costs of employees' shares recognized were \$24,095 thousand and \$17,376 thousand, respectively.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the 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. 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 2022 and 2021 were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-------------------------------|----------------------------------|-------------|---------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | \$ - | \$ 44,149 | | |
| (Reversal of) special reserve | (111,910) | 62,459 | | |
| Cash dividends | 62,813 | 317,502 | \$ 0.50 | \$ 2.50 |

The above 2022 and 2021 appropriation for cash dividends had been resolved by the Corporation's board of directors on March 23, 2023 and March 31, 2022, respectively; the other proposed appropriations had been resolved by the shareholders in their meetings on May 26, 2023 and May 27, 2022, respectively.

On March 12, 2024, the board of directors of the parent company proposed to reverse a special reserve of \$493 thousand and also proposed to distribute stock dividends of \$75,323 thousand from capital reserves, equating to a dividend of \$0.5 per share. These distribution plans are pending approval at the annual general meeting of shareholders, which is expected to be held on May 27, 2024.

d. Other equity items

1) Exchange differences on translating 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 (loss) gain on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ (7,267) | \$ (2,360) |
| Recognized for the year | | |
| Unrealized loss on equity instruments | <u>(14,661)</u> | <u>(4,907)</u> |
| Balance at December 31 | <u>\$ (21,928)</u> | <u>\$ (7,267)</u> |

e. Treasury shares

| Purpose of Buy-back | Shares Transferred to Employees (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2023 | 9,452 |
| Decrease during the year | <u>(489)</u> |
| Number of shares at December 31, 2023 | <u>8,963</u> |

(Continued)

| Purpose of Buy-back | Shares Transferred to Employees (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2022 | 8,013 |
| Increase during the year | 2,338 |
| Decrease during the year | <u>(899)</u> |
| Number of shares at December 31, 2022 | <u>9,452</u> (Concluded) |

On May 11, 2022, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$40 to \$65 per share from May 12, 2022, to July 11, 2022. 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 2,338 thousand shares, with total cost of \$96,415 thousand.

On January 3, 2023 and January 11, 2022, the Corporation's board of directors resolved to transfer 489 thousand and 899 thousand shares of treasury shares to employees, respectively. For related information on employees exercised of the treasury share options, refer to Note 31.

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

| | <u>For the Year Ended December 31</u> | |
|--|--|-------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ 394,852 | \$ 394,933 |
| Non-controlling interests arising from acquisition of subsidiaries (see Note 32) | - | 6,200 |
| Increase (decrease) in non-controlling interests | (3,321) | 7,815 |
| Adjustments relating to changes in capital surplus of granting share options to employees of subsidiaries | 474 | 4,344 |
| (Loss) profit for the period attributable to non-controlling interests | 12,398 | (18,554) |
| Exchange differences on translation of the financial statements of foreign entities | (7,522) | 114 |
| Organization restructure | <u>702</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 397,583</u> | <u>\$ 394,852</u> |

27. REVENUE

| | <u>For the Year Ended December 31</u> | |
|---------------------------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Revenue from contracts with customers | | |
| Sporting goods | \$ 7,171,131 | \$ 6,168,950 |
| Furniture | 603,478 | 911,149 |
| Other revenue | <u>11,862</u> | <u>42,312</u> |
| | <u>\$ 7,786,471</u> | <u>\$ 7,122,411</u> |

a. Contract balances

| | December 31, 2023 | December 31, 2022 | January 1, 2022 |
|-------------------------------|----------------------|----------------------|---------------------|
| Notes receivable (Note 10) | <u>\$ 984</u> | <u>\$ 940</u> | <u>\$ 1,490</u> |
| Accounts receivable (Note 10) | <u>\$ 1,071,044</u> | <u>\$ 1,095,392</u> | <u>\$ 1,647,028</u> |
| Contract liabilities | | | |
| Sale of goods | <u>\$ 145,721</u> | <u>\$ 177,567</u> | <u>\$ 21,470</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:

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|------------------|
| | 2023 | 2022 |
| From contract liabilities at the start of the year | | |
| Sale of goods | <u>\$ 177,567</u> | <u>\$ 21,470</u> |

b. Disaggregation of revenue

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

c. Partially completed contracts

The year expected to recognize revenue in relation to the unsatisfied performance obligations is as follows:

| | <u>December 31</u> | |
|------------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Sale of goods | | |
| From January 2023 to December 2023 | \$ - | \$ 177,567 |
| From January 2024 to December 2024 | <u>145,721</u> | <u>-</u> |
| | <u>\$ 145,721</u> | <u>\$ 177,567</u> |

28. NET PROFIT

Net profit consisted of following items:

a. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 154,475 | \$ 146,455 |
| Intangible assets | 82,791 | 80,321 |
| Right-of-use assets | 26,741 | 24,779 |
| Investment properties | <u>2,140</u> | <u>2,214</u> |
| | <u>\$ 266,147</u> | <u>\$ 253,769</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 88,374 | \$ 97,254 |
| Operating expenses | 92,842 | 73,980 |
| Non-operating income and expenses | <u>2,140</u> | <u>2,214</u> |
| | <u>\$ 183,356</u> | <u>\$ 173,448</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 82,791</u> | <u>\$ 80,321</u> |

b. Other operating income and expenses

| | For the Year Ended December 31 | |
|--|---------------------------------------|--------------------|
| | 2023 | 2022 |
| (Loss) gain on disposal of property, plant and equipment | \$ (1,182) | \$ 433 |
| Impairment loss recognized on prepayments for goods | <u>-</u> | <u>(28,080)</u> |
| | <u>\$ (1,182)</u> | <u>\$ (27,647)</u> |

Since the supplier could not supply and the payment could not be recovered, the supplier's prepayments were recognized as a full loss of NT\$28,080 thousand (RMB6,350 thousand) in 2022.

c. Employee benefits expense

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Post-employment benefits (Note 25) | | |
| Defined contribution plan | \$ 29,975 | \$ 27,184 |
| Defined benefit plans | <u>203</u> | <u>134</u> |
| | <u>30,178</u> | <u>27,318</u> |
| Employees' compensation | 943,092 | 915,384 |
| Labor and national health insurance expenses | 72,954 | 68,714 |
| Other employee benefits | <u>27,419</u> | <u>34,301</u> |
| | <u>1,043,465</u> | <u>1,018,399</u> |
| Total employee benefits expense | <u>\$ 1,073,643</u> | <u>\$ 1,045,717</u> |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|---------------------|
| | 2023 | 2022 |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 303,984 | \$ 327,747 |
| Operating expenses | <u>769,659</u> | <u>717,970</u> |
| | <u>\$ 1,073,643</u> | <u>\$ 1,045,717</u> |
| | | (Concluded) |

d. Compensation of employees and remuneration of directors

The Corporation accrued employees' 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. For the years ended December 31, 2023 and 2022, there were no estimation for compensation of employees and remuneration of directors due to net loss before tax.

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 compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021.

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 on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Foreign exchange gains | \$ 214,011 | \$ 722,164 |
| Foreign exchange losses | <u>(198,894)</u> | <u>(280,407)</u> |
| Net gains | <u>\$ 15,117</u> | <u>\$ 441,757</u> |

f. Interest expenses

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Interest on bank loans | \$ 86,685 | \$ 63,080 |
| Interest on convertible bonds | 10,216 | 19,101 |
| Interest on lease liabilities | <u>993</u> | <u>2,348</u> |
| | <u>\$ 97,894</u> | <u>\$ 84,529</u> |

Information related to the capitalization of interest is as follows:

| | <u>For the Year Ended December 31</u> | |
|-----------------------------------|--|-------------|
| | 2023 | 2022 |
| Capitalisation of interest amount | \$ 6,332 | \$ 1,004 |
| Capitalisation of interest rate | 1.95%-2.20% | 1.44%-1.89% |
| g. Other expenses | | |

| | <u>For the Year Ended December 31</u> | |
|-------------------------|--|------------------|
| | 2023 | 2022 |
| Compensation for losses | \$ - | \$ 36,263 |
| Others | <u>4,398</u> | <u>4,346</u> |
| | <u>\$ 4,398</u> | <u>\$ 40,609</u> |

29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|------------------|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | \$ (3,841) | \$ 64,316 |
| Income tax on unappropriated earnings | - | 869 |
| Adjustments for prior year | <u>(736)</u> | <u>20,370</u> |
| | <u>(4,577)</u> | <u>85,555</u> |
| Deferred tax | | |
| In respect of the current year | (40,473) | (71,933) |
| Adjustments for prior year | <u>(14,009)</u> | <u>-</u> |
| | <u>(54,482)</u> | <u>(71,933)</u> |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (59,059)</u> | <u>\$ 13,622</u> |

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

| | <u>For the Year Ended December 31</u> | |
|--|--|--------------------|
| | 2023 | 2022 |
| Loss before tax | <u>\$ (169,431)</u> | <u>\$ (81,061)</u> |
| Income tax benefit calculated at the statutory rate | \$ (33,886) | \$ (16,210) |
| Nondeductible expenses in determining taxable income | 15,729 | 19,777 |
| Investment credit | (4,755) | - |
| Income tax on unappropriated earnings | - | 869 |
| Unrealized loss carryforwards | (2,191) | 3,697 |

(Continued)

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2023 | 2022 |
| Realized/unrealized deductible temporary differences | \$ (9,164) | \$ (18,731) |
| Effect of different tax rate of entities in the Group operating in other jurisdictions | (10,047) | 3,850 |
| Adjustments for prior years | <u>(14,745)</u> | <u>20,370</u> |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (59,059)</u> | <u>\$ 13,622</u> |

(Concluded)

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---------------------------------------|---------------------------------------|---------------|
| | 2023 | 2022 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Remeasurement of defined benefit plan | <u>\$ 931</u> | <u>\$ 517</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 93,998</u> | <u>\$ 51,611</u> |
| Current tax liabilities | | |
| Income tax payable | <u>\$ 7,066</u> | <u>\$ 10,696</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Effects of Foreign Currency Exchange Differences | Closing Balance |
|--|------------------------|-------------------------------------|---|---|------------------------|
| <u>Deferred tax assets</u> | | | | | |
| Temporary differences | | | | | |
| Deferred revenue | \$ 80,315 | \$ (8,313) | \$ - | \$ 1 | \$ 72,003 |
| Investment loss recognized under the equity method | 271,153 | 37,351 | - | (39) | 308,465 |
| Write-down of inventories | 36,990 | 10,053 | - | (393) | 46,650 |
| Employee benefits | 11,220 | - | - | (207) | 11,013 |
| Allowance for impairment loss | 41,491 | (12,929) | - | (313) | 28,249 |
| Provisions | 3,451 | (308) | - | 29 | 3,172 |
| Defined benefit obligations | 3,399 | - | (931) | - | 2,468 |
| Payables for annual leave | 1,629 | 1,233 | - | (7) | 2,855 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Effects of Foreign Currency Exchange Differences | Closing Balance |
|--|-------------------|------------------------------|--|--|-------------------|
| Unrealized foreign exchange loss, net | \$ 1,308 | \$ (1,258) | \$ - | \$ 24 | \$ 74 |
| Unrealized financial assets valuation loss | 154 | 5,978 | - | - | 6,132 |
| Property, plant and equipment | <u>1,970</u> | <u>388</u> | <u>-</u> | <u>48</u> | <u>2,406</u> |
| | 453,080 | 32,195 | (931) | (857) | 483,487 |
| Tax losses | <u>-</u> | <u>10,282</u> | <u>-</u> | <u>-</u> | <u>10,282</u> |
| | <u>\$ 453,080</u> | <u>\$ 42,477</u> | <u>\$ (931)</u> | <u>\$ (857)</u> | <u>\$ 493,769</u> |
| <u>Deferred tax liabilities</u> | | | | | |
| Temporary differences | | | | | |
| Property, plant and equipment | \$ 135,239 | \$ (4,689) | \$ - | \$ (3,588) | \$ 126,962 |
| Investment gain recognized under the equity method | 118,882 | 4,656 | - | - | 123,538 |
| Intangible assets | 173,574 | (10,630) | - | 1,841 | 164,785 |
| Timing difference in sales | 2,331 | 1,049 | - | (59) | 3,321 |
| Unrealized foreign exchange gain, net | <u>7,311</u> | <u>(2,391)</u> | <u>-</u> | <u>-</u> | <u>4,920</u> |
| | <u>\$ 437,337</u> | <u>\$ (12,005)</u> | <u>\$ -</u> | <u>\$ (1,806)</u> | <u>\$ 423,526</u> |

For the year ended December 31, 2022

| | Opening Balance | Acquisition Through Business Combinations | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Effects of Foreign Currency Exchange Differences | Closing Balance |
|--|-------------------|---|------------------------------|--|--|-------------------|
| <u>Deferred tax assets</u> | | | | | | |
| Temporary differences | | | | | | |
| Deferred revenue | \$ 130,607 | \$ - | \$ (50,340) | \$ - | \$ 48 | \$ 80,315 |
| Investment loss recognized under the equity method | 159,895 | - | 111,238 | - | 20 | 271,153 |
| Write-down of inventories | 24,520 | - | 12,096 | - | 374 | 36,990 |
| Employee benefits | 11,057 | - | - | - | 163 | 11,220 |
| Allowance for impairment loss | 22,491 | - | 18,314 | - | 686 | 41,491 |
| Provisions | 4,789 | - | (1,658) | - | 320 | 3,451 |
| Defined benefit obligations | 3,916 | - | - | (517) | - | 3,399 |
| Payables for annual leave | 1,993 | - | (418) | - | 54 | 1,629 |
| Unrealized foreign exchange loss, net | 16,003 | - | (14,757) | - | 62 | 1,308 |
| Unrealized financial assets valuation loss | 2,990 | - | (2,836) | - | - | 154 |
| Property, plant and equipment | <u>1,461</u> | <u>-</u> | <u>442</u> | <u>-</u> | <u>67</u> | <u>1,970</u> |
| | 379,722 | - | 72,081 | (517) | 1,794 | 453,080 |
| Tax losses | <u>3,414</u> | <u>-</u> | <u>(3,414)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 383,136</u> | <u>\$ -</u> | <u>\$ 68,667</u> | <u>\$ (517)</u> | <u>\$ 1,794</u> | <u>\$ 453,080</u> |
| <u>Deferred tax liabilities</u> | | | | | | |
| Temporary differences | | | | | | |
| Property, plant and equipment | \$ 136,557 | \$ 1,319 | \$ (4,779) | \$ - | \$ 2,142 | \$ 135,239 |
| Investment gain recognized under the equity method | 113,356 | - | 5,515 | - | 11 | 118,882 |
| Intangible assets | 168,159 | - | (11,313) | - | 16,728 | 173,574 |
| Timing difference in sales | 2,297 | - | - | - | 34 | 2,331 |
| Unrealized foreign exchange gain, net | <u>-</u> | <u>-</u> | <u>7,311</u> | <u>-</u> | <u>-</u> | <u>7,311</u> |
| | <u>\$ 420,369</u> | <u>\$ 1,319</u> | <u>\$ (3,266)</u> | <u>\$ -</u> | <u>\$ 18,915</u> | <u>\$ 437,337</u> |

e. Income tax assessments

The income tax returns of the Corporation, the income tax returns of subsidiaries, Daan Health Management Consulting Co., Ltd., Wing Long Co., Ltd., Cikayda Inc., Iuvo Industry Co., Ltd. and President Plastic Products MFG. Co., Ltd. through 2021 have been assessed by the tax authorities.

30. LOSS PER SHARE

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

Net loss for the period is as follows:

| | <u>For the Year Ended December 31</u> | |
|---|--|--------------------|
| | 2023 | 2022 |
| Loss for the year attributable to owners of the Corporation | <u>\$ (122,770)</u> | <u>\$ (76,129)</u> |
| Earnings used in the computation of basic loss per share | <u>\$ (122,770)</u> | <u>\$ (76,129)</u> |

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

| | <u>For the Year Ended December 31</u> | |
|--|--|----------------|
| | 2023 | 2022 |
| Weighted average number of ordinary shares used in the computation of basic loss per share | <u>138,842</u> | <u>125,706</u> |

The Group are net loss at the years ended December 31, 2023 and 2022, therefore, are not dilutive and diluted loss per share were not calculated.

31. SHARE-BASED PAYMENT ARRANGEMENTS

- a. Issuance of ordinary shares in 2023 retained employee share options during 2023.

On March 23, 2023, the board of directors of the parent company resolved a cash capital increase to issue 25,000 thousand ordinary shares. According to Article 267 of the Company Act, when a company issues new shares, a portion of such shares shall be reserved for subscription by employees of the company. The grant date was June 5, 2023.

Options retained by cash capital increase were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | June 2023 |
|--------------------------|------------------|
| Grant-date share price | \$40.25 |
| Exercise price | \$33.00 |
| Expected volatility | 30.81% |
| Expected life (in years) | 0.02 years |
| Expected dividend yield | - |
| Risk-free interest rate | 1.03% |

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 Group recognized that the compensation cost for 2023 was \$18,150 thousand.

b. 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 | | | |
|------------------------------------|--|--|--|--|
| | 2023 | | 2022 | |
| | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Employee Share Options | | | | |
| Balance at January 1 | 2,691 | \$ 34.90 | 2,784 | \$ 36.90 |
| Options exercised | (495) | 34.90 | (93) | 36.90 |
| Options expired | <u>(2,196)</u> | | <u>-</u> | |
| Balance at December 31 | <u>-</u> | | <u>2,691</u> | |
| Options exercisable, end of period | <u>-</u> | | <u>2,691</u> | |

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

| | December 31 | |
|--|--------------------|-------------|
| | 2023 | 2022 |
| Range of exercise price (\$) | \$ - | \$ 36.90 |
| Weighted-average remaining contractual life (in years) | - | 1 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.

For the year ended December 31, 2023, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$1,683 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$12,326 thousand was recognized on the conversion date.

For the year ended December 31, 2022, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$191 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$2,679 thousand was recognized on the conversion date.

c. Treasury shares transferred to employees

1) The fourth treasury shares transferred to employees

Qualified employees of the Group were granted 899 thousand treasury share options on January 11, 2022. 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:

| Employee Share Options | For the Year Ended December 31, 2022 | |
|------------------------------------|--|--|
| | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Options granted | 899 | \$ 29.89 |
| Options operated | <u>(899)</u> | 29.89 |
| Balance at December 31 | <u> -</u> | |
| Options exercisable, end of period | <u> -</u> | |

The base date of employee share options was January 14, 2022. Employees exercised the treasury share options from January 12 to January 14, 2022.

Options granted in January 2022 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | August 2022 |
|--|--------------------|
| Grant-date share price | \$51.10 |
| Exercise price | \$29.89 |
| Expected volatility | 41.00% |
| Expected life (in days) | 4 days |
| Risk-free interest rate | 0.10% |
| Weighted-average fair value of options granted | \$21.21 |

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

For the year ended December 31, 2022, the compensation cost recognized by the Group was \$19,068 thousand.

For the year ended December 31, 2022, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$19,068 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$11,938 thousand was recognized on the conversion date.

2) The fifth treasury shares transferred to employees

Qualified employees of the Group were granted 489 thousand treasury share options on January 3, 2023. 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 December 31, 2023 | |
|------------------------------------|--|--|
| | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Employee Share Options | | |
| Options granted | 489 | \$ 30.00 |
| Options operated | <u>(489)</u> | 30.00 |
| Balance at December 31 | <u>-----</u> | |
| Options exercisable, end of period | <u>-----</u> | |

The base date of employee share options was February 8, 2023. Employees exercised the treasury share options from February 6, 2023 to February 8, 2023.

Options granted in January 2023 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | January 2023 |
|--|---------------------|
| Grant-date share price | \$41.05 |
| Exercise price | \$30.00 |
| Expected volatility | 3% |
| Expected life (in days) | 37 days |
| Risk-free interest rate | 1.65% |
| Weighted-average fair value of options granted | \$11.05 |

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

For the year ended December 31, 2023, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$5,403 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$2,973 thousand was recognized on the conversion date.

d. Granting treasury share options to employees of subsidiaries

In the board meeting on March 9, 2022, the Corporation approved the granting of 2,000 thousand options to employees of indirectly held subsidiaries; the duration is set to retroactively expire after 4 years from the issuance date of November 30, 2021 when the employees begin their employments. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 1 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 first anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the second anniversary from the grant date.
- 3) The options are fully exercisable after the third anniversary from the grant date.

Note: According to the above schedule, seventy five percent of every subscription should be lock-up for six months, rest of them are no restriction.

According to the regulations on the transfer of treasury shares of the Corporation, if there is an increase in the issued ordinary shares before the transfer, the execution price may be adjusted according to the ratio of the increase in the issued shares.

Above options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | Lock-up for Six Months | No Lock-up |
|--------------------------|-----------------------------------|-------------------|
| Grant-date share price | \$40.11 | \$44.00 |
| Exercise price | \$30.05 | \$30.05 |
| Expected volatility | 39.53%-46.21% | 39.53%-46.21% |
| Expected life (in years) | 2.23-3.23 years | 2.23-3.23 years |
| Expected dividend yield | - | - |
| Risk-free interest rate | 0.44%-0.51% | 0.44%-0.51% |

Expected volatility is based on the Corporation's rate of return on historical daily share price during the expected duration of the treasury share option, and then annualized standard deviation is calculated.

Compensation cost recognized by the subsidiaries was \$5,945 thousand and \$17,376 thousand for the years ended December 31, 2023 and 2022, respectively.

32. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|-------------------------|--|---------------------|--|---------------------------|
| Iuvo Industry Co., Ltd. | Electric-assisted bicycle manufacturer | October 3, 2022 | 83 | <u>\$ 55,000</u> |

In order to expand the sales market of electric-assisted bicycles, the Group acquired 83% equity in Iuvo Industry Co., Ltd.

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

Acquired Iuvo Industry Co., Ltd.

| | Iuvo Industry Co., Ltd. |
|---|-------------------------|
| Current assets | |
| Cash | \$ 5,049 |
| Notes receivable | 279 |
| Accounts receivable | 4,491 |
| Other receivables | 194 |
| Inventories | 104,697 |
| Prepayments | 31,251 |
| Non-current assets | |
| Property, plant and equipment | 493,756 |
| Right-of-use assets | 3,903 |
| Brand value | 6,592 |
| Deferred tax asset | 22 |
| Refundable deposits | 6,993 |
| Other non-current assets | 10,454 |
| Current liabilities | |
| Short-term borrowings | (15,000) |
| Contract liabilities | (134,634) |
| Notes payable | (46,440) |
| Accounts payable | (31,085) |
| Other payables | (49,091) |
| Lease liabilities | (1,605) |
| Current portion of long-term borrowings | (31,985) |
| Non-current liabilities | |
| Long-term borrowings | (317,741) |
| Deferred tax liabilities | (1,319) |
| Lease liabilities | <u>(2,312)</u> |
| | <u>\$ 36,469</u> |

c. Non-controlling interests

IUVO Industry Co., Ltd at the acquisition date were recognized according to the fair value of identifiable net assets.

d. Goodwill recognized on acquisitions

Acquired Iuvo Industry Co., Ltd.

| | Iuvo Industry Co., Ltd. |
|---|------------------------------------|
| Consideration transferred | \$ 55,000 |
| Add: Non-controlling interests (17% in Iuvo Industry Co., Ltd.) | 6,200 |
| Less: Fair value of identifiable net assets acquired | <u>(36,469)</u> |
| Goodwill recognized on acquisitions | <u>\$ 24,731</u> |

The goodwill recognized in the acquisition of Iuvo Industry Co., Ltd. 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.

e. Net cash outflow on the acquisition of subsidiaries

2022

| | Iuvo Industry Co., Ltd. |
|---|------------------------------------|
| Consideration paid in cash | \$ 55,000 |
| Less: Cash balances acquired | <u>(5,049)</u> |
| Net cash outflow on the acquisition of subsidiaries | <u>\$ 49,951</u> |

f. Impact of acquisitions on the results of the Group

The financial results of IUVO Industry Co., Ltd. since the acquisition dates to December 31, 2022 are as follows:

| | Iuvo Industry Co., Ltd. |
|---------|------------------------------------|
| Revenue | <u>\$ 91,372</u> |
| Profit | <u>\$ (4,654)</u> |

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$7,235,277 thousand, and the loss would have been \$207,586 thousand for 2022. 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, 2022, nor is it intended to be a projection of future results.

33. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Group entered into the following partial cash investing and financing activities:

a. From cash investing activities

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Partial cash paid for property, plant and equipment | | |
| Purchase of property, plant and equipment | \$ 225,167 | \$ 354,420 |
| Changes in prepayments for purchases of equipment | (6,398) | 2,200 |
| Changes in payables for purchase of equipment | <u>(572)</u> | <u>(1,060)</u> |
| Cash paid | <u>\$ 218,197</u> | <u>\$ 355,560</u> |
| Partial cash paid for other intangible assets | | |
| Purchase of intangible assets | \$ 36,976 | \$ 14,113 |
| Changes in payables for royalties | 24,302 | 20,944 |
| Changes in prepayments | 590 | (2,246) |
| Changes in other payables | <u>(15,967)</u> | <u>-</u> |
| Cash paid | <u>\$ 45,901</u> | <u>\$ 32,811</u> |

b. Changes in liabilities arising from financing activities

| | Short-term Borrowings | Bonds Payable | Long-term Borrowings | Guarantee Deposits Received | Lease Liabilities |
|---|----------------------------------|--------------------------|---------------------------------|--|------------------------------|
| Balance at January 1, 2023 | \$ 2,390,915 | \$ 1,398,537 | \$ 1,702,749 | \$ 3,140 | \$ 40,230 |
| Cash flows | (300,981) | (1,407,553) | 541,876 | (1,439) | (20,781) |
| Non-cash changes | | | | | |
| Reclassification | 30,000 | - | (30,000) | - | - |
| New leases | - | - | - | - | 5,169 |
| Interests | - | 10,216 | - | - | - |
| Exchange rate impact | <u>(1,919)</u> | <u>-</u> | <u>704</u> | <u>14</u> | <u>921</u> |
| Balance at December 31, 2023 | <u>\$ 2,118,015</u> | <u>\$ 1,200</u> | <u>\$ 2,215,329</u> | <u>\$ 1,715</u> | <u>\$ 25,539</u> |
| Balance at January 1, 2022 | \$ 2,866,075 | \$ 1,379,436 | \$ 790,427 | \$ 2,732 | \$ 52,479 |
| Cash flows | (502,054) | - | 556,272 | 176 | (25,962) |
| Non-cash changes | | | | | |
| New leases | - | - | - | - | 2,627 |
| Acquisition through business combinations (Note 32) | 15,000 | - | 349,726 | - | 3,917 |
| Interests | - | 19,101 | - | - | - |
| Exchange rate impact | <u>11,894</u> | <u>-</u> | <u>6,324</u> | <u>232</u> | <u>7,169</u> |
| Balance at December 31, 2022 | <u>\$ 2,390,915</u> | <u>\$ 1,398,537</u> | <u>\$ 1,702,749</u> | <u>\$ 3,140</u> | <u>\$ 40,230</u> |

34. 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.

