

dyaco

岱宇國際

Stock code: 1598

Dyaco International Inc.
岱宇國際股份有限公司

2023 ANNUAL REPORTS



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Attachment 1 Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table.

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

Dyaco International Inc.
2022 Business Report

Dear shareholders:

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

The global economy in 2022 was originally expected to continue to recover. However, military conflicts between Russia and Ukraine broke out in the first quarter, leading to soaring global energy and raw material prices. In the second quarter, China implemented strict containment measures due to the outbreak of the epidemic, causing a further blow to the global supply chain. In view of the ongoing inflationary pressures in Europe and the United States, the US has rapidly raised interest rates and reduced bond purchases since March to inhibit inflation. This has led to significant devaluation of non-US currencies, which in turn has caused a surge in imported inflationary pressures in many countries. The rising cost of living worldwide this year has suppressed the recovery of the fitness equipment market due to increased inhibition.

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

I. 2022 Business Report

(I) Business Plan Implementation Results

The global economy has been under strain since the COVID-19 pandemic swept the world. With the easing of the pandemic, 2022 was supposed to be a year of economic recovery. However, due to new wars, record-high inflation rates, and climate disasters, people's consumption behavior has become more cautious, leading to the inhibition of the global fitness equipment sales market. As a result, the overall operating revenue in 2022 decreased by 39% compared to the same period last year. At the same time, affected by the rising costs of global raw materials and various other expenses, the gross profit margin has declined, resulting in a net loss of NT\$0.95 billion after tax and a loss of NT\$0.61 per share.

(II) Budget Implementation Status

The Company did not disclose financial forecasts for 2022, the overall operating performance was affected by the economic environment and market competition, and did not meet the Company's internally formulated business plans.

(III) Financial Income and Profit Analysis

1. Financial Income

Unit: NT \$1,000

	2021		2020		Increase (Decrease)
	Amount	%	Amount	Amount	%
Net Operating Revenue	7,122,411	100%	11,742,081	100%	-39%
Operating Costs	5,037,256	71%	7,684,679	65%	-34%
Gross Profit	2,085,155	29%	4,057,402	35%	-49%
Operating Expenses	2,441,738	34%	3,269,189	28%	-25%
Other Operating Income and Expenses	-27,647	0%	-2,840	0%	-873%
Profit (Loss) from Operations	-384,230	-5%	785,373	7%	-149%
Non-Operating Income and Expenses	303,169	4%	-236,910	-2%	228%
Profit (Loss) before Income Tax	-81,061	-1%	548,463	5%	-115%
Income Tax Expenses (Benefit)	-13,622	0%	-104,865	-1%	87%
Net Income (Loss)	-94,683	-1%	443,598	4%	-121%

2. Profitability analysis

Item		2021	2020
Liquidity	Quick Ratio (%)	99.41	131.49
	Times Interest Earned	47.24	63.88
	Average Collection Turnover (Times)	0.04	9.01
Operating ability	Average Inventory Turnover (Times)	5.19	4.85
	Return on Total Assets (%)	1.55	2.30
Profitability	Return on Equity (%)	-0.22	3.92
	Net Margin (%)	-2.24	9.59
	Earnings Per Share (NT\$)	-1.33	3.78
	Quick Ratio (%)	-0.61	3.47

(IV) Research and Development Status

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

List of R&D achievements in 2022:

1. Assisted Bicycle

2. Full-view multimedia touchscreen elliptical machine, exercise bike, and recumbent bike
3. Folding elliptical machine
4. Rowing training machine

II. Summary of 2023 Business Plan

(I) Management Policy

1. Adhering to the core values of "Brand, Service, and Innovation" for the Company management, developing products and creating value based on people's needs, focusing on providing consumers with simple, comfortable, and safe products, and continuously improving people's health, sports, and leisure life quality.
2. What we offer to our customers is not just a product, but also includes brand beliefs, product creativity, and after-sales experience, thereby enhancing relationships with partners; with this framework, we will continue to expand our own brands SOLE, SPIRIT, and XTERRA, as well as the authorized brand UFC's international market share.
3. Diversifying and expanding new products and brands, developing a new electric-assisted bicycle brand CIKADA, adding UFC mixed martial arts brand weight training, combat fighting, and related training equipment, focusing on the medical technology field's needs for physical treatment and elderly rehabilitation equipment, and cooperating with the American smart fitness content producer STUDIO, combining STUDIO's online fitness courses with Dyaco's fitness equipment, etc.
4. Making the right decisions on key issues and not living in past successes, Dyaco will continue to commit to innovation in R&D technology, collaborate with academia, and extend the Company's R&D advantages by entering the medical rehabilitation equipment field. This way, the Company's products can benefit not only the general public but also people with mobility issues or elderly family members, allowing everyone to enjoy the fun of sports and better care for those in need of help. After all, having a healthy body leads to a better quality of life.

