

**Dyaco International Inc.**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022. 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 (Jiaxing), Ltd., CARDIO fitness GmbH & Co. KG, Dyaco Canada Inc., Fitness Equipment Services, LLC., CITY SPORTS (THAILAND) CO., LTD. and Neutron Ventures Ltd. As of December 31, 2022, the carrying amount of goodwill was \$533,646 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 13-2, including the projected future cash flows and discount rates (weighted average cost of capital).

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

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

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin for assessing the reasonableness of assumptions.
2. We compared the budgeted amounts with actual operating results of the Corporation in 2021 when considering the assessment of reliability prediction for 2022 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, 2022, 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, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| ASSETS  | 2022                |            | 2021<br>(Retrospectively Adjusted)<br>(Note 13) |            |
|---|---------------------|------------|---|------------|
|   | Amount              | %          | Amount  | %          |
| <b>CURRENT ASSETS</b>   |                     |            |   |            |
| Cash (Note 6)   | \$ 465,110          | 5          | \$ 611,607                                      | 6          |
| Financial assets at fair value through profit or loss (Notes 4, 7 and 32)             | 3,739               | -          | -   | -          |
| Financial assets at amortized cost (Notes 4, 9 and 34)                                | 233,678             | 2          | 292,394   | 3          |
| Notes receivable (Notes 4, 10 and 24)   | 691                 | -          | 1,490   | -          |
| Accounts receivable (Notes 4, 10 and 24)  | 74,405              | 1          | 105,935   | 1          |
| Accounts receivable from related parties (Notes 4, 24 and 33)                         | 1,975,808           | 21         | 2,542,832                                       | 25         |
| Other receivables (Notes 4 and 10)  | 9,856               | -          | 52,110  | 1          |
| Other receivables from related parties (Notes 4 and 33)                               | 748,871             | 8          | 1,452,687                                       | 14         |
| Current tax assets (Note 26)  | 48,443              | 1          | 31,010  | -          |
| Inventories (Notes 4, 5 and 11)   | 323,380             | 3          | 478,619   | 5          |
| Prepayments (Note 12)   | 81,688              | 1          | 39,945  | -          |
| Other current assets  | 6,515               | -          | 18,923  | -          |
| Total current assets  | <u>3,972,184</u>    | <u>42</u>  | <u>5,627,552</u>                                | <u>55</u>  |
| <b>NON-CURRENT ASSETS</b>   |                     |            |   |            |
| Financial assets at fair value through profit or loss (Notes 4, 7 and 32)             | 147,071             | 2          | 139,035   | 1          |
| Financial assets at fair value through other comprehensive income (Notes 4, 8 and 32) | 61,824              | 1          | 54,745  | 1          |
| Financial assets at amortized cost - non-current (Note 9)                             | 30,710              | -          | -   | -          |
| Investments accounted for using the equity method (Notes 4, 5 and 13)                 | 3,005,652           | 31         | 2,171,408                                       | 22         |
| Property, plant and equipment (Notes 4, 14 and 34)                                    | 1,801,014           | 19         | 1,620,884                                       | 16         |
| Right-of-use assets (Notes 4, 15 and 33)  | 12,821              | -          | 38,915  | 1          |
| Investment properties (Notes 4, 16 and 34)  | 19,569              | -          | 20,448  | -          |
| Intangible assets (Notes 4 and 17)  | 104,955             | 1          | 128,350   | 1          |
| Deferred income tax assets (Notes 4 and 26)   | 387,112             | 4          | 333,364   | 3          |
| Prepayments for equipment   | 1,644               | -          | 8,196   | -          |
| Refundable deposits (Notes 32 and 33)   | 5,168               | -          | 8,737   | -          |
| Other non-current assets  | 5,683               | -          | 5,683   | -          |
| Total non-current assets  | <u>5,583,223</u>    | <u>58</u>  | <u>4,529,765</u>                                | <u>45</u>  |
| <b>TOTAL</b>  | <u>\$ 9,555,407</u> | <u>100</u> | <u>\$ 10,157,317</u>                            | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>   |                     |            |   |            |
| <b>CURRENT LIABILITIES</b>  |                     |            |   |            |
| Short-term borrowings (Notes 18 and 34)   | \$ 2,175,500        | 23         | \$ 2,343,950                                    | 23         |
| Financial liabilities at fair value through profit or loss (Notes 4, 7 and 32)        | 25,305              | -          | 14,135  | -          |
| Contract liabilities (Note 24)  | 37,470              | -          | 8,611   | -          |
| Notes payable (Note 20)   | 18,059              | -          | 33,191  | -          |
| Accounts payable (Note 20)  | 275,828             | 3          | 346,217   | 4          |
| Accounts payable to related parties (Note 33)   | 402,944             | 4          | 634,246   | 6          |
| Other payables (Note 21)  | 124,387             | 1          | 178,121   | 2          |
| Other payables to related parties (Note 33)   | 41,880              | 1          | 333   | -          |
| Current income tax liabilities (Note 26)  | 2,544               | -          | -   | -          |
| Lease liabilities (Notes 4, 15 and 33)  | 3,766               | -          | 7,651   | -          |
| Current portion of bonds payable (Notes 4 and 19)                                     | 1,398,537           | 15         | -   | -          |
| Current portion of long-term borrowings (Notes 18 and 34)                             | 150,600             | 2          | 230,890   | 2          |
| Other current liabilities   | 28,330              | -          | 59,239  | 1          |
| Total current liabilities   | <u>4,685,150</u>    | <u>49</u>  | <u>3,856,584</u>                                | <u>38</u>  |
| <b>NON-CURRENT LIABILITIES</b>  |                     |            |   |            |
| Bonds payable (Notes 4 and 19)  | -                   | -          | 1,379,436                                       | 14         |
| Long-term borrowings (Notes 18 and 34)  | 965,613             | 10         | 522,910   | 5          |
| Deferred tax liabilities (Notes 4 and 26)   | 126,030             | 2          | 113,258   | 1          |
| Lease liabilities (Notes 4, 15 and 33)  | 9,308               | -          | 31,429  | -          |
| Long-term payables (Note 21)  | 83,093              | 1          | 104,342   | 1          |
| Credit balance of investments accounted for using the equity method (Notes 4 and 13)  | -                   | -          | 143,086   | 2          |
| Net defined benefit liabilities (Notes 4 and 22)                                      | 16,467              | -          | 19,284  | -          |
| Guarantee deposits received   | 638                 | -          | 638   | -          |
| Total non-current liabilities   | <u>1,201,149</u>    | <u>13</u>  | <u>2,314,383</u>                                | <u>23</u>  |
| Total liabilities   | <u>5,886,299</u>    | <u>62</u>  | <u>6,170,967</u>                                | <u>61</u>  |
| <b>EQUITY (Note 23)</b>   |                     |            |   |            |
| Share capital   |                     |            |   |            |
| Ordinary shares   | 1,341,147           | 14         | 1,339,822                                       | 13         |
| Advance share capital   | -                   | -          | 400   | -          |
| Total share capital   | <u>1,341,147</u>    | <u>14</u>  | <u>1,340,222</u>                                | <u>13</u>  |
| Capital surplus   | 2,142,919           | 22         | 2,115,925                                       | 21         |
| Retained earnings   |                     |            |   |            |
| Legal reserve   | 329,002             | 3          | 284,853   | 3          |
| Special reserve   | 238,087             | 3          | 175,628   | 2          |
| Unappropriated earnings   | 170,420             | 2          | 676,407   | 6          |
| Total retained earnings   | <u>737,509</u>      | <u>8</u>   | <u>1,136,888</u>                                | <u>11</u>  |
| Other equity  | (126,177)           | (1)        | (238,081)                                       | (2)        |
| Treasury shares   | (426,290)           | (5)        | (368,604)                                       | (4)        |
| Total equity  | <u>3,669,108</u>    | <u>38</u>  | <u>3,986,350</u>                                | <u>39</u>  |
| <b>TOTAL</b>  | <u>\$ 9,555,407</u> | <u>100</u> | <u>\$ 10,157,317</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2022             |            | 2021 (Retrospectively Adjusted) (Note 13) |            |
|---|------------------|------------|---|------------|
|   | Amount           | %          | Amount                                    | %          |
| OPERATING REVENUE (Notes 4, 24 and 33)                          | \$ 2,732,707     | 100        | \$ 6,880,450                              | 100        |
| LESS: SALES RETURNS   | 1,498            | -          | 4,921                                     | -          |
| SALES DISCOUNTS AND ALLOWANCES                                  | <u>2,307</u>     | <u>-</u>   | <u>2,696</u>                              | <u>-</u>   |
| NET OPERATING REVENUE   | 2,728,902        | 100        | 6,872,833                                 | 100        |
| OPERATING COSTS (Notes 11, 25 and 33)                           |                  |            |   |            |
| Cost of sales   | <u>2,220,359</u> | <u>81</u>  | <u>5,204,517</u>                          | <u>76</u>  |
| GROSS PROFIT  | 508,543          | 19         | 1,668,316                                 | 24         |
| REALIZED (UNREALIZED) GAIN ON<br>TRANSACTIONS WITH SUBSIDIARIES | <u>207,264</u>   | <u>7</u>   | <u>(33,817)</u>                           | <u>-</u>   |
| REALIZED GROSS PROFIT   | <u>715,807</u>   | <u>26</u>  | <u>1,634,499</u>                          | <u>24</u>  |
| OPERATING EXPENSES (Notes 10, 25 and 33)                        |                  |            |   |            |
| Selling and marketing   | 249,060          | 9          | 355,231                                   | 5          |
| General and administrative                                      | 162,213          | 6          | 164,145                                   | 2          |
| Research and development  | 96,467           | 4          | 104,517                                   | 2          |
| Expected credit loss (gain)                                     | <u>12,474</u>    | <u>-</u>   | <u>2,735</u>                              | <u>-</u>   |
| Total operating expenses  | <u>520,214</u>   | <u>19</u>  | <u>626,628</u>                            | <u>9</u>   |
| OTHER OPERATING INCOME (Notes 25 and 33)                        | <u>50</u>        | <u>-</u>   | <u>63,675</u>                             | <u>1</u>   |
| PROFIT FROM OPERATIONS  | <u>195,643</u>   | <u>7</u>   | <u>1,071,546</u>                          | <u>16</u>  |
| NON-OPERATING INCOME AND EXPENSES                               |                  |            |   |            |
| Share of profit or loss of subsidiaries and associates          | (536,210)        | (20)       | (319,470)                                 | (5)        |
| Interest income (Note 33)                                       | 1,520            | -          | 842                                       | -          |
| Rental income (Note 33)   | 4,431            | -          | 4,415                                     | -          |
| Other income  | 24,463           | 1          | 10,442                                    | -          |
| Foreign exchange gain (loss), net (Note 25)                     | 400,357          | 15         | (165,119)                                 | (2)        |
| Gain or loss on valuation of financial instruments              | (768)            | -          | (14,951)                                  | -          |
| Impairment loss (Note 13)                                       | (24,882)         | (1)        | -   | -          |
| Other expenses  | (3,075)          | -          | (111)                                     | -          |
| Expected credit loss (Note 10)                                  | (39,500)         | (1)        | -   | -          |
| Interest expense (Notes 25 and 33)                              | <u>(57,150)</u>  | <u>(2)</u> | <u>(43,781)</u>                           | <u>(1)</u> |
| Total non-operating income and expenses                         | <u>(230,814)</u> | <u>(8)</u> | <u>(527,733)</u>                          | <u>(8)</u> |

(Continued)

## DYACO INTERNATIONAL INC.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | 2022             |            | 2021 (Retrospectively Adjusted) (Note 13) |            |
|---|------------------|------------|---|------------|
|   | Amount           | %          | Amount                                    | %          |
| PROFIT (LOSS) BEFORE INCOME TAX   | \$ (35,171)      | (1)        | \$ 543,813                                | 8          |
| INCOME TAX EXPENSE (Notes 4 and 26)   | <u>40,958</u>    | <u>2</u>   | <u>103,471</u>                            | <u>1</u>   |
| NET PROFIT (LOSS)   | <u>(76,129)</u>  | <u>(3)</u> | <u>440,342</u>                            | <u>7</u>   |
| OTHER COMPREHENSIVE INCOME (LOSS)   |                  |            |   |            |
| Items that will not be reclassified subsequently to profit or loss:   |                  |            |   |            |
| Remeasurement of defined benefit plan   | 2,584            | -          | 808                                       | -          |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income    | (4,680)          | -          | 704                                       | -          |
| Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method | (227)            | -          | (5,904)                                   | -          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)             | <u>(517)</u>     | <u>-</u>   | <u>(162)</u>                              | <u>-</u>   |
|   | <u>(2,840)</u>   | <u>-</u>   | <u>(4,554)</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>116,811</u>   | <u>4</u>   | <u>(57,253)</u>                           | <u>(1)</u> |
| Other comprehensive loss for the period, net of income tax  | <u>113,971</u>   | <u>4</u>   | <u>(61,807)</u>                           | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 37,842</u> | <u>1</u>   | <u>\$ 378,535</u>                         | <u>6</u>   |
| EARNINGS (LOSS) PER SHARE (Note 27)   |                  |            |   |            |
| Basic   | <u>\$ (0.61)</u> |            | <u>\$ 3.47</u>                            |            |
| Diluted   |                  |            | <u>\$ 3.30</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, 2022 AND 2021  
(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 (Retrospectively Adjusted) (Note 32) | 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, 2021  | \$ 1,311,496    | \$ 15,027             | \$ 1,986,005    | \$ 152,827        | \$ 105,812      | \$ 1,390,288   | \$ (178,468)  | \$ 2,840  | \$ (272,651)    | \$ 4,513,176 |
| Issuance of ordinary shares under employee share options (Note 28)                | 8,760           | (600)                 | 58,812          | -                 | -               | -  | -   | -   | -               | 66,972       |
| Equity component of convertible bonds issued by the Corporation (Notes 19 and 23) | -               | -                     | 38,988          | -                 | -               | -  | -   | -   | -               | 38,988       |
| Changes in capital surplus from investments using the equity method               | -               | -                     | 1,876           | -                 | -               | -  | -   | -   | -               | 1,876        |
| Gain on disgorgement  | -               | -                     | 140             | -                 | -               | -  | -   | -   | -               | 140          |
| Appropriation of prior year's earnings  |                 |                       |                 |                   |                 |  |   |   |                 |              |
| Legal reserve   | -               | -                     | -               | 132,026           | -               | (132,026)  | -   | -   | -               | -            |
| Special reserve   | -               | -                     | -               | -                 | 69,816          | (69,816)   | -   | -   | -               | -            |
| Share dividends to shareholder - NT\$7.50 per share                               | -               | -                     | -               | -                 | -               | (953,027)  | -   | -   | -               | (953,027)    |
|   | -               | -                     | -               | 132,026           | 69,816          | (1,154,869)  | -   | -   | -               | (953,027)    |
| Convertible bonds converted to ordinary shares (Note 19)                          | 19,566          | (14,027)              | 43,162          | -                 | -               | -  | -   | -   | -               | 48,701       |
| Net profit for the year ended December 31, 2021                                   | -               | -                     | -               | -                 | -               | 440,342  | -   | -   | -               | 440,342      |
| Other comprehensive income (loss) for the year ended December 31, 2021            | -               | -                     | -               | -                 | -               | 646  | (57,253)  | (5,200)   | -               | (61,807)     |
| Total comprehensive income (loss) for the year ended December 31, 2021            | -               | -                     | -               | -                 | -               | 440,988  | (57,253)  | (5,200)   | -               | 378,535      |
| Buy-back of ordinary shares (Note 23)   | -               | -                     | -               | -                 | -               | -  | -   | -   | (157,086)       | (157,086)    |
| Treasury shares transferred to employees (Note 23)                                | -               | -                     | (13,058)        | -                 | -               | -  | -   | -   | 61,133          | 48,075       |
| BALANCE AT DECEMBER 31, 2021  | 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 |