35. 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, 2023

| | Carrying Amount | Fair Value | | | Total |
|---|--------------------|------------|-----------|---------|-----------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Financial bonds | \$ 36,846 | \$ - | \$ 35,489 | \$ - | \$ 35,489 |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 1,200 | \$ - | \$ 1,200 | \$ - | \$ 1,200 |

December 31, 2022

| | Carrying Amount | Fair Value | | | Total |
|---|--------------------|------------|--------------|---------|--------------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Financial bonds | \$ 30,710 | \$ - | \$ 27,539 | \$ - | \$ 27,539 |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 1,398,537 | \$ - | \$ 1,388,326 | \$ - | \$ 1,388,326 |

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, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|-----------------|----------------|------------------|------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | | | | |
| Limited partnership | \$ - | \$ - | \$ 16,555 | \$ 16,555 |
| Hybrid financial assets | | | | |
| Convertible bonds | \$ - | \$ - | \$ 118,124 | \$ 118,124 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | \$ - | \$ - | \$ 6,865 | \$ 6,865 |
| Foreign unlisted shares | - | - | 35,139 | 35,139 |
| Domestic listed shares | <u>8,966</u> | <u>-</u> | <u>-</u> | <u>8,966</u> |
| | <u>\$ 8,966</u> | <u>\$ -</u> | <u>\$ 42,004</u> | <u>\$ 50,970</u> |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|-----------------|------------------|------------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | | | | |
| Swap contracts | \$ - | \$ 3,171 | \$ - | \$ 3,171 |
| Limited partnership | <u>-</u> | <u>-</u> | <u>568</u> | <u>568</u> |
| | <u>\$ -</u> | <u>\$ 3,171</u> | <u>\$ 568</u> | <u>\$ 3,739</u> |
| Hybrid financial assets | | | | |
| Convertible bonds | \$ - | \$ - | \$ 147,071 | \$ 147,071 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | \$ - | \$ - | \$ 9,915 | \$ 9,915 |
| Foreign unlisted shares | - | - | 44,023 | 44,023 |
| Domestic listed private placement shares | <u>-</u> | <u>-</u> | <u>11,759</u> | <u>11,759</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 65,697</u> | <u>\$ 65,697</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities held for trading | | | | |
| Convertible bonds option | \$ - | \$ 25,305 | \$ - | \$ 25,305 |

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, 2023

| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
|---|--------------------------------------|---------------------------------------|
| | Hybrid Instruments | Equity Instruments |
| <u>Financial assets</u> | | |
| Balance at January 1, 2023 | \$ 147,639 | \$ 65,697 |
| Purchases | 17,400 | - |
| Recognized in profit or loss | (30,600) | - |
| Transfer out from Level 3 | - | (11,759) |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | - | (11,868) |
| Effects of foreign currency exchange differences | - | (66) |
| Balance at December 31, 2023 | <u>\$ 134,679</u> | <u>\$ 42,004</u> |

For the year ended December 31, 2022

| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
|---|--------------------------------------|---------------------------------------|
| | Hybrid Instruments | Equity Instruments |
| <u>Financial assets</u> | | |
| Balance at January 1, 2022 | \$ 139,035 | \$ 58,785 |
| Purchases | 600 | 11,759 |
| Recognized in profit or loss | 8,004 | - |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | - | (4,907) |
| Effects of foreign currency exchange differences | - | 60 |
| Balance at December 31, 2022 | <u>\$ 147,639</u> | <u>\$ 65,697</u> |

3) Valuation techniques and assumptions applied for fair value measurement

| <u>Financial Instrument</u> | <u>Valuation Technique and Inputs</u> |
|-----------------------------|---|
| 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. |

(Continued)

| <u>Financial Instrument</u> | <u>Valuation Technique and Inputs</u> |
|--|--|
| Convertible promissory notes | The probability-weighted average expected return method is used for value analysis, considering the terms of the purchase agreement and the management's expected probability and rights to future possible scenarios, to calculate the present value of the expected return for each scenario and the analysis results by weighting of scenario against associated probability. |
| Derivative financial instruments - swap contracts | Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. |
| Derivative financial instruments - call and put options | Binomial-tree model for convertible bond pricing: The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates. |
| Limited Partnership | The limited partnership uses the asset method to calculate the fair value of the investment targets. The asset method is used to evaluate the total value of the individual assets and liabilities covered by the investment. |

(Concluded)

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

c. Categories of financial instruments

| | <u>December 31</u> | |
|---|--------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 134,679 | \$ 150,810 |
| Financial assets at amortized cost (Note 1) | 2,402,902 | 2,574,727 |
| Financial assets at FVTOCI - equity instruments | 50,970 | 65,697 |
| <u>Financial liabilities</u> | | |
| FVTPL | | |
| Held for trading | - | 25,305 |
| Amortized cost (Note 2) | 5,686,364 | 6,958,910 |

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, partial other receivables 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 (including current portion), long-term borrowings (including current portion), long-term payables, partial other payables, other payables to related parties and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include investments in equity instruments, accounts receivable, accounts payable, borrowings, and lease liabilities. 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, British Pound and Canadian dollar.

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.

| | USD Impact | | EUR Impact | |
|----------------|---|--------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Profit or loss | \$ (159,274) | \$ (161,474) | \$ (1,496) | \$ (5,356) |
| | GBP Impact | | RMB Impact | |
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Profit or loss | \$ (8,180) | \$ (8,183) | \$ 18,750 | \$ 17,918 |
| | | | CAD Impact | |
| | | | For the Year Ended December 31 | |
| | | | 2023 | 2022 |
| Profit or loss | | | \$ (4,157) | \$ (718) |

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:

| | <u>December 31</u> | |
|-------------------------------|--------------------|------------|
| | 2023 | 2022 |
| Fair value interest rate risk | | |
| Financial assets | \$ 89,236 | \$ 359,509 |
| Financial liabilities | 2,245,850 | 4,043,842 |
| Cash flow interest rate risk | | |
| Financial assets | 829,476 | 795,365 |
| Financial liabilities | 2,197,326 | 1,595,984 |

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, 2023 and 2022 would increase/decrease by \$3,420 thousand and increase/decrease by \$2,002 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 60.34% and 49.32% of total accounts receivable as of December 31, 2023 and 2022, 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, 2023 and 2022, the Group had available unutilized short-term bank loan facilities of \$1,781,312 thousand and \$2,365,882 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, 2023

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|------------------------------------|---|---------------------|-------------------------------|---------------------|-------------------|
| Non-interest bearing | \$ 504,222 | \$ 746,584 | \$ 17,921 | \$ - | \$ - |
| Variable interest rate liabilities | 30,017 | 146,713 | 251,031 | 1,213,675 | 659,912 |
| Fixed interest rate liabilities | 345,308 | 777,314 | 894,409 | 83,727 | 135,259 |
| Lease liabilities | <u>1,180</u> | <u>2,753</u> | <u>8,522</u> | <u>14,070</u> | <u>-</u> |
| | <u>\$ 880,727</u> | <u>\$ 1,673,364</u> | <u>\$ 1,171,883</u> | <u>\$ 1,311,472</u> | <u>\$ 795,171</u> |

December 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|------------------------------------|---|---------------------|-------------------------------|---------------------|-------------------|
| Non-interest bearing | \$ 471,582 | \$ 801,934 | \$ 85,798 | \$ - | \$ - |
| Variable interest rate liabilities | 30,172 | 26,240 | 209,360 | 783,552 | 546,660 |
| Fixed interest rate liabilities | 196,070 | 606,173 | 2,964,726 | 236,643 | - |
| Lease liabilities | <u>1,271</u> | <u>2,943</u> | <u>11,637</u> | <u>24,721</u> | <u>-</u> |
| | <u>\$ 699,095</u> | <u>\$ 1,437,290</u> | <u>\$ 3,271,521</u> | <u>\$ 1,044,916</u> | <u>\$ 546,660</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, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|--------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Net settled</u> | | | | | |
| Swap contracts | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,065</u> | <u>\$ -</u> | <u>\$ -</u> |

4) Financing facilities

| | December 31 | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Unsecured bank overdraft facilities, reviewed annually and payable on demand | | |
| Amount used | \$ 622,485 | \$ 1,182,395 |
| Amount unused | <u>935,575</u> | <u>1,307,750</u> |
| | <u>\$ 1,558,060</u> | <u>\$ 2,490,145</u> |
| Secured bank overdraft facilities | | |
| Amount used | \$ 3,710,553 | \$ 2,911,269 |
| Amount unused | <u>845,737</u> | <u>1,058,132</u> |
| | <u>\$ 4,556,290</u> | <u>\$ 3,969,401</u> |

36. RELATED PARTY TRANSACTIONS

a. Related parties and relationships

| <u>Related Party</u> | <u>Relationship with the Corporation</u> |
|------------------------------|---|
| Associates | |
| Morsel Inc. | Associate invested using the equity method |
| Other related parties | |
| Houli Construction Co., Ltd. | Director of the Company (is no longer the director of the Corporation since May 2023) |
| William MacFarland | Management of Fitness Equipment Services, LLC. |

b. Transactions, account balances, gains and losses between the company and its subsidiaries are all eliminated upon consolidation, so they are not disclosed in this note. Except as disclosed in other notes, the transactions between the Group and other related parties are as follows.

1) Other receivables

| Related Party Category/Name | <u>December 31</u> | |
|------------------------------------|-----------------------|------------------|
| | 2023 | 2022 |
| Other related parties | | |
| William MacFarlane | \$ <u> -</u> | \$ <u>24,909</u> |

Refer to Note 10 for the repayment compensation receivables of the unrecovered amount.

2) Other payables

| Related Party Category/Name | <u>For the Year Ended December 31</u> | |
|------------------------------------|---------------------------------------|-----------------------|
| | 2023 | 2022 |
| Associates | \$ <u>15,967</u> | \$ <u> -</u> |

The amount was mainly received by the Corporation on behalf of the subsidiaries and the unpaid amount for intangible assets acquired from Morsel Inc., totaling \$15,967 thousand (recognized as current liabilities of \$8,598 thousand and non-current liabilities of \$7,369 thousand, respectively).

3) Purchase of property, plant and equipment

| Related Party Category/Name | <u>For the Year Ended December 31</u> | |
|------------------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Other related parties | | |
| Houli Construction Co., Ltd. | \$ <u>50,550</u> | \$ <u>185,484</u> |

4) Purchase of intangible assets

| Related Party Category/Name | <u>For the Year Ended December 31</u> | |
|------------------------------------|---------------------------------------|-----------------------|
| | 2023 | 2022 |
| Associates | \$ <u>20,139</u> | \$ <u> -</u> |

Primarily relates to the parent company's acquisition of intangible assets such as computer software, brand value, and copyrights from Morsel Inc.

c. Compensation of key management personnel

The details of the compensation for directors and other key management personnel were as follows:

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 109,645 | \$ 110,804 |
| Post-employment benefits | <u>1,168</u> | <u>1,046</u> |
| | <u>\$ 110,813</u> | <u>\$ 111,850</u> |

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

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

| | December 31 | |
|-------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 2,230,810 | \$ 2,276,801 |
| Right-of-use assets | 263,819 | 273,046 |
| Pledged deposits - current | 23,390 | 240,578 |
| Investment properties | 18,690 | 19,569 |
| Inventories | <u>-</u> | <u>118,039</u> |
| | <u>\$ 2,536,709</u> | <u>\$ 2,928,033</u> |

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS: NONE

In addition to other notes, the Group has the following significant commitments on its balance sheet.

The unrecognized contractual commitments of the Group are as follows:

| | December 31 | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | | |
| Property under construction | <u>\$ 82,953</u> | <u>\$ 193,525</u> |

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 of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

(In thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2023

| | Foreign Currency | Exchange Rate | | Carrying Amount |
|------------------------------|-----------------------------|----------------------|-----------|----------------------------|
| <u>Financial assets</u> | | | | |
| Monetary items | | | | |
| USD | \$ 104,968 | 30.705 | (USD:NTD) | \$ 3,223,017 |
| USD | 1,991 | 7.0961 | (USD:RMB) | 61,135 |
| USD | 523 | 1.3235 | (USD:CAD) | 16,048 |
| USD | 23 | 141.3674 | (USD:JPY) | 696 |
| RMB | 12,080 | 4.327 | (RMB:NTD) | 52,272 |
| RMB | 511 | 0.1409 | (RMB:USD) | 2,212 |
| EUR | 777 | 33.98 | (EUR:NTD) | 26,423 |
| EUR | 78 | 1.1067 | (EUR:USD) | 2,643 |
| EUR | 25 | 0.8679 | (EUR:GBP) | 861 |
| GBP | 4,175 | 39.15 | (GBP:NTD) | 163,444 |
| GBP | 77 | 1.275 | (GBP:USD) | 3,032 |
| GBP | 29 | 1.1521 | (GBP:EUR) | 1,145 |
| CAD | 3,584 | 23.2 | (CAD:NTD) | 83,139 |
| Non-monetary items | | | | |
| USD | 6,227 | 7.815 | (USD:HKD) | 191,207 |
| USD | 24,356 | 30.705 | (USD:NTD) | 747,851 |
| HKD | 275,025 | 3.929 | (HKD:NTD) | 1,080,575 |
| RMB | 198,200 | 1.1013 | (RMB:HKD) | 857,855 |
| EUR | 4,690 | 33.98 | (EUR:NTD) | 159,362 |
| GBP | 2,907 | 39.15 | (GBP:NTD) | 113,823 |
| CAD | 10,117 | 23.2 | (CAD:NTD) | 234,723 |
| <u>Financial liabilities</u> | | | | |
| Monetary items | | | | |
| USD | 2,408 | 30.705 | (USD:NTD) | 73,924 |
| USD | 340 | 1.3235 | (USD:CAD) | 10,447 |
| USD | 984 | 141.3674 | (USD:JPY) | 30,209 |
| USD | 27 | 7.0961 | (USD:RMB) | 840 |
| RMB | 91,688 | 4.327 | (RMB:NTD) | 396,733 |
| RMB | 7,567 | 0.1409 | (RMB:USD) | 32,744 |
| GBP | 103 | 1.275 | (GBP:USD) | 4,013 |
| Non-monetary items | | | | |
| JPY | 34,439 | 0.2172 | (JPY:NTD) | 7,480 |
| THB | 2,358 | 0.9017 | (THB:NTD) | 2,126 |

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 96,470 | 30.71 (USD:NTD) | \$ 2,962,612 |
| USD | 11,938 | 6.9669 (USD:RMB) | 366,596 |
| USD | 274 | 1.3547 (USD:CAD) | 8,424 |
| RMB | 16,182 | 4.408 (RMB:NTD) | 71,330 |
| RMB | 219 | 0.1435 (RMB:USD) | 964 |
| EUR | 3,228 | 32.72 (EUR:NTD) | 105,617 |
| EUR | 38 | 1.0655 (EUR:USD) | 1,259 |
| EUR | 8 | 0.8822 (EUR:GBP) | 252 |
| GBP | 4,338 | 37.09 (GBP:NTD) | 160,913 |
| GBP | 74 | 1.1336 (GBP:EUR) | 2,737 |
| CAD | 633 | 22.67 (CAD:NTD) | 14,355 |
| Non-monetary items | | | |
| USD | 33,167 | 30.71 (USD:NTD) | 1,018,573 |
| USD | 6,039 | 7.7984 (USD:HKD) | 185,453 |
| HKD | 267,322 | 3.938 (HKD:NTD) | 1,052,713 |
| RMB | 193,404 | 1.1193 (RMB:HKD) | 852,524 |
| GBP | 2,803 | 37.09 (GBP:NTD) | 103,962 |
| THB | 3,553 | 0.8347 (THB:NTD) | 2,966 |
| JPY | 6,517 | 0.2324 (JPY:NTD) | 1,514 |
| EUR | 5,179 | 32.72 (EUR:NTD) | 169,444 |
| CAD | 11,577 | 22.67 (CAD:NTD) | 262,457 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 1,915 | 30.71 (USD:NTD) | 58,808 |
| USD | 376 | 1.3547 (USD:CAD) | 11,547 |
| USD | 828 | 132.1429 (USD:JPY) | 25,434 |
| USD | 402 | 6.9669 (USD:RMB) | 12,357 |
| RMB | 91,370 | 4.408 (RMB:NTD) | 402,759 |
| RMB | 6,328 | 0.1435 (RMB:USD) | 27,895 |

For the years ended December 31, 2023 and 2022, realized and unrealized net foreign exchange gains were \$15,117 thousand and \$441,757 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: None
 - 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 4
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9) Trading in derivative instruments: Notes 7 and 35
- b. Information on investees (excluding investees in mainland China): Table 6
- 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 7
 - 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 8
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
 - 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 9
 - 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 10

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 revenues and results

| | Asia | Americas | Europe | Eliminations | Total |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| For the year ended <u>December 31, 2023</u> | | | | | |
| Revenues from external customers | \$ 1,659,764 | \$ 5,185,191 | \$ 941,516 | \$ - | \$ 7,786,471 |
| Intersegment revenues | <u>4,521,201</u> | <u>107,048</u> | <u>40,451</u> | <u>(4,668,700)</u> | <u>-</u> |
| Consolidated revenues | <u>\$ 6,180,965</u> | <u>\$ 5,292,239</u> | <u>\$ 981,967</u> | <u>\$ (4,668,700)</u> | <u>\$ 7,786,471</u> |
| Segment income (loss) | <u>\$ 371,608</u> | <u>\$ (302,357)</u> | <u>\$ (213,625)</u> | <u>\$ (25,057)</u> | <u>\$ (169,431)</u> |
| For the year ended <u>December 31, 2022</u> | | | | | |
| Revenues from external customers | \$ 1,915,877 | \$ 4,386,944 | \$ 819,590 | \$ - | \$ 7,122,411 |
| Intersegment revenues | <u>3,322,322</u> | <u>52,208</u> | <u>17,159</u> | <u>(3,391,689)</u> | <u>-</u> |
| Consolidated revenues | <u>\$ 5,238,199</u> | <u>\$ 4,439,152</u> | <u>\$ 836,749</u> | <u>\$ (3,391,689)</u> | <u>\$ 7,122,411</u> |
| Segment income (loss) | <u>\$ 645,920</u> | <u>\$ (355,269)</u> | <u>\$ (175,330)</u> | <u>\$ (196,382)</u> | <u>\$ (81,061)</u> |

b. Segment assets and liabilities

| | December 31 | |
|----------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| <u>Segment assets</u> | | |
| Asia | \$ 6,712,085 | \$ 7,263,516 |
| Americas | 3,853,384 | 3,814,410 |
| Europe | <u>723,705</u> | <u>886,673</u> |
| Total segment assets | <u>\$ 11,289,174</u> | <u>\$ 11,964,599</u> |
| <u>Segment liabilities</u> | | |
| Asia | \$ 2,846,112 | \$ 4,337,828 |
| Americas | 3,248,443 | 2,937,361 |
| Europe | <u>422,942</u> | <u>625,450</u> |
| Total segment liabilities | <u>\$ 6,517,497</u> | <u>\$ 7,900,639</u> |

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

| | For the Year Ended December 31 | |
|--------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Treadmill | \$ 4,074,597 | \$ 3,254,691 |
| Elliptical trainer | 1,098,438 | 984,170 |
| Bike | 819,542 | 799,705 |
| Furniture | 568,128 | 911,149 |
| Others | <u>1,225,766</u> | <u>1,172,696</u> |
| | <u>\$ 7,786,471</u> | <u>\$ 7,122,411</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.

| | Revenue from External Customers | |
|----------------|--|---------------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| America | \$ 5,567,231 | \$ 5,131,271 |
| Europe | 1,378,977 | 1,151,419 |
| Taiwan | 493,351 | 329,384 |
| Mainland China | 245,837 | 282,226 |
| Others | <u>101,075</u> | <u>228,111</u> |
| | <u>\$ 7,786,471</u> | <u>\$ 7,122,411</u> |

| | Non-current Assets | |
|----------------|---------------------------|---------------------|
| | December 31 | |
| | 2023 | 2022 |
| America | \$ 1,629,075 | \$ 681,901 |
| Mainland China | 826,587 | 892,261 |
| Taiwan | 2,883,446 | 3,789,272 |
| Europe | <u>167,151</u> | <u>86,507</u> |
| | <u>\$ 5,506,259</u> | <u>\$ 5,449,941</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:

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Customer A from America | <u>\$ 1,511,256</u> | <u>\$ 720,810</u> |
| Customer B from Asia | <u>\$ 459,690</u> | <u>\$ 732,069</u> |

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period (Note 6) | Ending Balance (Note 6) | Actual Borrowing Amount (Note 7) | Interest Rate | Nature of Financing | Business Transaction Amount (Note 4) | 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 | \$ 6,407 (JPY 29,500 thousand) | \$ - | \$ - | - | Business transaction | \$ 15,849 | - | \$ - | - | \$ - | \$ 15,849 (Note 2) | \$ 1,749,638 (Note 5) | | |
| | | Dyaco Europe GmbH | Other receivables from related parties | Yes | 3,465 (EUR 102 thousand) | - | - | - | Business transaction | 12,125 | - | - | - | - | 12,125 (Note 2) | 1,749,638 (Note 5) | | |
| | | Dyaco UK Ltd. | Other receivables from related parties | Yes | 52,963 (GBP 1,353 thousand) | 52,963 (GBP 1,353 thousand) | 52,963 (GBP 1,353 thousand) | - | Business transaction | 100,179 | - | - | - | - | 100,179 (Note 2) | 1,749,638 (Note 5) | | |
| | | Spirit Manufacturing Inc. | Other receivables from related parties | Yes | 253,637 (US\$ 8,260 thousand) | 40,505 (US\$ 1,319 thousand) | 40,505 (US\$ 1,319 thousand) | - | Business transaction | 664,504 | - | - | - | - | 664,504 (Note 2) | 1,749,638 (Note 5) | | |
| | | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes | 516,624 (US\$ 16,825 thousand) | 240,749 (US\$ 7,841 thousand) | 240,749 (US\$ 7,841 thousand) | - | Business transaction | 1,811,486 | - | - | - | - | 1,749,638 (Note 2) | 1,749,638 (Note 5) | | |
| | | Spirit Direct, LLC. | Other receivables from related parties | Yes | 9,181 (US\$ 299 thousand) | 9,072 (US\$ 295 thousand) | 9,072 (US\$ 295 thousand) | - | Business transaction | 49,653 | - | - | - | - | 49,653 (Note 2) | 1,749,638 (Note 5) | | |
| | | CARIO fitness GmbH & CO. KG | Other receivables from related parties | Yes | 49,946 (EUR 1,470 thousand) | - | - | - | Business transaction | 1,294 | - | - | - | - | 49,946 (Note 2) | 1,749,638 (Note 5) | | |
| | | CARIO fitness GmbH & CO. KG | Other receivables from related parties | Yes | 33,980 (EUR 1,000 thousand) | - | - | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| | | CITY SPORTS (THAILAND) CO., LTD. | Other receivables from related parties | Yes | 54,102 (THB 60,000 thousand) | 54,102 (THB 60,000 thousand) | 38,178 (THB 42,340 thousand) | - | Short-term financing | - | Operating turnover | - | - | - | - | 874,819 (Note 1) | 1,749,638 (Note 5) | |
| | | Wing Long Co., Ltd. | Other receivables from related parties | Yes | 5,000 | 5,000 | 4,000 | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| | | Sweatband. Com Ltd. | Other receivables from related parties | Yes | 62,640 (GBP 1,600 thousand) | 23,490 (GBP 600 thousand) | 23,490 (GBP 600 thousand) | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| | | Iuvo Industry Co., Ltd. | Other receivables from related parties | Yes | 30,000 | 30,000 | - | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| 1 | Fuel spirit International Inc. | Dyaco International Inc. | Other receivables from related parties | Yes | 61,410 (US\$ 2,000 thousand) | 61,410 (US\$ 2,000 thousand) | - | - | Short-term financing | - | Operating turnover | - | - | - | 191,207 (Note 3) | 191,207 (Note 3) | | |
| 2 | Cikayda Inc. | Iuvo Industry Co., Ltd. | Other receivables from related parties | Yes | 7,000 | 6,500 | 6,500 | - | Short-term financing | - | Operating turnover | - | - | - | 6,919 (Note 3) | 6,919 (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 of a parent to a subsidiary in which the lending company directly and indirectly holds over 100% voting shares is limited to 100% of the net value of the lending company; the maximum financing to other individual corporations is limited to 40% of the net value of the lending company.

Note 4: The business transaction amount refers to the recent year's transaction amount between the lending company and the lender.

Note 5: The maximum financing allowed is limited to 40% of the net value of the parent entity.