(II) Marketing Policy

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

5. Enhance the function of the Company's website and deepen the impression with product press releases.
6. Standardize the design of global physical channel marketing materials.

(III) Research and Development Policy

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

(IV) Production Policy

1. Moderately expand production capacity and improve production efficiency to ensure timely delivery, quality improvement, and cost reduction.
2. Integrate the industrial supply chain, enhance management efficiency and quality reliability, establish information sharing mechanisms, quickly respond to end-market demand, and reduce inventory costs while increasing added value.

III.Future Company Development Strategy

(I) Consistently Innovating Product Technology

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

(II) Developing Health and Rehabilitation Products

Influenced by the trend of exercise and health as well as the arrival of an aging society, the health and care industry has moved away from the traditional service industry atmosphere. Increasingly, more cases of IoT (Internet of Things) technology, AI artificial intelligence, and

sensor technology applications have emerged, contributing to the thriving development of the health and care industry. Dyaco is committed to the long-term development of safe rehabilitation equipment, combining research and innovation capabilities, production technology and scale, and marketing channel strength to provide the best medical rehabilitation equipment worldwide, while also exploring new business opportunities beyond traditional sports and fitness equipment. This year, the Company has officially launched a series of rehabilitation equipment products and is actively promoting sales in various markets.

(III) Developing The Brand

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

(IV) Sticking to Principles and Beliefs

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

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

The global economic outlook for 2023 is generally slower and more severe than expected, with inflation at its highest level in decades. The financial environment in most regions continues to tighten, the Russia-Ukraine war, and the ongoing COVID-19 pandemic all have serious impacts on economic prospects, leading to a cost-of-living crisis and affecting people's real purchasing power. There are still many uncertain political and economic factors affecting economic performance, and companies continue to face a severe overall operating environment. However, we remain optimistic about the future development of the Company, especially as the sales explosion in 2020 has helped to increase brand market share and recognition, and improve our

capabilities in marketing, logistics, and after-sales service, creating stronger competitiveness. At the same time, through the integration of the upstream and downstream layout, we can leverage corporate resources, achieve synergy, and capture more market opportunities.

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

Sincerely yours,

Chairman: Lin, Ing-Gin

General Manager: Chen, Ming-Nan

Chief Accountant Officer: Chiu, Yuan-Shen

II. Company Overview

2.1 Date of incorporation: 2 June, 1990

2.2 Company history

Year	Key Milestones
1990	◆ Dyaco International Inc. was established in Taipei, with a capital of NT\$5,000 thousand.
1993	◆ Cash capital increase of NT\$10,000 thousand and paid-in capital of NT\$15,000 thousand after the capital increase.
1994	◆ Set up a customer service center in Los Angeles, US.
1999	◆ Cash capital increase of NT\$14,000 thousand and paid-in capital of NT\$29,000 thousand after the capital increase.
2007	◆ Cash capital increase of NT\$71,000 thousand and paid-in capital of NT\$100,000 thousand after the capital increase.
2008	◆ Cash capital increase of NT\$150,000 thousand and paid-in capital of NT\$250,000 thousand after the capital increase. ◆ Merged with US-based Spirit Manufacturing Inc. and acquired the "SPIRIT" brand. ◆ Started its own production by building its own factory and office building in Chuanhsing Industrial Park, Hemi Township, Changhua County. ◆ Cash capital increase of NT\$115,100 thousand and paid-in capital of NT\$365,100 thousand after the capital increase. ◆ Obtained ISO-9001 quality management system certification.
2009	◆ Acquired the second factory in the Chuanhsing Industrial Park to expand the production capacity. ◆ Cash capital increase of NT\$99,000 thousand, capital increase of NT\$15,800 thousand through capitalization of retained earnings and paid-in capital of NT\$479,900 thousand after the capital increase.
2010	◆ Product had won the "Best Buy" award in the United States for two consecutive years. ◆ Awarded the Innovative Product Excellence Award for the Flywheel Elliptical Machine. ◆ Reinvested in the establishment of Dyaco (Shanghai) Trading Co., LTD. to expand the sales market in China. ◆ Obtained ISO-13485 quality management system certification for medical device industry.
2011	◆ The Flywheel Elliptical Machine won the Taiwan Excellence Award, and the Shake Weight won the Taiwan Excellence Award and Innovative Product Excellence Award. ◆ Cash capital increase of NT\$15,000 thousand and paid-in capital of NT\$494,900 thousand after the capital increase. ◆ Cash capital increase of NT\$15,100 thousand and paid-in capital of NT\$510,000 thousand after the capital increase. ◆ Capital increase of NT\$137,700 thousand through capitalization of retained earnings and paid-in capital of NT\$647,700 thousand after the capital increase. ◆ Awarded the top 500 import and export excellent companies in 2010. ◆ Public issuance of its stock was approved by the Financial Supervisory Commission (FSC). ◆ Listing emerging stocks were approved on Oct 24.
2012	◆ The Freewheel Race Bike with Additional Exerciser won the Innovative Product Excellence Award. ◆ Invested in the establishment of Dyaco Japan Co., Ltd. to expand the Japanese sales market. ◆ The US logistics headquarters was officially opened. ◆ Capital increase of NT\$33,388 thousand through capitalization of retained earnings and employee