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

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|  | 2022           | 2021<br>(Retrospectively<br>Adjusted)<br>(Note 13) |
|--|----------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                |  |
| Profit (loss) before income tax  | \$ (35,171)    | \$ 543,813   |
| Adjustments for:   |                |  |
| Depreciation expense   | 68,043         | 74,401   |
| Amortization expense   | 31,207         | 37,144   |
| Expected credit loss recognized  | 51,974         | 2,735  |
| Net loss on fair value changes of financial instrument at fair value<br>through profit or loss | 768            | 14,951   |
| Interest expense   | 57,150         | 43,781   |
| Interest income  | (1,520)        | (842)  |
| Impairment loss  | 24,882         | -  |
| Compensation costs of employee share options   | 19,068         | 34,379   |
| Share of loss (profit) of subsidiaries and associates accounted for<br>using the equity method | 536,210        | 319,470  |
| Gain on disposal of property, plant and equipment  | (50)           | (357)  |
| Loss on inventories valuation and obsolescence   | 39,056         | -  |
| Realized (unrealized) gain (loss) on the transactions with<br>subsidiaries                     | (207,264)      | 33,817   |
| Unrealized loss (gain) on foreign currency exchange  | (36,951)       | 71,972   |
| Changes in operating assets and liabilities  |                |  |
| Notes receivable   | 799            | 339  |
| Accounts receivable  | 19,209         | 25,309   |
| Accounts receivable from related parties   | (485,232)      | 1,591,887  |
| Other receivables  | 2,754          | 42,237   |
| Other receivables from related parties   | 748,584        | (1,015,642)  |
| Inventories  | 116,183        | 231,784  |
| Prepayments  | (41,675)       | 2,359  |
| Other current assets   | 12,408         | 511  |
| Contract liabilities   | 28,753         | (20,873)   |
| Notes payable  | (15,132)       | (747,632)  |
| Accounts payable   | (70,188)       | (472,433)  |
| Accounts payable to related parties  | (223,177)      | (619,034)  |
| Other payables   | (55,559)       | (115,358)  |
| Other payables to related parties  | 41,547         | (85,747)   |
| Other current liabilities  | (30,909)       | 9,818  |
| Net defined benefit liabilities  | (233)          | (307)  |
| Cash generated from operations   | 595,534        | 2,482  |
| Interest received  | 1,520          | 3,459  |
| Interest paid  | (38,049)       | (33,047)   |
| Income tax paid  | (97,340)       | (540,887)  |
| Net cash generated from (used in) operating activities   | <u>461,665</u> | <u>(567,993)</u><br>(Continued)                    |

# DYACO INTERNATIONAL INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

|   | 2022              | 2021<br>(Retrospectively<br>Adjusted)<br>(Note 13) |
|---|-------------------|--|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |  |
| Purchase of financial assets at fair value through other comprehensive income             | \$ (11,760)       | \$ (12,900)  |
| Decrease (increase) in other financial assets   | 28,006            | (83,463)   |
| Purchase of financial assets at fair value through profit or loss                         | (600)             | (138,750)  |
| Purchase of investments accounted for using the equity method                             | (4,000)           | (27,750)   |
| Increase in investments in subsidiaries (Note 13)   | (70,000)          | (25,000)   |
| Net cash outflow on acquisition of subsidiaries (Note 13)                                 | (55,000)          | (93,654)   |
| Payments for property, plant and equipment (Note 30)                                      | (250,430)         | (20,449)   |
| Proceeds from disposal of property, plant and equipment                                   | 13,148            | 620  |
| Decrease (increase) in refundable deposits  | 3,569             | (4,912)  |
| Increase in other receivables from related parties  | (42,682)          | (45,546)   |
| Payments for intangible assets (Note 30)  | <u>(24,095)</u>   | <u>(52,844)</u>                                    |
| Net cash used in investing activities   | <u>(413,844)</u>  | <u>(504,648)</u>                                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                   |  |
| Proceeds from (repayments of) short-term borrowings                                       | (168,450)         | 1,198,950  |
| Proceeds from issuance of convertible bonds   | -                 | 994,594  |
| Proceeds from long-term borrowings  | 521,320           | -  |
| Repayments of long-term borrowings  | (158,907)         | (156,978)  |
| Refund of guarantee deposits received   | -                 | (163)  |
| Repayment of the principal portion of lease liabilities                                   | (6,467)           | (5,117)  |
| Cash dividends  | (317,502)         | (953,027)  |
| Exercise of employee share options  | 3,413             | 32,593   |
| Payments for buy-back of ordinary shares  | (96,415)          | (157,086)  |
| Proceeds from treasury shares transferred to employees                                    | 26,791            | 48,075   |
| Imposition of disgorgement  | <u>-</u>          | <u>140</u>   |
| Net cash generated from (used in) financing activities                                    | <u>(196,217)</u>  | <u>1,001,981</u>                                   |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b> |                   |  |
|   | <u>1,899</u>      | <u>(2,633)</u>                                     |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | (146,497)         | (73,293)   |
| <b>CASH, BEGINNING OF THE YEAR</b>  | <u>611,607</u>    | <u>684,900</u>                                     |
| <b>CASH, END OF THE YEAR</b>  | <u>\$ 465,110</u> | <u>\$ 611,607</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 23, 2023.

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

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

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018-2020”                                   | January 1, 2022                     |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                        | January 1, 2022                     |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022                     |
| Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”            | January 1, 2022                     |

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

| New IFRSs   | Effective Date<br>Announced by IASB |
|---|-------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies”   | January 1, 2023 (Note 1)            |
| Amendments to IAS 8 “Definition of Accounting Estimates”  | January 1, 2023 (Note 2)            |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 (Note 3)            |

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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.

- c. The IFRSs 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<br/>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                             |
| Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"   | January 1, 2024 (Note 2)                             |
| 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 1 "Classification of Liabilities as Current or Non-current"  | January 1, 2024                                      |
| Amendments to IAS 1 "Non-current Liabilities with Covenants"   | January 1, 2024                                      |

Note 1: Unless stated otherwise, the above IFRSs 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.

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 SIGNIFICANT ACCOUNTING POLICIES

- 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.

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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions 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.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## Key Sources of Estimation Uncertainty

### a. Write-down of inventories

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

### b. Estimated impairment of goodwill for investments in subsidiaries

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

## 6. CASH

|                                       | <u>December 31</u> |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | <b>2022</b>        | <b>2021</b>       |
| Cash on hand                          | \$ 360             | \$ 452            |
| Checking accounts and demand deposits | 122,504            | 85,286            |
| Foreign currency deposits             | 219,406            | 525,869           |
| Foreign time deposits                 | <u>122,840</u>     | <u>-</u>          |
|                                       | <u>\$ 465,110</u>  | <u>\$ 611,607</u> |

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

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| <u>Financial assets - current</u>                        |                    |                   |
| Financial assets mandatorily classified as at FVTPL      |                    |                   |
| Financial assets held for trading                        |                    |                   |
| Derivative financial assets (not under hedge accounting) |                    |                   |
| Cross-currency swap contracts                            | \$ 3,171           | \$ -              |
| Limited Partnership                                      |                    |                   |
| Chang Nang Capital Limited Partnership                   | <u>568</u>         | <u>-</u>          |
|  | <u>\$ 3,739</u>    | <u>\$ -</u>       |
| <u>Financial assets - non-current</u>                    |                    |                   |
| Financial assets mandatorily classified as at FVTPL      |                    |                   |
| Hybrid financial assets                                  |                    |                   |
| Convertible promissory notes (Note 13)                   | <u>\$ 147,071</u>  | <u>\$ 139,035</u> |

(Continued)

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <u>2022</u>        | <u>2021</u>      |
| <u>Financial liabilities - current</u>                     |                    |                  |
| Financial liabilities held for trading                     |                    |                  |
| Derivative financial liabilities                           |                    |                  |
| Cross-currency swap contracts (not under hedge accounting) | \$ -               | \$ 772           |
| Convertible bonds options (Note 19)                        | <u>25,305</u>      | <u>13,363</u>    |
|  | <u>\$ 25,305</u>   | <u>\$ 14,135</u> |
|  |                    | (Concluded)      |

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

|                               | <b>Currency</b> | <b>Maturity Date</b>  | <b>Notional Amount<br/>(In Thousands)</b> |
|-------------------------------|-----------------|-----------------------|---|
| <u>December 31, 2022</u>      |                 |                       |   |
| Cross-currency swap contracts | NTD/USD         | 2023.01.03            | NTD27,539/USD1,000                        |
| <u>December 31, 2021</u>      |                 |                       |   |
| Cross-currency swap contracts | NTD/USD         | 2022.08.02-2022.12.30 | NTD262,788/USD9,500                       |

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

### Investments in Equity Instruments at FVTOCI

|                                 | <u>December 31</u> |                  |
|---------------------------------|--------------------|------------------|
|                                 | <u>2022</u>        | <u>2021</u>      |
| <u>Non-current</u>              |                    |                  |
| Domestic investments            |                    |                  |
| Listed private placement shares | \$ 11,759          | \$ -             |
| Unlisted ordinary shares        | 9,915              | 13,290           |
| Foreign investments             |                    |                  |
| Unlisted ordinary shares        | <u>40,150</u>      | <u>41,455</u>    |
|                                 | <u>\$ 61,824</u>   | <u>\$ 54,745</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> |            |
|---------------------|--------------------|------------|
|                     | 2022               | 2021       |
| <u>Current</u>      |                    |            |
| Restricted deposits | \$ 233,678         | \$ 292,394 |
| <u>Non-current</u>  |                    |            |
| Bank debenture      | \$ 30,710          | \$ -       |

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

|                     | <u>December 31</u> |             |
|---------------------|--------------------|-------------|
|                     | 2022               | 2021        |
| Restricted deposits | 0.60%-4.83%        | 0.12%-0.29% |

- b. In June 2022, the Corporation purchased 1.5-year financial debentures of Mega International Commercial Bank at a face value of \$23,032 thousand (US\$750 thousand). The maturity date is on January 5, 2024. The coupon rate is 2.5%. In September 2022, the Corporation purchased 2-year financial debentures of Mega International Commercial Bank at a face value of \$7,678 thousand (US\$250 thousand). The maturity date is on September 15, 2024. The coupon rate is 3.05%.
- 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:

| <u>Category</u> | <u>Description</u>   | <u>Basis for Recognizing<br/>Expected Credit Losses<br/>(ECLs)</u> |
|-----------------|--|--|
| 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, 2022, 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>2022</u>        | <u>2021</u>       |
| <u>Notes receivable</u>             |                    |                   |
| At amortized cost                   |                    |                   |
| Gross carrying amount               | \$ 691             | \$ 1,490          |
| Less: Allowance for impairment loss | <u>-</u>           | <u>-</u>          |
|                                     | <u>\$ 691</u>      | <u>\$ 1,490</u>   |
| <u>Accounts receivable</u>          |                    |                   |
| At amortized cost                   |                    |                   |
| Gross carrying amount               | \$ 173,527         | \$ 192,583        |
| Less: Allowance for impairment loss | <u>99,122</u>      | <u>86,648</u>     |
|                                     | <u>\$ 74,405</u>   | <u>\$ 105,935</u> |
| <u>Other receivables</u>            |                    |                   |
| Tax refund receivables              | \$ 9,788           | \$ 8,499          |
| Deposit refund receivables          | -                  | 43,500            |
| Others                              | <u>68</u>          | <u>111</u>        |
|                                     | <u>\$ 9,856</u>    | <u>\$ 52,110</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, 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> |

December 31, 2021

|                                | 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      | 0.07%            | 0.22%-2.05%       | 2.66%-5.23%      | 12.03%-22.48%   | 41.58%-100%     | 100%                                      |                   |
| Gross carrying amount          | \$ 54,662        | \$ 27,609         | \$ 16,184        | \$ 9,502        | \$ 1,087        | \$ 83,539                                 | \$ 192,583        |
| Loss allowance (Lifetime ECLs) | <u>(37)</u>      | <u>(228)</u>      | <u>(703)</u>     | <u>(1,279)</u>  | <u>(862)</u>    | <u>(83,539)</u>                           | <u>(86,648)</u>   |
| Amortized cost                 | <u>\$ 54,625</u> | <u>\$ 27,381</u>  | <u>\$ 15,481</u> | <u>\$ 8,223</u> | <u>\$ 225</u>   | <u>\$ -</u>                               | <u>\$ 105,935</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 movements of the loss allowance of accounts receivable were as follows:

|  | 2022             | 2021             |
|--|------------------|------------------|
| Beginning balance                        | \$ 86,648        | \$ 84,038        |
| Add: Net remeasurement of loss allowance | 12,474           | 2,735            |
| Less: Amounts written off                | <u>-</u>         | <u>(125)</u>     |
| Ending balance                           | <u>\$ 99,122</u> | <u>\$ 86,648</u> |

c. Other receivables

Other receivables consist of deposit refund receivables, tax refund receivables and others (advance).

Due to the overdue deposit refund 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, the Corporation will continue to pursue recourse against the debtor.

## 11. INVENTORIES

|                  | <u>December 31</u> |                   |
|------------------|--------------------|-------------------|
|                  | <b>2022</b>        | <b>2021</b>       |
| Finished goods   | \$ 134,830         | \$ 222,030        |
| Work in progress | 83,293             | 90,158            |
| Raw materials    | 74,408             | 132,272           |
| Merchandise      | <u>30,849</u>      | <u>34,159</u>     |
|                  | <u>\$ 323,380</u>  | <u>\$ 478,619</u> |

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

|                          | <u>For the Year Ended December 31</u> |                     |
|--------------------------|---------------------------------------|---------------------|
|                          | <b>2022</b>                           | <b>2021</b>         |
| Cost of inventories sold | \$ 2,181,303                          | \$ 5,204,517        |
| Inventory write-downs    | <u>39,056</u>                         | <u>-</u>            |
|                          | <u>\$ 2,220,359</u>                   | <u>\$ 5,204,517</u> |

## 12. PREPAYMENTS

|                       | <u>December 31</u> |                  |
|-----------------------|--------------------|------------------|
|                       | <b>2022</b>        | <b>2021</b>      |
| Prepayments for goods | \$ 60,888          | \$ 19,872        |
| Prepaid expenses      | 17,177             | 18,989           |
| Others                | <u>3,623</u>       | <u>1,084</u>     |
|                       | <u>\$ 81,688</u>   | <u>\$ 39,945</u> |

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|                             | <u>December 31</u>  |  |
|-----------------------------|---------------------|--|
|                             | <b>2022</b>         | <b>2021</b><br><b>(Retrospectively Adjusted)</b> |
| Investments in subsidiaries | \$ 3,001,763        | \$ 2,146,526                                     |
| Investments in associate    | <u>3,889</u>        | <u>24,882</u>                                    |
|                             | <u>\$ 3,005,652</u> | <u>\$ 2,171,408</u>                              |

a. Investments in subsidiaries

|  | <b>December 31</b>  |  |
|--|---------------------|--|
|  | <b>2022</b>         | <b>2021<br/>(Retrospectively<br/>Adjusted)</b> |
| Unlisted companies   |                     |  |
| Dyaco International Holding Limited                                      | \$ 1,052,713        | \$ 1,072,030                                   |
| SOLE INC.  | 728,477             | 566,799  |
| President Plastic Products Mfg. Co., Ltd.                                | 288,532             | 259,500  |
| Neutron Ventures Ltd   | 74,702              | 118,300  |
| Dyaco Europe GmbH  | 169,444             | 82,955   |
| Cikayda Inc.   | 18,039              | 18,949   |
| CITY SPORTS (THAILAND) CO., LTD  | 2,966               | 11,178   |
| Daan Health Management Consulting Co., Ltd.                              | 8,460               | 8,587  |
| Wing Long Co., Ltd.  | 2,139               | 8,228  |
| Dyaco Japan Co., Ltd.  | 1,514               | (25,920)                                       |
| Dyaco UK Ltd.  | 29,260              | (117,166)                                      |
| Spirit Manufacturing Inc.  | 249,946             | -  |
| Dyaco Canada Inc.  | 262,457             | -  |
| IUVO Industry Co., Ltd.  | <u>113,114</u>      | <u>-</u>                                       |
|  | 3,001,763           | 2,003,440                                      |
| Add: Credit balance of investments accounted for using the equity method | <u>-</u>            | <u>143,086</u>                                 |
|  | <u>\$ 3,001,763</u> | <u>\$ 2,146,526</u>                            |

|   | <b>Proportion of Ownership and<br/>Voting Rights</b> |             |
|---|--|-------------|
|   | <b>December 31</b>                                   |             |
|   | <b>2022</b>  | <b>2021</b> |
| Dyaco International Holding Limited         | 100%   | 100%        |
| SOLE INC.                                   | 100%   | 100%        |
| President Plastic Products Mfg. Co., Ltd.   | 100%   | 100%        |
| Neutron Ventures Ltd                        | 80%  | 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.                               | 100%   | 100%        |
| Spirit Manufacturing Inc.                   | 100%   | -           |
| Dyaco Canada Inc.                           | 100%   | -           |
| IUVO Industry Co., Ltd.                     | 90%  | -           |

1) On December 8, 2020, the Corporation purchased 100% equity of President Plastic Products Mfg. Co., Ltd for \$258,640 thousand. As of December 31, 2021, \$18,889 thousand was not paid and recognized as other payables.