Note 6: The maximum balance for the period and ending balances were approved by the board of directors.

Note 7: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 1) | Maximum Balance for the Period (Note 2) | Ending Balance (Note 2) | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amount Allowable (Note 1) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3) | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3) | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3) | Note |
|-----|---|-------------------------------------|----------------------------|---|---|----------------------------|--------------------------|---|---|---|--|--|---|------|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Dyaco International Inc. | Shelton Corporation (Jiaxing), Ltd. | Indirectly held subsidiary | \$ 437,409 | \$ 117,245 (US\$ 1,000 thousand and RMB 20,000 thousand) | \$ - | \$ - | \$ - | - | \$ 437,409 | Y | - | Y | |
| | | Wing Long Co., Ltd. | Directly held subsidiary | 2,187,047 | 5,000 | 5,000 | 1,000 | - | 0.11 | 2,187,047 | Y | - | - | |
| | | Iuvo Industry Co., Ltd. | Directly held subsidiary | 2,187,047 | 30,000 | 30,000 | 30,000 | - | 0.69 | 2,187,047 | Y | - | - | |
| 1 | President Plastic Products MFG. Co., Ltd. | Dyaco International Inc. | Ultimate parent | 2,187,047 | 300,000 | 300,000 | 300,000 | 300,000 | 6.86 | 2,187,047 | - | 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 corporations in mainland China.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship | Line Item | December 31, 2023 | | | | Note | |
|--------------------------|---|--|--|--|--|-----------------------------|--|-----------------------------|--------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | | |
| Dyaco International Inc. | <u>Stock</u> Energy Moana Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 300,000 | \$ 1,125 | 0.73 | \$ 1,125 | Note 1 | |
| | Firenze Cultural Exchange International Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 750,000 | 5,740 | 7.50 | 5,740 | Note 1 | |
| | Inalways corporation | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 588,000 | 8,966 | 1.19 | 8,966 | Note 2 | |
| | Uniigym Global Holdings Limited. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 250,000 | 5,186 | 2.24 | 5,186 | Note 1 | |
| | Gomore Inc. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 50,433,730 | (US\$ 169 thousand) 26,480 (US\$ 862 thousand) | 4.40 | (US\$ 169 thousand) 26,480 (US\$ 862 thousand) | Note 1 | |
| | <u>Limited partnership</u> Changneng Capital Limited Partnership | - | Financial assets at fair value through profit or loss (FVTPL) | - | 16,555 | - | 16,555 | Note 1 | |
| | <u>Convertible bonds</u> 1.5-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | (US\$ 750 thousand) 23,029 | - | (US\$ 750 thousand) 23,029 | | |
| | 2-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | (US\$ 250 thousand) 7,676 | - | (US\$ 250 thousand) 7,676 | | |
| | 2.5-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | (US\$ 200 thousand) 6,141 | - | (US\$ 200 thousand) 6,141 | | |
| | <u>Convertible promissory note</u> Morsel Inc. | - | Financial assets at fair value through profit or loss (FVTPL) | - | (US\$ 3,847 thousand) 118,124 | - | (US\$ 3,847 thousand) 118,124 | Note 1 | |
| | Dyaco (Shanghai) Trading Co., Ltd. | <u>Stock</u> Beijing Huoli Zhenghe Intelligent Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | - | (RMB 803 thousand) 3,473 | 9.00 | (RMB 803 thousand) 3,473 | Note 1 |

(Continued)

Note 1: Unlisted shares, convertible promissory note and limited partnerships without quoted price were calculated by fair value method.

Note 2: Their fair value is calculated based on the closing price as of December 31, 2023.

Note 3: For the information on investments and associates in subsidiaries, refer to Tables 6 and 7.

(Concluded)

TABLE 4**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, 2023
(In Thousands of New Taiwan Dollars)**

| Buyer/Seller | Related Party | Relationship | Transaction Details | | | | Transaction with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|-------------------------------------|-------------------------------------|----------------------------|---------------------|--------------|---------------------|---------------|--|---------------|-------------------------------------|---------------------|--------|
| | | | Purchase/Sale | Amount | % to Total (Note 1) | Payment Terms | Unit Price | Payment Terms | Ending Balance (Note 3) | % to Total (Note 1) | |
| Dyaco International Inc. | Fitness Equipment Services, LLC. | Indirectly held subsidiary | Sales | \$ 1,812,667 | 49 | Flexible | Based on mutual agreement | Flexible | \$ 1,164,880 | 56 | Note 2 |
| | Spirit Manufacturing Inc. | Directly held subsidiary | Sales | 645,560 | 18 | Flexible | Based on mutual agreement | Flexible | 516,597 | 25 | Note 2 |
| | Shelton Corporation (Jiaying), Ltd. | Indirectly held subsidiary | Purchase | 1,272,941 | 52 | Flexible | Based on mutual agreement | Flexible | (635,654) | 61 | |
| | Dyaco Canada Inc. | Directly held subsidiary | Sales | 222,664 | 6 | Flexible | Based on mutual agreement | Flexible | 77,408 | 4 | Note 2 |
| | Dyaco UK Ltd. | Directly held subsidiary | Sales | 105,588 | 4 | Flexible | Based on mutual agreement | Flexible | 67,545 | 3 | Note 2 |
| Fitness Equipment Services, LLC. | Dyaco International Inc. | Ultimate parent | Purchase | 1,812,667 | 98 | Flexible | Based on mutual agreement | Flexible | (1,164,880) | 70 | |
| Spirit Manufacturing Inc. | Dyaco International Inc. | Ultimate parent | Purchase | 645,560 | 58 | Flexible | Based on mutual agreement | Flexible | (516,597) | 86 | |
| Shelton Corporation (Jiaying), Ltd. | Dyaco International Inc. | Ultimate parent | Sales | 1,272,941 | 63 | Flexible | Based on mutual agreement | Flexible | 635,654 | 82 | |
| Dyaco Canada Inc. | Dyaco International Inc. | Ultimate parent | Purchase | 222,664 | 70 | Flexible | Based on mutual agreement | Flexible | (77,408) | 88 | |
| Dyaco UK Ltd. | Dyaco International Inc. | Ultimate parent | Purchase | 105,588 | 72 | Flexible | Based on mutual agreement | Flexible | (67,545) | 92 | |

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

Note 2: Excluding accounts receivable exceeded the credit period which were transferred to other receivables.

Note 3: Eliminated from the consolidated financial statements.

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, 2023

(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. | Fitness Equipment Services, LLC. | Indirectly held subsidiary | Accounts receivable | \$ 1,164,880 | 1.72% | \$ - | - | \$ 19,422 | \$ - |
| | | | Other receivables | 711,469 | (Notes 1 and 2) | - | - | 340,776 | - |
| | Spirit Manufacturing Inc. | Directly held subsidiary | Accounts receivable | 516,597 | 0.94% | - | - | 59,095 | - |
| | | | Other receivables | 147,512 | (Notes 1 and 2) | - | - | 56,006 | - |
| Shelton Corporation (Jiaying), Ltd. | Dyaco International Inc. | Ultimate parent | Accounts receivable | 635,654 | 2.45% | - | - | 197,704 | - |
| Fuel Spirit International Inc. | Spirit Manufacturing Inc. | Fellow subsidiary | Accounts receivable | 101,327 | - | - | - | - | - |

Note 1: Other receivables refer to financing provided of which the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

Note 2: On December 31, 2023, the company reclassified the accounts receivable from related parties, which were overdue beyond the normal credit period, to other receivables. Furthermore, in accordance with Article 14 of the "Regulations Governing Loaning of Funds and Endorsements/Guarantees by Public Companies," the most recent board of directors' resolution (on March 12, 2024) approved the balance of loans extended and the actual amount disbursed.

Note 3: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023 | | | Net Profit (Loss) of the Investee | Share of Profit (Loss) (Note 1) |
|--------------------------|---|----------------|--|-------------------------------------|-------------------------------------|------------------------------------|-----|--|--|--|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares (In Thousands) | % | Carrying Amount (Note 1) | | |
| Dyaco International Inc. | Dyaco International Holding Limited | Hong Kong | Investment | \$ 505,957 | \$ 505,957 | 126,415,463 | 100 | \$ 1,080,577 | \$ 33,475 | \$ 43,341 (Note 2) |
| | Dyaco Europe GmbH. | Germany | Import, export and selling | 545,861 | 484,529 | - | 100 | 159,361 | (96,534) | (96,534) |
| | Daan Health Management Consulting Co., Ltd. | Taiwan | Rental of medical equipment | 10,010 | 10,010 | 1,000,000 | 100 | 8,900 | 440 | 440 |
| | Dyaco Japan Co., Ltd. | Japan | Import, export and selling | 72,964 | 72,964 | 201,020 | 100 | (7,480) | (7,815) | (7,815) |
| | Wing Long Co., Ltd. | Taiwan | Import, export and selling | 25,000 | 25,000 | 2,500,000 | 100 | 4,958 | 2,819 | 2,819 |
| | Dyaco UK Ltd. | United Kingdom | Import, export and selling | 349,656 | 263,424 | 3,088,076 | 97 | 113,823 | (55,301) | (55,301) |
| | SOLE INC. | America | Investment | 1,642,866 | 1,642,866 | - | 100 | 493,326 | (232,619) | (256,188) (Note 3) |
| | President Plastic Products MFG. Co., Ltd. | Taiwan | Rental of property | 286,640 | 286,640 | 391,000 | 100 | 288,763 | 227 | 231 (Note 4) |
| | Cikayda Inc. | Taiwan | Manufacturing and selling | 20,000 | 20,000 | 2,000,000 | 100 | 17,296 | (743) | (743) |
| | Morsel Inc. | America | Intelligent fitness content production company | 27,250 (US\$ 1,000 thousand) | 27,750 (US\$ 1,000 thousand) | 909,090 | 11 | - | (39,070) (US\$ -1,254 thousand) | - |
| | CITY SPORTS (THAILAND) CO., LTD. | Thailand | Fitness equipment selling | 12,450 (THB 14,420 thousand) | 12,450 (THB 14,420 thousand) | 176,000 | 44 | (2,126) (THB -2,360 thousand) | (10,750) (THB -11,938 thousand) | (4,925) (THB -5,469 thousand) (Note 5) |
| | Neutron Ventures Ltd. | United Kingdom | Investment | - | 119,851 (GBP 3,220 thousand) | - | - | - (Note 9) | (49,111) (GBP -1,287 thousand) | (25,268) (GBP -671 thousand) (Note 6) |
| | Hongdaxin Projection Co., Ltd. | Taiwan | Film and television industry investment | 4,000 | 4,000 | 400,000 | 40 | 3,714 | (302) | (175) |
| | Spirit Manufacturing Inc. | America | Import, export and selling | 265,734 (US\$ 8,890 thousand) | 265,734 (US\$ 8,890 thousand) | 1,668 | 100 | 222,860 (US\$ 7,258 thousand) | (40,137) (US\$ -1,288 thousand) | (40,137) (US\$ -1,288 thousand) |
| | Dyaco Canada Inc. | Canada | Import, export and selling | 271,752 (US\$ 9,058 thousand) | 271,752 (US\$ 9,058 thousand) | 1,000 | 100 | 234,721 (US\$ 10,117 thousand) | (14,421) (US\$ -625 thousand) | (14,421) (US\$ -625 thousand) |
| | Iuvo Industry Co., Ltd | Taiwan | Electric-assisted bicycle manufacturer | 155,000 | 125,000 | 18,300,000 | 92 | 118,225 | (22,471) | 23,380 (Note 7) |
| Dyaco Europe GmbH. | CARDIO fitness GmbH & Co KG | Germany | Import, export and selling | 274,917 (EUR 8,096 thousand) | 216,813 (EUR 6,296 thousand) | - | 100 | 79,061 (EUR 2,326 thousand) | (72,697) (EUR -2,157 thousand) | (75,025) (EUR -2,226 thousand) (Note 8) |
| | CARDIO fitness Verwaltungs GmbH | Germany | Investment | 977 (EUR 26 thousand) | 977 (EUR 29 thousand) | - | 100 | 928 (EUR 27 thousand) | (47) (EUR -1 thousand) | (47) (EUR -1 thousand) |
| SOLE INC. | Fitness Equipment Services, LLC. | America | Import, export and selling | 63,262 (US\$ 2,100 thousand) | 63,262 (US\$ 2,100 thousand) | - | 100 | (123,453) (US\$ -4,021 thousand) | (232,619) (US\$ -7,466 thousand) | (232,619) (US\$ -7,466 thousand) |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Profit (Loss) of the Investee | Share of Profit (Loss) (Note 1) |
|-------------------------------------|-----------------------------------|----------------|------------------------------|-------------------------------------|-------------------------------------|---------------------------------|-----|---|-----------------------------------|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares (In Thousands) | % | Carrying Amount (Note 1) | | |
| Dyaco International Holding Limited | Fuel Spirit International Inc. | Mauritius | Import, export and selling | \$ 185,015 (US\$ 5,848 thousand) | \$ 185,015 (US\$ 5,848 thousand) | 5,848,450 | 100 | \$ 191,207 (HK\$ 48,665 thousand) | \$ 5,868 (HK\$ 1,474 thousand) | \$ 5,868 (HK\$ 1,474 thousand) |
| Spirit Manufacturing Inc. | Spirit Direct, LLC | America | Import, export and selling | 62,118 (US\$ 2,000 thousand) | 62,118 (US\$ 2,000 thousand) | - | 100 | (16,318) (US\$ -531 thousand) | (23,180) (US\$ -744 thousand) | (23,180) (US\$ -744 thousand) |
| Neutron Ventures Ltd. | Interactive Online Commerce Ltd | United Kingdom | Investment | 167,250 (GBP 4,532 thousand) | 97,577 (GBP 2,632 thousand) | - | 100 | 64,645 (GBP 1,651 thousand) | (47,742) (GBP -1,232 thousand) | (47,742) (GBP -1,232 thousand) |
| | Neutron Ventures Poland S.p Z.o.o | Poland | Service industry | 34 (PLN 5 thousand) | 34 (PLN 5 thousand) | - | 100 | (365) (PLN -46 thousand) | (2,107) (PLN -271 thousand) | (2,107) (PLN -271 thousand) |
| Interactive Online Commerce Ltd | Sweatband.com Ltd. | United Kingdom | Sporting goods selling | 166,237 (GBP 4,504 thousand) | 96,564 (GBP 2,604 thousand) | - | 100 | 64,436 (GBP 1,465 thousand) | (47,472) (GBP -1,232 thousand) | (47,472) (GBP -1,232 thousand) |
| Dyaco UK Ltd. | Neutron Ventures Ltd | United Kingdom | Investment | 135,026 (GBP 3,429 thousand) | - | 308,070 | 100 | 118,161 (GBP 3,018 thousand) (Note 9) | (49,111) (GBP -1,287 thousand) | (24,878) (GBP -642 thousand) (Note 6) |

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 \$33,475 thousand realized profit of \$11,283 thousand and minus unrealized profit of \$1,417 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$232,619 thousand minus amortization of investment premium of \$23,569 thousand.

Note 4: Including share of profit of \$227 thousand and unrealized expenses of \$4 thousand.

Note 5: Including share of loss of \$4,730 thousand and minus amortization of investment premium of \$195 thousand.

Note 6: Including share of loss of \$46,336 thousand minus amortization of investment premium of \$3,810 thousand.

Note 7: Including share of loss of \$22,471 thousand minus amortization of investment premium of \$909 thousand.

Note 8: Including share of loss of \$72,697 thousand minus amortization of investment premium of \$2,328 thousand.

Note 9: After the reorganization, which went by share exchange it is directly 100% held by Dyaco UK Ltd.

Note 10: Eliminated from the consolidated financial statements.

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2023 (Note 2) | Accumulated Repatriation of Investment Income as of December 31, 2023 |
|--------------------------|---|----------------------------------|------------------------------------|---|---|---------------------|--------|---|---------------------------------------|--|---------------------------------------|--|---|
| | | | | | | Outward | Inward | | | | | | |
| Dyaco International Inc. | Dyaco (Shanghai) Trading Co., Ltd. | Import, export and selling | \$ 88,780 (US\$ 3,000 thousand) | Through an investment company registered in a third region (Note 1) | \$ 88,780 (US\$ 3,000 thousand) | \$ - | \$ - | \$ 88,780 (US\$ 3,000 thousand) | \$ (25,061) (HK\$ -6,297 thousand) | 100 | \$ (25,061) (HK\$ -6,297 thousand) | \$ 116,846 (HK\$ 29,739 thousand) | \$ - |
| | Shelton Corporation (Jiaxing), Ltd. | Manufacturing and selling | 568,888 (US\$ 18,800 thousand) | Through an investment company registered in a third region (Note 1) | 659,471 (US\$ 21,830 thousand) | - | - | 659,471 (US\$ 21,830 thousand) | 85,432 (HK\$ 21,465 thousand) | 60 | 43,664 (HK\$ 10,971 thousand) | 738,355 (HK\$ 187,924 thousand) | - |
| | Dyaco Health Technology (Beijing) Co., Ltd. | Healthcare management consulting | 16,029 (RMB 3,500 thousand) | Others (Note 4) | - | - | - | Others (Note 4) | (3,096) (RMB -702 thousand) | 100 | (3,096) (RMB -702 thousand) | - | - |
| | Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | Healthcare management consulting | 12,807 (RMB 3,000 thousand) | Others (Note 5) | - | - | - | Others (Note 5) | (399) (RMB -91 thousand) | 40 | (160) (RMB -36 thousand) | 2,654 (RMB 613 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6) |
|---|--|--|
| \$ 748,251 (US\$ 24,830 thousand) | \$ 748,251 (US\$ 24,830 thousand) | \$ - |

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

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

Note 3: Including 60% share of profit of \$51,259 thousand minus amortization of investment premium of \$8,241 thousand, unrealized profits of \$259 thousand from upstream intercompany transactions and unrealized losses of \$905 thousand from side stream intercompany transactions.

Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd., Dyaco Health Technology (Beijing) Co., Ltd. has been completed liquidation and cancellation in the first quarter of July 2023.

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.

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, 2023
(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. Shelton Corporation (Jiaxing), Ltd. | Sales Purchase | \$ 91,151 1,272,941 | 2 52 | Flexible Flexible | Based on mutual agreement Based on mutual agreement | \$ 30,987 (635,654) | 1 61 | \$ - - | |

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

Note 2: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

| Year | No. (Note 1) | Company | Investee Company | Relationship (Note 2) | Transaction Details | | | % of Total Sales or Assets (Note 4) |
|--|-----------------|-------------------------------------|---|--------------------------|--|--------------------|--|---|
| | | | | | Financial Statement Accounts | Amount (Note 5) | Payment Terms (Note 3) | |
| 2023 | 0 | Dyaco International Inc. | Spirit Direct, LLC. | a | Sales | \$ 42,322 | - | 1 |
| | | | | | Other operating revenue | 7,513 | - | - |
| | | | | | Accounts receivable from related parties | 42,704 | - | 1 |
| | | | | | Other receivables from related parties | 44,273 | - | - |
| | | | | | Temporary receipts | 38 | - | - |
| | | | Fuel-Spirit International Inc. | a | Other receivables from related parties | 4,013 | - | - |
| | | | | | Other payables to related parties | 11,865 | - | - |
| | | | | | Accounts receivable from related parties | 9,182 | - | - |
| | | | | | Sales | 50,257 | - | 1 |
| | | | | | Other operating revenue | 92 | - | - |
| | | | Dyaco Japan Co., Ltd. | a | Sales | 16,404 | - | - |
| | | | | | Other operating revenue | 252 | - | - |
| | | | | | Accounts receivable from related parties | 30,209 | - | - |
| | | | Dyaco (Shanghai) Trading Co., Ltd. | a | Sales | 91,151 | - | 1 |
| | | | | | Accounts receivable from related parties | 30,987 | - | - |
| | | | Spirit Manufacturing Inc. | a | Sales | 641,943 | - | 8 |
| | | | | | Other operating revenue | 3,617 | - | - |
| | | | | | Accounts receivable from related parties | 516,597 | - | 5 |
| | | | | | Other receivables from related parties | 147,512 | - | 1 |
| | | | Dyaco Canada Inc. | a | Sales | 218,825 | - | 3 |
| | | | | | Other operating revenue | 3,839 | - | - |
| | | | | | Accounts receivable from related parties | 77,408 | - | 1 |
| | | | Dyaco Europe GmbH | a | Sales | 12,125 | - | - |
| | | | | | Accounts receivable from related parties | 12,102 | - | - |
| | | | Daan Health Management Consulting Co., Ltd. | a | Rental revenue | 24 | - | - |
| | | | | | Wing Long Co., Ltd. | a | Accounts receivable from related parties | 504 |
| | | | Dyaco UK Ltd. | a | Other receivable to related parties | | 4,000 | - |
| | | | | | Other payables to related parties | 717 | - | - |
| | | | | | Sales | 11 | - | - |
| | | | | | Other expenses | 817 | - | - |
| | | | | | Sales | 105,588 | - | 1 |
| | | | | | Accounts receivable from related parties | 67,545 | - | 1 |
| Other receivables from related parties | 67,344 | - | | | 1 | | | |
| Shelton Corporation (Jiaxing), Ltd. | a | Cost of goods sold | | | 1,272,941 | - | 16 | |
| | | Accounts payable to related parties | | | 635,654 | - | 6 | |
| | | Other expenses | | | 135 | - | - | |
| | | Inventories | 254 | - | - | | | |
| | | | Sales | 86 | - | - | | |

(Continued)

| Year | No. (Note 1) | Company | Investee Company | Relationship (Note 2) | Transaction Details | | | % of Total Sales or Assets (Note 4) |
|------|-----------------|------------------------------------|---|--------------------------|--|--------------------|---------------------------|---|
| | | | | | Financial Statement Accounts | Amount (Note 5) | Payment Terms (Note 3) | |
| | | | CARDIO fitness GmbH & Co. KG | a | Accounts receivable from related parties | \$ 56 | - | - |
| | | | | | Sales | 1,215 | - | - |
| | | | | | Other operating revenue | 106 | - | - |
| | | | SOLE INC. | a | Other receivables from related parties | 284 | - | - |
| | | | Fitness Equipment Services, LLC. | a | Accounts receivable from related parties | 1,164,880 | - | 10 |
| | | | | | Other receivables from related parties | 711,469 | - | 6 |
| | | | | | Sales | 1,812,667 | - | 23 |
| | | | President Plastic Products MFG. Co., Ltd. | a | Refundable deposits | 900 | - | - |
| | | | | | Lease liabilities | 4,076 | - | - |
| | | | | | Right-of-use asset | 3,870 | - | - |
| | | | | | Interest expense | 58 | - | - |
| | | | | | Depreciation | 516 | - | - |
| | | | | | Other payables to related parties | 2,800 | - | - |
| | | | Cikayda Inc. | a | Other receivables from related parties | 315 | - | - |
| | | | | | Other payables to related parties | 2,040 | - | - |
| | | | | | Rental revenue | 400 | - | - |
| | | | | | Other expenses | 990 | - | - |
| | | | Sweatband.com Ltd | a | Accounts receivable from related parties | 3,078 | - | - |
| | | | | | Other receivables from related parties | 23,490 | - | - |
| | | | | | Sales | 13,209 | - | - |
| | | | | | Other operating revenue | 556 | - | - |
| | | | City Sports (Thailand) Co., Ltd. | a | Accounts receivable from related parties | 2,432 | - | - |
| | | | | | Other receivables from related parties | 37,158 | - | - |
| | | | Iuvo Industry Co., Ltd | | Sales | 292 | - | - |
| | | | | | Other incomes | 30 | - | - |
| | | | | | Cost of goods sold | 255 | - | - |
| | | | | | Other expenses | 7 | - | - |
| | | | | | Accounts payables from related parties | 275 | - | - |
| | 1 | Fuel-Spirit International Inc. | Spirit Manufacturing Inc. | c | Accounts receivable from related parties | 101,327 | - | 1 |
| | | | Dyaco Canada Inc. | c | Other operating revenue | 647 | - | - |
| | | | | | Other expenses | 331 | - | - |
| | | | | | Accounts receivable from related parties | 214 | - | - |
| | | | | | Other payables to related parties | 326 | - | - |
| | | | Shelton Corporation (Jiaxing), Ltd. | c | Cost of goods sold | 79,223 | - | 1 |
| | | | | | Accounts payable to related parties | 32,744 | - | - |
| | | | City Sports (Thailand) Co., Ltd. | c | Accounts receivable from related parties | 2,391 | - | - |
| | 2 | Spirit Direct, LLC. | Sweatband.com Ltd | c | Cost of goods sold | 468 | - | - |
| | | | | | Accounts payables from related parties | 453 | - | - |
| | 3 | Dyaco (Shanghai) Trading Co., Ltd. | Shelton Corporation (Jiaxing), Ltd. | c | Cost of goods sold | 58,287 | - | 1 |
| | | | | | Accounts payable to related parties | 38,023 | - | - |
| | | | | | Inventories | 1,138 | - | - |

(Continued)

| Year | No. (Note 1) | Company | Investee Company | Relationship (Note 2) | Transaction Details | | | % of Total Sales or Assets (Note 4) |
|------|-----------------|-----------------------------------|--|--------------------------|--|---|--|--|
| | | | | | Financial Statement Accounts | Amount (Note 5) | Payment Terms (Note 3) | |
| | 4 | Spirit Manufacturing Inc. | Dyaco Canada Inc. Fitness Equipment Services, LLC. | c c | Sales Sales Accounts payable to related parties Accounts receivable from related parties | \$ 12,671 14,507 18 1 | - - - - | - - - - |
| | 5 | Dyaco Europe GmbH | Cardio Fitness GmbH & Co. KG Dyaco UK Ltd. Sweatband.com Ltd | c c c | Sales Other operating revenue Other expenses Accounts receivable from related parties Accounts payable to related parties Accounts payable to related parties Cost of goods sold Sales Accounts payable to related parties Accounts receivable from related parties | 31,158 467 1,949 50,504 95 278 1,380 4,550 855 509 | - - - - - - - - - - | - - - - - - - - - - |
| | 6 | Dyaco UK Ltd. | Sweatband.com Ltd CARDIO fitness GmbH&Co.KG | c c | Sales Cost of goods sold Accounts receivable to related parties Accounts payable from related parties Accounts receivable to related parties Accounts payable from related parties Sales Cost of goods sold | 34,266 105 14,178 2,612 1 1,082 3 3 | - - - - - - - - | - - - - - - - - |
| | 7 | Fitness Equipment Services, LLC. | SOLE INC. | c | Other receivables from related parties | 9,580 | - | - |
| | 8 | CARDIO fitness GmbH&Co.KG | Sweatband.com Ltd | c | Accounts receivable from related parties | 438 | - | - |
| | 9 | Cikayda Inc. | Iuvo Industry Co., Ltd. | c | Other receivable to related parties | 6,500 | - | - |
| | 10 | Neutron Ventures Ltd | Interactive Online Commerce Ltd Sweatband.com Ltd | c c | Other payables to related parties Other receivable to related parties | 8,542 178 | - - | - - |
| | 11 | Interactive Online Commerce Ltd | Sweatband.com Ltd | c | Other payables to related parties | 8,332 | - | - |
| | 12 | Neutron Ventures Poland S.p Z.o.o | Sweatband.com Ltd | c | Other payables to related parties Other receivable to related parties Sales | 802 2,450 17,072 | - - - | - - - |

Note 1: Companies are numbered as follows:

- a. The parent is numbered as "0".
- b. Subsidiaries are numbered from "1" onward.