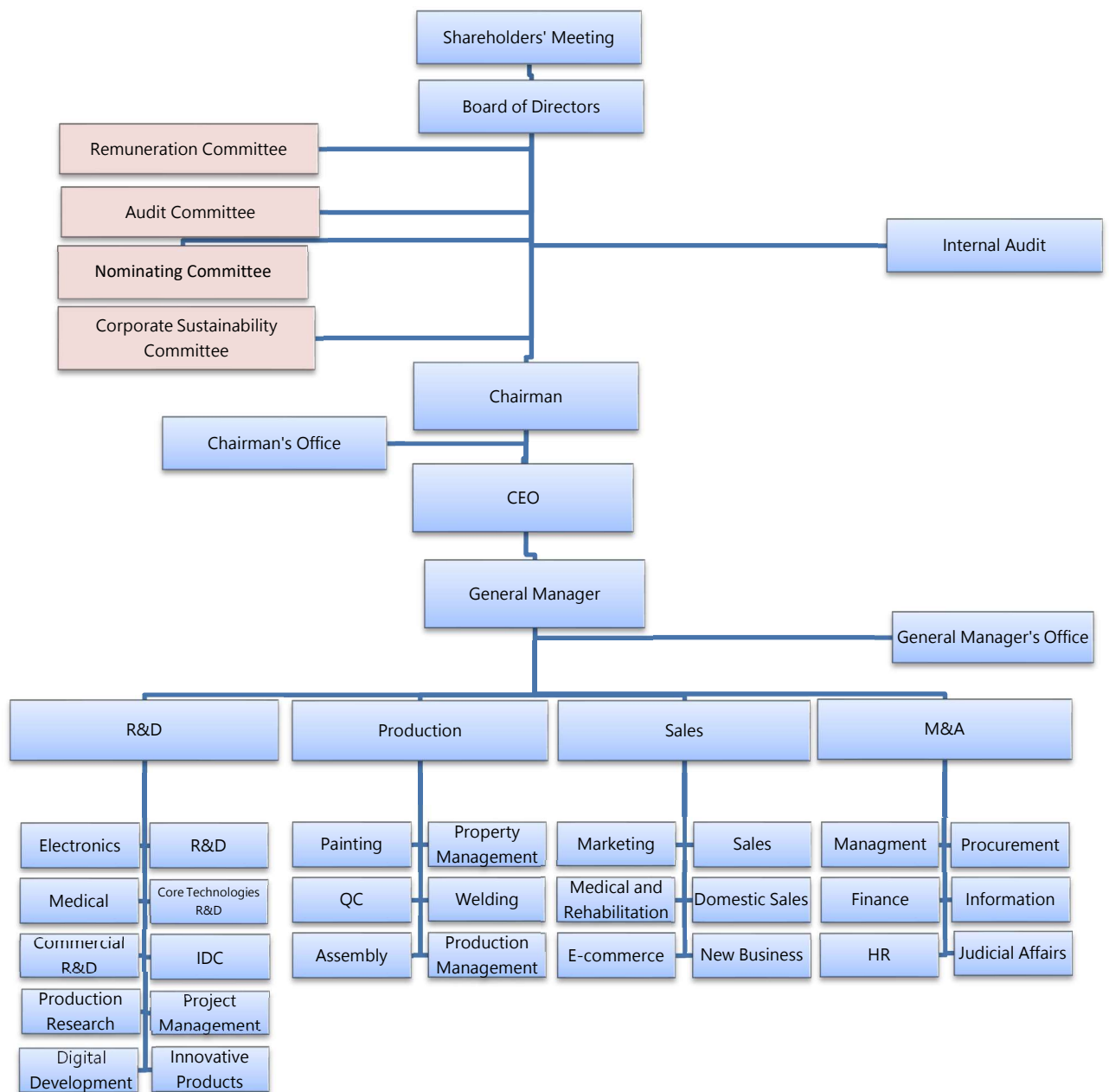
Year	Key Milestones
	bonuses and paid-in capital of NT\$681,088 thousand after the capital increase.
2013	<ul style="list-style-type: none"> ◆ Sports and fitness equipment combined with micro projector playback won the Innovative Product Excellence Award. ◆ Acquired Maurice Pincoffs Canada Inc. ◆ Acquired Dongguan Dayu Sports Equipment Co., Ltd. ◆ Acquired Yongan Sports Technology Co., Ltd. ◆ Received the third Award for Best Companies to Work for.
2014	<ul style="list-style-type: none"> ◆ The Shaper won the Taiwan Excellence Silver Award. ◆ The Physiological Feedback's Gait Balance Training Bike won the Innovative Product Excellence Award. ◆ Invested in the establishment of Dyaco Germany GmbH to expand the European sales market.
2015	<ul style="list-style-type: none"> ◆ Cash capital increase of NT\$100,000 thousand and paid-in capital of NT\$781,088 thousand after the capital increase. ◆ Set up the O2O marketing model and established the Group's first physical store under the "Runners" brand. ◆ Changhua Chuanhsing factory was renovated and completed, with the central region office building handed over. ◆ Capital increase of NT\$39,054 thousand through capitalization of retained earnings and paid-in capital of NT\$820,142 thousand after the capital increase. ◆ Established Daan Health Management Consulting Co., Ltd. to develop medical rehabilitation services business.
2016	<ul style="list-style-type: none"> ◆ Signed a sole strategic partnership agreement on fitness and rehabilitation equipment with the China Institute of Sport Science. ◆ The adjustable span elliptical trainer and multi-trainer - Super Wheel won the Taiwan Excellence Award. ◆ All-commercial series of fitness equipment were mass-produced and available on the market. ◆ 12th place in the Tiny Giant category of the CommonWealth Magazine's 2016 Excellence in CSR Award. ◆ Cash capital increase of NT\$109,360 thousand and paid-in capital of NT\$929,502 thousand after the capital increase. ◆ Officially listed and traded on the Taiwan Stock Exchange.
2017	<ul style="list-style-type: none"> ◆ Acquired 100% of CARDIOFitness GmbH & Co. KG and CARDIOFitness Verwaltungs GmbH equity in Germany. ◆ The Mountaineering Trainer and Medical Rehabilitation Treadmill won the Taiwan Excellence Award. ◆ The Company issued its first domestic secured corporate bonds at NT\$600,000 thousand. ◆ Acquired 60% of Shelton Corporation (Jiaxing), LTD equity. ◆ 11th-20th place at the MOHW Health Promotion Administration 2017 Dynamic Workplace Creativity Gold Medal Competition. ◆ The SOLE E95s elliptical machine won the 26th Excellence Award.
2018	<ul style="list-style-type: none"> ◆ Brand licensing partnership with Philips, a global health care technology company, to develop professional medical and rehabilitative fitness equipment products. ◆ Established Dyaco UK Ltd. subsidiary to develop the UK and Irish sales market. ◆ Established Wing Long Co., Ltd. to develop wine business. ◆ The Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award. ◆ Certified as a Sports Enterprise by the MOE Sports Administration.
2019	<ul style="list-style-type: none"> ◆ SOLE SC300 (XS300) Mountaineering Trainer with Adjustable Strides won the Taiwan Excellence Award. ◆ 3rd place in the medical device and equipment industry in the 2019 Taiwan Top 5000 Regional Large