2) In April 2021, the Corporation established Cikayda Inc. in the amount of NT\$20,000 thousand.

- 3) 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. As of December 31, 2021, NT\$8,715 thousand was not paid and recognized as other payables.
- 4) In December 2021, the Corporation purchased 80% equity of Neutron Ventures Ltd for GBP3,220 thousand (NT\$119,421 thousand). As of December 31, 2021, NT\$29,503 thousand was not paid and recognized as other payables.
- 5) The Corporation acquired interests in subsidiary, Wing Long Co., Ltd., for NT\$5,000 thousand in December 2021.
- 6) After the Corporation went through a non-cash reduction reorganization on July 1, 2022, Spirit Manufacturing Inc. and Dyaco Canada Inc. are directly 100% held by Dyaco International Inc.
- 7) On August 24, 2022, the Corporation signed a contract with the major shareholder of IUVO Industry Co., Ltd. The Corporation acquired 83% interest for NT\$55,000 thousand on the base date of October 3, 2022. In December 2022, the Corporation increase cash capital for NT\$70,000, the Corporation did not subscribe for the capital increase in accordance with its original shareholding ratio. Thus, the shareholding ratio increased from 83% to 90%, and adjusted unappropriated earnings for NT\$7,815 thousand.
- 8) The Corporation acquired interests in its subsidiary Dyaco Japan Co., Ltd. through debt-equity swap for NT\$44,560 thousand in August 2022.
- 9) The Corporation acquired interests in its subsidiary Dyaco Europe GmbH through debt-equity swap for NT\$126,368 thousand in August 2022.
- 10) The Corporation acquired interests in its subsidiary Dyaco UK Ltd. through debt-equity swap for NT\$182,850 thousand in August 2022.
- 11) The Corporation acquired interests in its subsidiary SOLE INC. through debt-equity swap for NT\$694,235 thousand in November 2022.
- 12) The Corporation acquired interests in its subsidiary President Plastic Products Mfg. Co., Ltd. for NT\$28,000 thousand in November 2022.

For the years ended December 31, 2022 and 2021, 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 and IUVO Industry Co., Ltd. are recognized as a cash generating unit (Group A) and CARDIO fitness GmbH & Co. KG and IUVO Industry Co., Ltd. are recognized as other cash generating unit (Group B and Group C, respectively).

The carrying amounts of cash-generating units, Group A, Group B and Group C included in the amount of goodwill were \$507,164 thousand, \$26,482 thousand and \$24,731 thousand, respectively.

On December 31, 2022 and 2021, 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:

|         | <b>December 31</b> |             |
|---------|--------------------|-------------|
|         | <b>2022</b>        | <b>2021</b> |
| Group A | 12.9%              | 11.9%       |
| Group B | 12.3%              | 13.0%       |

The Corporation evaluated Group A and B in 2022 and 2021, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized.

The Group C was generated from acquisition of subsidiary in October 2022, the Corporation considered no impairment test to be necessary as of December 31, 2022.

c. Investments in associate

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2022</b>        | <b>2021</b>      |
| Associate that is not individually material |                    |                  |
| Hongdaxin Projection Co., Ltd.              | \$ 3,889           | \$ -             |
| Morsel, Inc.                                | <u>-</u>           | <u>24,882</u>    |
|   | <u>\$ 3,889</u>    | <u>\$ 24,882</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, 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 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>2022</u>                           | <u>2022</u>                       |
|  |                                       | <b>(Retrospectively Adjusted)</b> |
| The Corporation's share of:                    |                                       |                                   |
| Loss from continuing operations                | \$ (111)                              | \$ (2,753)                        |
| Other comprehensive income (loss)              | <u>-</u>                              | <u>-</u>                          |
| Total comprehensive income (loss) for the year | <u>\$ (111)</u>                       | <u>\$ (2,753)</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.

The Corporation has adjusted the initial accounting and the provisional amount since the acquisition date. Information on relevant items of balance sheets and comprehensive income statements that were adjusted retrospectively are as follows:

|   | <b>December 31,</b> |
|---|---------------------|
|   | <b>2021</b>         |
| Investments accounted for using the equity method | <u>\$ (179)</u>     |
| Retained earnings                                 | <u>\$ (226)</u>     |
| Other equity                                      | <u>\$ 47</u>        |
|   | <b>For the Year</b> |
|   | <b>Ended</b>        |
|   | <b>December 31</b>  |
|   | <b>2021</b>         |
| Share of loss of associates                       | <u>\$ (226)</u>     |
| Net Profit or loss for the year                   | <u>\$ (226)</u>     |
| Comprehensive income for the year                 | <u>\$ (179)</u>     |

## 14. PROPERTY, PLANT AND EQUIPMENT

|                                       | Land              | Buildings         | Machinery<br>Equipment | Transportation<br>Equipment | Office<br>Equipment | Leasehold<br>Improvements | Property<br>under<br>Construction | Total               |
|---------------------------------------|-------------------|-------------------|------------------------|-----------------------------|---------------------|---------------------------|-----------------------------------|---------------------|
| <u>Cost</u>                           |                   |                   |                        |                             |                     |                           |                                   |                     |
| Balance at January 1, 2021            | \$ 978,863        | \$ 721,450        | \$ 451,274             | \$ 33,693                   | \$ 30,480           | \$ 1,530                  | \$ -                              | \$ 2,217,290        |
| Additions                             | -                 | 2,963             | 10,159                 | 725                         | 2,247               | 641                       | -                                 | 16,735              |
| Disposals                             | -                 | -                 | (202,949)              | (8,856)                     | (564)               | (1,531)                   | -                                 | (213,900)           |
| Balance at December 31, 2021          | <u>978,863</u>    | <u>724,413</u>    | <u>258,484</u>         | <u>25,562</u>               | <u>32,163</u>       | <u>640</u>                | <u>-</u>                          | <u>2,020,125</u>    |
| <u>Accumulated depreciation</u>       |                   |                   |                        |                             |                     |                           |                                   |                     |
| Balance at January 1, 2021            | -                 | 169,439           | 325,680                | 22,455                      | 25,793              | 1,235                     | -                                 | 544,602             |
| Depreciation expenses                 | -                 | 22,677            | 40,219                 | 2,245                       | 2,561               | 574                       | -                                 | 68,276              |
| Disposals                             | -                 | -                 | (202,898)              | (8,644)                     | (564)               | (1,531)                   | -                                 | (213,637)           |
| Balance at December 31, 2021          | <u>-</u>          | <u>192,116</u>    | <u>163,001</u>         | <u>16,056</u>               | <u>27,790</u>       | <u>278</u>                | <u>-</u>                          | <u>399,241</u>      |
| Carrying amounts at December 31, 2021 | <u>\$ 978,863</u> | <u>\$ 532,297</u> | <u>\$ 95,483</u>       | <u>\$ 9,506</u>             | <u>\$ 4,373</u>     | <u>\$ 362</u>             | <u>\$ -</u>                       | <u>\$ 1,620,884</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> |                  |
|--------------------------|--------------------|------------------|
|                          | <u>2022</u>        | <u>2021</u>      |
| <u>Carrying amounts</u>  |                    |                  |
| Land                     | \$ 8,976           | \$ 30,467        |
| Transportation equipment | <u>3,845</u>       | <u>8,448</u>     |
|                          | <u>\$ 12,821</u>   | <u>\$ 38,915</u> |

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2022</b>                           | <b>2021</b>      |
| Additions for right-of-use assets           | <u>\$ 9,770</u>                       | <u>\$ 40,214</u> |
| Depreciation charge for right-of-use assets |                                       |                  |
| Land  | \$ 1,952                              | \$ 1,604         |
| Transportation equipment                    | <u>4,603</u>                          | <u>3,642</u>     |
|   | <u>\$ 6,555</u>                       | <u>\$ 5,246</u>  |

b. Lease liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2022</b>        | <b>2021</b>      |
| <u>Carrying amounts</u> |                    |                  |
| Current                 | <u>\$ 3,766</u>    | <u>\$ 7,651</u>  |
| Non-current             | <u>\$ 9,308</u>    | <u>\$ 31,429</u> |

Ranges of discount rates for lease liabilities were as follows:

|                          | <b>December 31</b> |             |
|--------------------------|--------------------|-------------|
|                          | <b>2022</b>        | <b>2021</b> |
| 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.

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2022</b>        | <b>2021</b>       |
| Expenses relating to short-term leases | <u>\$ 2,620</u>    | <u>\$ 2,784</u>   |
| Total cash outflow for leases          | <u>\$ (9,429)</u>  | <u>\$ (8,230)</u> |

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

## 16. INVESTMENT PROPERTIES

|  | <b>Completed<br/>Investment<br/>Properties</b> |
|--|--|
| <u>Cost</u>                                      |  |
| Balance at January 1, 2021 and December 31, 2021 | \$ <u>24,886</u>                               |
| <u>Accumulated depreciation</u>                  |  |
| Balance at January 1, 2021                       | 3,559  |
| Depreciation expenses                            | <u>879</u>                                     |
| Balance at December 31, 2021                     | <u>4,438</u>                                   |
| Carrying amount at December 31, 2021             | \$ <u>20,448</u>                               |
| <u>Cost</u>                                      |  |
| Balance at January 1, 2022 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>2022</u>        | <u>2021</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, 2022 and 2021, the fair value of investment property located in Zhongshan District, Taipei City was \$23,925 thousand and \$22,363 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

|                                       | <b>Computer<br/>Software</b> | <b>Royalty</b>    | <b>Total</b>      |
|---------------------------------------|------------------------------|-------------------|-------------------|
| <u>Cost</u>                           |                              |                   |                   |
| Balance at January 1, 2021            | \$ 67,215                    | \$ 173,078        | \$ 240,293        |
| Additions                             | <u>6,824</u>                 | <u>67,132</u>     | <u>73,956</u>     |
| Balance at December 31, 2021          | <u>74,039</u>                | <u>240,210</u>    | <u>314,249</u>    |
| <u>Accumulated amortization</u>       |                              |                   |                   |
| Balance at January 1, 2021            | 48,187                       | 100,568           | 148,755           |
| Amortization expenses                 | <u>7,393</u>                 | <u>29,751</u>     | <u>37,144</u>     |
| Balance at December 31, 2021          | <u>55,580</u>                | <u>130,319</u>    | <u>185,899</u>    |
| Carrying amounts at December 31, 2021 | <u>\$ 18,459</u>             | <u>\$ 109,891</u> | <u>\$ 128,350</u> |
| <u>Cost</u>                           |                              |                   |                   |
| Balance at January 1, 2022            | \$ 74,039                    | \$ 240,210        | \$ 314,249        |
| Additions                             | <u>7,812</u>                 | <u>-</u>          | <u>7,812</u>      |
| Balance at December 31, 2022          | <u>81,851</u>                | <u>240,210</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>31,207</u>     |
| Balance at December 31, 2022          | <u>64,809</u>                | <u>152,297</u>    | <u>217,106</u>    |
| Carrying amounts at December 31, 2022 | <u>\$ 17,042</u>             | <u>\$ 87,913</u>  | <u>\$ 104,955</u> |

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   |

## 18. BORROWINGS

### a. Short-term borrowings

|                         | <u>December 31</u>  |                     |
|-------------------------|---------------------|---------------------|
|                         | 2022                | 2021                |
| Unsecured borrowings    | \$ 1,033,100        | \$ 1,788,100        |
| Secured borrowings      | <u>1,142,400</u>    | <u>555,850</u>      |
|                         | <u>\$ 2,175,500</u> | <u>\$ 2,343,950</u> |
| Range of interest rates |                     |                     |
| Unsecured borrowings    | 1.43%-1.97%         | 0.98%-1.16%         |
| Secured borrowings      | 1.60%-2.45%         | 0.85%-1.16%         |

### b. Long-term borrowings

|                           | <u>December 31</u> |                   |
|---------------------------|--------------------|-------------------|
|                           | 2022               | 2021              |
| <u>Secured borrowings</u> |                    |                   |
| Mega Bank                 | \$ 580,100         | \$ 281,500        |
| Taiwan Cooperative Bank   | 161,579            | 170,401           |
| Taishin Bank              | 157,500            | 172,500           |
| Taiwan Business Bank      | 121,320            | -                 |
| Bank SinoPac              | 90,974             | 113,427           |
| Chang Hua Bank            | <u>4,740</u>       | <u>15,972</u>     |
|                           | 1,116,213          | 753,800           |
| Less: Current portion     | <u>150,600</u>     | <u>230,890</u>    |
|                           | <u>\$ 965,613</u>  | <u>\$ 522,910</u> |

- 1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of December 31, 2021, the borrowings were \$10,200 thousand, at the annual borrowing interest rate of 1.38%. 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, 2022 and 2021, the borrowings were \$92,300 thousand and \$143,900 thousand, respectively, at the annual borrowing interest rate was 2.03% and 1.40%, 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, 2022 and 2021, the borrowings were \$87,800 thousand and \$127,400 thousand, respectively, at the annual borrowing interest rate of 2.08% and 1.45%, respectively. In 2022, the Corporation signed a contract for borrowings, under which the interests are repayable for the first two years from July 2022 and repayable monthly from August 2024 to July 2027. As of December 31, 2022, the borrowings were \$400,000 thousand, at the annual borrowing interest rate of 2.05%.
- 2) 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, 2022 and 2021, the annual borrowing interest rate of 1.60% and 1.40%, respectively.

- 3) 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, 2022 and 2021, the borrowings were \$144,000 thousand and \$150,000 thousand, respectively, at annual interest rate of 1.96% and 1.23%, 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, 2022 and 2021, the borrowings were \$13,500 thousand and \$22,500 thousand, respectively, at annual interest rate of 1.96% and 1.23%, respectively.
- 4) 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, 2022, the annual interest rate was 1.43%.
- 5) 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, 2022 and 2021, the borrowings were \$16,154 thousand and \$25,385 thousand, respectively, at annual interest rate of 2.10% and 1.44%. 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, 2022 and 2021, the borrowings were \$71,808 thousand and \$81,745 thousand, respectively, at annual interest rate of 1.89% and 1.26%, 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 and 2021, the borrowings were \$3,012 thousand and \$6,297 thousand, respectively, at annual interest rate of 1.99% and 1.33%, 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 and 2021, the annual borrowing interest rate was 2.15% and 1.50%, respectively.

## 19. BONDS PAYABLE

|                                      | <u>December 31</u> |                     |
|--------------------------------------|--------------------|---------------------|
|                                      | <u>2022</u>        | <u>2021</u>         |
| Secured domestic convertible bonds   | \$ 421,580         | \$ 417,656          |
| Unsecured domestic convertible bonds | 976,957            | 961,780             |
| Less: Current portion                | <u>(1,398,537)</u> | <u>-</u>            |
|                                      | <u>\$ -</u>        | <u>\$ 1,379,436</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.

During 2021, the amount of convertible bonds of NT\$49,800 thousand was reclassified to share capital at NT\$5,539 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$1,051 thousand and NT\$1,099 thousand, respectively. The capital surplus - options of NT\$44,213 thousand was recognized on the conversion date.

|   |                       |
|---|-----------------------|
| Proceeds from issuance (less transaction costs of \$8,352 thousand)                           | \$ 594,648            |
| Equity component (less transaction costs allocated to the equity component of \$178 thousand) | (12,666)              |
| Financial assets at fair value through profit or loss - 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>          |
| <br>Liability component at September 30, 2022   | <br><u>\$ 421,580</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 \$42 thousand and \$2,564 thousand for the years ended December 31, 2022 and 2021, 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, 2024. 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>         |
| <br>Liability component at December 31, 2022  | <br><u>\$ 976,957</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 both \$11,900 thousand for the years ended December 31, 2022 and 2021.