(Continued)

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 10**DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

| Name of Major Shareholder | Shares | |
|-----------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Guang-Ying Limited | 10,346,727 | 6.48 |
| Dyaco International Inc. | 8,963,000 | 5.61 |
| Chuan-Feng Investment Corporation | 8,757,882 | 5.48 |
| Lin, Ing-Gin | 8,354,283 | 5.23 |

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of ordinary shares 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.

Attachment 2

Parent Financial Report audited by CPA in the most recent year.

Dyaco International Inc.

**Financial Statements for the
Years Ended December 31, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the 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, 2023. 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:

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 on acquisition of Dongguan Dayu Sports Equipment Co., Ltd., Shelton Corporation (Jiaying), Ltd., CARDIO fitness GmbH & Co. KG, Dyaco Canada Inc., Fitness Equipment Services, LLC., CITY SPORTS (THAILAND) CO., LTD., Neutron Ventures Ltd. and Iuvo Industry Co., Ltd. As of December 31, 2023, the carrying amount of goodwill was \$560,815 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-f and 5-b. The cash-generating unit of goodwill arising from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 13-b, 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 2023 when considering the assessment of reliability prediction for 2024 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2023, 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 Wan-I Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 29, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| ASSETS | 2023 | | 2022 | |
|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 440,404 | 5 | \$ 465,110 | 5 |
| Financial assets at fair value through profit or loss (Notes 4, 7 and 32) | 16,555 | - | 3,739 | - |
| Financial assets at amortized cost (Notes 4, 9 and 34) | 43,955 | - | 233,678 | 2 |
| Notes receivable (Notes 4, 10 and 24) | 832 | - | 691 | - |
| Accounts receivable (Notes 4, 10 and 24) | 99,370 | 1 | 74,405 | 1 |
| Accounts receivable from related parties (Notes 4, 24 and 33) | 1,957,683 | 21 | 1,975,808 | 21 |
| Other receivables (Notes 4 and 10) | 10,156 | - | 9,856 | - |
| Other receivables from related parties (Notes 4 and 33) | 1,039,858 | 11 | 748,871 | 8 |
| Current tax assets (Note 26) | 58,563 | 1 | 48,443 | 1 |
| Inventories (Notes 4, 5 and 11) | 296,876 | 3 | 323,380 | 3 |
| Prepayments (Note 12) | 90,546 | 1 | 81,688 | 1 |
| Other current assets | 8,569 | - | 6,515 | - |
| Total current assets | <u>4,063,367</u> | <u>43</u> | <u>3,972,184</u> | <u>42</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss (Notes 4, 7 and 32) | 118,124 | 1 | 147,071 | 2 |
| Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32) | 47,497 | 1 | 61,824 | 1 |
| Financial assets at amortized cost (Note 9) | 6,141 | - | 30,710 | - |
| Investments accounted for using the equity method (Notes 4, 5 and 13) | 2,746,524 | 29 | 3,005,652 | 31 |
| Property, plant and equipment (Notes 4, 14 and 34) | 1,926,584 | 21 | 1,801,014 | 19 |
| Right-of-use assets (Notes 4, 15 and 33) | 5,001 | - | 12,821 | - |
| Investment properties (Notes 4, 16 and 34) | 18,690 | - | 19,569 | - |
| Intangible assets (Notes 4 and 17) | 96,776 | 1 | 104,955 | 1 |
| Deferred income tax assets (Notes 4 and 26) | 409,809 | 4 | 387,112 | 4 |
| Prepayments for equipment | 3,679 | - | 1,644 | - |
| Refundable deposits (Note 33) | 4,910 | - | 5,168 | - |
| Other non-current assets | 5,683 | - | 5,683 | - |
| Total non-current assets | <u>5,389,418</u> | <u>57</u> | <u>5,583,223</u> | <u>58</u> |
| TOTAL | <u>\$ 9,452,785</u> | <u>100</u> | <u>\$ 9,555,407</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 18 and 34) | \$ 1,930,000 | 21 | \$ 2,175,500 | 23 |
| Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32) | - | - | 25,305 | - |
| Contract liabilities (Note 24) | 13,880 | - | 37,470 | - |
| Notes payable (Note 20) | 26,789 | - | 18,059 | - |
| Accounts payable (Note 20) | 371,349 | 4 | 275,828 | 3 |
| Accounts payable to related parties (Note 33) | 635,929 | 7 | 402,944 | 4 |
| Other payables (Note 21) | 131,755 | 2 | 124,387 | 1 |
| Other payables to related parties (Note 33) | 26,020 | - | 41,880 | 1 |
| Current income tax liabilities (Note 26) | - | - | 2,544 | - |
| Lease liabilities (Notes 4, 15 and 33) | 1,675 | - | 3,766 | - |
| Current portion of bonds payable (Notes 4 and 19) | 1,200 | - | 1,398,537 | 15 |
| Current portion of long-term borrowings (Notes 18 and 34) | 280,698 | 3 | 150,600 | 2 |
| Other current liabilities | 19,295 | - | 28,330 | - |
| Total current liabilities | <u>3,438,590</u> | <u>37</u> | <u>4,685,150</u> | <u>49</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 18 and 34) | 1,420,092 | 15 | 965,613 | 10 |
| Deferred tax liabilities (Notes 4 and 26) | 128,350 | 1 | 126,030 | 2 |
| Lease liabilities (Notes 4, 15 and 33) | 3,557 | - | 9,308 | - |
| Long-term payables (Note 21) | 58,829 | 1 | 83,093 | 1 |
| Other payables to related parties | 7,369 | - | - | - |
| Net defined benefit liabilities (Notes 4 and 22) | 11,647 | - | 16,467 | - |
| Guarantee deposits received | 651 | - | 638 | - |
| Credit balance of investments accounted for using the equity method (Notes 4 and 13) | 9,606 | - | - | - |
| Total non-current liabilities | <u>1,640,101</u> | <u>17</u> | <u>1,201,149</u> | <u>13</u> |
| Total liabilities | <u>5,078,691</u> | <u>54</u> | <u>5,886,299</u> | <u>62</u> |
| EQUITY (Note 23) | | | | |
| Share capital | | | | |
| Ordinary shares | <u>1,596,097</u> | <u>17</u> | <u>1,341,147</u> | <u>14</u> |
| Capital surplus | <u>2,756,721</u> | <u>29</u> | <u>2,142,919</u> | <u>22</u> |
| Retained earnings | | | | |
| Legal reserve | 329,002 | 4 | 329,002 | 3 |
| Special reserve | 126,177 | 1 | 238,087 | 3 |
| Unappropriated earnings | <u>100,471</u> | <u>1</u> | <u>170,420</u> | <u>2</u> |
| Total retained earnings | <u>555,650</u> | <u>6</u> | <u>737,509</u> | <u>8</u> |
| Other equity | <u>(125,684)</u> | <u>(2)</u> | <u>(126,177)</u> | <u>(1)</u> |
| Treasury shares | <u>(408,690)</u> | <u>(4)</u> | <u>(426,290)</u> | <u>(5)</u> |
| Total equity | <u>4,374,094</u> | <u>46</u> | <u>3,669,108</u> | <u>38</u> |
| TOTAL | <u>\$ 9,452,785</u> | <u>100</u> | <u>\$ 9,555,407</u> | <u>100</u> |

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

DYACO INTERNATIONAL INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2023 | | 2022 | |
|--|------------------|-------------|------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 24 and 33) | \$ 3,679,724 | 100 | \$ 2,732,707 | 100 |
| LESS: SALES RETURNS | 2,210 | - | 1,498 | - |
| SALES DISCOUNTS AND ALLOWANCES | <u>4,716</u> | <u>-</u> | <u>2,307</u> | <u>-</u> |
| NET OPERATING REVENUE | 3,672,798 | 100 | 2,728,902 | 100 |
| OPERATING COSTS (Notes 11, 25 and 33) | | | | |
| Cost of sales | <u>2,829,679</u> | <u>77</u> | <u>2,220,359</u> | <u>81</u> |
| GROSS PROFIT | 843,119 | 23 | 508,543 | 19 |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES | <u>24,933</u> | <u>1</u> | <u>207,264</u> | <u>7</u> |
| REALIZED GROSS PROFIT | <u>868,052</u> | <u>24</u> | <u>715,807</u> | <u>26</u> |
| OPERATING EXPENSES (Notes 10, 25 and 33) | | | | |
| Selling and marketing | 214,897 | 6 | 249,060 | 9 |
| General and administrative | 152,226 | 4 | 162,213 | 6 |
| Research and development | 109,600 | 3 | 96,467 | 4 |
| Expected credit (gain) loss | <u>(11,525)</u> | <u>-</u> | <u>12,474</u> | <u>-</u> |
| Total operating expenses | <u>465,198</u> | <u>13</u> | <u>520,214</u> | <u>19</u> |
| OTHER OPERATING INCOME (Notes 25 and 33) | <u>9,923</u> | <u>-</u> | <u>50</u> | <u>-</u> |
| PROFIT FROM OPERATIONS | <u>412,777</u> | <u>11</u> | <u>195,643</u> | <u>7</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Share of profit or loss of subsidiaries and associates | (478,056) | (13) | (536,210) | (20) |
| Interest income (Note 33) | 8,696 | - | 1,520 | - |
| Rental income (Note 33) | 4,407 | - | 4,431 | - |
| Other income | 11,185 | 1 | 24,463 | 1 |
| Foreign exchange (loss) gain, net (Note 25) | (3,259) | - | 400,357 | 15 |
| Loss on valuation of financial instruments | (30,660) | (1) | (768) | - |
| Impairment loss (Note 13) | - | - | (24,882) | (1) |
| Other expenses | (1,367) | - | (3,075) | - |
| Expected credit loss (Note 10) | - | - | (39,500) | (1) |
| Interest expense (Notes 25 and 33) | <u>(71,825)</u> | <u>(2)</u> | <u>(57,150)</u> | <u>(2)</u> |
| Total non-operating income and expenses | <u>(560,879)</u> | <u>(15)</u> | <u>(230,814)</u> | <u>(8)</u> |

(Continued)

DYACO INTERNATIONAL INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

| | 2023 | | 2022 | |
|---|---------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| LOSS BEFORE INCOME TAX | \$ (148,102) | (4) | \$ (35,171) | (1) |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 26) | <u>25,332</u> | <u>1</u> | <u>(40,958)</u> | <u>(2)</u> |
| NET LOSS | <u>(122,770)</u> | <u>(3)</u> | <u>(76,129)</u> | <u>(3)</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plan (Note 22) | 4,655 | - | 2,584 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | (14,327) | - | (4,680) | - |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | (334) | - | (227) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26) | <u>(931)</u> | <u>-</u> | <u>(517)</u> | <u>-</u> |
| | <u>(10,937)</u> | <u>-</u> | <u>(2,840)</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>15,154</u> | <u>-</u> | <u>116,811</u> | <u>4</u> |
| Other comprehensive loss for the period, net of income tax | <u>4,217</u> | <u>-</u> | <u>113,971</u> | <u>4</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ (118,553)</u> | <u>(3)</u> | <u>\$ 37,842</u> | <u>1</u> |
| LOSS PER SHARE (Note 27) | | | | |
| Basic | <u>\$ (0.88)</u> | | <u>\$ (0.61)</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, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

| | Share Capital | | | Retained Earnings | | | Other Equity | | Treasury Shares | Total Equity |
|--|-----------------|-----------------------|-----------------|-------------------|-----------------|-------------------------|---|---|-----------------|--------------|
| | Ordinary Shares | 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, 2022 | \$ 1,339,822 | \$ 400 | \$ 2,115,925 | \$ 284,853 | \$ 175,628 | \$ 676,407 | \$ (235,721) | \$ (2,360) | \$ (368,604) | \$ 3,986,350 |
| Issuance of ordinary shares under employee share options (Note 28) | 1,325 | (400) | 38,932 | - | - | - | - | - | - | 39,857 |
| Changes in capital surplus from investments using the equity method | - | - | - | - | - | (7,815) | - | - | - | (7,815) |
| Appropriation of prior year's earnings | | | | | | | | | | |
| Legal reserve | - | - | - | 44,149 | - | (44,149) | - | - | - | - |
| Special reserve | - | - | - | - | 62,459 | (62,459) | - | - | - | - |
| Cash dividends to shareholder - NT\$2.50 per share | - | - | - | - | - | (317,502) | - | - | - | (317,502) |
| | - | - | - | 44,149 | 62,459 | (424,110) | - | - | - | (317,502) |
| Net loss for the year ended December 31, 2022 | - | - | - | - | - | (76,129) | - | - | - | (76,129) |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 2,067 | 116,811 | (4,907) | - | 113,971 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | (74,062) | 116,811 | (4,907) | - | 37,842 |
| Buy-back of ordinary shares (Note 23) | - | - | - | - | - | - | - | - | (96,415) | (96,415) |
| Treasury shares transferred to employees (Note 23) | - | - | (11,938) | - | - | - | - | - | 38,729 | 26,791 |
| BALANCE AT DECEMBER 31, 2022 | 1,341,147 | - | 2,142,919 | 329,002 | 238,087 | 170,420 | (118,910) | (7,267) | (426,290) | 3,669,108 |
| Changes in capital surplus from investments using the equity method | - | - | 3,321 | - | - | - | - | - | - | 3,321 |
| Issuance of new ordinary shares for cash | 250,000 | - | 572,332 | - | - | - | - | - | - | 822,332 |
| Organization restructure | - | - | (702) | - | - | - | - | - | - | (702) |
| Issuance of ordinary shares under employee share options (Note 28) | 4,950 | - | 41,824 | - | - | - | - | - | - | 46,774 |
| Appropriation of prior year's earnings | | | | | | | | | | |
| Share dividends to shareholder - NT\$0.5 per share | - | - | - | - | - | (62,813) | - | - | - | (62,813) |
| Reversal of Special reserve | - | - | - | - | (111,910) | 111,910 | - | - | - | - |
| | - | - | - | - | (111,910) | 49,097 | - | - | - | (62,813) |
| Net loss for the year ended December 31, 2023 | - | - | - | - | - | (122,770) | - | - | - | (122,770) |
| Other comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | 3,724 | 15,154 | (14,661) | - | 4,217 |
| Total comprehensive income (loss) for the year ended December 31, 2023 | - | - | - | - | - | (119,046) | 15,154 | (14,661) | - | (118,553) |
| Treasury shares transferred to employees (Note 23) | - | - | (2,973) | - | - | - | - | - | 17,600 | 14,627 |
| BALANCE AT DECEMBER 31, 2023 | \$ 1,596,097 | \$ - | \$ 2,756,721 | \$ 329,002 | \$ 126,177 | \$ 100,471 | \$ (103,756) | \$ (21,928) | \$ (408,690) | \$ 4,374,094 |

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

DYACO INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | \$ (148,102) | \$ (35,171) |
| Adjustments for: | | |
| Depreciation expense | 66,480 | 68,043 |
| Amortization expense | 33,422 | 31,207 |
| Expected credit loss (reversed) recognized | (11,525) | 51,974 |
| Net loss on fair value changes of financial instrument at fair value through profit or loss | 30,660 | 768 |
| Interest expense | 71,825 | 57,150 |
| Interest income | (8,696) | (1,520) |
| Impairment loss | - | 24,882 |
| Compensation costs of employee share options | 23,553 | 19,068 |
| Share of loss (profit) of subsidiaries and associates accounted for using the equity method | 478,056 | 536,210 |
| Gain on disposal of property, plant and equipment | (48) | (50) |
| Loss on inventories valuation and obsolescence | 10,666 | 39,056 |
| Realized gain on the transactions with subsidiaries | (24,933) | (207,264) |
| Unrealized loss (gain) on foreign currency exchange | 29,126 | (36,951) |
| Gain on redemption of bonds payable | (270) | - |
| Changes in operating assets and liabilities | | |
| Notes receivable | (141) | 799 |
| Accounts receivable | (18,094) | 19,209 |
| Accounts receivable from related parties | (3,806) | (485,232) |
| Other receivables | (300) | 2,754 |
| Other receivables from related parties | (165,025) | 748,584 |
| Inventories | 15,838 | 116,183 |
| Prepayments | (9,679) | (41,675) |
| Other current assets | (2,054) | 12,408 |
| Contract liabilities | (21,895) | 28,753 |
| Notes payable | 8,730 | (15,132) |
| Accounts payable | 96,730 | (70,188) |
| Accounts payable to related parties | 237,167 | (223,177) |
| Other payables | 6,497 | (55,559) |
| Other payables to related parties | (8,491) | 41,547 |
| Other current liabilities | (9,035) | (30,909) |
| Net defined benefit liabilities | (165) | (233) |
| Cash generated from operations | 676,491 | 595,534 |
| Interest received | 8,696 | 1,520 |
| Interest paid | (86,944) | (38,049) |
| Income tax paid | (8,640) | (97,340) |
| | <u>589,603</u> | <u>461,665</u> |

(Continued)

DYACO INTERNATIONAL INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ - | \$ (11,760) |
| Proceeds from sale of financial assets at amortized cost | 214,292 | 28,006 |
| Purchase of financial assets at fair value through profit or loss | (17,400) | (600) |
| Purchase of investments accounted for using the equity method | - | (4,000) |
| Increase in investments in subsidiaries (Note 13) | (161,005) | (70,000) |
| Net cash outflow on acquisition of subsidiaries (Note 13) | - | (55,000) |
| Payments for property, plant and equipment (Note 30) | (191,651) | (250,430) |
| Proceeds from disposal of property, plant and equipment | 57 | 13,148 |
| Decrease in refundable deposits | 258 | 3,569 |
| Increase in other receivables from related parties | (126,914) | (42,682) |
| Payments for intangible assets (Note 30) | <u>(47,081)</u> | <u>(24,095)</u> |
| Net cash used in investing activities | <u>(329,444)</u> | <u>(413,844)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of short-term borrowings | (245,500) | (168,450) |
| Repayments of corporate bonds | (1,407,553) | - |
| Proceeds from long-term borrowings | 765,512 | 521,320 |
| Repayments of long-term borrowings | (180,935) | (158,907) |
| Refund of guarantee deposits received | 13 | - |
| Repayment of the principal portion of lease liabilities | (3,252) | (6,467) |
| Cash dividends | (62,813) | (317,502) |
| Issuance of new ordinary shares for cash | 822,332 | - |
| Exercise of employee stock options | 17,276 | 3,413 |
| Payments for buy-back of ordinary shares | - | (96,415) |
| Proceeds from treasury shares transferred to employees | <u>14,627</u> | <u>26,791</u> |
| Net cash used in financing activities | <u>(280,293)</u> | <u>(196,217)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>(4,572)</u> | <u>1,899</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (24,706) | (146,497) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR | <u>465,110</u> | <u>611,607</u> |
| CASH AND CASH EQUIVALENTS, END OF THE YEAR | <u>\$ 440,404</u> | <u>\$ 465,110</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, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 12, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB</u> |
|---|---|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |
| Amendments to IAS 12 “International Tax Reform - Pillar Two Model Rules” | January 1, 2023 |

The above application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Corporation’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|---|--|
| Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback” | January 1, 2024 (Note 2) |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2024 |
| Amendments to IAS 1 “Non-current Liabilities with Covenants” | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements” | January 1, 2024 (Note 3) |

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of the above standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 21 "Lack of Exchangeability" | January 1, 2025 (Note 2) |

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. 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:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) 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
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) 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
- 3) 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.

d. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (i.e., 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.

e. 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.

f. 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.

g. Investments in associates

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

The Corporation 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 Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates attributable to the Corporation.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

ii. 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.

iii. 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.

b) 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):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. 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.

c) 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.

2) 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.

3) 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.

4) 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.

m. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fitness equipment and outdoor furnitures. Sales of these goods are recognized as revenue when the ownership of goods has been transferred from seller to buyer 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.

2) Revenue from the rendering of services

Revenue is recognized when services are rendered.

n. Leasing

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

1) 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.

2) 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.

o. Employee benefits

1) 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.

2) 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 rereasurement) 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. Rereasurement, 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. Rereasurement 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.

p. Share-based payment arrangements

1) Employee share options granted to employees

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.

2) Employee share options granted to the employees of a subsidiary

The grant by the Corporation of its equity instruments to the employees of a subsidiary under options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

q. Taxation

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

1) 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 Act 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.

2) 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.

3) Current and deferred tax

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. MATERIAL 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 on 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.

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 AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Cash on hand | \$ 493 | \$ 360 |
| Checking accounts and demand deposits | 155,711 | 122,504 |
| Foreign currency deposits | 253,495 | 219,406 |
| Foreign time deposits | <u>30,705</u> | <u>122,840</u> |
| | <u>\$ 440,404</u> | <u>\$ 465,110</u> |

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Financial assets - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Limited Partnership | | |
| Chang Nang Capital Limited Partnership | \$ 16,555 | \$ 568 |
| Financial assets held for trading | | |
| Derivative financial assets (not under hedge accounting) | | |
| Cross-currency swap contracts | <u>-</u> | <u>3,171</u> |
| | <u>\$ 16,555</u> | <u>\$ 3,739</u> |
| <u>Financial assets - non-current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Hybrid financial assets | | |
| Convertible promissory notes (Note 13) | <u>\$ 118,124</u> | <u>\$ 147,071</u> |
| <u>Financial liabilities - current</u> | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities | | |
| Convertible bonds options (Note 19) | <u>\$ -</u> | <u>\$ 25,305</u> |

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|-------------------------------|----------|---------------|-----------------------------------|
| <u>December 31, 2022</u> | | | |
| Cross-currency swap contracts | NTD/USD | 2023.01.03 | NTD27,539/USD1,000 |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

| | <u>December 31</u> | |
|--------------------------|--------------------|------------------|
| | 2023 | 2022 |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Listed shares | \$ 8,966 | \$ 11,759 |
| Unlisted ordinary shares | 6,865 | 9,915 |
| Foreign investments | | |
| Unlisted ordinary shares | <u>31,666</u> | <u>40,150</u> |
| | <u>\$ 47,497</u> | <u>\$ 61,824</u> |

These investments are 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. FINANCIAL ASSETS AT AMORTIZED COST

| | <u>December 31</u> | |
|---------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Current</u> | | |
| Bank debenture (b) | \$ 30,705 | \$ - |
| Restricted deposits | <u>13,250</u> | <u>233,678</u> |
| | <u>\$ 43,955</u> | <u>\$ 233,678</u> |
| <u>Non-current</u> | | |
| Bank debenture (b) | <u>\$ 6,141</u> | <u>\$ 30,710</u> |

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

| | December 31 | |
|---------------------|--------------------|-------------|
| | 2023 | 2022 |
| Restricted deposits | 3.50%-3.55% | 0.60%-4.83% |

- b. In June 2022, the Corporation purchased 1.5-year financial debentures of Mega International Commercial Bank at a face value of \$21,784 thousand (US\$750 thousand). The maturity date is on January 5, 2024. The coupon rate and effective interest rate are both 2.5%. In September 2022, the Corporation purchased 2-year financial debentures of Mega International Commercial Bank at a face value of \$7,609 thousand (US\$250 thousand), with a maturity date of September 15, 2024. The coupon rate and effective interest rate are both 3.05%. In March 2023, the Corporation purchased 2.5-year financial debentures of Mega International Commercial Bank at a face value of \$6,096 thousand (US\$200 thousand), with a maturity date of October 3, 2025. The coupon rate and effective interest rate are both 4.3%.
- c. The Corporation invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other publicly available information and makes an assessment of whether there has been a significant increase in credit risk since the last period to the reporting date.

In determining the expected credit losses for debt instrument investments, the Corporation considers the current financial condition of debtors and the future prospects of the industries.

The Corporation's current credit risk grading mechanism is as follows:

| Category | Description | Basis for Recognizing Expected Credit Losses (ECLs) |
|-----------------|--|--|
| Performing | The counterparty has a low risk of default and a strong capacity to meet contractual cash flows | 12m ECLs |
| Doubtful | There has been a significant increase in credit risk since the initial recognition | Lifetime ECLs - not credit impaired |
| In default | There is evidence indicating the asset is credit impaired | Lifetime ECLs - credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The Corporation assesses the counterparty has a low risk of default and a strong capacity to meet contractual cash flows. As of December 31, 2023, there was no expected credit loss for an investment in debt instruments.