Year	Key Milestones
	Enterprises Ranking by China Credit Information Service Ltd.
	<ul style="list-style-type: none"> ◆ Capital increase of NT\$31,133 thousand through capitalization of retained earnings and paid-in capital of NT\$960,635 thousand after the capital increase.
2020	<ul style="list-style-type: none"> ◆ Cash capital increase of NT\$190,000 thousand and paid-in capital of NT\$1,150,635 thousand after the capital increase. ◆ Set up Sole Inc., a U.S. subsidiary, to acquire 100% of Fitness Equipment Services, LLC equity in the US. ◆ The Sole CC81 Cardio Climber Machine won the Taiwan Excellence Silver Award. ◆ The Company issued its second domestic secured corporate bonds at NT\$603,000 thousand. ◆ Merged with PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD.
2021	<ul style="list-style-type: none"> ◆ Won 6th Taiwan Mittelstand Award by Ministry of Economic Affairs. ◆ The ST90 Crawler Mechanical Treadmill won the Taiwan Excellence Award. ◆ The Company was included in Fubon TWSE Corporate Governance 100 ETF and TWSE Corporate Governance 100 Index. ◆ The Company issued its third domestic unsecured corporate bonds at NT\$1,000,000 thousand. ◆ Acquired City Sport Co. Ltd and Sweatband.com Ltd.
2022	<ul style="list-style-type: none"> ◆ Acquired IUVO INDUSTRY CO., Ltd.