## 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>2022</u>        | <u>2021</u>       |
| <u>Current</u>                         |                    |                   |
| Payables for salaries and bonuses      | \$ 45,071          | \$ 38,854         |
| Payables for royalties (Note 17)       | 21,248             | 18,527            |
| Payables for insurance                 | 8,635              | 12,198            |
| Payables for employee benefits         | 5,518              | 5,734             |
| Payables for labor costs               | 5,333              | 7,918             |
| Payables for compensation of employees | 5,003              | 5,371             |
| Payables for freight                   | 4,191              | 5,488             |
| Payables for purchases of equipment    | 900                | -                 |
| Payables for investments (Note 13)     | -                  | 57,107            |
| Payables for remuneration of directors | -                  | 2,000             |
| Others                                 | <u>28,488</u>      | <u>24,924</u>     |
|  | <u>\$ 124,387</u>  | <u>\$ 178,121</u> |
| <u>Non-current</u>                     |                    |                   |
| Payables for royalties (Note 17)       | <u>\$ 83,093</u>   | <u>\$ 104,342</u> |

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards 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:

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2022</b>        | <b>2021</b>      |
| Present value of defined benefit obligation | \$ 28,692          | \$ 30,230        |
| Fair value of plan assets                   | <u>(12,225)</u>    | <u>(10,946)</u>  |
| Deficit                                     | <u>16,467</u>      | <u>19,284</u>    |
| Net defined benefit liabilities             | <u>\$ 16,467</u>   | <u>\$ 19,284</u> |

Movements in net defined benefit liability were as follows:

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|---|--|--|--|
| Balance at January 1, 2021  | <u>\$ 30,794</u>   | <u>\$ (10,395)</u>                       | <u>\$ 20,399</u>                             |
| Recognized in profit or loss  |  |  |  |
| Net interest expenses (income)  | <u>90</u>  | <u>(30)</u>                              | <u>60</u>                                    |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (154)                                    | (154)  |
| Actuarial gain - changes in financial<br>assumptions                  | (1,142)  | -  | (1,142)                                      |
| Actuarial loss - changes in demographic<br>assumptions                | 50   | -  | 50   |
| Actuarial loss - experience adjustments                               | <u>438</u>   | <u>-</u>                                 | <u>438</u>                                   |
| Recognized in other comprehensive income                              | <u>(654)</u>   | <u>(154)</u>                             | <u>(808)</u>                                 |
| Contributions from employer   | <u>-</u>   | <u>(367)</u>                             | <u>(367)</u>                                 |
| Balance at December 31, 2021  | <u>\$ 30,230</u>   | <u>\$ (10,946)</u>                       | <u>\$ 19,284</u><br>(Continued)              |

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability</b> |
|---|--|--|--|
| Balance at January 1, 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<br>included in net interest) | -  | (841)                                    | (841)  |
| Actuarial gain - changes in financial<br>assumptions                  | (1,410)  | -  | (1,410)                                      |
| Actuarial loss - changes in demographic<br>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><br>(Concluded)              |

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

|                                     | <b><u>For the Year Ended December 31</u></b> |                    |
|-------------------------------------|--|--------------------|
|                                     | <b><u>2022</u></b>                           | <b><u>2021</u></b> |
| Operating costs                     | \$ 40  | \$ 18              |
| Selling and marketing expenses      | 16   | 7                  |
| General and administrative expenses | 43   | 20                 |
| Research and development expenses   | <u>35</u>                                    | <u>15</u>          |
|                                     | <u>\$ 134</u>                                | <u>\$ 60</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:

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2022</b>        | <b>2021</b> |
| Discount rate(s)                    | 1.25%              | 0.70%       |
| 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:

|                                     | <b>December 31</b> |                 |
|-------------------------------------|--------------------|-----------------|
|                                     | <b>2022</b>        | <b>2021</b>     |
| Discount rate(s)                    |                    |                 |
| 0.25% increase                      | <u>\$ (607)</u>    | <u>\$ (688)</u> |
| 0.25% decrease                      | <u>\$ 628</u>      | <u>\$ 714</u>   |
| Expected rate(s) of salary increase |                    |                 |
| 0.25% increase                      | <u>\$ 622</u>      | <u>\$ 703</u>   |
| 0.25% decrease                      | <u>\$ (604)</u>    | <u>\$ (681)</u> |

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

|   | <b>December 31</b> |               |
|---|--------------------|---------------|
|   | <b>2022</b>        | <b>2021</b>   |
| Expected contributions to the plans for the next year | <u>\$ 367</u>      | <u>\$ 367</u> |
| Average duration of the defined benefit obligation    | 8 years            | 9 years       |

## 23. EQUITY

### a. Share capital

#### Ordinary shares

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2022</b>         | <b>2021</b>         |
| 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>134,115</u>      | <u>133,982</u>      |
| Ordinary shares issued                                | <u>\$ 1,341,147</u> | <u>\$ 1,339,822</u> |

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

b. Capital surplus

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2022</u>         | <u>2021</u>         |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital |                     |                     |
| Issuance of ordinary shares   | \$ 1,327,831        | \$ 1,325,152        |
| Conversion of bonds   | 613,057             | 613,057             |
| Treasury shares transaction   | 124,774             | 117,644             |
| <u>May only be used to offset a deficit</u>   |                     |                     |
| Conversion of employee share options  | 1,460               | 1,460               |
| Gain on disgorgement  | 140                 | 140                 |
| <u>May not be used for any purpose</u>  |                     |                     |
| Conversion of bonds   | 47,941              | 47,941              |
| Employee share options  | 4,678               | 4,869               |
| Employee share options in subsidiaries  | <u>23,038</u>       | <u>5,662</u>        |
|   | <u>\$ 2,142,919</u> | <u>\$ 2,115,925</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 2022 and 2021 was as follows:

|   | Issuance of<br>Ordinary Shares | Convertible Bond<br>Premium | Treasury Shares<br>Transaction | Conversion of<br>Employee Share<br>Options | Enforce<br>Disgorgement | Conversion of<br>Bond-options | Employee Share<br>Options | Employee Share<br>Options in<br>Subsidiaries |
|---|--------------------------------|-----------------------------|--------------------------------|--|-------------------------|-------------------------------|---------------------------|--|
| 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>\$ 1,460</u>                            | <u>\$ 140</u>           | <u>\$ 47,941</u>              | <u>\$ 4,678</u>           | <u>\$ 23,038</u>                             |
| Balance at January 1, 2021                            | \$ 1,269,348                   | \$ 568,844                  | \$ 37,685                      | \$ 1,460                                   | \$ -                    | \$ 10,004                     | \$ 94,878                 | \$ 3,786                                     |
| Convertible bond premium                              | -                              | 44,213                      | -                              | -  | -                       | (1,051)                       | -                         | -  |
| Exercise of employee share options                    | 55,804                         | -                           | -                              | -  | -                       | -                             | (31,371)                  | -  |
| Compensation costs of employee share options (Remark) | -                              | -                           | -                              | -  | -                       | -                             | 34,379                    | 1,876  |
| Treasury shares transferred to employees              | -                              | -                           | 79,959                         | -  | -                       | -                             | (93,017)                  | -  |
| Issuance of convertible bonds                         | -                              | -                           | -                              | -  | -                       | 38,988                        | -                         | -  |
| Gain on disgorgement                                  | -                              | -                           | -                              | -  | 140                     | -                             | -                         | -  |
| Balance at December 31, 2021                          | <u>\$ 1,325,152</u>            | <u>\$ 613,057</u>           | <u>\$ 117,644</u>              | <u>\$ 1,460</u>                            | <u>\$ 140</u>           | <u>\$ 47,941</u>              | <u>\$ 4,869</u>           | <u>\$ 5,662</u>                              |

Note: On January 11, 2022 and August 11, 2021, 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 \$19,068 thousand and \$31,337 thousand, respectively. For the years ended December 31, 2022 and 2021, the compensation costs of employees' shares recognized were \$17,376 thousand and \$4,918 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 2021 and 2020 were as follows:

|                 | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share<br/>(NT\$)</b> |             |
|-----------------|----------------------------------|-------------|---------------------------------------|-------------|
|                 | <b>2021</b>                      | <b>2020</b> | <b>2021</b>                           | <b>2020</b> |
| Legal reserve   | \$ 44,149                        | \$ 132,026  |                                       |             |
| Special reserve | 62,459                           | 69,816      |                                       |             |
| Cash dividends  | 317,502                          | 953,027     | \$ 2.50                               | \$ 7.50     |

The above 2021 and 2020 appropriation for cash dividends had been resolved by the Corporation's board of directors on March 31, 2022 and March 30, 2021, respectively; the other proposed appropriations had been resolved by the shareholders in their meetings on May 27, 2022 and August 27, 2021, respectively.

The appropriation of earnings for 2022 had been proposed by the Corporation's board of directors on 2023. The appropriation and dividends per share were as follows:

|                            | <b>Appropriation<br/>of Earnings</b> | <b>Dividends Per<br/>Share (NT\$)</b> |
|----------------------------|--------------------------------------|---------------------------------------|
| (Reversal) special reserve | \$ (111,910)                         |                                       |
| Cash dividends             | 62,813                               | \$0.5                                 |

On March 23, 2023, the Corporation's board of directors resolved to issue 25,000 thousand shares at \$10 per share.

d. Other equity items

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

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

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

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| Balance at January 1  | \$ (2,360)                            | \$ 2,840          |
| Recognized for the year                                       |                                       |                   |
| Unrealized gain on equity instruments                         | (4,680)                               | 704               |
| Share from subsidiaries accounted for using the equity method | <u>(227)</u>                          | <u>(5,904)</u>    |
| Balance at December 31  | <u>\$ (7,267)</u>                     | <u>\$ (2,360)</u> |

e. Treasury shares

| <b>Purpose of Buy-back</b>            | <b>Shares Transferred to Employees (In Thousands of Shares)</b> |
|---------------------------------------|---|
| Number of shares at January 1, 2021   | 7,122   |
| Increase during the year              | 2,488   |
| Decrease during the year              | <u>(1,597)</u>  |
| Number of shares at December 31, 2021 | <u>8,013</u>  |
| 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>  |

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 September 29, 2021, the Corporation's board of directors resolved to redeem 4,000 thousand shares at \$45 to \$90 per share from September 30, 2021 to November 29, 2021. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 2,488 thousand shares, with total cost of \$157,086 thousand.

On January 11, 2022, August 11, 2021 and December 25, 2020, the Corporation's board of directors resolved to transfer 899 thousand, 849 thousand and 748 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,<br>2022 | December 31,<br>2021 | January 1, 2021     |
|---|----------------------|----------------------|---------------------|
| Notes receivable (Note 10)                            | <u>\$ 691</u>        | <u>\$ 1,490</u>      | <u>\$ 1,829</u>     |
| Accounts receivable (Note 10)                         | <u>\$ 74,405</u>     | <u>\$ 105,935</u>    | <u>\$ 142,678</u>   |
| Accounts receivable from related parties<br>(Note 34) | <u>\$ 1,975,808</u>  | <u>\$ 2,542,832</u>  | <u>\$ 4,189,287</u> |
| Contract liabilities                                  |                      |                      |                     |
| Sale of goods   | <u>\$ 37,470</u>     | <u>\$ 8,611</u>      | <u>\$ 29,640</u>    |

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

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

|  | <u>For the Year Ended December 31</u> |                  |
|--|---------------------------------------|------------------|
|  | 2022                                  | 2021             |
| From contract liabilities at the start of the year |                                       |                  |
| Sale of goods                                      | <u>\$ 8,611</u>                       | <u>\$ 29,640</u> |

### b. Disaggregation of revenue

|               | <u>For the Year Ended December 31</u> |                     |
|---------------|---------------------------------------|---------------------|
|               | 2022                                  | 2021                |
| Sale of goods | \$ 2,641,168                          | \$ 6,847,454        |
| Others        | <u>87,734</u>                         | <u>25,379</u>       |
|               | <u>\$ 2,728,902</u>                   | <u>\$ 6,872,833</u> |

### c. Partially completed contracts

|                                    | <u>December 31</u> |                 |
|------------------------------------|--------------------|-----------------|
|                                    | 2022               | 2021            |
| Sale of goods                      |                    |                 |
| From January 2022 to December 2022 | \$ -               | \$ 8,611        |
| From January 2023 to December 2023 | <u>37,470</u>      | <u>-</u>        |
|                                    | <u>\$ 37,470</u>   | <u>\$ 8,611</u> |

## 25. NET PROFIT

### a. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2022</b>                           | <b>2021</b>       |
| Property, plant and equipment           | \$ 60,609                             | \$ 68,276         |
| Right-of-use assets                     | 6,555                                 | 5,246             |
| Investment properties                   | 879                                   | 879               |
| Intangible assets                       | <u>31,207</u>                         | <u>37,144</u>     |
|   | <u>\$ 99,250</u>                      | <u>\$ 111,545</u> |
| <br>                                    |                                       |                   |
| An analysis of depreciation by function |                                       |                   |
| Operating costs                         | \$ 48,152                             | \$ 55,535         |
| Operating expenses                      | 19,012                                | 17,987            |
| Other operating income and expenses     | <u>879</u>                            | <u>879</u>        |
|   | <u>\$ 68,043</u>                      | <u>\$ 74,401</u>  |
| <br>                                    |                                       |                   |
| An analysis of amortization by function |                                       |                   |
| Operating costs                         | \$ -                                  | \$ -              |
| Operating expenses                      | <u>31,207</u>                         | <u>37,144</u>     |
|   | <u>\$ 31,207</u>                      | <u>\$ 37,144</u>  |

### b. Other operating income and expenses

|   | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2022</b>                           | <b>2021</b>      |
| Gain on disposal of property, plant and equipment | \$ 50                                 | \$ 357           |
| Product service revenue                           | <u>-</u>                              | <u>63,318</u>    |
|   | <u>\$ 50</u>                          | <u>\$ 63,675</u> |

### c. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2022</b>                           | <b>2021</b>       |
| Post-employment benefits (Note 22)           |                                       |                   |
| Defined contribution plan                    | \$ 16,792                             | \$ 18,887         |
| Defined benefit plans                        | <u>134</u>                            | <u>60</u>         |
|  | <u>16,926</u>                         | <u>18,947</u>     |
| Compensation of employees                    | 348,473                               | 409,466           |
| Labor and national health insurance expenses | 37,528                                | 42,463            |
| Other employee benefits                      | 11,505                                | 18,555            |
| Emoluments of directors                      | <u>9,145</u>                          | <u>11,316</u>     |
|  | <u>406,651</u>                        | <u>481,800</u>    |
| <br>   |                                       |                   |
| Total employee benefits expense              | <u>\$ 423,577</u>                     | <u>\$ 500,747</u> |

(Continued)

|  | <b><u>For the Year Ended December 31</u></b> |                                  |
|--|--|----------------------------------|
|  | <b>2022</b>                                  | <b>2021</b>                      |
| An analysis of employee benefits expense by function |  |                                  |
| Operating costs                                      | \$ 164,951                                   | \$ 232,502                       |
| Operating expenses                                   | <u>258,626</u>                               | <u>268,245</u>                   |
|  | <u>\$ 423,577</u>                            | <u>\$ 500,747</u><br>(Concluded) |

d. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the year ended December 31, 2022 have not been estimated because of the pre-tax net loss. The compensation of employees and remuneration of directors for the year ended December 31, 2021 which had been approved by the Corporation's board of directors on March 31, 2022 were as follows:

Accrual rate

|                           | <b><u>For the Year<br/>Ended<br/>December 31,<br/>2021</u></b> |
|---------------------------|--|
| Compensation of employees | 1.00%  |
| Remuneration of directors | 0.36%  |

Amount

|                           | <b><u>For the Year<br/>Ended<br/>December 31,<br/>2021</u></b> |
|---------------------------|--|
|                           | <b><u>Cash</u></b>   |
| Compensation of employees | \$ 5,518   |
| Remuneration of directors | 2,000  |

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

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

|                         | <b><u>For the Year Ended December 31</u></b> |                     |
|-------------------------|--|---------------------|
|                         | <b>2022</b>                                  | <b>2021</b>         |
| Foreign exchange gains  | \$ 445,382                                   | \$ 51,540           |
| Foreign exchange losses | <u>(45,025)</u>                              | <u>(216,659)</u>    |
| Net gains (losses)      | <u>\$ 400,357</u>                            | <u>\$ (165,119)</u> |

f. Interest expenses

|                               | <b><u>For the Year Ended December 31</u></b> |                  |
|-------------------------------|--|------------------|
|                               | <b>2022</b>                                  | <b>2021</b>      |
| Interest on bank loans        | \$ 37,707                                    | \$ 31,801        |
| Interest on convertible bonds | 19,101                                       | 11,651           |
| Interest on lease liabilities | <u>342</u>                                   | <u>329</u>       |
|                               | <u>\$ 57,150</u>                             | <u>\$ 43,781</u> |