- d. The financial assets at amortized cost pledged as collateral are set out in Note 34.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 832 | \$ 691 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| | <u>\$ 832</u> | <u>\$ 691</u> |
| <u>Accounts receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 111,941 | \$ 173,527 |
| Less: Allowance for impairment loss | <u>12,571</u> | <u>99,122</u> |
| | <u>\$ 99,370</u> | <u>\$ 74,405</u> |
| <u>Other receivables</u> | | |
| Tax refund receivables | \$ 10,037 | \$ 9,788 |
| Others | <u>119</u> | <u>68</u> |
| | <u>\$ 10,156</u> | <u>\$ 9,856</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, 2023

| | 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 | 1.66% | 5.52% | 9.8%-15.61% | 33.46% | 46.61%-100% | 100% | |
| Gross carrying amount | \$ 79,598 | \$ 21,350 | \$ 943 | \$ 37 | \$ 316 | \$ 9,697 | \$ 111,941 |
| Loss allowance (Lifetime ECLs) | <u>(1,323)</u> | <u>(1,179)</u> | <u>(147)</u> | <u>(12)</u> | <u>(213)</u> | <u>(9,697)</u> | <u>(12,571)</u> |
| Amortized cost | <u>\$ 78,275</u> | <u>\$ 20,171</u> | <u>\$ 796</u> | <u>\$ 25</u> | <u>\$ 103</u> | <u>\$ -</u> | <u>\$ 99,370</u> |

December 31, 2022

| | 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 | 2.14% | 3.72%-8.84% | 18.20%-18.41% | 23.11%-35.18% | 54.38%-100% | 100% | |
| Gross carrying amount | \$ 41,077 | \$ 31,615 | \$ 1,732 | \$ 2,151 | \$ 12,109 | \$ 84,843 | \$ 173,527 |
| Loss allowance (Lifetime ECLs) | <u>(878)</u> | <u>(1,370)</u> | <u>(317)</u> | <u>(744)</u> | <u>(10,970)</u> | <u>(84,843)</u> | <u>(99,122)</u> |
| Amortized cost | <u>\$ 40,199</u> | <u>\$ 30,245</u> | <u>\$ 1,415</u> | <u>\$ 1,407</u> | <u>\$ 1,139</u> | <u>\$ -</u> | <u>\$ 74,405</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, 2022, 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 customer has completed the liquidation in March 2023 and returned \$5,825 thousand, and for the remaining uncollectible accounts, all relevant accounts receivable and loss allowance shall be written off.

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

| | 2023 | 2022 |
|--|------------------|------------------|
| Beginning balance | \$ 99,122 | \$ 86,648 |
| Add: Net remeasurement of loss allowance | - | 12,474 |
| Less: Net reversal of loss allowance | (11,525) | - |
| Less: Amounts written off | <u>(75,026)</u> | <u>-</u> |
| Ending balance | <u>\$ 12,571</u> | <u>\$ 99,122</u> |

c. Other receivables

Other receivables consist of tax refund receivables and others (advance).

Due to the overdue deposit refund receivables, originally recognized as other receivables, of the Corporation and the debtor's current financial status, the unrecovered amount of \$39,500 thousand has been fully determined as an expected credit loss before the release date for the year ended December 31, 2022, the Corporation will continue to pursue recourse against the debtor.

11. INVENTORIES

| | <u>December 31</u> | |
|------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Finished goods | \$ 114,611 | \$ 134,830 |
| Work in progress | 73,230 | 83,293 |
| Raw materials | 70,342 | 74,408 |
| Merchandise | <u>38,693</u> | <u>30,849</u> |
| | <u>\$ 296,876</u> | <u>\$ 323,380</u> |

The nature of the cost of goods sold is as follows:

| | <u>For the Year Ended December 31</u> | |
|--------------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Cost of inventories sold | \$ 2,819,013 | \$ 2,181,303 |
| Inventory write-downs | <u>10,666</u> | <u>39,056</u> |
| | <u>\$ 2,829,679</u> | <u>\$ 2,220,359</u> |

12. PREPAYMENTS

| | <u>December 31</u> | |
|-----------------------|--------------------|------------------|
| | 2023 | 2022 |
| Prepayments for goods | \$ 62,359 | \$ 60,888 |
| Prepaid expenses | 25,793 | 17,177 |
| Others | <u>2,394</u> | <u>3,623</u> |
| | <u>\$ 90,546</u> | <u>\$ 81,688</u> |

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Investments in subsidiaries | \$ 2,742,810 | \$ 3,001,763 |
| Investments in associate | <u>3,714</u> | <u>3,889</u> |
| | <u>\$ 2,746,524</u> | <u>\$ 3,005,652</u> |

a. Investments in subsidiaries

| | December 31 | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Unlisted companies | | |
| Dyaco International Holding Limited | \$ 1,080,577 | \$ 1,052,713 |
| SOLE INC. | 493,326 | 728,477 |
| President Plastic Products MFG. Co., Ltd. | 288,763 | 288,532 |
| Neutron Ventures Ltd | - | 74,702 |
| Dyaco Europe GmbH | 159,361 | 169,444 |
| Cikayda Inc. | 17,296 | 18,039 |
| CITY SPORTS (THAILAND) CO., LTD | (2,126) | 2,966 |
| Daan Health Management Consulting Co., Ltd. | 8,900 | 8,460 |
| Wing Long Co., Ltd. | 4,958 | 2,139 |
| Dyaco Japan Co., Ltd. | (7,480) | 1,514 |
| Dyaco UK Ltd. | 113,823 | 29,260 |
| Spirit Manufacturing Inc. | 222,860 | 249,946 |
| Dyaco Canada Inc. | 234,721 | 262,457 |
| Iuvo Industry Co., Ltd. | <u>118,225</u> | <u>113,114</u> |
| | 2,733,204 | 3,001,763 |
| Add: Credit balance of investments accounted for using the equity method | <u>9,606</u> | <u>-</u> |
| | <u>\$ 2,742,810</u> | <u>\$ 3,001,763</u> |

| | Proportion of Ownership and Voting Rights | |
|---|--|-------------|
| | December 31 | |
| | 2023 | 2022 |
| Dyaco International Holding Limited | 100% | 100% |
| SOLE INC. | 100% | 100% |
| President Plastic Products MFG. Co., Ltd. | 100% | 100% |
| Neutron Ventures Ltd | - | 80% |
| Dyaco Europe GmbH | 100% | 100% |
| Cikayda Inc. | 100% | 100% |
| CITY SPORTS (THAILAND) CO., LTD | 44% | 44% |
| Daan Health Management Consulting Co., Ltd. | 100% | 100% |
| Wing Long Co., Ltd. | 100% | 100% |
| Dyaco Japan Co., Ltd. | 100% | 100% |
| Dyaco UK Ltd. | 97% | 100% |
| Spirit Manufacturing Inc. | 100% | 100% |
| Dyaco Canada Inc. | 100% | 100% |
| Iuvo Industry Co., Ltd. | 92% | 90% |

- 1) The Company subscribed to an increase in share capital through debt-to-equity conversion of its subsidiary, President Plastic Products MFG. Co., Ltd., for an amount of NT\$28,000 thousand in November 2022.
- 2) In November 2021, the Corporation purchased 44% equity of CITY SPORTS (THAILAND) CO., LTD, for THB14,420 thousand (NT\$12,450 thousand), and according to the acquisition agreement, the Corporation obtained two out of three seats in the board of directors of CITY SPORTS (THAILAND) CO., LTD, as the Corporation has control over the decision making of the relevant activities of the company; therefore, it is listed as a subsidiary.

- 3) In December 2021, the Corporation purchased 80% equity of Neutron Ventures Ltd. for GBP3,220 thousand (NT\$119,421 thousand). On March 2023, the Corporation acquired interest for \$69,673 thousand, the Corporation did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 80% to 95%, and adjusted unappropriated earnings for \$4,320 thousand. After the Corporation went through a share exchange reorganization on July 1, 2023, Neutron Ventures Ltd. are directly 100% held by Dyaco UK Ltd.
- 4) On July 1, 2022, the Corporation underwent organizational restructuring through a non-cash reduction of capital method, resulting in Dyaco International Inc. directly holding 100% ownership of Spirit Manufacturing Inc. and Dyaco Canada Inc.
- 5) On August 24, 2022, the Corporation signed a contract with the major shareholder of Iuvo Industry Co., Ltd. The Corporation acquired 83% interest for \$55,000 thousand on the base date October 3, 2022. In December 2022, the Corporation acquired interest for \$70,000 thousand, the Corporation did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 83% to 90%, and adjusted unappropriated earnings for \$7,815 thousand. In August 2023, the Corporation acquired interest for \$30,000 thousand, the Corporation did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 90% to 92%, and adjusted capital surplus for \$1,509 thousand.
- 6) The Corporation acquires interest in subsidiary, Dyaco Japan Co., Ltd. through debt equity swap for \$44,560 thousand in August 2022.
- 7) The Corporation acquires interest in subsidiary, Dyaco Europe GmbH through debt equity swap for \$126,368 thousand in August 2022. In March 2023, the Corporation acquired interest of subsidiary, Dyaco Europe GmbH for \$61,332 thousand.
- 8) The Corporation acquires interest in subsidiary, Dyaco UK Ltd. through debt equity swap for \$182,850 thousand in August 2022. Dyaco UK Ltd. issued additional new shares for \$121,145 in July 2023, with parent company and Neutron Ventures Ltd.'s non-controlling interests exchange for 100% equity of Neutron Ventures Ltd. The Corporation held the Dyaco UK Ltd. shareholding ratio decreased from 100% to 97%. As the Corporation did not subscribe according to its shareholding ratio and adjusted capital surplus for \$510 thousand. Additionally, due to the aforementioned share exchange being an organizational restructure under common control, a reduction adjustment of \$702 thousand was made to capital surplus.
- 9) The Corporation acquires interest in subsidiary, SOLE INC. through debt-equity swap for \$694,235 thousand in November 2022.

For the years ended December 31, 2023 and 2022, 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 carrying amount 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., CITY SPORTS (THAILAND) CO., LTD, Neutron Ventures Ltd and Iuvo Industry Co., Ltd.

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 is recognized as a cash generating unit (Group A) and CARDIO fitness GmbH & Co. KG is recognized as other cash generating unit (Group B).

On December 31, 2023, the carrying amounts of cash-generating units, Group A and Group B included in the amount of goodwill were \$533,313 thousand and \$27,502 thousand, respectively.

On December 31, 2022, the carrying amounts of cash-generating units, Group A and Group B included in the amount of goodwill were \$507,164 thousand and \$26,482 thousand, respectively.

On December 31, 2023 and 2022, the management assessed the recoverable amount by value in use of asset's cash-generating unit, Group A and Group B, respectively, 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:

| | December 31 | |
|---------|--------------------|-------------|
| | 2023 | 2022 |
| Group A | 12.7% | 12.9% |
| Group B | 14.0% | 12.3% |

The Corporation evaluated Group A and B in 2023 and 2022, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized.

c. Investments in associate

| | December 31 | |
|---|--------------------|-----------------|
| | 2023 | 2022 |
| Associate that is not individually material | | |
| Hongdaxin Projection Co., Ltd. | \$ 3,714 | \$ 3,889 |
| Morsel, Inc. | - | - |
| | <u>\$ 3,714</u> | <u>\$ 3,889</u> |

The Corporation acquired 40% equity in Hongdaxin Projection Co., Ltd. for \$4,000 thousand in March 2022. It provides investment in domestic film and television production.

On August 11, 2021, the board of directors resolved to invest in Morsel Inc., an intelligent fitness content production company, with a total amount of US\$6,000 thousand (approximately NT\$27,750 thousand). The ordinary shares were acquired for US\$1,000 thousand, which accounted for 11% of Morsel Inc.'s total equity; and in accordance with the investment agreement, the parent company has the right to appoint one third of the director seats and the ability to exercise significant influence over Morsel Inc. In addition, the three-year convertible promissory notes issued by Morsel Inc. were acquired for US\$5,000 thousand (approximately NT\$138,750 thousand) at an annual interest rate of 1%, which was recognized as financial assets at fair value through profit or loss of \$(28,947) thousand and \$8,036 thousand for the years ended 2023 and 2022, respectively, please refer to Note 7.

The Corporation's investments in associates, Morsel Inc., were recognized by using the equity method due to the poor sales performance of products in the market, and the expectation of future operating cash will decrease and the recoverable amount of the associates calculated by the value-in-use was lower than the investment of the carrying amount. The Corporation recognized the impairment loss of \$24,882 thousand in 2022.

Refer to Tables 6 and 7 for the principal places of business and countries of incorporation.

Aggregate information of associate that is not individually material:

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| The Corporation's share of: | | |
| Loss from continuing operations | \$ (175) | \$ (111) |
| Other comprehensive income (loss) | <u>-</u> | <u>-</u> |
| Total comprehensive income (loss) for the year | <u>\$ (175)</u> | <u>\$ (111)</u> |

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

14. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery Equipment | Transportation Equipment | Office Equipment | Leasehold Improvements | Property under Construction | Total |
|---------------------------------------|-------------------|-------------------|------------------------|-----------------------------|---------------------|---------------------------|-----------------------------------|---------------------|
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2023 | \$ 978,863 | \$ 725,269 | \$ 288,129 | \$ 25,672 | \$ 32,101 | \$ 1,457 | \$ 207,159 | \$ 2,258,650 |
| Additions | - | 133 | 44,827 | 595 | 840 | 756 | 140,799 | 187,950 |
| Disposals | - | - | (11) | (427) | (635) | (261) | - | (1,334) |
| Balance at December 31, 2023 | <u>978,863</u> | <u>725,402</u> | <u>332,945</u> | <u>25,840</u> | <u>32,306</u> | <u>1,952</u> | <u>347,958</u> | <u>2,445,266</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2023 | - | 213,880 | 196,487 | 17,694 | 28,971 | 604 | - | 457,636 |
| Depreciation expenses | - | 22,324 | 35,740 | 1,609 | 1,651 | 1,047 | - | 62,371 |
| Disposals | - | - | (11) | (418) | (635) | (261) | - | (1,325) |
| Balance at December 31, 2023 | <u>-</u> | <u>236,204</u> | <u>232,216</u> | <u>18,885</u> | <u>29,987</u> | <u>1,390</u> | <u>-</u> | <u>518,682</u> |
| Carrying amounts at December 31, 2023 | <u>\$ 978,863</u> | <u>\$ 489,198</u> | <u>\$ 100,729</u> | <u>\$ 6,955</u> | <u>\$ 2,319</u> | <u>\$ 562</u> | <u>\$ 347,958</u> | <u>\$ 1,926,584</u> |
| <u>Cost</u> | | | | | | | | |
| Balance at January 1, 2022 | \$ 978,863 | \$ 724,413 | \$ 258,484 | \$ 25,562 | \$ 32,163 | \$ 640 | \$ - | \$ 2,020,125 |
| Additions | - | 1,689 | 42,591 | 110 | 963 | 1,325 | 207,159 | 253,837 |
| Disposals | - | (833) | (12,946) | - | (1,025) | (508) | - | (15,312) |
| Balance at December 31, 2022 | <u>978,863</u> | <u>725,269</u> | <u>288,129</u> | <u>25,672</u> | <u>32,101</u> | <u>1,457</u> | <u>207,159</u> | <u>2,258,650</u> |
| <u>Accumulated depreciation</u> | | | | | | | | |
| Balance at January 1, 2022 | - | 192,116 | 163,001 | 16,056 | 27,790 | 278 | - | 399,241 |
| Depreciation expenses | - | 22,597 | 33,663 | 1,638 | 2,206 | 505 | - | 60,609 |
| Disposals | - | (833) | (177) | - | (1,025) | (179) | - | (2,214) |
| Balance at December 31, 2022 | <u>-</u> | <u>213,880</u> | <u>196,487</u> | <u>17,694</u> | <u>28,971</u> | <u>604</u> | <u>-</u> | <u>457,636</u> |
| Carrying amounts at December 31, 2022 | <u>\$ 978,863</u> | <u>\$ 511,389</u> | <u>\$ 91,642</u> | <u>\$ 7,978</u> | <u>\$ 3,130</u> | <u>\$ 853</u> | <u>\$ 207,159</u> | <u>\$ 1,801,014</u> |

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 | 2-49 years |
| Machinery equipment | 1-11 years |
| Transportation equipment | 2-11 years |
| Office equipment | 1-10 years |
| Leasehold improvements | 1-2 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> | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| <u>Carrying amounts</u> | | |
| Land | \$ 3,870 | \$ 8,976 |
| Transportation equipment | <u>1,131</u> | <u>3,845</u> |
| | <u>\$ 5,001</u> | <u>\$ 12,821</u> |
| | <u>For the Year Ended December 31</u> | |
| | 2023 | 2022 |
| Additions for right-of-use assets | <u>\$ -</u> | <u>\$ 9,770</u> |
| Depreciation charge for right-of-use assets | | |
| Land | \$ 516 | \$ 1,952 |
| Transportation equipment | <u>2,714</u> | <u>4,603</u> |
| | <u>\$ 3,230</u> | <u>\$ 6,555</u> |

Except for the above additions and recognition of depreciation expense, the Company's right-of-use assets are not subject to significant sublease or impairment in 2023 and 2022. In addition, the Company early terminated part of the lease contract in 2023 and 2022, which resulted in a decrease of \$4,590 thousand and \$29,309 thousand in right-of-use assets, respectively.

b. Lease liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|-----------------|
| | 2023 | 2022 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 1,675</u> | <u>\$ 3,766</u> |
| Non-current | <u>\$ 3,557</u> | <u>\$ 9,308</u> |

Ranges of discount rates for lease liabilities were as follows:

| | <u>December 31</u> | |
|--------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Land | 1.36% | 1.36% |
| Transportation equipment | 1.65% | 1.65% |

c. Material lease-in activities and terms

The Corporation leases land for the use of factory with lease term of 10 years. The Corporation does not have bargain purchase options to acquire the land at the end of the lease terms.

d. Other information

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

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| Expenses relating to short-term leases | <u>\$ 1,760</u> | <u>\$ 2,620</u> |
| Total cash outflow for leases | <u>\$ (5,111)</u> | <u>\$ (9,429)</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 |
|--|--|
| <u>Cost</u> | |
| Balance at January 1, 2023 and December 31, 2023 | <u>\$ 24,886</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2023 | 5,317 |
| Depreciation expenses | <u>879</u> |
| Balance at December 31, 2023 | <u>6,196</u> |
| Carrying amount at December 31, 2023 | <u>\$ 18,690</u> |
| <u>Cost</u> | |
| Balance at January 1, 2023 and December 31, 2022 | <u>\$ 24,886</u> |
| <u>Accumulated depreciation</u> | |
| Balance at January 1, 2022 | 4,438 |
| Depreciation expenses | <u>879</u> |
| Balance at December 31, 2022 | <u>5,317</u> |
| Carrying amount at December 31, 2022 | <u>\$ 19,569</u> |

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

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

| | <u>December 31</u> | |
|--------|--------------------|-----------------|
| | <u>2023</u> | <u>2022</u> |
| Year 1 | <u>\$ 2,619</u> | <u>\$ 2,619</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, 2023 and 2022, the fair value of investment property located in Zhongshan District, Taipei City was \$24,979 thousand and \$23,925 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.

Investment properties used by the Corporation and pledged as collateral for bank borrowings are set out in Note 34.

17. INTANGIBLE ASSETS

| | Computer Software | Royalty | Brand Value | Copyright | Total |
|--|------------------------------|------------------|--------------------|------------------|---------------------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2023 | \$ 81,851 | \$ 240,210 | \$ - | \$ - | \$ 322,061 |
| Additions | <u>6,349</u> | <u>-</u> | <u>1,868</u> | <u>17,026</u> | <u>25,243</u> |
| Balance at December 31, 2023 | <u>88,200</u> | <u>240,210</u> | <u>1,868</u> | <u>17,026</u> | <u>347,304</u> |
| <u>Accumulated amortization</u> | | | | | |
| Balance at January 1, 2023 | 64,809 | 152,297 | - | - | 217,106 |
| Amortization expenses | <u>8,294</u> | <u>21,978</u> | <u>312</u> | <u>2,838</u> | <u>33,422</u> |
| Balance at December 31, 2023 | <u>73,103</u> | <u>174,275</u> | <u>312</u> | <u>2,838</u> | <u>250,528</u> |
| Carrying amounts at December 31, 2023 | <u>\$ 15,097</u> | <u>\$ 65,935</u> | <u>\$ 1,556</u> | <u>\$ 14,188</u> | <u>\$ 96,776</u> (Continued) |

| | Computer Software | Royalty | Brand Value | Copyright | Total |
|--|------------------------------|------------------|--------------------|------------------|----------------------------------|
| <u>Cost</u> | | | | | |
| Balance at January 1, 2022 | \$ 74,039 | \$ 240,210 | \$ - | \$ - | \$ 314,249 |
| Additions | <u>7,812</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,812</u> |
| Balance at December 31, 2022 | <u>81,851</u> | <u>240,210</u> | <u>-</u> | <u>-</u> | <u>322,061</u> |
| <u>Accumulated amortization</u> | | | | | |
| Balance at January 1, 2022 | 55,580 | 130,319 | - | - | 185,899 |
| Amortization expenses | <u>9,229</u> | <u>21,978</u> | <u>-</u> | <u>-</u> | <u>31,207</u> |
| Balance at December 31, 2022 | <u>64,809</u> | <u>152,297</u> | <u>-</u> | <u>-</u> | <u>217,106</u> |
| Carrying amounts at December 31, 2022 | <u>\$ 17,042</u> | <u>\$ 87,913</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 104,955</u> (Concluded) |

The Corporation signed royalty agreements with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as royalty and included in intangible assets at the beginning of authorization period, and the related liability was recorded as current and non-current payables for royalties. 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 |
| Brand value | 3 years |
| Copyright | 3 years |

18. BORROWINGS

a. Short-term borrowings

| | <u>December 31</u> | |
|-------------------------|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Unsecured borrowings | \$ 500,000 | \$ 1,033,100 |
| Secured borrowings | <u>1,430,000</u> | <u>1,142,400</u> |
| | <u>\$ 1,930,000</u> | <u>\$ 2,175,500</u> |
| Range of interest rates | | |
| Unsecured borrowings | 1.81%-2.25% | 1.43%-1.97% |
| Secured borrowings | 1.85%-2.10% | 1.60%-2.45% |

b. Long-term borrowings

| | <u>December 31</u> | |
|---------------------------|---------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Secured borrowings</u> | | |
| Mega Bank | \$ 888,900 | \$ 580,100 |
| Bank SinoPac | 300,333 | 90,974 |
| Taiwan Business Bank | 216,139 | 121,320 |
| Taiwan Cooperative Bank | 152,918 | 161,579 |
| Taishin Bank | 142,500 | 157,500 |
| Chang Hua Bank | <u>-</u> | <u>4,740</u> |
| | 1,700,790 | 1,116,213 |
| Less: Current portion | <u>280,698</u> | <u>150,600</u> |
| | <u>\$ 1,420,092</u> | <u>\$ 965,613</u> |

- 1) Secured borrowings from Mega Bank: 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, 2023 and 2022, the borrowings were \$40,700 thousand and \$92,300 thousand, respectively, at the annual borrowing interest rate were 2.15% and 2.03%, 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, 2023 and 2022, the borrowings were \$48,200 thousand and \$87,800 thousand, respectively, at the annual borrowing interest rate were 2.20% and 2.08%, respectively. In 2022, the Corporation signed a contract for borrowings, under which the interests are repayable for the first three years from July 2022 and repayable monthly from July 2025 to July 2027. As of December 31, 2023 and 2022, the borrowings were both \$300,000 thousand, at the annual borrowing interest rate were 2.15% and 2.05%, respectively. In 2022, the Corporation signed a contract for borrowings, under which the interests are repayable for the first one and a half years from July 2022 and repayable monthly from January 2024 to July 2027. As of December 31, 2023 and 2022, the borrowings were both \$100,000 thousand, at the annual borrowing interest rate were 2.30% and 2.05%, respectively. In March 2023, the Corporation signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$100,000 thousand, at the annual borrowing interest rate of 2.30%. In June 2023, the Corporation signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$100,000 thousand, at the annual borrowing interest rate of 2.30%. In July 2023, the Corporation signed a contract for borrowings, which repayable monthly from January 2024 to July 2027. As of December 31, 2023, the borrowings was \$200,000 thousand, at the annual borrowing interest rate of 2.30%.

- 2) 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, 2023 and 2022, the borrowings were \$6,923 thousand and \$16,154 thousand, respectively, at annual interest rate of 2.24% and 2.10%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2030. As of December 31, 2023 and 2022, the borrowings were \$63,410 thousand and \$71,808 thousand, respectively, at annual interest rate of 2.01% and 1.89%, 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, 2022, the borrowings was \$3,012 thousand, at annual interest rate of 1.99%. In 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable quarterly and monthly, respectively, from September 2023 to December 2026. As of December 31, 2023, the borrowings was \$230,000 thousand, at annual interest rate of 2.60%.