III. Corporate Governance Report

3.1 Company organization

3.1.1 Company structure



3.1.2 Function

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

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

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

3.2.1 Director and supervisor information:

28 March 2023; Units: Shares

Title	Name	Gender/Age	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Lin, Ing-Gin	Male /61-70 years old	ROC	1990.6.2	2020.5.28	3	10,063,283	8.74%	10,013,283	7.44%	-	-	30,544,723	22.69%	Bachelor of Department of Public Health, National Taiwan University Master of Professional Accounting, University of Texas Founder of Dyaco International Inc	Note 2	-	-	-	-
Director	Zhuang, Zhu-Wei	Female/ 51-60 years old	ROC	2020.5.28	2020.5.28	3	538,000	0.46%	1,000,000	0.74%	53,000	0.04%	-	-	Bachelor of Department of Fiber and Composite Materials, Feng Chia University General Manager of CHANITEX CO., LTD.	Director of CHANITEX CO., LTD. General Manager of CHANITEX CO., LTD.	-	-	-	-
Director	Chang, Chih-Chuan (Note 1)	Male/ 51-60 years old	ROC	2015.6.26	2020.5.28	3	189,093	0.16%	123,093	0.09%	121,803	0.09%	-	-	EMBA of Tunghai University Chairman of Houli Construction Co., Ltd.	Chairman of Houli Construction Co., Ltd.	-	-	-	-
Director	Wanshida Construction Co., Ltd.	-	ROC	2022.5.27	2022.5.27	3	639,000	0.48%	628,000	0.47%	-	-	-	-	-	-	-	-	-	-
	Li, Bo-Yi	Male /36-40 years old	ROC				-	-	-	-	-	-	-	-	Master, School of Law, Soochow University Vice President, Wanshida Construction Co., Ltd	Vice President, Wanshida Construction Co., Ltd	-	-	-	-

Title	Name	Gender /Age	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Hsieh, Chang-Hun	Male/71-80 years old	ROC	2011.12.9	2020.5.28	3	-	-	-	-	-	-	-	-	Professor, Department of Management Science, National Chiao Tung University Director, Department of Management Science, National Chiao Tung University Deputy Chief Secretary of National Science Council Head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication President of IBF Securities Investment Consulting General Manager of IBF Securities Investment Consulting	-	-	-	-	-
Independent Director	Wang, Kai-Li	Male/51-60 years old	ROC	2011.12.9	2020.5.28	3	-	-	-	-	-	-	-	-	PhD of Economics Sciences, Utah State University Adjunct Associate Professor, Department of Financial, National Chung Hsing University Associate Professor, Department of Financial, Tunghai University Director, Department of Financial, Tunghai University Director of EMBA of Tunghai University Committee financial member of Taiwan Economic Association	Note 3	-	-	-	-

Title	Name	Gender /Age	Nationality or Country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares Held by Spouse & Minors		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Wang, Chih-Cheng	Male/ 51-60 years old	ROC	2017.5.26	2020.5.28	3	-	-	-	-	-	-	-	-	Adjunct Professor, School of Law, National Cheng Kung University Committee member of Foundation of Finance PhD of College of Law, National Chengchi University	Note 4	-	-	-	-

Note 1 : Director Chang, Chih-Chuan has been a supervisor of the 9th term at the Company and was appointed on June 26, 2015. Because the Company replaced the supervisors with the audit committee when the directors of the 10th term were elected, he was not elected as a member of the board of the 10th term.