## 26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

|   | <b><u>For the Year Ended December 31</u></b> |                   |
|---|--|-------------------|
|   | <b>2022</b>                                  | <b>2021</b>       |
| Current tax                                     |  |                   |
| In respect of the current year                  | \$ 62,229                                    | \$ 164,055        |
| Income tax on unappropriated earnings           | 869  | -                 |
| Adjustments for prior periods                   | <u>19,353</u>                                | <u>(9,886)</u>    |
|   | 82,451                                       | 154,169           |
| Deferred tax                                    |  |                   |
| In respect of the current year                  | <u>(41,493)</u>                              | <u>(50,698)</u>   |
| Income tax expense recognized in profit or loss | <u>\$ 40,958</u>                             | <u>\$ 103,471</u> |

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

|  | <b><u>For the Year Ended December 31</u></b> |                   |
|--|--|-------------------|
|  | <b>2022</b>                                  | <b>2021</b>       |
| Profit (loss) before tax   | \$ <u>(35,171)</u>                           | \$ <u>543,813</u> |
| Income tax expense (benefit) calculated at the statutory rate      | \$ (7,034)                                   | \$ 108,763        |
| Nondeductible expenses in determining taxable income               | 18,752                                       | 4,018             |
| Income tax on unappropriated earnings                              | 869  | -                 |
| Investment credits   | -  | (12,116)          |
| Adjustments for prior years' tax                                   | 19,353                                       | (9,886)           |
| Realized/unrealized deductible temporary differences               | -  | 14,388            |
| Adjustments for deferred tax between the Corporation's transaction | <u>9,018</u>                                 | <u>(1,696)</u>    |
| Income tax expense recognized in profit or loss                    | \$ <u>40,958</u>                             | \$ <u>103,471</u> |

b. Income tax recognized in other comprehensive income

|                                       | <b><u>For the Year Ended December 31</u></b> |                 |
|---------------------------------------|--|-----------------|
|                                       | <b>2022</b>                                  | <b>2021</b>     |
| <u>Deferred tax</u>                   |  |                 |
| In respect of the current year        |  |                 |
| Remeasurement of defined benefit plan | \$ <u>(517)</u>                              | \$ <u>(162)</u> |

c. Current tax assets and liabilities

|                         | <b><u>December 31</u></b> |                  |
|-------------------------|---------------------------|------------------|
|                         | <b>2022</b>               | <b>2021</b>      |
| Current tax assets      |                           |                  |
| Tax refund receivable   | \$ <u>48,443</u>          | \$ <u>31,010</u> |
| Current tax liabilities |                           |                  |
| Income tax payable      | \$ <u>2,544</u>           | \$ <u>-</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, 2022

|   | <b>Opening<br/>Balance</b> | <b>Recognized<br/>in Profit or<br/>Loss</b> | <b>Recognized<br/>in Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
|---|----------------------------|---|---|----------------------------|
| <u>Deferred tax assets</u>                            |                            |   |   |                            |
| Temporary differences                                 |                            |   |   |                            |
| Deferred revenue                                      | \$ 130,145                 | \$ (50,277)                                 | \$ -  | \$ 79,868                  |
| Investment loss recognized under<br>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<br>loss, net          | 2,990                      | (2,836)                                     | -   | 154                        |
| Unrealized foreign exchange loss,<br>net              | 14,731                     | (14,731)                                    | -   | -                          |
| Payables for annual leave                             | 1,074                      | (73)  | -   | 1,001                      |
| Provisions  | 441                        | -   | -   | 441                        |
|   | <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,<br>net              | \$ -                       | \$ 7,257                                    | \$ -  | \$ 7,257                   |
| Investment gain recognized under<br>the equity method | 113,258                    | 5,515                                       | -   | 118,773                    |
|   | <u>\$ 113,258</u>          | <u>\$ 12,772</u>                            | <u>\$ -</u>   | <u>\$ 126,030</u>          |

For the year ended December 31, 2021

|   | Opening<br>Balance | Recognized<br>in Profit or<br>Loss | Recognized<br>in Other<br>Compre-<br>hensive<br>Income | Closing<br>Balance |
|---|--------------------|------------------------------------|--|--------------------|
| <u>Deferred tax assets</u>                            |                    |                                    |  |                    |
| Temporary differences                                 |                    |                                    |  |                    |
| Deferred revenue                                      | \$ 130,938         | \$ (793)                           | \$ -   | \$ 130,145         |
| Investment loss recognized under<br>the equity method | 92,319             | 66,072                             | -  | 158,391            |
| Allowance for impairment loss                         | 14,887             | (3,031)                            | -  | 11,856             |
| Write-down of inventories                             | 10,756             | (936)                              | -  | 9,820              |
| Defined benefit obligations                           | 4,122              | (44)                               | (162)  | 3,916              |
| Unrealized financial instrument<br>loss, net          | 116                | 2,874                              | -  | 2,990              |
| Unrealized foreign exchange loss,<br>net              | 23,581             | (8,850)                            | -  | 14,731             |
| Payables for annual leave                             | 1,497              | (423)                              | -  | 1,074              |
| Provisions  | <u>441</u>         | <u>-</u>                           | <u>-</u>   | <u>441</u>         |
|   | <u>\$ 278,657</u>  | <u>\$ 54,869</u>                   | <u>\$ (162)</u>  | <u>\$ 333,364</u>  |

Deferred tax liabilities

|   |                   |                 |             |                   |
|---|-------------------|-----------------|-------------|-------------------|
| Temporary differences                                 |                   |                 |             |                   |
| Investment gain recognized under<br>the equity method | <u>\$ 109,087</u> | <u>\$ 4,171</u> | <u>\$ -</u> | <u>\$ 113,258</u> |

e. Income tax assessments

The income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

**27. EARNINGS (LOSS) PER SHARE**

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

Net profit (loss) for the period is as follows:

|   | <u>For the Year Ended December 31</u> |                   |
|---|---------------------------------------|-------------------|
|   | 2022                                  | 2021              |
| Profit (loss) for the year attributable to owners of the Corporation            | <u>\$ (76,129)</u>                    | <u>\$ 440,342</u> |
| Earnings (loss) used in the computation of basic earnings (loss) per share      | <u>\$ (76,129)</u>                    | \$ 440,342        |
| Effect of potentially dilutive ordinary shares                                  |                                       |                   |
| Interest on convertible bonds (after tax) and gain on financial assets at FVTPL |                                       | <u>20,893</u>     |
| Earnings used in the computation of diluted earnings per share                  |                                       | <u>\$ 461,235</u> |

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

|   | <b><u>For the Year Ended December 31</u></b> |                |
|---|--|----------------|
|   | <b>2022</b>                                  | <b>2021</b>    |
| Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share | <u>125,706</u>                               | 126,743        |
| Effect of potentially dilutive ordinary shares  |  |                |
| Compensation of employees   |  | 133            |
| Convertible bonds   |  | 10,649         |
| Employee share options  |  | <u>2,033</u>   |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share      |  | <u>139,558</u> |

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

The Corporation's net loss for 2022 is after-tax, diluted earnings per share has been excluded because of the anti-dilution effect.

## **28. SHARE-BASED PAYMENT ARRANGEMENTS**

### **a. Employee share options**

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

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

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

Information on employee share options is as follows:

|                                    | <b>For the Year Ended December 31</b>                        |  |  |  |
|------------------------------------|--|--|--|--|
|                                    | <b>2022</b>  |  | <b>2021</b>  |  |
| <b>Employee Share Options</b>      | <b>Number of<br/>Options (In<br/>Thousands of<br/>Units)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(\$)</b> | <b>Number of<br/>Options (In<br/>Thousands of<br/>Units)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(\$)</b> |
| Balance at January 1               | 2,784  | \$ 36.90   | 3,600  | \$ 40.10   |
| Options exercised                  | <u>(93)</u>  | 36.90  | <u>(816)</u>   | 39.94  |
| Balance at December 31             | <u>2,691</u>   |  | <u>2,784</u>   |  |
| Options exercisable, end of period | <u>2,691</u>   |  | <u>2,784</u>   |  |

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

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2022</b>        | <b>2021</b> |
| Range of exercise price (\$)                           | \$ 36.90           | \$ 36.90    |
| Weighted-average remaining contractual life (in years) | 1 years            | 2 years     |

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

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

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

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.

b. Treasury shares transferred to employees

1) The second treasury shares transferred to employees

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

Information on treasury share options is as follows:

|                                    | <b>For the Year Ended<br/>December 31, 2021</b>              |  |
|------------------------------------|--|--|
|                                    | <b>Number of<br/>Options<br/>(In Thousands<br/>of Units)</b> | <b>Weighted-<br/>average<br/>Exercise Price<br/>(\$)</b> |
| <b>Employee Share Options</b>      |  |  |
| Balance at January 1               | 748  | \$ 30.54   |
| Options operated                   | <u>(748)</u>   | 30.54  |
| Balance at December 31             | <u>=====</u>   | -  |
| Options exercisable, end of period | <u>=====</u>   | -  |

The base date of employee share options was January 15, 2021. Employees exercised the treasury share options from January 13 to January 15, 2021.

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

|  | <b>December 2020</b> |
|--|----------------------|
| Grant-date share price                         | \$113.00             |
| Exercise price                                 | \$30.54              |
| Expected volatility                            | 61.05%               |
| Expected life (in days)                        | 24 days              |
| Risk-free interest rate                        | 0.18%                |
| Weighted-average fair value of options granted | \$82.46              |

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

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$61,680 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$5,858 thousand.

2) The third treasury shares transferred to employees

Qualified employees of the Corporation were granted 849 thousand treasury share options on August 11, 2021. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

|                                    | <b>For the Year Ended<br/>December 31, 2021</b>              |  |
|------------------------------------|--|--|
|                                    | <b>Number of<br/>Options<br/>(In Thousands<br/>of Units)</b> | <b>Weighted-<br/>average<br/>Exercise Price<br/>(\$)</b> |
| <b>Employee Share Options</b>      |  |  |
| Options granted                    | 849  | \$ 29.89   |
| Options operated                   | <u>(849)</u>   | 29.89  |
| Balance at December 31             | <u>          -</u>   |  |
| Options exercisable, end of period | <u>          -</u>   |  |

The base date of employee share options was August 23, 2021. Employees exercised the treasury share options from August 17 to August 23, 2021.

Options granted in August 2021 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

|  | <b>August 2021</b> |
|--|--------------------|
| Grant-date share price                         | \$66.80            |
| Exercise price                                 | \$29.89            |
| Expected volatility                            | 45.11%             |
| Expected life (in days)                        | 7 days             |
| Risk-free interest rate                        | 0.10%              |
| Weighted-average fair value of options granted | \$36.91            |

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

For the year ended December 31, 2021, the compensation cost recognized by the Corporation was \$31,337 thousand.

For the year ended December 31, 2021, the abovementioned treasury share options was exercised by the employees, the capital surplus - employee share option of NT\$31,337 thousand was reclassified to the capital surplus - treasury shares transaction on the conversion date. The transfer price was lower than the average price of treasury shares, thereby reducing the capital surplus - treasury shares transaction by \$7,200 thousand.

3) 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.

Information on treasury share options is as follows:

|                                    | <b>For the Year Ended<br/>December 31, 2022</b>              |  |
|------------------------------------|--|--|
|                                    | <b>Number of<br/>Options<br/>(In Thousands<br/>of Units)</b> | <b>Weighted-<br/>average<br/>Exercise Price<br/>(\$)</b> |
| <b>Employee Share Options</b>      |  |  |
| 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:

|  | <b>January 2022</b> |
|--|---------------------|
| 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.

c. 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:

|                          | <b>Lock-up for<br/>Six Months</b> | <b>No Lock-up</b> |
|--------------------------|-----------------------------------|-------------------|
| 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 \$17,376 thousand and \$1,538 thousand for the years ended December 31, 2022 and 2021, respectively.

## 29. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

| <b>Subsidiary</b>                  | <b>Principal Activity</b>                    | <b>Date of<br/>Acquisition</b> | <b>Proportion of<br/>Voting Equity<br/>Interests<br/>Acquired (%)</b> | <b>Consideration<br/>Transferred</b> |
|------------------------------------|--|--------------------------------|---|--------------------------------------|
| CITY SPORTS<br>(THAILAND) CO., LTD | Fitness goods retail                         | November 1, 2021               | 44  | <u>\$ 12,450</u>                     |
| Neutron Ventures Ltd               | Sporting goods<br>online selling             | December 1, 2021               | 80  | <u>\$ 119,421</u>                    |
| IUVO Industry Co., Ltd.            | Electric-assisted<br>bicycle<br>manufacturer | October 3, 2022                | 83  | <u>\$ 55,000</u>                     |

In order to expand the sales market of fitness equipment in Thailand, the retail market of sporting goods in the United Kingdom and the sales market of electric-assisted bicycle in Taiwan, the Corporation acquired 44% equity of CITY SPORTS (THAILAND) CO., LTD, 80% equity of Neutron Ventures Ltd and 83% equity of IUVO Industry Co., Ltd., respectively. Refer to Note 32 to the Corporation's financial statements for the year ended December 31, 2022.

### 30. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Corporation entered into the following partial cash transactions:

a. From cash investing activities

|   | <u>For the Year Ended December 31</u> |                  |
|---|---------------------------------------|------------------|
|   | <u>2022</u>                           | <u>2021</u>      |
| Partial cash paid for property, plant and equipment |                                       |                  |
| Purchase of property, plant and equipment           | \$ 253,837                            | \$ 16,735        |
| Changes in prepayments for purchases of equipment   | (4,307)                               | (575)            |
| Changes in payables for purchase of equipment       | <u>900</u>                            | <u>4,289</u>     |
| Cash paid   | <u>\$ 250,430</u>                     | <u>\$ 20,449</u> |
| Partial cash paid for other intangible assets       |                                       |                  |
| Purchase of intangible assets                       | \$ 7,812                              | \$ 73,956        |
| Changes in payables for royalties                   | 18,528                                | (21,861)         |
| Changes in prepayments for purchases                | <u>(2,245)</u>                        | <u>749</u>       |
| Cash paid   | <u>\$ 24,095</u>                      | <u>\$ 52,844</u> |

b. Changes in liabilities arising from financing activities

|                              | <b>Short-term<br/>Borrowings</b> | <b>Bonds<br/>Payable</b> | <b>Long-term<br/>Borrowings</b> | <b>Guarantee<br/>Deposits<br/>Received</b> | <b>Lease<br/>Liabilities</b> |
|------------------------------|----------------------------------|--------------------------|---------------------------------|--|------------------------------|
| Balance at January 1, 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                    | <u>-</u>                         | <u>19,101</u>            | <u>-</u>                        | <u>-</u>                                   | <u>-</u>                     |
| 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>             |
| Balance at January 1, 2021   | \$ 1,145,000                     | \$ 462,372               | \$ 910,778                      | \$ 801                                     | \$ 3,983                     |
| Cash flows                   | 1,198,950                        | 994,594                  | (156,978)                       | (163)                                      | (5,117)                      |
| Non-cash changes             |                                  |                          |                                 |  |                              |
| Liability component          | -                                | (1,492)                  | -                               | -  | -                            |
| Equity component             | -                                | (87,689)                 | -                               | -  | -                            |
| New leases                   | -                                | -                        | -                               | -  | 40,214                       |
| Interests                    | <u>-</u>                         | <u>11,651</u>            | <u>-</u>                        | <u>-</u>                                   | <u>-</u>                     |
| Balance at December 31, 2021 | <u>\$ 2,343,950</u>              | <u>\$ 1,379,436</u>      | <u>\$ 753,800</u>               | <u>\$ 638</u>                              | <u>\$ 39,080</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, 2022

|   | Carrying<br>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 |

December 31, 2021

|   | Carrying<br>Amount | Fair Value |              |         | Total        |
|---|--------------------|------------|--------------|---------|--------------|
|   |                    | Level 1    | Level 2      | Level 3 |              |
| <u>Financial liabilities</u>            |                    |            |              |         |              |
| Financial liabilities at amortized cost |                    |            |              |         |              |
| Convertible bonds                       | \$ 1,379,436       | \$ -       | \$ 1,380,826 | \$ -    | \$ 1,380,826 |