- 3) Secured borrowings from Taiwan Business Bank: In 2022, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2022 to December 2032. As of December 31, 2023 and 2022, the borrowings were \$109,188 thousand and \$121,320 thousand, respectively, at annual borrowing interest rate of 1.55% and 1.43%, respectively. In February 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$53,292 thousand, at annual interest rate of 1.55%. In March 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2027. As of December 31, 2023, the borrowings were \$7,818 thousand, at annual interest rate of 1.55%. In March 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$2,239 thousand, at annual interest rate of 1.55%. In May 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$2,278 thousand, at annual interest rate of 1.55%. In July 2023, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2032. As of December 31, 2023, the borrowings were \$41,324 thousand, at annual interest rate of 1.55%.
- 4) Secured borrowings from Taiwan Cooperative Bank: In 2018, the Corporation signed a contract for borrowings, under which the interests are repayable for the first two years from November 2018, and the principal and interest are repayable monthly from December 2020 to November 2038. As of December 31, 2023 and 2022, the borrowings were \$152,918 thousand and \$161,579 thousand, respectively, at annual borrowing interest rate of 2.10% and 1.60%, respectively.
- 5) 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, 2023 and 2022, the borrowings were \$138,000 thousand and \$144,000 thousand, respectively, at annual interest rate of 2.20% and 1.96%, 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, 2023 and 2022, the borrowings were \$4,500 thousand and \$13,500 thousand, respectively, at annual interest rate of 2.20% and 1.96%, respectively.
- 6) Secured borrowings from Chang Hua Bank: In 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2008 to May 2023. As of December 31, 2022, the annual borrowing interest rate was 2.15%.

19. BONDS PAYABLE

| | <u>December 31</u> | |
|--------------------------------------|--------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Secured domestic convertible bonds | \$ - | \$ 421,580 |
| Unsecured domestic convertible bonds | 1,200 | 976,957 |
| Less: Current portion | <u>(1,200)</u> | <u>(1,398,537)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

- a. 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.

| | |
|---|------------------|
| 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 - call 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 | 462,372 |
| Interest charged at an effective interest rate of 0.93% | 3,985 |
| Convertible bonds converted into ordinary shares | <u>(48,701)</u> |
| Liability component at December 31, 2021 | 417,656 |
| Interest charged at an effective interest rate of 0.93% | <u>3,924</u> |
| Liability component at December 31, 2022 | 421,580 |
| Interest charged at an effective interest rate of 0.93% | 2,520 |
| Repayment on maturity at August 24, 2023 | <u>(424,100)</u> |
| Liability component at December 31, 2023 | <u>\$ _____</u> |

Financial assets at fair value through profit or loss - call options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options was \$0 thousand and \$42 thousand for the years ended December 31, 2023 and 2022, respectively.

- b. On June 28, 2021, the Corporation issued 0% three-year unsecured domestic convertible bonds at 100.0% of face value of \$1,000,000 thousand for the third time, with maturity date of June 28, 2024, totaling \$1,000,000 thousand, and the trustee is Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$100.6. Conversion may occur at any time between September 29, 2021 and June 28, 2024.

According to restrictions for third-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from September 29, 2021 to May 19 2024, 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 June 28, 2023. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 40-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 101.0% 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 1.57% per annum on initial recognition.

| | |
|---|------------------|
| Proceeds from issuance (less transaction costs of \$5,406 thousand) | \$ 994,594 |
| Equity component (less transaction costs allocated to the equity component of \$212 thousand) | (38,988) |
| Financial liabilities held for trading - call and put options | <u>(1,492)</u> |
| Liability component at the date of issue | 954,114 |
| Interest charged at an effective interest rate of 1.57% | <u>7,666</u> |
| Liability component at December 31, 2021 | 961,780 |
| Interest charged at an effective interest rate of 1.57% | <u>15,177</u> |
| Liability component at December 31, 2022 | 976,957 |
| Interest charged at an effective interest rate of 1.57% | 7,696 |
| Redeem bonds payable | <u>(983,453)</u> |
| | |
| Liability component at December 31, 2023 | <u>\$ 1,200</u> |

Financial assets at fair value through profit or loss - call and put options are measured at FVTPL. Loss on changes in fair value of financial assets at fair value through profit or loss - options were \$300 thousand and \$11,900 thousand, respectively, for the years ended December 31, 2023 and 2022.

In June 2023, a bondholder exercised the right to sell back 9,988 units of convertible bonds with a sale price of \$998,800 thousand and interest compensation of \$9,988 thousand. The Corporation wrote off bonds payable and financial liabilities at FVTPL of \$983,453 thousand and \$25,605 thousand, respectively. The difference between the sale price and the carrying amount of \$270 thousand recognized as a gain on redemption on of convertible bonds (accounted for non-operating income and expenses - other income). The equity components were converted to capital surplus - convertible bonds - expired of \$38,942 thousand. As of December 31, 2023, there were \$1,200 convertible bonds whose face value had not been exercised.

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 PAYABLES AND LONG-TERM PAYABLES

| | <u>December 31</u> | |
|--|--------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Current</u> | | |
| Payables for salaries and bonuses | \$ 39,482 | \$ 45,071 |
| Payables for royalties (Note 17) | 24,264 | 21,248 |
| Payables for freight | 13,546 | 4,191 |
| Payables for insurance | 9,963 | 8,635 |
| Payables for compensation of employees | 9,953 | 5,003 |
| | | (Continued) |

| | December 31 | |
|--------------------------------------|--------------------|---------------------------------|
| | 2023 | 2022 |
| Payables for labor costs | \$ 6,233 | \$ 5,333 |
| Payables for purchases of equipment | 3,156 | 900 |
| Payables for advertisements | 68 | - |
| Payables for employees' compensation | - | 5,518 |
| Others | <u>25,090</u> | <u>28,488</u> |
| | <u>\$ 131,755</u> | <u>\$ 124,387</u> |
| <u>Non-current</u> | | |
| Payables for royalties (Note 17) | <u>\$ 58,829</u> | <u>\$ 83,093</u> (Concluded) |

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 Act 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 Act 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:

| | December 31 | |
|---|--------------------|------------------|
| | 2023 | 2022 |
| Present value of defined benefit obligation | \$ 24,499 | \$ 28,692 |
| Fair value of plan assets | <u>(12,852)</u> | <u>(12,225)</u> |
| Deficit | <u>11,647</u> | <u>16,467</u> |
| Net defined benefit liabilities | <u>\$ 11,647</u> | <u>\$ 16,467</u> |

Movements in net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|---|--|--|--|
| Balance at January 1, 2022 | <u>\$ 30,230</u> | <u>\$ (10,946)</u> | <u>\$ 19,284</u> |
| Recognized in profit or loss | | | |
| Net interest expenses (income) | <u>205</u> | <u>(71)</u> | <u>134</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (841) | (841) |
| Actuarial gain - changes in financial assumptions | (1,410) | - | (1,410) |
| Actuarial loss - changes in demographic assumptions | 5 | - | 5 |
| Actuarial gain - experience adjustments | <u>(338)</u> | <u>-</u> | <u>(338)</u> |
| Recognized in other comprehensive income | <u>(1,743)</u> | <u>(841)</u> | <u>(2,584)</u> |
| Contributions from employer | <u>-</u> | <u>(367)</u> | <u>(367)</u> |
| Balance at December 31, 2022 | <u>\$ 28,692</u> | <u>\$ (12,225)</u> | <u>\$ 16,467</u> |
| Balance at January 1, 2023 | <u>\$ 28,692</u> | <u>\$ (12,225)</u> | <u>\$ 16,467</u> |
| Recognized in profit or loss | | | |
| Net interest expenses (income) | <u>352</u> | <u>(149)</u> | <u>203</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (110) | (110) |
| Actuarial loss - changes in financial assumptions | 109 | - | 109 |
| Actuarial gain - experience adjustments | <u>(4,654)</u> | <u>-</u> | <u>(4,654)</u> |
| Recognized in other comprehensive income | <u>(4,545)</u> | <u>(110)</u> | <u>(4,655)</u> |
| Contributions from employer | <u>-</u> | <u>(368)</u> | <u>(368)</u> |
| Balance at December 31, 2023 | <u>\$ 24,499</u> | <u>\$ (12,852)</u> | <u>\$ 11,647</u> |

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

| | <u>For the Year Ended December 31</u> | |
|-------------------------------------|--|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Operating costs | \$ 58 | \$ 40 |
| Selling and marketing expenses | 17 | 16 |
| General and administrative expenses | 70 | 43 |
| Research and development expenses | <u>58</u> | <u>35</u> |
| | <u>\$ 203</u> | <u>\$ 134</u> |

Through the defined benefit plans under the Labor Standards Act, 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:

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Discount rate(s) | 1.20% | 1.25% |
| Expected rate(s) of salary increase | 2.00% | 2.00% |

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

| | December 31 | |
|-------------------------------------|--------------------|-----------------|
| | 2023 | 2022 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (535)</u> | <u>\$ (607)</u> |
| 0.25% decrease | <u>\$ 553</u> | <u>\$ 628</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 548</u> | <u>\$ 622</u> |
| 0.25% decrease | <u>\$ (532)</u> | <u>\$ (604)</u> |

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

| | December 31 | |
|---|--------------------|---------------|
| | 2023 | 2022 |
| Expected contributions to the plans for the next year | <u>\$ 367</u> | <u>\$ 367</u> |
| Average duration of the defined benefit obligation | 8 years | 8 years |

23. EQUITY

a. Share capital

Ordinary shares

| | <u>December 31</u> | |
|---|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Number of shares authorized (in thousands) | <u>200,000</u> | <u>200,000</u> |
| Share capital authorized | <u>\$ 2,000,000</u> | <u>\$ 2,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>159,610</u> | <u>134,115</u> |
| Ordinary shares issued | <u>\$ 1,596,097</u> | <u>\$ 1,341,147</u> |

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

On March 23, 2023, the Corporation's board of directors resolved to issue 25,000 thousand shares at \$10 per share. On April 27, 2023, the above-mentioned was approved by the FSC. The Corporation's board of directors resolved the base date as June 19, 2023. The transaction costs for the issuance of new shares, totaling NT\$2,668 thousand, were deducted from the capital surplus as issuance premium.

b. Capital surplus

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u> | | |
| Issuance of ordinary shares | \$ 1,918,498 | \$ 1,327,831 |
| Conversion of bonds | 613,057 | 613,057 |
| Treasury shares transaction | 127,204 | 124,774 |
| <u>May only be used to offset a deficit</u> | | |
| Conversion of bonds - expired | 47,894 | - |
| Conversion of employee share options | 19,610 | 1,460 |
| Changes in percentage of ownership interests in subsidiaries | 2,619 | - |
| Gain on disorgement | 140 | 140 |
| <u>May not be used for any purpose</u> | | |
| Conversion of bonds | 47 | 47,941 |
| Employee share options | - | 4,678 |
| Employee share options in subsidiaries | <u>27,652</u> | <u>23,038</u> |
| | <u>\$ 2,756,721</u> | <u>\$ 2,142,919</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 2023 and 2022 was as follows:

| | Issuance of Ordinary Shares | Convertible Bond Premium | Treasury Shares Transaction | Convertible Bonds - Expired | Conversion of Employee Share Options | Changes in Ownership Interests in Subsidiaries | Enforce Disgorgement | Conversion of Bond - Options | Employee Share Options | Employee Share Options in Subsidiaries |
|--|-----------------------------|--------------------------|-----------------------------|-----------------------------|--------------------------------------|--|----------------------|------------------------------|------------------------|--|
| Balance at January 1, 2023 | \$ 1,327,831 | \$ 613,057 | \$ 124,774 | \$ - | \$ 1,460 | \$ - | \$ 140 | \$ 47,941 | \$ 4,678 | \$ 23,038 |
| Exercise of employee share options | 14,009 | - | - | - | 18,150 | - | - | - | (19,833) | - |
| Compensation costs of employee share options (remark) | - | - | - | - | - | - | - | - | 5,403 | 5,945 |
| Treasury shares transferred to employees | - | - | 2,430 | - | - | - | - | - | (5,403) | - |
| Issuance of ordinary shares | 572,332 | - | - | - | - | - | - | - | 18,150 | - |
| Repurchase convertible bonds | - | - | - | 47,894 | - | - | - | (47,894) | - | - |
| Organization restructure | - | - | - | - | - | (702) | - | - | - | - |
| Employee share options-expired | 4,326 | - | - | - | - | - | - | - | (2,995) | (1,331) |
| Acquisition of subsidiaries interest not subscribe according to shareholding ratio | - | - | - | - | - | 3,321 | - | - | - | - |
| Balance at December 31, 2023 | <u>\$ 1,918,498</u> | <u>\$ 613,057</u> | <u>\$ 127,204</u> | <u>\$ 47,894</u> | <u>\$ 19,610</u> | <u>\$ 2,619</u> | <u>\$ 140</u> | <u>\$ 47</u> | <u>\$ -</u> | <u>\$ 27,652</u> |
| Balance at January 1, 2022 | \$ 1,325,152 | \$ 613,057 | \$ 117,644 | \$ - | \$ 1,460 | \$ - | \$ 140 | \$ 47,941 | \$ 4,869 | \$ 5,662 |
| Exercise of employee share options | 2,679 | - | - | - | - | - | - | - | (191) | - |
| Compensation costs of employee share options (remark) | - | - | - | - | - | - | - | - | 19,068 | 17,376 |
| Treasury shares transferred to employees | - | - | 7,130 | - | - | - | - | - | (19,068) | - |
| Balance at December 31, 2022 | <u>\$ 1,327,831</u> | <u>\$ 613,057</u> | <u>\$ 124,774</u> | <u>\$ -</u> | <u>\$ 1,460</u> | <u>\$ -</u> | <u>\$ 140</u> | <u>\$ 47,941</u> | <u>\$ 4,678</u> | <u>\$ 23,038</u> |

Note: On January 3, 2023 and January 11, 2022, 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 \$5,403 thousand and \$19,068 thousand, respectively. For the years ended December 31, 2023 and 2022, the compensation costs of employees' shares recognized were \$24,095 thousand and \$17,376 thousand, respectively.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the 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. 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 2022 and 2021 were as follows:

| | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|-----------------|----------------------------------|-------------|---------------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Legal reserve | \$ - | \$ 44,149 | | |
| Special reserve | (111,910) | 62,459 | | |
| Cash dividends | 62,813 | 317,502 | \$ 0.50 | \$ 2.50 |

The above 2022 and 2021 appropriations for cash dividends were resolved by the Corporation's board of directors on March 23, 2023 and March 31, 2022, respectively; the other proposed appropriations were resolved by the shareholders in their meetings on May 26, 2023 and May 27, 2022, respectively.

On March 12, 2024, the company's board of directors proposed the reversal of special reserve earnings of \$493 thousand, and also proposed distributing stock dividends from capital surplus amounting to \$75,323 thousand, with a dividend of \$0.5 per share. The aforementioned distribution proposal is subject to the approval at the annual general meeting of shareholders, which is expected to be held on May 27, 2024.

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Balance at January 1 | \$ (7,267) | \$ (2,360) |
| Recognized for the year | | |
| Unrealized gain on equity instruments | (14,327) | (4,680) |
| Share from subsidiaries accounted for using the equity method | <u>(334)</u> | <u>(227)</u> |
| Balance at December 31 | <u>\$ (21,928)</u> | <u>\$ (7,267)</u> |

e. Treasury shares

| Purpose of Buy-back | Shares Transferred to Employees (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2023 | 9,452 |
| Decrease during the year | <u>(489)</u> |
| Number of shares at December 31, 2023 | <u>8,963</u> |

| Purpose of Buy-back | Shares Transferred to Employees (In Thousands of Shares) |
|---------------------------------------|---|
| Number of shares at January 1, 2022 | 8,013 |
| Increase during the year | 2,338 |
| Number of shares at January 1, 2022 | <u>8,013</u> |
| Number of shares at December 31, 2022 | <u><u>9,452</u></u> |

On May 11, 2022, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$40 to \$65 per share from May 12, 2022 to July 11, 2022. 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 2,338 thousand shares, with total cost of \$96,415 thousand.

On January 3, 2023 and January 11, 2022, the Corporation's board of directors resolved to transfer 489 thousand and 899 thousand shares of treasury shares to employees, respectively. For related information on employees' exercise of the treasury share options, please refer to Note 28.

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, 2023 | December 31, 2022 | January 1, 2022 |
|---|------------------------------|------------------------------|------------------------|
| Notes receivable (Note 10) | <u>\$ 832</u> | <u>\$ 691</u> | <u>\$ 1,490</u> |
| Accounts receivable (Note 10) | <u>\$ 99,370</u> | <u>\$ 74,405</u> | <u>\$ 105,935</u> |
| Accounts receivable from related parties (Note 34) | <u>\$ 1,957,683</u> | <u>\$ 1,975,808</u> | <u>\$ 2,542,832</u> |
| Contract liabilities | | | |
| Sale of goods | <u>\$ 13,880</u> | <u>\$ 37,470</u> | <u>\$ 8,611</u> |

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

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|-----------------|
| | 2023 | 2022 |
| From contract liabilities at the start of the year | | |
| Sale of goods | <u>\$ 37,470</u> | <u>\$ 8,611</u> |

b. Disaggregation of revenue

| | For the Year Ended December 31 | |
|---------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| Sale of goods | \$ 3,664,241 | \$ 2,641,168 |
| Others | <u>8,557</u> | <u>87,734</u> |
| | <u>\$ 3,672,798</u> | <u>\$ 2,728,902</u> |

c. Partially completed contracts

| | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| Sale of goods | | |
| From January 2023 to December 2023 | \$ - | \$ 37,470 |
| From January 2024 to December 2024 | <u>13,880</u> | <u>-</u> |
| | <u>\$ 13,880</u> | <u>\$ 37,470</u> |

25. NET PROFIT

a. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 62,371 | \$ 60,609 |
| Right-of-use assets | 3,230 | 6,555 |
| Investment properties | 879 | 879 |
| Intangible assets | <u>33,422</u> | <u>31,207</u> |
| | <u>\$ 99,902</u> | <u>\$ 99,250</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 49,830 | \$ 48,152 |
| Operating expenses | 15,771 | 19,012 |
| Other operating income and expenses | <u>879</u> | <u>879</u> |
| | <u>\$ 66,480</u> | <u>\$ 68,043</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ - | \$ - |
| Operating expenses | <u>33,422</u> | <u>31,207</u> |
| | <u>\$ 33,422</u> | <u>\$ 31,207</u> |

b. Other operating income and expenses

| | <u>For the Year Ended December 31</u> | |
|---|--|---------------------|
| | 2023 | 2022 |
| Product service revenue (Note 33) | \$ 9,875 | \$ - |
| Gain on disposal of property, plant and equipment | <u>48</u> | <u>50</u> |
| | <u>\$ 9,923</u> | <u>\$ 50</u> |

c. Employee benefits expense

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------------------|
| | 2023 | 2022 |
| Post-employment benefits (Note 22) | | |
| Defined contribution plan | \$ 16,583 | \$ 16,792 |
| Defined benefit plans | <u>203</u> | <u>134</u> |
| | <u>16,786</u> | <u>16,926</u> |
| Compensation of employees | 372,878 | 348,473 |
| Labor and national health insurance expenses | 39,236 | 37,528 |
| Other employee benefits | 13,783 | 11,505 |
| Emoluments of directors | <u>7,391</u> | <u>9,145</u> |
| | <u>433,288</u> | <u>406,651</u> |
| Total employee benefits expense | <u>\$ 450,074</u> | <u>\$ 423,577</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 193,677 | \$ 164,951 |
| Operating expenses | <u>256,397</u> | <u>258,626</u> |
| | <u>\$ 450,074</u> | <u>\$ 423,577</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, 2023 and 2022 have not been estimated because of the pre-tax net loss.

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 year ended December 31, 2022.

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 (losses) on foreign currency exchange

| | For the Year Ended December 31 | |
|-------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| Foreign exchange gains | \$ 83,227 | \$ 445,382 |
| Foreign exchange losses | <u>(86,486)</u> | <u>(45,025)</u> |
| Net gains (losses) | <u>\$ (3,259)</u> | <u>\$ 400,357</u> |

f. Interest expenses

| | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Interest on bank loans | \$ 61,510 | \$ 37,707 |
| Interest on convertible bonds | 10,216 | 19,101 |
| Interest on lease liabilities | <u>99</u> | <u>342</u> |
| | <u>\$ 71,825</u> | <u>\$ 57,150</u> |

Information on capitalized interest is as follows:

| | For the Year Ended December 31 | |
|-----------------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| Capitalization of interest amount | \$ 6,332 | \$ 3,478 |
| Capitalization of interest rate | 1.95%-2.20% | 1.44%-1.89% |

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

| | For the Year Ended December 31 | |
|---|---------------------------------------|------------------|
| | 2023 | 2022 |
| Current tax | | |
| In respect of the current year | \$ (2,914) | \$ 62,229 |
| Income tax on unappropriated earnings | - | 869 |
| Adjustments for prior periods | <u>(1,110)</u> | <u>19,353</u> |
| | <u>(4,024)</u> | <u>82,451</u> |
| Deferred tax | | |
| In respect of the current year | (7,299) | (41,493) |
| Adjustments for prior periods | <u>(14,009)</u> | <u>-</u> |
| | <u>(21,308)</u> | <u>(41,493)</u> |
| Income tax (benefit) expense recognized in profit or loss | <u>\$ (25,332)</u> | <u>\$ 40,958</u> |

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

| | <u>For the Year Ended December 31</u> | |
|--|--|------------------|
| | 2023 | 2022 |
| Loss before tax | \$ (148,102) | \$ (35,171) |
| Income tax benefit calculated at the statutory rate | \$ (29,620) | \$ (7,034) |
| Nondeductible expenses in determining taxable income | 6,657 | 18,752 |
| Income tax on unappropriated earnings | - | 869 |
| Investment credits | (4,755) | - |
| Adjustments for prior years | (15,119) | 19,353 |
| Unrecognized deductible temporary differences | 14,009 | - |
| Adjustments for deferred tax between the Corporation's transaction | <u>3,496</u> | <u>9,018</u> |
| Income tax (benefit) expense recognized in profit or loss | \$ <u>(25,332)</u> | \$ <u>40,958</u> |

b. Income tax recognized in other comprehensive income

| | <u>For the Year Ended December 31</u> | |
|---------------------------------------|--|---------------|
| | 2023 | 2022 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Remeasurement of defined benefit plan | \$ <u>931</u> | \$ <u>517</u> |

c. Current tax assets and liabilities

| | <u>December 31</u> | |
|-------------------------|---------------------------|------------------|
| | 2023 | 2022 |
| Current tax assets | | |
| Tax refund receivable | \$ <u>58,563</u> | \$ <u>48,443</u> |
| Current tax liabilities | | |
| Income tax payable | \$ <u>-</u> | \$ <u>2,544</u> |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|---|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Deferred revenue | \$ 79,868 | \$ (8,197) | \$ - | \$ 71,671 |
| Investment loss recognized under the equity method | 269,094 | 37,310 | - | 306,404 |
| Allowance for impairment loss | 15,524 | (14,586) | - | 938 |
| Write-down of inventories | 17,631 | 2,133 | - | 19,764 |
| Defined benefit obligations | 3,399 | - | (931) | 2,468 |
| Unrealized financial instrument loss, net | 154 | 5,978 | - | 6,132 |
| Payables for annual leave | 1,001 | 990 | - | 1,991 |
| Provisions | 441 | - | - | 441 |
| | <u>\$ 387,112</u> | <u>\$ 23,628</u> | <u>\$ (931)</u> | <u>\$ 409,809</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Unrealized foreign exchange gain, net | \$ 7,257 | \$ (2,337) | \$ - | \$ 4,920 |
| Investment gain recognized under the equity method | 118,773 | 4,657 | - | 123,430 |
| | <u>\$ 126,030</u> | <u>\$ 2,320</u> | <u>\$ -</u> | <u>\$ 128,350</u> |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Compre- hensive Income | Closing Balance |
|---|--------------------|------------------------------------|--|--------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Deferred revenue | \$ 130,145 | \$ (50,277) | \$ - | \$ 79,868 |
| Investment loss recognized under the equity method | 158,391 | 110,703 | - | 269,094 |
| Allowance for impairment loss | 11,856 | 3,668 | - | 15,524 |
| Write-down of inventories | 9,820 | 7,811 | - | 17,631 |
| Defined benefit obligations | 3,916 | - | (517) | 3,399 |
| Unrealized financial instrument loss, net | 2,990 | (2,836) | - | 154 |
| Unrealized foreign exchange loss, net | 14,731 | (14,731) | - | - |
| Payables for annual leave | 1,074 | (73) | - | 1,001 |
| Provisions | <u>441</u> | <u>-</u> | <u>-</u> | <u>441</u> |
| | <u>\$ 333,364</u> | <u>\$ 54,265</u> | <u>\$ (517)</u> | <u>\$ 387,112</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Unrealized foreign exchange gain, net | \$ - | \$ 7,257 | \$ - | \$ 7,257 |
| Investment gain recognized under the equity method | <u>113,258</u> | <u>5,515</u> | <u>-</u> | <u>118,773</u> |
| | <u>\$ 113,258</u> | <u>\$ 12,772</u> | <u>\$ -</u> | <u>\$ 126,030</u> |

e. Income tax assessments

The income tax returns of the Corporation through 2021 have been assessed by the tax authorities.

27. LOSS PER SHARE

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

Net loss for the period is as follows:

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Loss for the year attributable to owners of the Corporation | <u>\$ (122,770)</u> | <u>\$ (76,129)</u> |
| Loss used in the computation of basic loss per share | <u>\$ (122,770)</u> | <u>\$ (76,129)</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>2023</u> | <u>2022</u> |
| Weighted average number of ordinary shares used in the computation of basic loss per share | <u>138,842</u> | <u>125,706</u> |

The Corporation's net loss for 2023 and 2022 are after-tax, diluted earnings per share has been excluded because of the anti-dilution effect.

28. SHARE-BASED PAYMENT ARRANGEMENTS

- a. Issuance of ordinary shares in 2023 retained employee share options during 2023.

On March 23, 2023, the board of directors of the parent company resolved a cash capital increase to issue 25,000 thousand ordinary shares. According to Article 267 of the Company Act, when a company issues new shares, a portion of such shares shall be reserved for subscription by employees of the company. The grant date was June 5, 2023.