Note 2 : Director of Dyaco International Holding Limited /Director of Fuel Spirit International Inc. /Director of Dyaco Canada Inc. /Director of Dyaco (Shanghai) Trading Co., LTD. /Director of Dyaco UK Ltd./ President of Wing Long Co., Ltd./ President of President Plastic Products MFG. Co., Ltd. / President of IUVO INDUSTRY CO.,Ltd/President of CHIH-LING INVESTMENT CORPORATION /President of Yunhen Investment Inc

Note3 : Professor, Department of Financial, Tunghai University /Chairman of Taiwan Financial Development Association /Independent Director of PAIHO SHIH HOLDINGS CORPORATION/Independent Director of AKER Co., Ltd.

Note 4 : Independent Director of CTBC Financial Holding Co., Ltd. /Independent Director of Lucky Cement Corporation/ Director of The Securities and Futures Investors Protection Center /Director of The Financial Ombudsman Institution /Arbitrator of Chinese Arbitration Association /Department head, Department of law, Chinese Culture University /Distinguished Professor, College of Law, National Chung Cheng University/Adjunct Professor, School of Law, Soochow University

Note 5 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: None.

Note 6 : Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed: None.

3.2.1.1 Major Shareholders of Corporate Shareholder:

31 December 2022

Name of institutional shareholders	Major shareholders
Wanshida Construction Co., Ltd.	LI, CHIU-MING (70%)、LI, JUI-PIN (20%)、CHANG, LI-LING (10%)

3.2.1.2 Major Shareholders of Major Shareholders of Corporations: None.

3.2.1.3 Professional Qualifications and Independence Analysis of Directors:

Qualifications Position Name	Professional qualifications and experience (Note 1 and 2)	Independence (Note 3)	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
Lin, Ing-Gin	Founding father has more than 20 years of experience in managing public trading and multi-national conglomerate. On top of his excellent leadership and strategic management skills, being an expert in fitness industry help foreseeing industry trends and development.	(1)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	-
Zhuang, Zhu-Wei	Being a director and CEO of CHANITEX Co., LTD, chairman of CHANITEX Education Foundation, and independent directors of many listed companies has come with excellent decision making and business management skills in a wide variety of industries.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	1
Chang, Chih-Chuan	Owner of Houli Construction Company Ltd., has developed excellent professional and business operation skills over these years of hands-on.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	-
Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi	Vice President of Wanshida Construction Co., Ltd., has developed excellent professional and business operation skills over these years of hands-on.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	-
Hsieh, Chang-Hung	Served in Deputy Chief Secretary of National Science Council Head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication, President and General Manager of IBF Securities Investment Consulting, has come with excellent corporate governance experiences.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	-
Wang, Kai-Li	Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of Ginko International Co., Ltd. Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	2
Wang, Chih-Cheng	Served in director of The Securities and Futures Investors Protection Center, director of The Financial Ombudsman Institution, Arbitrator of Chinese Arbitration Association, Department head, Department of law, Chinese Culture university and independent directors of many listed companies, has come with excellent legal and corporate governance experiences.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	3
Liao, Liang-Bin (Note 4)	Chairman of IBASE Gaming INC., has come with excellent decision making and business management skills in a wide variety of industries.	(1)、(2)、(3)、(4)、(5)、(6)、(7)、(8)、(9)、(10)、(11)、(12)	-

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

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

Note 3: The independent directors shall explain their compliance of independence, including, but not limited to, whether the person,

person's spouse, or their relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliates. The shareholdings of the person, person's spouse, or relative within the second degree of kinship (or using the name of others) and the ratio. Whether the person serves as a director, supervisor, or employee of companies with specific relationships with the Company (refer to Items 5 to 8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The remuneration received for providing business, legal, financial, or accounting services to the Company or its affiliated enterprises in the most recent 2 years. Independence of Directors and Independent Directors in the two years before appointment and during their term. Those who comply will be disclosed above.