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, 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   |
| Hybrid financial assets                      |         |          |            |            |
| convertible bonds                            |         |          |            |            |
| Convertible bonds options                    | \$ -    | \$ -     | \$ 147,071 | \$ 147,071 |

(Continued)

|   | <b>Level 1</b> | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>                    |
|---|----------------|------------------|-------------------|---------------------------------|
| 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><br>(Concluded) |
| <u>December 31, 2021</u>                          |                |                  |                   |                                 |
|   | <b>Level 1</b> | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>                    |
| Financial assets at FVTPL                         |                |                  |                   |                                 |
| Derivative financial assets held for trading      |                |                  |                   |                                 |
| Hybrid financial assets convertible bonds         | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ 139,035</u> | <u>\$ 139,035</u>               |
| Financial assets at FVTOCI                        |                |                  |                   |                                 |
| Investments in equity instruments                 |                |                  |                   |                                 |
| Domestic unlisted shares                          | \$ -           | \$ -             | \$ 13,290         | \$ 13,290                       |
| Foreign unlisted shares                           | <u>-</u>       | <u>-</u>         | <u>41,455</u>     | <u>41,455</u>                   |
|   | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ 54,745</u>  | <u>\$ 54,745</u>                |
| Financial liabilities at FVTPL                    |                |                  |                   |                                 |
| Derivative financial liabilities held for trading |                |                  |                   |                                 |
| Swap contracts                                    | \$ -           | \$ 772           | \$ -              | \$ 772                          |
| Convertible bonds option                          | <u>-</u>       | <u>13,363</u>    | <u>-</u>          | <u>13,363</u>                   |
|   | <u>\$ -</u>    | <u>\$ 14,135</u> | <u>\$ -</u>       | <u>\$ 14,135</u>                |

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, 2022

|   | <b>Financial Assets<br/>at FVTPL</b> | <b>Financial Assets<br/>at FVTOCI</b> |
|---|--------------------------------------|---------------------------------------|
|   | <b>Hybrid<br/>Instruments</b>        | <b>Equity<br/>Instruments</b>         |
| <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<br>unrealized valuation gain (loss) on financial assets at<br>FVTOCI) | -                                    | (4,680)                               |
| Balance at December 31, 2022  | <u>\$ 147,639</u>                    | <u>\$ 61,824</u>                      |

For the year ended December 31, 2021

|   | <b>Financial Assets<br/>at FVTPL</b> | <b>Financial Assets<br/>at FVTOCI</b> |
|---|--------------------------------------|---------------------------------------|
|   | <b>Hybrid<br/>Instruments</b>        | <b>Equity<br/>Instruments</b>         |
| <u>Financial assets</u>   |                                      |                                       |
| Balance at January 1, 2021  | \$ -                                 | \$ 41,141                             |
| Purchases   | 138,750                              | 12,900                                |
| Recognized in profit or loss  | 285                                  | -                                     |
| Recognized in other comprehensive income (included in<br>unrealized valuation gain (loss) on financial assets at<br>FVTOCI) | -                                    | 704                                   |
| Balance at December 31, 2021  | <u>\$ 139,035</u>                    | <u>\$ 54,745</u>                      |

3) Valuation techniques and assumptions applied for fair value measurement

| <u>Financial Instrument</u>                                | <u>Valuation Technique and Inputs</u>   |
|--|---|
| Domestic and foreign unlisted shares                       | The fair values of non-publicly traded equity investments are mainly determined by using the income approach and asset approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The asset approach measures the total value of individual assets and individual liabilities included in the valuation objectives. |
| 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<br>- 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<br>- call and put options | Binomial-tree model for convertible bond pricing:<br><br>The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.   |
| 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>2022</u>        | <u>2021</u> |
| <u>Financial assets</u>                         |                    |             |
| FVTPL   |                    |             |
| Mandatorily classified as at FVTPL              | \$ 150,810         | \$ 139,035  |
| Financial assets at amortized cost (Note 1)     | 3,503,799          | 5,059,293   |
| Financial assets at FVTOCI - equity instruments | 61,824             | 54,745      |
| <u>Financial liabilities</u>                    |                    |             |
| FVTPL   |                    |             |
| Held for trading                                | 25,305             | 14,135      |
| Amortized cost (Note 2)                         | 5,573,370          | 5,711,457   |

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

d. Financial risk management objectives and policies

The Corporation's major financial instruments include 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.

|                | <b>USD Impact</b>         |              | <b>RMB Impact</b>         |             |
|----------------|---------------------------|--------------|---------------------------|-------------|
|                | <b>For the Year Ended</b> |              | <b>For the Year Ended</b> |             |
|                | <b>December 31</b>        |              | <b>December 31</b>        |             |
|                | <b>2022</b>               | <b>2021</b>  | <b>2022</b>               | <b>2021</b> |
| Profit or loss | \$ (142,899)              | \$ (191,790) | \$ 16,572                 | \$ 24,749   |

|                | <b>EUR Impact</b>         |             | <b>GBP Impact</b>         |             |
|----------------|---------------------------|-------------|---------------------------|-------------|
|                | <b>For the Year Ended</b> |             | <b>For the Year Ended</b> |             |
|                | <b>December 31</b>        |             | <b>December 31</b>        |             |
|                | <b>2022</b>               | <b>2021</b> | <b>2022</b>               | <b>2021</b> |
| Profit or loss | \$ (5,281)                | \$ (11,409) | \$ (8,046)                | \$ (15,369) |

  

|                | <b>CAD Impact</b>         |             |
|----------------|---------------------------|-------------|
|                | <b>For the Year Ended</b> |             |
|                | <b>December 31</b>        |             |
|                | <b>2022</b>               | <b>2021</b> |
| Profit or loss | \$ (718)                  | \$ (3,029)  |

b) Interest rate risk

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2022</b>        | <b>2021</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 356,509         | \$ 292,386  |
| Financial liabilities         | 3,691,452          | 3,835,335   |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 341,692            | 604,895     |
| Financial liabilities         | 1,116,213          | 803,801     |

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, 2022 would have increased/decreased by \$1,936 thousand which was mainly attributable to the Corporation's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 would have decreased/increased by \$497 thousand 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, 2022 and 2021, 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, 2022 and 2021, the Corporation had available unutilized short-term bank loan facilities of \$1,578,200 thousand and \$2,669,550 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, 2022

|                                    | <b>Weighted<br/>Average<br/>Effective<br/>Interest Rate</b> | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>  | <b>5+ Years</b>   |
|------------------------------------|---|---|-------------------|-------------------------------|-------------------|-------------------|
| Non-interest bearing               |   | \$ 247,104                                    | \$ 446,574        | \$ 85,101                     | \$ -              | \$ -              |
| Variable interest rate liabilities | 1.60%-2.45%   | 13,117  | 26,240            | 111,243                       | 418,954           | 546,659           |
| Fixed interest rate liabilities    | 1.43%-2.45%   | 195,134                                       | 517,668           | 2,882,483                     | 83,093            | -                 |
| Lease liabilities                  | 1.36%-1.65%   | <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> |

#### December 31, 2021

|                                    | <b>Weighted<br/>Average<br/>Effective<br/>Interest Rate</b> | <b>On Demand<br/>or Less than<br/>1 Month</b> | <b>1-3 Months</b>   | <b>3 Months to<br/>1 Year</b> | <b>1-5 Years</b>    | <b>5+ Years</b>   |
|------------------------------------|---|---|---------------------|-------------------------------|---------------------|-------------------|
| Non-interest bearing               |   | \$ 359,841                                    | \$ 479,004          | \$ 272,557                    | \$ -                | \$ -              |
| Variable interest rate liabilities | 1.13%-1.50%   | 63,182  | 26,369              | 191,340                       | 278,747             | 244,163           |
| Fixed interest rate liabilities    | 0.85%-1.57%   | 569,950                                       | 499,316             | 1,243,211                     | 1,483,777           | -                 |
| Lease liabilities                  | 1.36%-1.65%   | <u>693</u>                                    | <u>1,386</u>        | <u>6,063</u>                  | <u>17,653</u>       | <u>15,429</u>     |
|                                    |   | <u>\$ 993,666</u>                             | <u>\$ 1,006,075</u> | <u>\$ 1,713,171</u>           | <u>\$ 1,780,177</u> | <u>\$ 259,592</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

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

December 31, 2021

|                    | <b>On<br/>Demand or<br/>Less than<br/>1 Month</b> | <b>1-3 Months</b> | <b>3 Months<br/>to 1 Year</b> | <b>1-5 Years</b> | <b>5+ Years</b> |
|--------------------|---|-------------------|-------------------------------|------------------|-----------------|
| <u>Net settled</u> |   |                   |                               |                  |                 |
| Swap contracts     | \$ _____ -  | \$ _____ -        | \$ 172                        | \$ _____ -       | \$ _____ -      |

4) Financing facilities

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <b>2022</b>         | <b>2021</b>         |
| Unsecured bank overdraft facilities, reviewed annually and payable on demand |                     |                     |
| Amount used  | \$ 1,033,100        | \$ 1,788,100        |
| Amount unused  | <u>740,000</u>      | <u>860,000</u>      |
|  | <u>\$ 1,773,100</u> | <u>\$ 2,648,100</u> |
| Secured bank overdraft facilities  |                     |                     |
| Amount used  | \$ 2,258,613        | \$ 1,309,650        |
| Amount unused  | <u>838,200</u>      | <u>1,809,550</u>    |
|  | <u>\$ 3,096,813</u> | <u>\$ 3,119,200</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                               |
| Spirit Direct, LLC.                            | Indirect subsidiary                      |
| Dyaco Commercial & Medical North America, LLC. | Indirect subsidiary                      |
| CARDIO fitness GmbH & Co. KG                   | Indirect subsidiary                      |
| CARDIO fitness Verwaltungs GmbH                | Indirect subsidiary                      |
| Cikayda Inc.                                   | Subsidiary since April 2021              |
| CITY SPORTS (THAILAND) CO., LTD                | Subsidiary since November 2021           |
| Neutron Ventures Ltd                           | Subsidiary since December 2021           |
| IUVO Industry Co., Ltd.                        | Subsidiary since October 2022            |
| Fuel-Spirit International Inc.                 | Indirect subsidiary                      |
| Dyaco (Shanghai) Trading Co., Ltd.             | Indirect subsidiary                      |
| Dyaco Health Technology (Beijing) Co., Ltd.    | Indirect subsidiary                      |
| Shelton Corporation (Jiaxing), Ltd.            | Indirect subsidiary                      |
| Fitness Equipment Services LLC.                | Indirect subsidiary                      |
| Interactive Online Commerce Ltd                | Indirect subsidiary since December 2021  |
| Neutron Ventures Poland S.p Z.O.O              | Indirect subsidiary since December 2021  |
| Sweatband. COM Ltd                             | Indirect subsidiary since December 2021  |
| Other related parties                          |  |
| Houli Construction Co., Ltd.                   | Director of the Company                  |

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> |                     |
|-----------|----------------------------------|---------------------------------------|---------------------|
|           |                                  | 2022                                  | 2021                |
| Sales     |                                  |                                       |                     |
|           | <u>Subsidiaries</u>              |                                       |                     |
|           | Fitness Equipment Services, LLC. | \$ 999,460                            | \$ 2,639,742        |
|           | Spirit Manufacturing Inc.        | 719,480                               | 2,092,657           |
|           | Others                           | <u>446,801</u>                        | <u>1,076,874</u>    |
|           |                                  | <u>\$ 2,165,741</u>                   | <u>\$ 5,809,273</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

| <b>Related Party Category/Name</b>  | <b>For the Year Ended December 31</b> |                     |
|-------------------------------------|---------------------------------------|---------------------|
|                                     | <b>2022</b>                           | <b>2021</b>         |
| <u>Subsidiaries</u>                 |                                       |                     |
| Shelton Corporation (Jiaxing), Ltd. | <u>\$ 1,034,967</u>                   | <u>\$ 2,268,264</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

| <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |               |
|------------------------------------|---------------------------------------|---------------|
|                                    | <b>2022</b>                           | <b>2021</b>   |
| <u>Subsidiaries</u>                |                                       |               |
| Others                             | <u>\$ 4,783</u>                       | <u>\$ 305</u> |

e. Other income and expense - product service income

| <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |                  |
|------------------------------------|---------------------------------------|------------------|
|                                    | <b>2022</b>                           | <b>2021</b>      |
| <u>Subsidiaries</u>                |                                       |                  |
| Fuel-Spirit International Inc.     | \$ -                                  | \$ 40,966        |
| Spirit Manufacturing Inc.          | <u>-</u>                              | <u>22,352</u>    |
|                                    | <u>\$ -</u>                           | <u>\$ 63,318</u> |

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

f. Non-operating income and expense - rental income

| <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |               |
|------------------------------------|---------------------------------------|---------------|
|                                    | <b>2022</b>                           | <b>2021</b>   |
| <u>Subsidiaries</u>                |                                       |               |
| Others                             | <u>\$ 424</u>                         | <u>\$ 324</u> |

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

g. Accounts receivable from related parties

| <b>Related Party Category/Name</b> | <b>December 31</b>  |                     |
|------------------------------------|---------------------|---------------------|
|                                    | <b>2022</b>         | <b>2021</b>         |
| <u>Subsidiaries</u>                |                     |                     |
| Fitness Equipment Services LLC.    | \$ 944,029          | \$ 1,389,264        |
| Spirit Manufacturing Inc.          | 854,321             | 741,346             |
| Others                             | <u>177,458</u>      | <u>412,222</u>      |
|                                    | <u>\$ 1,975,808</u> | <u>\$ 2,542,832</u> |

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized.

h. Other receivables from related parties

| <b>Related Party Category/Name</b> | <b>December 31</b> |                     |
|------------------------------------|--------------------|---------------------|
|                                    | <b>2022</b>        | <b>2021</b>         |
| <u>Subsidiaries</u>                |                    |                     |
| Fitness Equipment Services, LLC.   | \$ 378,227         | \$ 300,118          |
| Spirit Manufacturing Inc.          | 126,112            | 741,950             |
| Dyaco UK Ltd.                      | 28,725             | 180,582             |
| Others                             | <u>215,807</u>     | <u>230,037</u>      |
|                                    | <u>\$ 748,871</u>  | <u>\$ 1,452,687</u> |

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.

The balance on December 31, 2021 was mainly due to product service income of \$174,374 thousand, short-term financing provided to others of \$12,528 thousand, accounts receivable from related parties exceeded the credit period of \$1,260,790 thousand and others (advance payment and interest) of \$4,995 thousand to subsidiaries, respectively.