Options retained by cash capital increase were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | June 2023 |
|--------------------------|------------------|
| Grant-date share price | \$40.25 |
| Exercise price | \$33.00 |
| Expected volatility | 30.81% |
| Expected life (in years) | 0.02 years |
| Expected dividend yield | - |
| Risk-free interest rate | 1.03% |

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 Group recognized that the compensation cost for 2023 was \$18,150 thousand.

b. 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 | | | |
|------------------------------------|--|--|--|--|
| | 2023 | | 2022 | |
| Employee Share Options | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Balance at January 1 | 2,691 | \$ 34.90 | 2,784 | \$ 36.90 |
| Options exercised | (495) | 34.90 | (93) | 36.90 |
| Options expired | <u>(2,196)</u> | | <u>-</u> | |
| Balance at December 31 | <u>-</u> | | <u>2,691</u> | |
| Options exercisable, end of period | <u>-</u> | | <u>2,691</u> | |

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

| | December 31 | |
|--|--------------------|-------------|
| | 2023 | 2022 |
| Range of exercise price (\$) | \$ - | \$ 36.90 |
| Weighted-average remaining contractual life (in years) | - | 1 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.

For the year ended December 31, 2023, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$1,683 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$12,326 thousand was recognized on the conversion date.

For the year ended December 31, 2022, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$191 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$2,679 thousand was recognized on the conversion date.

For the year ended December 31, 2021, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of \$31,371 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of \$24,433 thousand was recognized on the conversion date.

Compensation costs recognized by the Corporation and its subsidiaries were \$3,042 thousand and \$338 thousand for the year ended December 31, 2021, respectively.

c. Treasury shares transferred to employees

1) The fourth treasury shares transferred to employees

Qualified employees of the Corporation were granted 899 thousand treasury share options on January 11, 2022. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

| | For the Year Ended December 31, 2022 | |
|------------------------------------|--|--|
| Employee Share Options | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Options granted | 899 | \$ 29.89 |
| Options operated | <u>(899)</u> | 29.89 |
| Balance at December 31 | <u>=====</u> | - |
| Options exercisable, end of period | <u>=====</u> | - |

The base date of employee share options was January 14, 2022. Employees exercised the treasury share options from January 12 to January 14, 2022.

Options granted in January 2022 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | January 2022 |
|--|---------------------|
| Grant-date share price | \$51.10 |
| Exercise price | \$29.89 |
| Expected volatility | 41.00% |
| Expected life (in days) | 4 days |
| Risk-free interest rate | 0.10% |
| Weighted-average fair value of options granted | \$21.21 |

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

For the year ended December 31, 2022, the compensation cost recognized by the Group was \$19,068 thousand.

For the year ended December 31, 2022, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of NT\$19,068 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of NT\$11,938 thousand was recognized on the conversion date.

2) The fifth treasury shares transferred to employees

Qualified employees of the Corporation were granted 489 thousand treasury share options on January 3, 2023. 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 December 31, 2023 | |
|------------------------------------|--|--|
| Employee Share Options | Number of Options (In Thousands of Units) | Weighted- average Exercise Price (\$) |
| Balance at January 1 | 489 | \$ 30.00 |
| Options operated | <u>(489)</u> | 30.00 |
| Balance at December 31 | <u>-----</u> | |
| Options exercisable, end of period | <u>-----</u> | |

The base date of employee share options was February 8, 2023. Employees exercised the treasury share options from February 6 to February 8, 2023.

Options granted in January 2023 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | January 2023 |
|--|---------------------|
| Grant-date share price | \$41.05 |
| Exercise price | \$30.00 |
| Expected volatility | 3% |
| Expected life (in days) | 37 days |
| Risk-free interest rate | 1.65% |
| Weighted-average fair value of options granted | \$11.05 |

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

For the year ended December 31, 2023, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of NT\$5,403 thousand was reclassified to the capital surplus - ordinary shares premium on the conversion date. The capital surplus - ordinary shares premium of NT\$2,973 thousand was recognized on the conversion date.

d. Granting treasury share options to employees of subsidiaries

In the board meeting on March 9, 2022, the Corporation approved the granting of 2,000 options to employees of indirectly held subsidiaries; the duration is set to retroactively expire after 4 years from the issuance date of November 30, 2021 (expiration date) when the employees begin their employments. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 1 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 first anniversary from the grant date.
- 2) The options are exercisable at seventy five percent after the second anniversary from the grant date.
- 3) The options are fully exercisable after the third anniversary from the grant date.

Note: According to the above schedule, seventy five percent of every subscribe should be lock-up for six months, rest of them are no restriction.

According to the regulations on the transfer of treasury shares of the Corporation, if there is an increase in the issued ordinary shares before the transfer, the execution price may be adjusted according to the ratio of the increase in the issued shares.

Above options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

| | Lock-up for Six Months | No Lock-up |
|--------------------------|-----------------------------------|-------------------|
| Grant-date share price | \$40.11 | \$44.00 |
| Exercise price | \$30.05 | \$30.05 |
| Expected volatility | 39.53%-46.21% | 39.53%-46.21% |
| Expected life (in years) | 2.23-3.23 years | 2.23-3.23 years |
| Expected dividend yield | - | - |
| Risk-free interest rate | 0.44%-0.51% | 0.44%-0.51% |

Expected volatility is based on the Corporation's rate of return on historical daily share price during the expected duration of the treasury share option, and then annualized standard deviation is calculated.

Compensation cost recognized by the subsidiaries was \$5,945 thousand and \$17,376 thousand for the years ended December 31, 2023 and 2022, respectively.

29. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|-------------------------|--|---------------------|--|---------------------------|
| Iuvo Industry Co., Ltd. | Electric-assisted bicycle manufacturer | October 3, 2022 | 83 | <u>\$ 55,000</u> |

In order to expand the sales market of electric-assisted bicycle in Taiwan, the Corporation acquired 83% equity of Iuvo Industry Co., Ltd. Refer to Note 32 to the Corporation's financial statements for the year ended December 31, 2023.

30. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Corporation entered into the following partial cash transactions:

- a. From cash investing activities

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> |
| Partial cash paid for property, plant and equipment | | |
| Purchase of property, plant and equipment | \$ 187,950 | \$ 253,837 |
| Changes in prepayments for purchases of equipment | 1,445 | (4,307) |
| Changes in payables for purchase of equipment | <u>2,256</u> | <u>900</u> |
| Cash paid | <u>\$ 191,651</u> | <u>\$ 250,430</u> |
| Partial cash paid for other intangible assets | | |
| Purchase of intangible assets | \$ 25,243 | \$ 7,812 |
| Changes in payables for royalties | 21,248 | 18,528 |
| Changes in prepayments for purchases | <u>590</u> | <u>(2,245)</u> |
| Cash paid | <u>\$ 47,081</u> | <u>\$ 24,095</u> |

b. Changes in liabilities arising from financing activities

| | Short-term Borrowings | Bonds Payable | Long-term Borrowings | Guarantee Deposits Received | Lease Liabilities |
|------------------------------|----------------------------------|--------------------------|---------------------------------|--|------------------------------|
| Balance at January 1, 2023 | \$ 2,175,500 | \$ 1,398,537 | \$ 1,116,213 | \$ 638 | \$ 13,074 |
| Cash flows | (245,500) | (1,407,553) | 584,577 | 13 | (3,252) |
| Non-cash changes | | | | | |
| Reduce leases | - | - | - | - | (4,590) |
| Interests | - | 10,216 | - | - | - |
| Balance at December 31, 2023 | <u>\$ 1,930,000</u> | <u>\$ 1,200</u> | <u>\$ 1,700,790</u> | <u>\$ 651</u> | <u>\$ 5,232</u> |
| Balance at January 1, 2022 | \$ 2,343,950 | \$ 1,379,436 | \$ 753,800 | \$ 638 | \$ 39,080 |
| Cash flows | (168,450) | - | 362,413 | - | (6,467) |
| Non-cash changes | | | | | |
| New leases | - | - | - | - | 9,770 |
| Reduce leases | - | - | - | - | (29,309) |
| Interests | - | 19,101 | - | - | - |
| Balance at December 31, 2022 | <u>\$ 2,175,500</u> | <u>\$ 1,398,537</u> | <u>\$ 1,116,213</u> | <u>\$ 638</u> | <u>\$ 13,074</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, 2023

| | Carrying Amount | Fair Value | | | Total |
|---|----------------------------|-------------------|------------------|----------------|------------------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Financial bonds | <u>\$ 36,846</u> | <u>\$ -</u> | <u>\$ 35,489</u> | <u>\$ -</u> | <u>\$ 35,489</u> |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | <u>\$ 1,200</u> | <u>\$ -</u> | <u>\$ 1,200</u> | <u>\$ -</u> | <u>\$ 1,200</u> |

December 31, 2022

| | Carrying Amount | Fair Value | | | Total |
|---|--------------------|------------|--------------|---------|--------------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets</u> | | | | | |
| Financial assets at amortized cost | | | | | |
| Financial bonds | \$ 30,710 | \$ - | \$ 27,539 | \$ - | \$ 27,539 |
| <u>Financial liabilities</u> | | | | | |
| Financial liabilities at amortized cost | | | | | |
| Convertible bonds | \$ 1,398,537 | \$ - | \$ 1,388,326 | \$ - | \$ 1,388,326 |

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, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------|---------|------------|------------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets held for trading | | | | |
| Limited partnership | \$ - | \$ - | \$ 16,555 | \$ 16,555 |
| Hybrid financial assets convertible bonds | | | | |
| Convertible bonds options | \$ - | \$ - | \$ 118,124 | \$ 118,124 |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | \$ - | \$ - | \$ 6,865 | \$ 6,865 |
| Foreign unlisted shares | - | - | 31,666 | 31,666 |
| Domestic listed shares | 8,966 | - | - | 8,966 |
| | \$ 8,966 | \$ - | \$ 38,531 | \$ 47,497 |

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|----------|---------|----------|
| Financial assets at FVTPL | | | | |
| Derivative financial assets held for trading | | | | |
| Swap contracts | \$ - | \$ 3,171 | \$ - | \$ 3,171 |
| Limited partnership | - | - | 568 | 568 |
| | \$ - | \$ 3,171 | \$ 568 | \$ 3,739 |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|-----------------------|-----------------------|-------------------|---------------------------------|
| Hybrid financial assets | | | | |
| convertible bonds | | | | |
| Convertible bonds options | \$ <u> -</u> | \$ <u> -</u> | \$ <u>147,071</u> | \$ <u>147,071</u> |
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments | | | | |
| Domestic unlisted shares | \$ - | \$ - | \$ 9,915 | \$ 9,915 |
| Foreign unlisted shares | - | - | 40,150 | 40,150 |
| Domestic listed private placement shares | <u> -</u> | <u> -</u> | <u>11,759</u> | <u>11,759</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 61,824</u> | <u>\$ 61,824</u> |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities held for trading | | | | |
| Convertible bonds option | <u>\$ -</u> | <u>\$ 25,305</u> | <u>\$ -</u> | <u>\$ 25,305</u> (Concluded) |

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

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

For the year ended December 31, 2023

| | Financial Assets at FVTPL Hybrid Instruments | Financial Assets at FVTOCI Equity Instruments |
|---|---|--|
| <u>Financial assets</u> | | |
| Balance at January 1, 2023 | \$ 147,639 | \$ 61,824 |
| Purchases | 17,400 | - |
| Recognized in profit or loss | (30,360) | - |
| Transfers out of Level 3 | - | (11,759) |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | <u> -</u> | <u>(11,534)</u> |
| Balance at December 31, 2023 | <u>\$ 134,679</u> | <u>\$ 38,531</u> |

For the year ended December 31, 2022

| | Financial Assets at FVTPL | Financial Assets at FVTOCI |
|---|--------------------------------------|---------------------------------------|
| | Hybrid Instruments | Equity Instruments |
| <u>Financial assets</u> | | |
| Balance at January 1, 2022 | \$ 139,035 | \$ 54,745 |
| Purchases | 600 | 11,759 |
| Recognized in profit or loss | 8,004 | - |
| Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI) | - | (4,680) |
| Balance at December 31, 2022 | <u>\$ 147,639</u> | <u>\$ 61,824</u> |

3) Valuation techniques and assumptions applied for fair value measurement

| Financial Instrument | Valuation Technique and Inputs |
|--|---|
| 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. |
| Convertible promissory notes | The probability-weighted average expected return method is used for value analysis, considering the terms of the purchase agreement and the management's expected probability and rights to future possible scenarios, to calculate the present value of the expected return for each scenario and the analysis results by weighting of scenario against associated probability. |
| Derivative financial instruments - swap contracts | Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. |
| Derivative financial instruments - call and put options | Binomial-tree model for convertible bond pricing: The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates. |
| Limited partnership | The limited partnership uses the asset method to calculate the fair value of the investment targets. The asset method is used to evaluate the total value of the individual assets and liabilities covered by the investment. |

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>2023</u> | <u>2022</u> |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 134,679 | \$ 150,810 |
| Financial assets at amortized cost (Note 1) | 3,593,272 | 3,503,799 |
| Financial assets at FVTOCI - equity instruments | 47,497 | 61,824 |
| <u>Financial liabilities</u> | | |
| FVTPL | | |
| Held for trading | - | 25,305 |
| Amortized cost (Note 2) | 4,831,283 | 5,573,370 |

Note 1: The balances included financial assets measured at amortized cost, which comprised cash and cash equivalents, financial assets at amortized cost, notes receivable, accounts receivable, accounts receivable from related parties, other receivables from related parties, partial other receivables 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, current portion of bonds payable, long-term borrowings (including current portion), 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 investment of equity instruments, accounts receivable, accounts payable, borrowings and lease liabilities. 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 37.

Sensitivity analysis

The Corporation is mainly exposed to the U.S. dollars, Renminbi, Euro, Canadian dollars 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.

| | USD Impact | | RMB Impact | |
|----------------|---|--------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Profit or loss | \$ (155,248) | \$ (142,899) | \$ 17,223 | \$ 16,572 |

| | EUR Impact | | GBP Impact | |
|----------------|---|-------------|---|-------------|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Profit or loss | \$ (1,321) | \$ (5,281) | \$ (8,172) | \$ (8,046) |

| | CAD Impact | |
|----------------|---|-------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Profit or loss | \$ (4,157) | \$ (718) |

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:

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2023 | 2022 |
| Fair value interest rate risk | | |
| Financial assets | \$ 43,954 | \$ 356,509 |
| Financial liabilities | 2,019,525 | 3,691,452 |
| Cash flow interest rate risk | | |
| Financial assets | 405,139 | 341,692 |
| Financial liabilities | 1,700,790 | 1,116,213 |

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 loss for the years ended December 31, 2023 and 2022 would have increased/decreased by \$3,239 thousand and increased/decreased by \$1,936 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.

For the years ended of December 31, 2023 and 2022, 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, 2023 and 2022, the Corporation had available unutilized short-term bank loan facilities of \$1,174,767 thousand and \$1,578,200 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, 2023

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---------------------------------------|---|---------------------|-------------------------------|---------------------|-------------------|
| Non-interest bearing | \$ 618,910 | \$ 497,227 | \$ 64 | \$ - | \$ - |
| Variable interest rate liabilities | 28,244 | 46,566 | 209,566 | 1,176,543 | 346,211 |
| Fixed interest rate liabilities | 345,000 | 755,000 | 856,671 | 60,033 | - |
| Lease liabilities | <u>279</u> | <u>559</u> | <u>892</u> | <u>2,857</u> | <u>857</u> |
| | <u>\$ 992,433</u> | <u>\$ 1,299,352</u> | <u>\$ 1,067,193</u> | <u>\$ 1,239,433</u> | <u>\$ 347,068</u> |

December 31, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|---------------------------------------|---|-------------------|-------------------------------|-------------------|-------------------|
| Non-interest bearing | \$ 247,104 | \$ 446,574 | \$ 85,101 | \$ - | \$ - |
| Variable interest rate liabilities | 13,117 | 26,240 | 111,243 | 418,954 | 546,659 |
| Fixed interest rate liabilities | 195,134 | 517,668 | 2,882,483 | 83,093 | - |
| Lease liabilities | <u>327</u> | <u>654</u> | <u>2,942</u> | <u>6,873</u> | <u>2,857</u> |
| | <u>\$ 455,682</u> | <u>\$ 991,136</u> | <u>\$ 3,081,769</u> | <u>\$ 508,920</u> | <u>\$ 549,516</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, 2022

| | On Demand or Less than 1 Month | 1-3 Months | 3 Months to 1 Year | 1-5 Years | 5+ Years |
|--------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Net settled</u> | | | | | |
| Swap contracts | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,065</u> | <u>\$ -</u> | <u>\$ -</u> |

4) Financing facilities

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Unsecured bank overdraft facilities, reviewed annually and payable on demand | | |
| Amount used | \$ 500,000 | \$ 1,033,100 |
| Amount unused | <u>650,000</u> | <u>740,000</u> |
| | <u>\$ 1,150,000</u> | <u>\$ 1,773,100</u> |
| Secured bank overdraft facilities | | |
| Amount used | \$ 3,130,790 | \$ 2,258,613 |
| Amount unused | <u>524,767</u> | <u>838,200</u> |
| | <u>\$ 3,655,557</u> | <u>\$ 3,096,813</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 |
| President Plastic Products MFG. Co., Ltd. | Subsidiary |
| Dyaco Canada Inc. | Subsidiary |
| Spirit Manufacturing Inc. | Subsidiary |
| Cikayda Inc. | Subsidiary |
| CITY SPORTS (THAILAND) CO., LTD | Subsidiary |
| Iuvo Industry Co., Ltd. | Subsidiary since October 2022 |
| Spirit Direct, LLC. | Indirect subsidiary |
| CARDIO fitness GmbH & Co. KG | Indirect subsidiary |
| CARDIO fitness Verwaltungs GmbH | Indirect subsidiary |
| Fuel-Spirit International Inc. | Indirect subsidiary |
| Dyaco (Shanghai) Trading Co., Ltd. | Indirect subsidiary |
| Dyaco Health Technology (Beijing) Co., Ltd. | Indirect subsidiary |
| Shelton Corporation (Jiaying), Ltd. | Indirect subsidiary |
| Fitness Equipment Services LLC. | Indirect subsidiary |
| Interactive Online Commerce Ltd | Indirect subsidiary |
| Neutron Ventures Poland S.p Z.O.O | Indirect subsidiary |
| Sweatband. COM Ltd | Indirect subsidiary |
| Neutron Ventures Ltd | Indirect subsidiary |
| Other related parties | |
| Houli Construction Co., Ltd. | Director of the Company (is no longer the director of the Corporation since May 2023) |
| Associates | |
| Morsel Inc. | Associate invested using the equity method |

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

b. Sales of goods

| Line Item | Related Party Category/Name | <u>For the Year Ended December 31</u> | |
|-----------|----------------------------------|---------------------------------------|---------------------|
| | | 2023 | 2022 |
| Sales | <u>Subsidiaries</u> | | |
| | Fitness Equipment Services, LLC. | \$ 1,812,667 | \$ 999,460 |
| | Spirit Manufacturing Inc. | 645,560 | 719,480 |
| | Others | <u>563,843</u> | <u>446,801</u> |
| | | <u>\$ 3,022,070</u> | <u>\$ 2,165,741</u> |

The prices and terms of the transactions related to the sales of goods between the Corporation and related parties were negotiated separately.

c. Purchases of goods

| Related Party Category/Name | For the Year Ended December 31 | |
|-------------------------------------|---------------------------------------|---------------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Shelton Corporation (Jiaxing), Ltd. | \$ 1,272,941 | \$ 1,034,967 |
| Others | <u>255</u> | <u>-</u> |
| | <u>\$ 1,273,196</u> | <u>\$ 1,034,967</u> |

The prices and terms of the transactions related to the purchases of goods between the Corporation and related parties were negotiated separately.

d. Operation expense - others

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-----------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Others | <u>\$ 1,949</u> | <u>\$ 4,783</u> |

e. Other income and expense - product service income

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Fuel-Spirit International Inc. | <u>\$ 9,875</u> | <u>\$ -</u> |

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

f. Non-operating income and expense - rental income

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|---------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Others | <u>\$ 424</u> | <u>\$ 424</u> |

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

g. Accounts receivable from related parties

| Related Party Category/Name | December 31 | |
|------------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Fitness Equipment Services LLC. | \$ 1,164,880 | \$ 944,029 |
| Spirit Manufacturing Inc. | 516,597 | 854,321 |
| Others | <u>276,206</u> | <u>177,458</u> |
| | <u>\$ 1,957,683</u> | <u>\$ 1,975,808</u> |

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized.

h. Other receivables from related parties

| Related Party Category/Name | December 31 | |
|------------------------------------|---------------------|-------------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Fitness Equipment Services, LLC. | \$ 711,469 | \$ 378,227 |
| Spirit Manufacturing Inc. | 147,512 | 126,112 |
| Dyaco UK Ltd. | 67,344 | 28,725 |
| Others | <u>113,533</u> | <u>215,807</u> |
| | <u>\$ 1,039,858</u> | <u>\$ 748,871</u> |

The balance on December 31, 2023 was mainly due to short-term financing provided to others of \$64,648 thousand, accounts receivable from related parties exceeded the credit period of \$970,598 thousand and others (advance payment) of \$4,612 thousand to subsidiaries, respectively.

The balance on December 31, 2022 was mainly due to short-term financing provided to others of \$102,314 thousand, accounts receivable from related parties exceeded the credit period of \$642,339 thousand and others (advance payment) of \$4,218 thousand to subsidiaries, respectively.

i. Accounts payable to related parties

| Related Party Category/Name | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Shelton Corporation (Jiaying), Ltd. | \$ 635,654 | \$ 402,944 |
| Others | <u>275</u> | <u>-</u> |
| | <u>\$ 635,929</u> | <u>\$ 402,944</u> |

The outstanding accounts payable to related parties are unsecured.

j. Other payables to related parties

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|------------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Fuel-Spirit International Inc. | \$ 11,865 | \$ 35,556 |
| Others | 5,557 | 6,424 |
| <u>Associates</u> | | |
| Morsel Inc. | <u>15,967</u> | <u>-</u> |
| | <u>\$ 33,389</u> | <u>\$ 41,880</u> |

The amount was mainly received by the Corporation on behalf of the subsidiaries and the unpaid amount for intangible assets acquired from Morsel Inc., totaling \$15,967 thousand (recognized as current liabilities of \$8,598 thousand and non-current liabilities of \$7,369 thousand, respectively).

k. Refundable deposits

| | December 31 | |
|---------------------|--------------------|---------------|
| | 2023 | 2022 |
| <u>Subsidiaries</u> | | |
| Others | <u>\$ 900</u> | <u>\$ 900</u> |

Deposits paid by the Corporation for land leased from the subsidiaries for operating needs.

l. Lease arrangements

| Related Party Category/Name | For the Year Ended December 31 | |
|---|---------------------------------------|-----------------|
| | 2023 | 2022 |
| <u>Acquisition of right-of-use assets</u> | | |
| President Plastic Products MFG. Co., Ltd. | <u>\$ -</u> | <u>\$ 9,770</u> |

| Line Item | Related Party Category/Name | December 31 | |
|-------------------|---|--------------------|-----------------|
| | | 2023 | 2022 |
| Lease liabilities | President Plastic Products MFG. Co., Ltd. | <u>\$ 4,076</u> | <u>\$ 9,178</u> |

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------|
| | 2023 | 2022 |

Interest expense

| | | |
|---|--------------|---------------|
| President Plastic Products MFG. Co., Ltd. | <u>\$ 58</u> | <u>\$ 244</u> |
|---|--------------|---------------|

The Corporation leased land from the subsidiary. The lease period is 10 years. The rent is based on the general market conditions. The payment terms are monthly payment.

m. Purchase of property, plant and equipment

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-------------------|
| | 2023 | 2022 |
| <u>Other related parties</u> | | |
| Houli Construction Co., Ltd. | \$ <u>50,550</u> | \$ <u>185,484</u> |

n. Purchase of intangible assets

| Related Party Category/Name | Purchase Price | |
|------------------------------------|---------------------------------------|-------------|
| | For the Year Ended December 31 | |
| | 2023 | 2022 |
| Associates | \$ <u>20,139</u> | \$ <u>-</u> |

The company primarily acquires other intangible assets from Morsel Inc.

o. Compensation of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|---------------------------------------|------------------|
| | 2023 | 2022 |
| Short-term employee benefits | \$ 29,400 | \$ 29,584 |
| Post-employment benefits | <u>1,082</u> | <u>1,006</u> |
| | \$ <u>30,482</u> | \$ <u>30,590</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:

| | December 31 | |
|-------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Property, plant and equipment | \$ 1,467,621 | \$ 1,489,724 |
| Investment properties | 18,690 | 19,569 |
| Pledged deposits - current | <u>13,250</u> | <u>233,678</u> |
| | \$ <u>1,499,561</u> | \$ <u>1,742,971</u> |

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to other notes, the Corporation has the following significant commitments on the balance sheet.