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

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

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

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

28 March 2023; Units: Shares

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Executive Officer	Hsu, Wen-Bin	Male	ROC	2021.01.01	257,342	0.19%	35,638	0.03%	-	-	Founder of Hsumao Industrial Co., LTD. Executive Assistant of Dyaco International Inc.	-	-	-	-	-
Chief Operating Officer	Tseng, Yu-Hsiang	Male	ROC	2022.03.09	13,000	0.01%	-	-	-	-	Concordia University B.A Economic Sales Director, Suzhou Zhongyao Technology Co., Ltd. Senior Sales Manager, KINPO ELECTRONICS, INC.	-	-	-	-	-
President	Chen, Ming-Nan	Male	ROC	2017.07.12	539,586	0.40%	211,930	0.16%	-	-	EMBA, Feng Chia University Vice President, the R&D Department of Dyaco International Inc.	-	-	-	-	-
Executive V.P. and Chief Financial Officer	Wu, Mei-Hua	Female	ROC	1998.05.01	719,198	0.53%	4,326	0.00%	-	-	EMBA, National Taipei University Accounting Officer, HOE HIN PAK FAH YEOW MANUFACTORY LIMITED Vice President, the Financial Department of Dyaco International Inc.	Supervisor of Dyaco (Shanghai) Trading Co., Ltd. Director of Yong-Heng Investment Corpotion Directot of Chih-Ling Investment Corpotion President of Daan Health Management Consulting Co., Ltd. Director of Wing Long Co., Ltd. Supervisor of Shelton Corporation (Jiaxing), Ltd. Supervisor of PRESIDENT PLASTIC PRODUCTS MFG. CO., LTD.	-	-	-	-
Executive V.P.	Li, Chi-Jung	Male	ROC	2014.01.01	233,209	0.17%	50,743	0.04%	-	-	President, Tung Keng Enterprise Co., Ltd.	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Technology Officer	Brian Keith Murray	Male	US	2008.04.22	-	-	6,151	0.00%	-	-	BSEE Degree from New York Institute of Technology 、Cybex engineering supervisor 、Diamondback Fitness Vice president	-	-	-	-	-
Senior V.P. of Production Department	Lo, Teng-I	Male	ROC	2017.09.01	220,303	0.16%	37,303	0.03%	-	-	Bachelor of Chienkuo Technology University Vice General Manager, the Production Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Sales Department	Hsu, Li-Wen	Female	ROC	1999.07.07	89,687	0.07%	-	-	-	-	EMBA, Tunghai University General Manager, the Sales Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Financial Department Chief Accountant Officer Chief of Corporate Governance Affairs	Chiu, Yuan-Sheng	Male	ROC	2013.12.27	117,582	0.09%	-	-	-	-	Master of the Department of Financial, Shih Hsin University Manager, the underwriting of TISC Pricewaterhousecoopers Taiwan	Supervisor of Wing Long Co., Ltd. Supervisor of Daan Health Management Consulting Co., Ltd.	-	-	-	-
Senior V.P. of R&D Department	Huang, Hsuan-Fu	Male	ROC	1997.07.23	22,236	0.02%	-	-	-	-	Taichung Municipal Wufeng Agicultural and Industrial High School General Manager, the R&D Department of Dyaco International Inc.	-	-	-	-	-
Senior V.P. of Sales Department	Huang, Yu-Chih	Female	ROC	2013.03.05	100,913	0.07%	-	-	-	-	Master of Japanese, Soochow University General Manager, the Sales Department of Dyaco International Inc.	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior V.P. of Medical Rehabilitation Department	Lin, Shih-Chieh	Male	ROC	2013.03.05	22,000	0.02%	-	-	-	-	MBA, University of North Alabama Director of Chunghwa Yuming Healthcare Co., Ltd. Sales Manager, ZUELLIG PHARMA, INC.	Director of Daan Health Management Consulting Co., Ltd.	-	-	-	-
V.P. of Management Department	Lin, Wei-Hsu	Male	ROC	2008.05.12	1,189	0.00%	2,439	0.00%	-	-	Master of Business and Information, Hua Fan University Supervisor, the Warehousing Department of SOLE ENERGY TECH CORP. Manager, the Operational Department of ACTI CORPORATION	-	-	-	-	-
V.P. of Production Management Department	Li, Mei-Yu	Female	ROC	2012.08.16	28,620	0.02%	-	-	-	-	Bachelor of Chemical Engineering, Cheng Shiu University General Manager, the Production Management Department of Dyaco International Inc.	-	-	-	-	-
V.P. of Legal and Patent Affairs Department	Li, Che-Jung	Male	ROC	2013.06.19	11,000	0.01%	-	-	-	-	Bachelor of Chemical Engineering, Feng Chia University Patent senior engineer of Starconn Electronics	-	-	-	-	-
V.P. of Accounting Department	Wu, Shu-Mei	Female	ROC	2016.09.01	24,862	0.02%	-	-	-	-	Master of Accounting, Tamkang University	-	-	-	-	-