Due to the accounts receivable from related parties exceeded the credit period of subsidiaries, the Corporation transferred them to other receivables, and recognized as financing provided. The balance of financing provided was \$270,365 thousand and \$200,919 thousand on December 31, 2023 and 2022, respectively. For related information, please refer to Note 38 and Table 1. On March 23, 2023, the Corporation's board of directors resolved the balance of other receivables transferred to accounts receivable due to exceeding the credit period for a certain period of time from subsidiary on December 31, 2022 of \$337,615 thousand.

i. Accounts payable to related parties

| <b>Related Party Category/Name</b>  | <b>December 31</b> |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | <b>2022</b>        | <b>2021</b>       |
| <u>Subsidiaries</u>                 |                    |                   |
| Shelton Corporation (Jiaying), Ltd. | <u>\$ 402,944</u>  | <u>\$ 634,246</u> |

The outstanding accounts payable to related parties are unsecured.

j. Other payables to related parties

| <b>Related Party Category/Name</b> | <b>December 31</b> |               |
|------------------------------------|--------------------|---------------|
|                                    | <b>2022</b>        | <b>2021</b>   |
| <u>Subsidiaries</u>                |                    |               |
| Fuel-Spirit International Inc.     | \$ 35,556          | 16            |
| Others                             | <u>6,424</u>       | <u>317</u>    |
|                                    | <u>\$ 41,880</u>   | <u>\$ 333</u> |

The amount was mainly received by the Corporation on behalf of the subsidiaries.

k. Refundable deposits

|                       | <b>December 31</b> |               |
|-----------------------|--------------------|---------------|
|                       | <b>2022</b>        | <b>2021</b>   |
| Other related parties | <u>\$ 900</u>      | <u>\$ 900</u> |

Deposits paid by the Corporation for land leased from the subsidiaries for operating needs.

l. Lease arrangements

| <b>Related Party Category/Name</b>        | <b>For the Year Ended December 31</b> |                  |
|---|---------------------------------------|------------------|
|   | <b>2022</b>                           | <b>2021</b>      |
| <u>Acquisition of right-of-use assets</u> |                                       |                  |
| President Plastic Products Mfg. Co., Ltd. | <u>\$ 9,770</u>                       | <u>\$ 32,071</u> |

| <b>Line Item</b>  | <b>Related Party Category/Name</b>        | <b>December 31</b> |                  |
|-------------------|---|--------------------|------------------|
|                   |   | <b>2022</b>        | <b>2021</b>      |
| Lease liabilities | President Plastic Products Mfg. Co., Ltd. | <u>\$ 9,178</u>    | <u>\$ 30,568</u> |

| <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |             |
|------------------------------------|---------------------------------------|-------------|
|                                    | <b>2022</b>                           | <b>2021</b> |

Interest expense

|   |               |               |
|---|---------------|---------------|
| President Plastic Products Mfg. Co., Ltd. | <u>\$ 244</u> | <u>\$ 212</u> |
|---|---------------|---------------|

The Corporation leased land from the subsidiary in July 2021. 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

| <b>Related Party Category/Name</b> | <b>For the Year Ended December 31</b> |             |
|------------------------------------|---------------------------------------|-------------|
|                                    | <b>2022</b>                           | <b>2021</b> |
| <u>Other related parties</u>       |                                       |             |
| Houli Construction Co., Ltd.       | \$ <u>185,484</u>                     | \$ <u>-</u> |

n. Compensation of key management personnel

|                              | <b>For the Year Ended December 31</b> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <b>2022</b>                           | <b>2021</b>      |
| Short-term employee benefits | \$ 29,584                             | \$ 32,141        |
| Post-employment benefits     | <u>1,006</u>                          | <u>709</u>       |
|                              | \$ <u>30,590</u>                      | \$ <u>32,850</u> |

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

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

The following assets were provided as collateral for bank borrowings:

|                               | <b>December 31</b>  |                     |
|-------------------------------|---------------------|---------------------|
|                               | <b>2022</b>         | <b>2021</b>         |
| Property, plant and equipment | \$ 1,489,724        | \$ 1,510,545        |
| Investment properties         | 19,569              | 20,448              |
| Pledged deposits - current    | <u>233,678</u>      | <u>292,394</u>      |
|                               | \$ <u>1,742,971</u> | \$ <u>1,823,387</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:

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2022</b>        | <b>2021</b>      |
| Acquisition of property, plant and equipment |                    |                  |
| Property under construction                  | \$ <u>193,525</u>  | \$ <u>84,390</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, 2022

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> |           | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|-----------|----------------------------|
| <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                    |

December 31, 2021

|                         | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> |           | <b>Carrying<br/>Amount</b> |
|-------------------------|-----------------------------|----------------------|-----------|----------------------------|
| <u>Financial assets</u> |                             |                      |           |                            |
| Monetary items          |                             |                      |           |                            |
| USD                     | \$ 140,103                  | 27.6800              | (USD:NTD) | \$ 3,878,061               |
| RMB                     | 32,151                      | 4.3440               | (RMB:NTD) | 139,666                    |
| EUR                     | 7,286                       | 31.3200              | (EUR:NTD) | 228,183                    |
| GBP                     | 8,241                       | 37.3000              | (GBP:NTD) | 307,389                    |
| CAD                     | 2,802                       | 21.6200              | (CAD:NTD) | 60,588                     |
| Non-monetary items      |                             |                      |           |                            |
| USD                     | 22,880                      | 27.6800              | (USD:NTD) | 633,315                    |
| HKD                     | 302,065                     | 3.5490               | (HKD:NTD) | 1,072,030                  |
| EUR                     | 2,649                       | 31.3200              | (EUR:NTD) | 82,955                     |
| THB                     | 13,546                      | 0.8347               | (THB:NTD) | 11,308                     |
| GBP                     | 3,213                       | 37.3000              | (GBP:NTD) | 119,860                    |

(Continued)

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 1,527                    | 27.6800 (USD:NTD)    | \$ 42,264                  |
| RMB                          | 146,095                     | 4.3440 (RMB:NTD)     | 634,637                    |
| Non-monetary items           |                             |                      |                            |
| GBP                          | 3,141                       | 37.3000 (GBP:NTD)    | 117,166                    |
| JPY                          | 107,775                     | 0.2405 (JPY:NTD)     | 25,920                     |
|                              |                             |                      | (Concluded)                |

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$400,357 thousand and \$(165,119) 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: Table 4
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6
- 9) Trading in derivative instruments: Notes 7 and 32

b. Information on investees (excluding investees in mainland China): Table 7

- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10

## DYACO INTERNATIONAL INC.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender                   | Borrower                         | Financial Statement Account            | Related Parties | Highest Balance for the Period (Note 5) | Ending Balance (Note 5)           | Actual Borrowing Amount (Note 6)  | Interest Rate | Nature of Financing  | Business Transaction Amount | Reason for Short-term Financing (Note 3) | 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             | \$ 52,366<br>(JPY 1,705 thousand)       | \$ 6,408<br>(JPY 209 thousand)    | \$ 6,408<br>(JPY 209 thousand)    | -             | Business transaction | \$ 14,867                   | -  | \$ -                          | -          | \$ -  | \$ 52,366<br>(Note 2)                      | \$ 1,467,643<br>(Note 4)                    |                       |  |
|     |                          | Dyaco Europe GmbH                | Other receivables from related parties | Yes             | 139,124<br>(EUR 4,252 thousand)         | 3,336<br>(EUR 102 thousand)       | 3,336<br>(EUR 102 thousand)       | -             | Business transaction | 5,590                       | -  | -                             | -          | -     | 139,124<br>(Note 2)                        | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | CARDIOfitness GmbH & Co. KG      | Other receivables from related parties | Yes             | 32,720<br>(EUR 1,000 thousand)          | 18,978<br>(EUR 580 thousand)      | 18,978<br>(EUR 580 thousand)      | -             | Short-term financing | -                           | Operating turnover                       | -                             | -          | -     | -  | 1,467,643<br>(Note 1)                       | 1,467,643<br>(Note 4) |  |
|     |                          | Dyaco UK Ltd.                    | Other receivables from related parties | Yes             | 192,158<br>(GBP 5,181 thousand)         | 12,604<br>(GBP 340 thousand)      | 12,604<br>(GBP 340 thousand)      | -             | Business transaction | 69,796                      | -  | -                             | -          | -     | 192,158<br>(Note 2)                        | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | Spirit Manufacturing Inc.        | Other receivables from related parties | Yes             | 345,808<br>(US\$ 11,260 thousand)       | 253,678<br>(US\$ 8,260 thousand)  | 253,678<br>(US\$ 8,260 thousand)  | -             | Business transaction | 719,480                     | -  | -                             | -          | -     | 719,480<br>(Note 2)                        | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | Fitness Equipment Services, LLC. | Other receivables from related parties | Yes             | 711,096<br>(US\$ 23,155 thousand)       | 469,626<br>(US\$ 15,292 thousand) | 469,626<br>(US\$ 15,292 thousand) | -             | Business transaction | 999,460                     | -  | -                             | -          | -     | 999,460<br>(Note 2)                        | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | Spirit Direct, LLC.              | Other receivables from related parties | Yes             | 14,637<br>(US\$ 477 thousand)           | 14,637<br>(US\$ 477 thousand)     | 14,637<br>(US\$ 477 thousand)     | -             | Business transaction | 12,728                      | -  | -                             | -          | -     | 14,637<br>(Note 2)                         | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | CARIO fitness GmbH & CO. KG      | Other receivables from related parties | Yes             | 51,249<br>(US\$ 1,566 thousand)         | 48,093<br>(US\$ 1,470 thousand)   | 48,093<br>(US\$ 1,470 thousand)   | -             | Business transaction | 5,745                       | -  | -                             | -          | -     | 51,249<br>(Note 2)                         | 1,467,643<br>(Note 4)                       |                       |  |
|     |                          | CITY SPORTS (THAILAND) CO., LTD  | Other receivables from related parties | Yes             | 62,587<br>(THB 30,000 thousand)         | 35,764<br>(THB 40,000 thousand)   | 35,764<br>(THB 40,000 thousand)   | -             | Short-term financing | -                           | Operating turnover                       | -                             | -          | -     | -  | 733,822<br>(Note 1)                         | 1,467,643<br>(Note 4) |  |
|     |                          | Sweatband. Com Ltd.              | Other receivables from related parties | Yes             | 59,344<br>(GBP 1,600 thousand)          | 48,217<br>(GBP 1,300 thousand)    | 48,217<br>(GBP 1,300 thousand)    | -             | Short-term financing | -                           | Operating turnover                       | -                             | -          | -     | -  | 733,822<br>(Note 1)                         | 1,467,643<br>(Note 4) |  |

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 amount of business transactions between the lending company and the lenders for the most recent year.

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

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

## DYACO INTERNATIONAL INC.

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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 (Jiaying), Ltd.      | Indirectly held subsidiary                  | \$ 366,911   | \$ 160,430<br>(US\$ 1,000 thousand and RMB 30,000 thousand) | \$ 117,190<br>(US\$ 1,000 thousand and RMB 20,000 thousand) | \$ -                  | \$ -   | 3.10   | \$ 366,911  | Y  | -  | Y   |      |  |
|     |  | Fuel-Spirit International Inc.           | Indirectly held subsidiary                  | 1,834,554  | 46,065<br>(US\$ 1,500 thousand)                             | -   | -                     | -  | -  | 1,834,554   | Y  | -  | -   |      |  |
|     |  | President Plastic Products MFG Co., Ltd. | Directly held subsidiary                    | 1,834,554  | 30,000  | -   | -                     | -  | -  | 1,834,554   | Y  | -  | -   | -    |  |
|     |  | Cikayda Inc.                             | Directly held subsidiary                    | 1,834,554  | -   | -   | -                     | -  | -  | 1,834,554   | Y  | -  | -   | -    |  |
|     |  | CARDIO fitness GmbH & Co. KG             | Indirectly held subsidiary                  | 1,834,554  | 32,720<br>(EUR 1,000 thousand)                              | -   | -                     | -  | -  | 1,834,554   | Y  | -  | -   | -    |  |
|     |  | Wing Long Co., Ltd.                      | Directly held subsidiary                    | 1,834,554  | 10,000  | 5,000   | 2,055                 | -  | 0.13   | 1,834,554   | Y  | -  | -   |      |  |
| 1   | President Plastic Products MFG Co., Ltd. | Dyaco International Inc.                 | Ultimate parent                             | 1,834,554  | 770,000   | 300,000   | 300,000               | 300,000  | 7.95   | 1,834,554   | -  | Y  | -   |      |  |
|     |  | Cikayda Inc.                             | Ultimate parent is Dyaco International Inc. | 1,834,554  | -   | -   | -                     | -  | -  | 1,834,554   | -  | -  | -   | -    |  |

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

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

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

## DYACO INTERNATIONAL INC.

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

| Holding Company Name     | Type and Name of Marketable Securities  | Relationship   | Line Item  | December 31, 2022  |                                     |                                |                                     | Note                           |        |
|--------------------------|---|--|--|--|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------|
|                          |   |  |  | Shares   | Carrying Amount                     | Percentage of Ownership        | Fair Value                          |                                |        |
| Dyaco International Inc. | <u>Stock</u><br>Energy Moana Technology Co., Ltd.   | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | 300,000  | \$ 2,433                            | 0.74                           | \$ 2,433                            | Note 1                         |        |
|                          | Firenze Cultural Exchange International Co., Ltd.   | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | 750,000  | 7,482                               | 7.50                           | 7,482                               | Note 1                         |        |
|                          | Inalways corporation  | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | 588,000  | 11,759                              | 1.18                           | 11,759                              | Note 1                         |        |
|                          | Uniigym Global Holdings Limited.  | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | -  | 9,179<br>(US\$ 299<br>thousand)     | 2.50                           | 9,179<br>(US\$ 299<br>thousand)     | Note 1                         |        |
|                          | Gomore Inc.   | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | -  | 30,971<br>(US\$ 1,008<br>thousand)  | 10.00                          | 30,971<br>(US\$ 1,008<br>thousand)  | Note 1                         |        |
|                          | <u>Limited partnership</u><br>Chang Nang Capital Limited Partnership                            | -  | Financial assets at fair value through profit or loss (FVTPL)              | -  | 568                                 | -                              | 568                                 | Note 1                         |        |
|                          | <u>Convertible bonds</u><br>1.5-year financial debentures of Mega International Commercial Bank | -  | Financial assets at amortized cost   | -  | 23,032<br>(US\$ 750<br>thousand)    | -                              | 23,032<br>(US\$ 750<br>thousand)    |                                |        |
|                          | 2-year financial debentures of Mega International Commercial Bank                               | -  | Financial assets at amortized cost   | -  | 7,678<br>(US\$ 250<br>thousand)     | -                              | 7,678<br>(US\$ 250<br>thousand)     |                                |        |
|                          | <u>Convertible promissory note</u><br>Morsel Inc.   | -  | Financial assets at fair value through profit or loss (FVTPL)              | -  | 147,071<br>(US\$ 4,789<br>thousand) | -                              | 147,071<br>(US\$ 4,789<br>thousand) | Note 1                         |        |
|                          | Dyaco (Shanghai) Trading Co., Ltd.  | <u>Stock</u><br>Beijing Huoli Zhenghe Intelligent Technology Co., Ltd. | -  | Financial assets at fair value through other comprehensive income (FVTOCI) | -                                   | 3,873<br>(RMB 879<br>thousand) | 9.00                                | 3,873<br>(RMB 879<br>thousand) | Note 1 |

Note 1: Listed private shares, unlisted shares and convertible promissory note without quoted price were calculated by fair value method.

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

**DYACO INTERNATIONAL INC.**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer                    | Property                                  | Event Date         | Transaction Amount | Payment Status                                   | Counterparty                 | Relationship            | Information on Previous Title Transfer If Counterparty Is A Related Party |              |                  |        | Pricing Reference  | Purpose of Acquisition        | Other Terms |
|--------------------------|---|--------------------|--------------------|--|------------------------------|-------------------------|---|--------------|------------------|--------|--|-------------------------------|-------------|
|                          |   |                    |                    |  |                              |                         | Property Owner  | Relationship | Transaction Date | Amount |  |                               |             |
| Dyaco International Inc. | New construction of Dajia factory project | 2022.3.9<br>(Note) | \$ 337,000         | As of December 31, 2022, \$185,484 has been paid | Houli Construction Co., Ltd. | Director of the Company | -   | -            | -                | \$ -   | Negotiated individually and approved by board of directors | Construction of Dajia Factory | None        |

Note: It is the date of the resolution of the board of directors.