The unrecognized commitments of the Corporation were as follows:

| | <u>December 31</u> | |
|--|--------------------|-------------------|
| | 2023 | 2022 |
| Acquisition of property, plant and equipment | | |
| Property under construction | <u>\$ 82,339</u> | <u>\$ 193,525</u> |

37. 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:

(In Thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2023

| | Foreign Currency | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 103,530 | 30.7050 (USD:NTD) | \$ 3,178,874 |
| RMB | 12,080 | 4.3270 (RMB:NTD) | 52,272 |
| EUR | 777 | 33.9800 (EUR:NTD) | 26,418 |
| GBP | 4,175 | 39.1500 (GBP:NTD) | 163,444 |
| CAD | 3,584 | 23.2000 (CAD:NTD) | 83,139 |
| Non-monetary items | | | |
| USD | 24,356 | 30.7050 (USD:NTD) | 747,851 |
| HKD | 275,025 | 3.9290 (HKD:NTD) | 1,080,575 |
| EUR | 4,690 | 33.9800 (EUR:NTD) | 159,362 |
| GBP | 2,907 | 39.1500 (GBP:NTD) | 113,823 |
| CAD | 10,117 | 23,2000 (CAD:NTD) | 234,723 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 2,408 | 30.7050 (USD:NTD) | 73,924 |
| RMB | 91,688 | 4.3270 (RMB:NTD) | 396,733 |
| Non-monetary items | | | |
| JPY | 34,439 | 0.2172 (JPY:NTD) | 7,480 |
| THB | 2,358 | 0.9017 (THB:NTD) | 2,126 |

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 94,978 | 30.7100 (USD:NTD) | \$ 2,916,784 |
| RMB | 16,182 | 4.4080 (RMB:NTD) | 71,330 |
| EUR | 3,228 | 32.7200 (EUR:NTD) | 105,614 |
| GBP | 4,338 | 37.0900 (GBP:NTD) | 160,913 |
| CAD | 633 | 22.6700 (CAD:NTD) | 14,355 |
| Non-monetary items | | | |
| USD | 33,167 | 30.7100 (USD:NTD) | 1,018,573 |
| HKD | 267,322 | 3.9380 (HKD:NTD) | 1,052,713 |
| EUR | 5,179 | 32.7200 (EUR:NTD) | 169,444 |
| THB | 3,317 | 0.8941 (THB:NTD) | 2,966 |
| GBP | 2,803 | 37.0900 (GBP:NTD) | 103,962 |
| JPY | 6,517 | 0.2324 (JPY:NTD) | 1,514 |
| CAD | 11,577 | 22.6700 (CAD:NTD) | 262,457 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 1,915 | 30.7100 (USD:NTD) | 58,808 |
| RMB | 91,370 | 4.4080 (RMB:NTD) | 402,760 |

For the year ended December 31, 2022, realized and unrealized net foreign exchange gains (losses) were \$(3,259) thousand and \$400,357 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.

38. 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: None
- 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 4

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
 - 9) Trading in derivative instruments: Notes 7 and 32
- b. Information on investees (excluding investees in mainland China): Table 6
- 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 7
 - 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 8
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8
 - 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 9

DYACO INTERNATIONAL INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Parties | Highest Balance for the Period (Note 6) | Ending Balance (Note 6) | Actual Borrowing Amount | Interest Rate | Nature of Financing | Business Transaction Amount | Reason for Short-term Financing (Note 4) | 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 | \$ 6,407 (JPY 29,500 thousand) | \$ - | \$ - | - | Business transaction | \$ 15,849 | - | \$ - | - | \$ - | \$ 15,849 (Note 2) | \$ 1,749,638 (Note 5) | | |
| | | Dyaco Europe GmbH | Other receivables from related parties | Yes | 3,465 (EUR 102 thousand) | - | - | - | Business transaction | 12,125 | - | - | - | - | 12,125 (Note 2) | 1,749,638 (Note 5) | | |
| | | Dyaco UK Ltd. | Other receivables from related parties | Yes | 52,963 (GBP 1,353 thousand) | 52,963 (GBP 1,353 thousand) | 52,963 (GBP 1,353 thousand) | - | Business transaction | 100,179 | - | - | - | - | 100,179 (Note 2) | 1,749,638 (Note 5) | | |
| | | Spirit Manufacturing Inc. | Other receivables from related parties | Yes | 253,637 (US\$ 8,260 thousand) | 40,505 (US\$ 1,319 thousand) | 40,505 (US\$ 1,319 thousand) | - | Business transaction | 664,504 | - | - | - | - | 664,504 (Note 2) | 1,749,638 (Note 5) | | |
| | | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes | 516,624 (US\$ 16,825 thousand) | 240,749 (US\$ 7,841 thousand) | 240,749 (US\$ 7,841 thousand) | - | Business transaction | 1,811,486 | - | - | - | - | 1,749,638 (Note 2) | 1,749,638 (Note 5) | | |
| | | Spirit Direct, LLC. | Other receivables from related parties | Yes | 9,181 (US\$ 299 thousand) | 9,072 (US\$ 295 thousand) | 9,072 (US\$ 295 thousand) | - | Business transaction | 49,653 | - | - | - | - | 49,653 (Note 2) | 1,749,638 (Note 5) | | |
| | | CARIO fitness GmbH & CO. KG | Other receivables from related parties | Yes | 49,946 (EUR 1,470 thousand) | - | - | - | Business transaction | 1,294 | - | - | - | - | 49,946 (Note 2) | 1,749,638 (Note 5) | | |
| | | CARIO fitness GmbH & CO. KG | Other receivables from related parties | Yes | 33,980 (EUR 1,000 thousand) | - | - | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| | | CITY SPORTS (THAILAND) CO., LTD | Other receivables from related parties | Yes | 54,102 (THB 60,000 thousand) | 54,102 (THB 60,000 thousand) | 38,178 (THB 42,340 thousand) | - | Short-term financing | - | Operating turnover | - | - | - | - | 874,819 (Note 1) | 1,749,638 (Note 5) | |
| | | Wing Long Co., Ltd. | Other receivables from related parties | Yes | 5,000 | 5,000 | 4,000 | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | |
| Sweatband. Com Ltd. | Other receivables from related parties | Yes | 62,640 (GBP 1,600 thousand) | 23,490 (GBP 600 thousand) | 23,490 (GBP 600 thousand) | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | | | |
| Iuvo Industry Co., Ltd. | Other receivables from related parties | Yes | 30,000 | 30,000 | - | - | Short-term financing | - | Operating turnover | - | - | - | - | 1,749,638 (Note 1) | 1,749,638 (Note 5) | | | |
| 1 | Fuel spirit International Inc. | Dyaco International Inc. | Other receivables from related parties | Yes | 61,410 (US\$ 2,000 thousand) | 61,410 (US\$ 2,000 thousand) | - | - | Short-term financing | - | Operating turnover | - | - | - | 191,207 (Note 3) | 191,207 (Note 3) | | |
| 2 | Cikayda Inc. | Iuvo Industry Co., Ltd. | Other receivables from related parties | Yes | 7,000 | 6,500 | 6,500 | - | Short-term financing | - | Operating turnover | - | - | - | 6,919 (Note 3) | 6,919 (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 of a parent to a subsidiary in which the lending company directly and indirectly holds over 100% voting shares is limited to 100% of the net value of the lending company; the maximum financing to other individual corporations is limited to 40% of the net value of the lending company.

Note 4: The business transaction amount refers to the recent year's transaction amount between the lending company and the lender.

Note 5: The maximum financing allowed is limited to 40% of the net value of the parent entity.

Note 6: The maximum balance for the period and ending balances were approved by the board of directors.

DYACO INTERNATIONAL INC.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/Guarantee Provided to Each Guaranteed Party (Note 1) | Maximum Balance for the Period (Note 2) | Ending Balance (Note 2) | Amount Actually Drawn | Amount of Endorsement/Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/Guarantee to Net Worth in Latest Financial Statements (%) | Maximum Endorsement/Guarantee Amount Allowable (Note 1) | Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries (Note 3) | Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent (Note 3) | Endorsement/Guarantee Given on Behalf of Companies in Mainland China (Note 3) | Note |
|-----|---|-------------------------------------|----------------------------|--|--|-------------------------|-----------------------|--|--|---|--|--|---|------|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Dyaco International Inc. | Shelton Corporation (Jiaxing), Ltd. | Indirectly held subsidiary | \$ 437,409 | \$ 117,245 (US\$ 1,000 thousand and RMB 20,000 thousand) | \$ - | \$ - | \$ - | - | \$ 437,409 | Y | - | Y | |
| | | Wing Long Co., Ltd. | Directly held subsidiary | 2,187,047 | 5,000 | 5,000 | 1,000 | - | 0.11 | 2,187,047 | Y | - | - | |
| | | Iuvo Industry Co., Ltd. | Directly held subsidiary | 2,187,047 | 30,000 | 30,000 | 30,000 | - | 0.69 | 2,187,047 | Y | - | - | |
| 1 | President Plastic Products MFG. Co., Ltd. | Dyaco International Inc. | Ultimate parent | 2,187,047 | 300,000 | 300,000 | 300,000 | 300,000 | 6.86 | 2,187,047 | - | 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, 2023

(In Thousands of New Taiwan Dollars)

| Holding Company Name | Type and Name of Marketable Securities | Relationship | Line Item | December 31, 2023 | | | | Note | |
|--------------------------|---|--|--|--|--|-----------------------------|--|-----------------------------|--------|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value | | |
| Dyaco International Inc. | <u>Stock</u> Energy Moana Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 300,000 | \$ 1,125 | 0.73 | \$ 1,125 | Note 1 | |
| | Firenze Cultural Exchange International Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 750,000 | 5,740 | 7.50 | 5,740 | Note 1 | |
| | Inalways corporation | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 588,000 | 8,966 | 1.19 | 8,966 | Note 2 | |
| | Uniigym Global Holdings Limited. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 250,000 | 5,186 | 2.24 | 5,186 | Note 1 | |
| | Gomore Inc. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | 50,433,730 | (US\$ 169 thousand) 26,480 (US\$ 862 thousand) | 4.40 | (US\$ 169 thousand) 26,480 (US\$ 862 thousand) | Note 1 | |
| | <u>Limited partnership</u> Chang Nang Capital Limited Partnership | - | Financial assets at fair value through profit or loss (FVTPL) | - | 16,555 | - | 16,555 | Note 1 | |
| | <u>Convertible bonds</u> 1.5-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | 23,029 (US\$ 750 thousand) | - | 23,029 (US\$ 750 thousand) | | |
| | 2-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | 7,676 (US\$ 250 thousand) | - | 7,676 (US\$ 250 thousand) | | |
| | 2.5-year financial debentures of Mega International Commercial Bank | - | Financial assets at amortized cost | - | 6,141 (US\$ 200 thousand) | - | 6,141 (US\$ 200 thousand) | | |
| | <u>Convertible promissory note</u> Morsel Inc. | - | Financial assets at fair value through profit or loss (FVTPL) | - | 118,124 (US\$ 3,847 thousand) | - | 118,124 (US\$ 3,847 thousand) | Note 1 | |
| | Dyaco (Shanghai) Trading Co., Ltd. | <u>Stock</u> Beijing Huoli Zhenghe Intelligent Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income (FVTOCI) | - | 3,473 (RMB 803 thousand) | 9.00 | 3,473 (RMB 803 thousand) | Note 1 |

(Continued)

Note 1: Unlisted shares and convertible promissory note without quoted price were calculated by fair value method.

Note 2: The fair value is calculated based on the closing price as of December 31, 2023

Note 3: For the information on investments and associates in subsidiaries, refer to Tables 6 and 7.

(Concluded)

TABLE 4**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, 2023
(In Thousands of New Taiwan Dollars)**

| Buyer/Seller | Related Party | Relationship | Transaction Details | | | | Transaction with Terms Different from Others | | Notes/Accounts Receivable (Payable) | | Note |
|-------------------------------------|-------------------------------------|----------------------------|---------------------|--------------|---------------------|---------------|--|---------------|-------------------------------------|-------------------|--------|
| | | | Purchase/Sale | Amount | % to Total (Note 1) | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total (Note) | |
| Dyaco International Inc. | Fitness Equipment Services, LLC. | Indirectly held subsidiary | Sales | \$ 1,812,667 | 49 | Flexible | Based on mutual agreement | Flexible | \$ 1,164,880 | 56 | Note 2 |
| | Spirit Manufacturing Inc. | Subsidiary | Sales | 645,560 | 18 | Flexible | Based on mutual agreement | Flexible | 516,597 | 25 | Note 2 |
| | Shelton Corporation (Jiaying), Ltd. | Indirectly held subsidiary | Purchase | 1,272,941 | 52 | Flexible | Based on mutual agreement | Flexible | (635,654) | 61 | |
| | Dyaco Canada Inc. | Subsidiary | Sales | 222,664 | 6 | Flexible | Based on mutual agreement | Flexible | 77,408 | 4 | Note 2 |
| | Dyaco UK Ltd. | Subsidiary | Sales | 105,588 | 4 | Flexible | Based on mutual agreement | Flexible | 67,545 | 3 | Note 2 |
| Fitness Equipment Services, LLC. | Dyaco International Inc. | Ultimate parent | Purchase | 1,812,667 | 98 | Flexible | Based on mutual agreement | Flexible | (1,164,880) | 70 | |
| Spirit Manufacturing Inc. | Dyaco International Inc. | Ultimate parent | Purchase | 645,560 | 58 | Flexible | Based on mutual agreement | Flexible | (516,597) | 86 | |
| Shelton Corporation (Jiaying), Ltd. | Dyaco International Inc. | Ultimate parent | Sales | 1,272,941 | 63 | Flexible | Based on mutual agreement | Flexible | 635,654 | 82 | |
| Dyaco Canada Inc. | Dyaco International Inc. | Ultimate parent | Purchase | 222,664 | 70 | Flexible | Based on mutual agreement | Flexible | (77,408) | 88 | |
| Dyaco UK Ltd. | Dyaco International Inc. | Ultimate parent | Purchase | 105,588 | 72 | Flexible | Based on mutual agreement | Flexible | (67,545) | 92 | |

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

Note 2: Excluding accounts receivable exceeded the credit period which were transferred to other receivables.

DYACO INTERNATIONAL INC.

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

DECEMBER 31, 2023

(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. | Fitness Equipment Services, LLC. | Indirectly held subsidiary | Accounts receivable | \$ 1,164,880 | 1.72% | \$ - | - | \$ 19,422 | \$ - |
| | | | Other receivables | 711,469 | (Notes 1 and 2) | - | - | 340,776 | - |
| | Spirit Manufacturing Inc. | Subsidiary | Accounts receivable | 516,597 | 0.94% | - | - | 59,095 | - |
| | | | Other receivables | 147,512 | (Notes 1 and 2) | - | - | 56,006 | - |
| Shelton Corporation (Jiaying), Ltd. | Dyaco International Inc. | Ultimate parent | Accounts receivable | 635,654 | 2.45% | - | - | 197,704 | - |
| Fuel Spirit International Inc. | Spirit Manufacturing Inc. | Fellow subsidiary | Accounts receivable | 101,327 | - | - | - | - | - |

Note 1: Other receivables refer to financing provided of which the accounts receivable were transferred due to exceeding the credit period for a certain period of time.

Note 2: As of December 31, 2023, the Corporation transferred the accounts receivable - related party to other receivables due to exceeding the normal credit period. In accordance with Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the latest Board of Directors' Meeting (March 12, 2024) resolved to approve the balance of loans and the actual amount.

DYACO INTERNATIONAL INC.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023 | | | Net Profit (Loss) of the Investee | Share of Profit (Loss) (Note 1) |
|-------------------------------------|---|--|--|-------------------------------------|-------------------------------------|------------------------------------|---------|--|--|--|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares (In Thousands) | % | Carrying Amount (Note 1) | | |
| Dyaco International Inc. | Dyaco International Holding Limited | Hong Kong | Investment | \$ 505,957 | \$ 505,957 | 126,415,463 | 100 | \$ 1,080,577 | \$ 33,475 | \$ 43,341 (Note 2) |
| | Dyaco Europe GmbH. | Germany | Import, export and selling | 545,861 | 484,529 | - | 100 | 159,361 | (96,534) | (96,534) |
| | Daan Health Management Consulting Co., Ltd. | Taiwan | Rental of medical equipment | 10,010 | 10,010 | 1,000,000 | 100 | 8,900 | 440 | 440 |
| | Dyaco Japan Co., Ltd. | Japan | Import, export and selling | 72,964 | 72,964 | 201,020 | 100 | (7,480) | (7,815) | (7,815) |
| | Wing Long Co., Ltd. | Taiwan | Import, export and selling | 25,000 | 25,000 | 2,500,000 | 100 | 4,958 | 2,819 | 2,819 |
| | Dyaco UK Ltd. | United Kingdom | Import, export and selling | 349,656 | 263,424 | 3,088,076 | 97 | 113,823 | (55,301) | (55,301) |
| | SOLE INC. | America | Investment | 1,642,866 | 1,642,866 | - | 100 | 493,326 | (232,619) | (256,188) (Note 3) |
| | President Plastic Products MFG. Co., Ltd. | Taiwan | Rental of property | 286,640 | 286,640 | 391,000 | 100 | 288,763 | 227 | 231 (Note 4) |
| | Cikayda Inc. | Taiwan | Manufacturing and selling | 20,000 | 20,000 | 2,000,000 | 100 | 17,296 | (743) | (743) |
| | Morsel Inc. | America | Intelligent fitness content production company | 27,750 (US\$ 1,000 thousand) | 27,750 (US\$ 1,000 thousand) | 909,090 | 11 | - | (39,070) (US\$ -1,254 thousand) | - |
| | CITY SPORTS (THAILAND) CO., LTD | Thailand | Fitness equipment selling | 12,450 (THB 14,420 thousand) | 12,450 (THB 14,420 thousand) | 176,000 | 44 | (2,126) (THB -2,360 thousand) | (10,750) (THB -11,938 thousand) | (4,925) (THB -5,469 thousand) (Note 5) |
| | Neutron Ventures Ltd. | United Kingdom | Investment | - | 119,851 (GBP 3,220 thousand) | - | 0 | - (Note 9) | (49,111) (GBP -1,287 thousand) | (25,268) (GBP -671 thousand) (Note 6) |
| | Hongdaxin Projection Co., Ltd. | Taiwan | Film and television industry investment | 4,000 | 4,000 | 400,000 | 40 | 3,714 | (302) | (175) |
| | Spirit Manufacturing Inc. | America | Import, export and selling | 265,734 (US\$ 8,890 thousand) | 265,734 (US\$ 8,890 thousand) | 1,667.5 | 100 | 222,860 (US\$ 7,258 thousand) | (40,137) (US\$ -1,288 thousand) | (40,137) (US\$ -1,288 thousand) |
| | Dyaco Canada Inc. | Canada | Import, export and selling | 271,752 (US\$ 9,058 thousand) | 271,752 (US\$ 9,058 thousand) | 1,000 | 100 | 234,721 (US\$ 10,117 thousand) | (14,421) (US\$ -625 thousand) | (14,421) (US\$ -625 thousand) |
| Iuvo Industry Co., Ltd. | Taiwan | Electric-assisted bicycle manufacturer | 155,000 | 125,000 | 18,300,000 | 92 | 118,225 | (22,471) | (23,380) (Note 7) | |
| Dyaco Europe GmbH. | CARDIO fitness GmbH & Co KG | Germany | Import, export and selling | 274,917 (EUR 8,096 thousand) | 216,813 (EUR 6,296 thousand) | - | 100 | 79,061 (EUR 2,326 thousand) | (72,697) (EUR -2,157 thousand) | (75,025) (EUR -2,226 thousand) (Note 8) |
| | CARDIO fitness Verwaltungs GmbH | Germany | Investment | 997 (EUR 26 thousand) | 977 (EUR 29 thousand) | - | 100 | 928 (EUR 27 thousand) | (47) (EUR -1 thousand) | (47) (EUR -1 thousand) |
| SOLE INC. | Fitness Equipment Services, LLC. | America | Import, export and selling | 63,262 (US\$ 2,100 thousand) | 63,262 (US\$ 2,100 thousand) | - | 100 | (123,453) (US\$ -4,021 thousand) | (232,619) (US\$ -7,466 thousand) | (232,619) (US\$ -7,466 thousand) |
| Dyaco International Holding Limited | Fuel Spirit International Inc. | Mauritius | Import, export and selling | 185,015 (US\$ 5,848 thousand) | 185,015 (US\$ 5,848 thousand) | 5,848,450 | 100 | 191,207 (HK\$ 48,665 thousand) | 5,868 (HK\$ 1,474 thousand) | 5,868 (HK\$ 1,474 thousand) |

(Continued)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of December 31, 2023 | | | Net Profit (Loss) of the Investee | Share of Profit (Loss) (Note 1) |
|----------------------------------|-----------------------------------|----------------|------------------------------|------------------------------------|------------------------------------|---------------------------------|-----|---|-------------------------------------|---|
| | | | | December 31, 2023 | December 31, 2022 | Number of Shares (In Thousands) | % | Carrying Amount (Note 1) | | |
| Spirit Manufacturing Inc. | Spirit Direct, LLC | America | Import, export and selling | \$ 62,118 (US\$ 2,000 thousand) | \$ 62,118 (US\$ 2,000 thousand) | - | 100 | \$ (16,318) (US\$ -531 thousand) | \$ (23,180) (US\$ -744 thousand) | \$ (23,180) (US\$ -744 thousand) |
| Dyaco UK Ltd. | Neutron Ventures Ltd. | United Kingdom | Investment | 135,026 (GBP 3,429 thousand) | - | 308,070 | 100 | 118,161 (GBP 3,018 thousand) (Note 9) | (49,111) (GBP -1,287 thousand) | (24,878) (GBP -642 thousand) (Note 6) |
| Neutron Ventures Ltd. | Interactive Online Commerce Ltd. | United Kingdom | Investment | 167,250 (GBP 4,532 thousand) | 97,577 (GBP 2,632 thousand) | - | 100 | 64,645 (GBP 1,651 thousand) | (47,742) (GBP -1,232 thousand) | (47,742) (GBP -1,232 thousand) |
| | Neutron Ventures Poland S.p Z.o.o | Poland | Service industry | 34 (PLN 5 thousand) | 34 (PLN 5 thousand) | - | 100 | (365) (PLN -46 thousand) | (2,107) (PLN -271 thousand) | (2,107) (PLN -271 thousand) |
| Interactive Online Commerce Ltd. | Sweatband.com Ltd. | United Kingdom | Sporting goods selling | 166,237 (GBP 4,504 thousand) | 96,564 (GBP 2,604 thousand) | - | 100 | 64,436 (GBP 1,465 thousand) | (47,472) (GBP -1,232 thousand) | (47,472) (GBP -1,232 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 \$33,475 thousand realized profit of \$11,283 thousand and minus unrealized profit of \$1,417 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$232,619 thousand minus amortization of investment premium of \$23,569 thousand.

Note 4: Including share of profit of \$227 thousand and unrealized expenses of \$4 thousand.

Note 5: Including share of loss of \$4,730 thousand and minus amortization of investment premium of \$195 thousand.

Note 6: Including share of loss of \$46,336 thousand minus amortization of investment premium of \$3,810 thousand.

Note 7: Including share of loss of \$22,471 thousand minus amortization of investment premium of \$909 thousand.

Note 8: Including share of loss of \$72,697 thousand minus amortization of investment premium of \$2,328 thousand.

Note 9: After the reorganization, which went by share exchange, it is directly 100% held by Dyaco UK Ltd.

(Concluded)

DYACO INTERNATIONAL INC.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(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, 2023 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2) | Carrying Amount as of December 31, 2023 (Note 2) | Accumulated Repatriation of Investment Income as of December 31, 2023 |
|--------------------------|---|----------------------------------|------------------------------------|---|---|---------------------|--------|---|---------------------------------------|--|---------------------------------------|--|---|
| | | | | | | Outward | Inward | | | | | | |
| Dyaco International Inc. | Dyaco (Shanghai) Trading Co., Ltd. | Import, export and selling | \$ 88,780 (US\$ 3,000 thousand) | Through an investment company registered in a third region (Note 1) | \$ 88,780 (US\$ 3,000 thousand) | \$ - | \$ - | \$ 88,780 (US\$ 3,000 thousand) | \$ (25,061) (HK\$ -6,297 thousand) | 100 | \$ (25,061) (HK\$ -6,297 thousand) | \$ 116,846 (HK\$ 29,739 thousand) | \$ - |
| | Shelton Corporation (Jiaxing), Ltd. | Manufacturing and selling | 568,888 (US\$ 18,800 thousand) | Through an investment company registered in a third region (Note 1) | 659,471 (US\$ 21,830 thousand) | - | - | 659,471 (US\$ 21,830 thousand) | 85,432 (HK\$ 21,465 thousand) | 60 | 43,664 (HK\$ 10,971 thousand) | 738,355 (HK\$ 187,924 thousand) | - |
| | Dyaco Health Technology (Beijing) Co., Ltd. | Healthcare management consulting | 16,029 (RMB 3,500 thousand) | Others (Note 4) | - | - | - | Others (Note 4) | (3,096) (RMB -702 thousand) | 100 | (3,096) (RMB -702 thousand) | - | - |
| | Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | Healthcare management consulting | 12,807 (RMB 3,000 thousand) | Others (Note 5) | - | - | - | Others (Note 5) | (399) (RMB -91 thousand) | 40 | (160) (RMB -36 thousand) | 2,654 (RMB 613 thousand) | - |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6) |
|---|--|--|
| \$ 748,251 (US\$ 24,830 thousand) | \$ 748,251 (US\$ 24,830 thousand) | \$ - |

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

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

Note 3: Including 60% share of profit of \$51,259 thousand minus amortization of investment premium of \$8,241 thousand, unrealized profits of \$259 thousand from upstream intercompany transactions and unrealized losses of \$905 thousand from side stream intercompany transactions.

Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd., Dyaco Health Technology (Beijing) Co., Ltd. has been completed liquidation and cancellation in the first quarter of July 2023.

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

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

DYACO INTERNATIONAL INC.

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2023
(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) | Payment Terms | Comparison with Normal Transactions | Ending Balance | % (Note) | | |
| 0 | Dyaco International Inc. | Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd. | Sales Purchase | \$ 91,151 1,272,941 | 2 52 | Flexible Flexible | Based on mutual agreement Based on mutual agreement | \$ 30,987 (635,654) | 1 61 | \$ - - | |

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

TABLE 9**DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

| Name of Major Shareholder | Shares | |
|-----------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| Guang-Ying Limited | 10,346,727 | 6.48 |
| Dyaco International Inc. | 8,963,000 | 5.61 |
| Chuan-Feng Investment Corporation | 8,757,882 | 5.48 |
| Lin, Ing-Gin | 8,354,283 | 5.23 |

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of ordinary shares 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.

Stock code: 1598

Dyaco International Inc.
岱宇國際股份有限公司