**TABLE 5**

**DYACO INTERNATIONAL INC.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(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 (Note 3) | % 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               | \$ 999,460      | 37                  | Flexible      | Based on mutual agreement                    | Flexible      | \$ 944,029                          | 46                  | Note 2 |
|                                     | Spirit Manufacturing Inc.           | Indirectly held subsidiary | Sales               | 719,480         | 26                  | Flexible      | Based on mutual agreement                    | Flexible      | 854,321                             | 42                  | Note 2 |
|                                     | Shelton Corporation (Jiaying), Ltd. | Indirectly held subsidiary | Purchase            | 1,034,967       | 59                  | Flexible      | Based on mutual agreement                    | Flexible      | (402,944)                           | 58                  |        |
|                                     | Dyaco Canada Inc.                   | Indirectly held subsidiary | Sales               | 169,496         | 6                   | Flexible      | Based on mutual agreement                    | Flexible      | 6,171                               | -                   |        |
|                                     | Dyaco (Shanghai) Trading Co., Ltd.  | Indirectly held subsidiary | Sales               | 134,171         | 5                   | Flexible      | Based on mutual agreement                    | Flexible      | 57,678                              | 3                   | Note 2 |
| Fitness Equipment Services, LLC.    | Dyaco International Inc.            | Ultimate parent            | Purchase            | 999,460         | 98                  | Flexible      | Based on mutual agreement                    | Flexible      | (944,029)                           | 61                  |        |
| Spirit Manufacturing Inc.           | Dyaco International Inc.            | Ultimate parent            | Purchase            | 719,480         | 100                 | Flexible      | Based on mutual agreement                    | Flexible      | (854,321)                           | 88                  |        |
| Shelton Corporation (Jiaying), Ltd. | Dyaco International Inc.            | Ultimate parent            | Sales               | 1,034,967       | 49                  | Flexible      | Based on mutual agreement                    | Flexible      | 402,944                             | 51                  |        |
| Dyaco Canada Inc.                   | Dyaco International Inc.            | Ultimate parent            | Purchase            | 169,496         | 82                  | Flexible      | Based on mutual agreement                    | Flexible      | (6,171)                             | 45                  |        |
| Dyaco (Shanghai) Trading Co., Ltd.  | Dyaco International Inc.            | Ultimate parent            | Purchase            | 134,171         | 77                  | Flexible      | Based on mutual agreement                    | Flexible      | (57,678)                            | 61                  |        |

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, 2022**

**(In Thousands of New Taiwan Dollars)**

| Company Name                        | Related Party                    | Relationship               | Receivables from Related Party |                         | Turnover Rate   | Overdue |               | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|-------------------------------------|----------------------------------|----------------------------|--------------------------------|-------------------------|-----------------|---------|---------------|--------------------------------------|-------------------------------|
|                                     |                                  |                            | Financial Statement Accounts   | Ending Balance (Note 3) |                 | Amount  | Actions Taken |                                      |                               |
| Dyaco International Inc.            | Fitness Equipment Services, LLC. | Indirectly held subsidiary | Accounts receivable            | \$ 944,029              | 0.86%           | \$ -    | -             | \$ 233,500                           | \$ -                          |
|                                     |                                  |                            | Other receivables              | 378,227                 | (Notes 1 and 2) | -       | -             | -                                    | -                             |
|                                     | Spirit Manufacturing Inc.        | Indirectly held subsidiary | Accounts receivable            | 854,321                 | 0.90%           | -       | -             | 237,232                              | -                             |
|                                     |                                  |                            | Other receivables              | 126,112                 | (Notes 1 and 2) | -       | -             | -                                    | -                             |
| Shelton Corporation (Jiaxing), Ltd. | Dyaco International Inc.         | Ultimate parent            | Accounts receivable            | 402,944                 | 2.00%           | -       | -             | 288,992                              | -                             |

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, 2022, 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 23, 2023) 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, 2022  
(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, 2022            |     |   | Net Profit (Loss)<br>of the Investee          | Share of Profit<br>(Loss)<br>(Note 1)            |
|-------------------------------------|---|----------------|---|-------------------------------------|--------------------------------------|------------------------------------|-----|---|---|--|
|                                     |   |                |   | December 31, 2022                   | December 31, 2021                    | Number of Shares<br>(In Thousands) | %   | Carrying Amount<br>(Note 1)                     |   |  |
| Dyaco International Inc.            | Dyaco International Holding Limited         | Hong Kong      | Investment  | \$ 505,957                          | \$ 1,128,018                         | 290,634,628                        | 100 | \$ 1,052,713                                    | \$ (1,703)                                    | \$ (2,292)<br>(Note 2)                           |
|                                     | Dyaco Europe GmbH.                          | Germany        | Import, export and selling                        | 484,529                             | 358,161                              | -                                  | 100 | 169,444   | (53,078)                                      | (53,078)   |
|                                     | Daan Health Management Consulting Co., Ltd. | Taiwan         | Rental of medical equipment                       | 10,010                              | 10,010                               | 1,000,000                          | 100 | 8,460   | (127)   | (127)  |
|                                     | Dyaco Japan Co., Ltd.                       | Japan          | Import, export and selling                        | 72,964                              | 28,404                               | 201,020                            | 100 | 1,514   | (22,681)                                      | (22,681)   |
|                                     | Wing Long Co., Ltd.                         | Taiwan         | Import, export and selling                        | 25,000                              | 25,000                               | 2,500,000                          | 100 | 2,139   | (6,089)                                       | (6,089)  |
|                                     | Dyaco UK Ltd.                               | United Kingdom | Import, export and selling                        | 263,424                             | 80,574                               | -                                  | 100 | 29,260  | (40,045)                                      | (40,045)   |
|                                     | SOLE INC.                                   | America        | Investment  | 1,642,866                           | 948,631                              | -                                  | 100 | 728,477   | (345,987)                                     | (369,556)<br>(Note 3)                            |
|                                     | President Plastic Products MFG Co., Ltd.    | Taiwan         | Rental of property                                | 286,640                             | 258,640                              | 391,000                            | 100 | 288,532   | 932   | 1,032<br>(Note 4)                                |
|                                     | Cikayda Inc.                                | Taiwan         | Manufacturing and selling                         | 20,000                              | 20,000                               | 2,000,000                          | 100 | 18,039  | (910)   | (910)  |
|                                     | Morsel Inc.                                 | America        | Intelligent fitness content production<br>company | 27,750<br>(US\$ 1,000<br>thousand)  | 27,750<br>(US\$ 1,000<br>thousand)   | 909,090                            | 11  | -   | (70,906)<br>(US\$ -2,379<br>thousand)         | -  |
|                                     | CITY SPORTS (THAILAND) CO., LTD             | Thailand       | Fitness equipment selling                         | 12,450<br>(THB 14,420<br>thousand)  | 12,450<br>(THB 14,420<br>thousand)   | 176,000                            | 44  | 2,966<br>(THB 3,317<br>thousand)                | (19,025)<br>(THB -22,239<br>thousand)         | (8,565)<br>(THB -10,013<br>thousand)<br>(Note 5) |
|                                     | Neutron Ventures Ltd.                       | United Kingdom | Investment  | 119,851<br>(GBP 3,220<br>thousand)  | 119,851<br>(GBP 3,220<br>thousand)   | 292,666                            | 80  | 74,702<br>(GBP 2,024<br>thousand)               | (70,546)<br>(GBP -1,917<br>thousand)          | (59,589)<br>(GBP -1,619<br>thousand)<br>(Note 6) |
|                                     | Hongdaxin Projection Co., Ltd.              | Taiwan         | Film and television industry investment           | 4,000                               | -                                    | 400,000                            | 40  | 3,889   | (275)   | (111)  |
|                                     | Spirit Manufacturing Inc.                   | America        | Import, export and selling                        | 265,734<br>(US\$ 8,890<br>thousand) | 265,734<br>(US\$ 8,890<br>thousand)  | 1,667.5                            | 100 | 249,946<br>(US\$ 8,155<br>thousand)<br>(Note 9) | 5,638<br>(US\$ 189<br>thousand)               | 5,638<br>(US\$ 189<br>thousand)<br>(Note 9)      |
|                                     | Dyaco Canada Inc.                           | Canada         | Import, export and selling                        | 271,752<br>(US\$ 9,058<br>thousand) | 271,752<br>(US\$ 9,058<br>thousand)  | 1,000                              | 100 | 262,457<br>(CAD 11,577<br>thousand)<br>(Note 9) | 24,234<br>(CAD 1,058<br>thousand)<br>(Note 9) | 24,234<br>(CAD 1,058<br>thousand)<br>(Note 9)    |
|                                     | Iuvo Industry Co., Ltd                      | Taiwan         | Electric-assisted bicycle manufacturer            | 125,000                             | -                                    | 15,300,000                         | 90  | 113,114   | (4,654)                                       | 4,071<br>(Note 8)                                |
| Dyaco Europe GmbH.                  | CARDIOfitness GmbH & Co KG                  | Germany        | Import, export and selling                        | 216,813<br>(EUR 6,296<br>thousand)  | 216,813<br>(EUR 6,296<br>thousand)   | -                                  | 100 | 90,076<br>(EUR 2,753<br>thousand)               | (28,554)<br>(EUR -911<br>thousand)            | (32,887)<br>(EUR -1,049<br>thousand)<br>(Note 7) |
|                                     | CARDIOfitness Verwaltungs GmbH              | Germany        | Investment  | 977<br>(EUR 29<br>thousand)         | 977<br>(EUR 29<br>thousand)          | -                                  | 100 | 940<br>(EUR 28<br>thousand)                     | 24<br>(EUR 1<br>thousand)                     | 24<br>(EUR 1<br>thousand)                        |
| SOLE INC.                           | Fitness Equipment Services, LLC.            | America        | Import, export and selling                        | 63,262<br>(US\$ 2,100<br>thousand)  | 63,262<br>(US\$ 2,100<br>thousand)   | -                                  | 100 | 105,823<br>(US\$ 3,446<br>thousand)             | (345,987)<br>(US\$ -11,608<br>thousand)       | (345,987)<br>(US\$ -11,608<br>thousand)          |
| Dyaco International Holding Limited | Fuel Spirit International Inc.              | Mauritius      | Import, export and selling                        | 185,015<br>(US\$ 5,848<br>thousand) | 379,727<br>(US\$ 12,400<br>thousand) | 5,848,450                          | 100 | 185,453<br>(HK\$ 47,093<br>thousand)            | 1,600<br>(HK\$ 420<br>thousand)               | 1,600<br>(HK\$ 420<br>thousand)                  |

(Continued)

| Investor Company                 | Investee Company  | Location       | Main Businesses and Products | Original Investment Amount      |                                     | As of December 31, 2022         |     |                              | Net Profit (Loss) of the Investee  | Share of Profit (Loss) (Note 1)    |
|----------------------------------|---|----------------|------------------------------|---------------------------------|-------------------------------------|---------------------------------|-----|------------------------------|------------------------------------|------------------------------------|
|                                  |   |                |                              | December 31, 2022               | December 31, 2021                   | Number of Shares (In Thousands) | %   | Carrying Amount (Note 1)     |                                    |                                    |
| Fuel Spirit International Inc.   | Spirit Manufacturing Inc.                                   | America        | Import, export and selling   | \$ -                            | \$ 265,734<br>(US\$ 8,890 thousand) | -                               | -   | \$ -<br>(Note 9)             | \$ (7,018)<br>(US\$ -235 thousand) | \$ (7,018)<br>(US\$ -235 thousand) |
|                                  | Dyaco Canada Inc.   | Canada         | Import, export and selling   | -                               | 271,752<br>(CAD 9,058 thousand)     | -                               | -   | -<br>(Note 9)                | (17,621)<br>(CAD -769 thousand)    | (17,621)<br>(CAD -769 thousand)    |
| Spirit Manufacturing Inc.        | Spirit Direct, LLC  | America        | Import, export and selling   | 62,118<br>(US\$ 2,000 thousand) | 62,118<br>(US\$ 2,000 thousand)     | -                               | 100 | 6,528<br>(US\$ 213 thousand) | (19,886)<br>(US\$ -667 thousand)   | (19,886)<br>(US\$ -667 thousand)   |
|                                  | Dyaco Commercial & Medical North America, LLC.<br>(Note 10) | America        | Import, export and selling   | -                               | 6,092<br>(US\$ 200 thousand)        | -                               | 100 | -                            | (79)<br>(US\$ -3 thousand)         | (79)<br>(US\$ -3 thousand)         |
| Neutron Ventures Ltd.            | Interactive Online Commerce Ltd.                            | United Kingdom | Investment                   | 97,577<br>(GBP 2,632 thousand)  | 97,577<br>(GBP 2,632 thousand)      | -                               | 100 | 31,962<br>(GBP 862 thousand) | (65,131)<br>(GBP 1,770 thousand)   | (65,131)<br>(GBP 1,770 thousand)   |
|                                  | Neutron Ventures Poland S.p Z.o.o                           | Poland         | Service industry             | 34<br>(PLN 5 thousand)          | 34<br>(PLN 5 thousand)              | -                               | 100 | (41)<br>(PLN -6 thousand)    | (5,686)<br>(PLN -815 thousand)     | (5,686)<br>(PLN -815 thousand)     |
| Interactive Online Commerce Ltd. | Sweatband.com Ltd.  | United Kingdom | Sporting goods selling       | 96,564<br>(GBP 2,604 thousand)  | 96,564<br>(GBP 2,604 thousand)      | -                               | 100 | 31,764<br>(GBP 856 thousand) | 65,131<br>(GBP -1,770 thousand)    | 65,131<br>(GBP -1,770 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 loss of \$1,703 thousand and unrealized profits of \$589 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$345,987 thousand minus amortization of investment premium of \$23,569 thousand.

Note 4: Including share of profit of \$932 thousand and unrealized expenses of \$100 thousand.

Note 5: Including share of loss of \$8,370 thousand and amortization of investment premium of \$195 thousand.

Note 6: Including share of loss of \$56,435 thousand minus amortization of investment premium of \$3,154 thousand.

Note 7: Including share of loss of \$28,554 thousand minus amortization of investment premium of \$4,333 thousand.

Note 8: Including share of profit of \$3,862 thousand minus amortization of investment premium of \$209 thousand.

Note 9: After the reorganization, which went by non-cash reduction, it is directly 100% held by Dyaco International Inc.

Note 10: Dyaco Commercial & Medical North America, LLC. had been eliminated in first quarter of 2022.

(Concluded)

## DYACO INTERNATIONAL INC.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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, 2022 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 | Net Income (Loss) of the Investee     | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 2)            | Carrying Amount as of December 31, 2022 (Note 2) | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|--------------------------|---|----------------------------------|------------------------------------|---|---|---------------------|--------|---|---------------------------------------|--|--|--|---|
|                          |   |                                  |                                    |   |   | Outward             | Inward |   |                                       |  |  |  |   |
| Dyaco International Inc. | Dyaco (Shanghai) Trading Co., Ltd.                              | Import, export and selling       | \$ 88,780<br>(US\$ 3,000 thousand) | Through an investment company registered in a third region (Note 1) | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ -                | \$ -   | \$ 88,780<br>(US\$ 3,000 thousand)  | \$ (23,450)<br>(HK\$ -6,161 thousand) | 100  | \$ (23,450)<br>(HK\$ -6,161 thousand)      | \$ 144,498<br>(HK\$ 36,693 thousand)             | \$ -  |
|                          | Shelton Corporation (Jiaxing), Ltd.                             | Manufacturing and selling        | 568,888<br>(US\$ 18,800 thousand)  | Through an investment company registered in a third region (Note 1) | 659,471<br>(US\$ 21,830 thousand)   | -                   | -      | 659,471<br>(US\$ 21,830 thousand)   | 34,016<br>(HK\$ 8,937 thousand)       | 60   | 7,712<br>(HK\$ 2,026 thousand)<br>(Note 3) | 708,026<br>(HK\$ 179,793 thousand)               | -   |
|                          | Dyaco Health Technology (Beijing) Co., Ltd.                     | Healthcare management consulting | 16,029<br>(RMB 3,500 thousand)     | Others (Note 4)   | -   | -                   | -      | Others (Note 4)   | (284)<br>(RMB -64 thousand)           | 100  | (284)<br>(RMB -64 thousand)                | 6,045<br>(RMB 722 thousand)                      | -   |
|                          | Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. | Healthcare management consulting | 12,807<br>(RMB 3,000 thousand)     | Others (Note 5)   | -   | -                   | -      | Others (Note 5)   | (4,638)<br>(RMB -1,049 thousand)      | 40   | (1,856)<br>(RMB -420 thousand)             | 2,934<br>(RMB 650 thousand)                      | -   |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6) |
|---|--|--|
| \$ 748,251<br>(US\$ 24,830 thousand)  | \$ 748,251<br>(US\$ 24,830 thousand)                         | \$ -   |

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

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

Note 3: Including 60% share of profit of \$20,410 thousand minus amortization of investment premium of \$8,289 thousand, unrealized profits of \$216 thousand from upstream intercompany transactions and unrealized profits of \$4,193 thousand from side stream intercompany transactions.

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

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

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

**DYACO INTERNATIONAL INC.**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022 (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.<br>Shelton Corporation (Jiaxing), Ltd. | Sales<br>Purchase | \$ 134,171<br>1,034,967 | 5<br>59  | Flexible<br>Flexible | Based on mutual agreement<br>Based on mutual agreement | \$ 57,678<br>(402,944)              | 3<br>58  | \$ 5,380<br>11,282     |      |

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

**TABLE 10****DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

| Name of Major Shareholder          | Shares           |                             |
|------------------------------------|------------------|-----------------------------|
|                                    | Number of Shares | Percentage of Ownership (%) |
| Lin, Ing-Gin                       | 10,013,283       | 7.46                        |
| Guang-Ying Limited                 | 9,796,727        | 7.30                        |
| Dyaco International Inc.           | 9,452,000        | 7.04                        |
| Chuan-Feng Investment Corporation  | 8,111,882        | 6.04                        |
| Ho, I-Hsing Investment Corporation | 6,865,725        | 5.11                        |

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.