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares held under names of others		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
V.P. of Sales Department	Ho, Chieh-Shun	Male	ROC	2017.09.20	12,000	0.01%	-	-	-	-	Master of Business Administration, Manchester Business School President, the Taiwan branch of Gerage Jemnen EMBA, International Business of National Taiwan University Director, JT TOBACCO INTERNATIONAL TAIWAN CORP. Spokesperson, JT TOBACCO INTERNATIONAL TAIWAN CORP. General Manager, LIULIGONGFANG	-	-	-	-	-
V.P. of Procurement Department	Li, Tai-Lan	Female	ROC	2018.11.01	36,435	0.03%	-	-	-	-	Bachelor of Business Administration, Chienkuo Technology University	-	-	-	-	-

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

Note 2 : In terms of the experience related to the current position, if a person has worked at a CPA firm which performed audits or an associate, his job title and responsibilities shall be specified here: None.

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

3.2.3.1 Remuneration of Directors and Independent Directors

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

Title	Name	Remuneration								The Aggregate of A, B, C, and D as Percentage of Net Income		Relevant Remuneration Received by Who are also Employees								The Aggregate of A, B, C, D, E, F and G as Percentage of Net Income		Any Other Compensation from Other Investees or Parent Comany	
		Base Compensation (A)		Severance Pay and Pensions (B)		Directors' Compensation (C) (Note 1)		Business-conducting Expenses (D)				Salaries, Bonuses and Special Allowances (E)		Severance Pay and Pensions (F)		Employees' Compensation (G)							
		From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco		From All Consolidated Entities		From Dyaco	From All Consolidated Entities		
Chairman	Lin, Ing-Gin	3,573	3,573	-	-	-	-	3,276	3,276	6,849 Note 1	6,849 Note 1	-	-	-	-	-	-	-	-	6,849 Note 1	6,849 Note 1	-	
Director	Zhuang, Zhu-Wei	-	-	-	-	-	-	90	90	90 Note 1	90 Note 1	-	-	-	-	-	-	-	-	90 Note 1	90 Note 1	-	
Director	Chang, Chih-Chuan	-	-	-	-	-	-	90	90	90 Note 1	90 Note 1	-	-	-	-	-	-	-	-	90 Note 1	90 Note 1	-	
Director	Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi	-	-	-	-	-	-	45	45	45 Note 1	45 Note 1	-	-	-	-	-	-	-	-	45 Note 1	45 Note 1	-	
Independent Director	Hsieh, Chang-Hung	600	600	-	-	-	-	90	90	690 Note 1	690 Note 1	-	-	-	-	-	-	-	-	690 Note 1	690 Note 1	-	
Independent Director	Wang, Kai-Li	600	600	-	-	-	-	90	90	690 Note 1	690 Note 1	-	-	-	-	-	-	-	-	690 Note 1	690 Note 1	-	
Independent Director	Wang, Chih-Cheng	600	600	-	-	-	-	90	90	690 Note 1	690 Note 1	-	-	-	-	-	-	-	-	690 Note 1	690 Note 1	-	

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

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

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

Remuneration Range Table

Bracket	Name of Directors			
	The Aggregate of A, B, C, and D		The Aggregate of A, B, C, D, E, F, G, H and I	
	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities
Under NT\$ 1,000,000	Zhuang, Zhu-Wei Chang, Chih-Chuan Vanshida Construction Co., Ltd. representative: Li, Bo-Yi Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Zhuang, Zhu-Wei	Zhuang, Zhu-Wei	Zhuang, Zhu-Wei
NT\$1,000,000~ NT\$2,000,000	-	-	-	-
NT\$2,000,000~ NT\$3,500,000	-	-	-	-
NT\$3,500,000~ NT\$5,000,000	-	-	-	-
NT\$5,000,000 ~ NT\$10,000,000	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin
NT\$10,000,000 ~ NT\$15,000,000	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

3.2.3.2 Remuneration of President and Vice President

Title	Name	Base Compensation (A)		Severance Pay and Pensions (B)		Bonuses and Special Allowances (C)		Employees' Compensation (D)			
		From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco	From All Consolidated Entities	From Dyaco		From All Consolidated Entities	
								Cash	Stock	Cash	Stock
Chief Executive Officer	Hsu, Wen-Bin	18,506	18,506	977	977	4,014	4,014	-	2,206	-	
Chief Operating Officer	Tseng, Yu-Hsiang										
President	Chen, Ming-Nan										
Executive V.P.	Wu, Mei-Hua										
Executive V.P.	Li, Chi-Jung										
Seinor V.P.	Hsu, Li-Wen										
Seinor V.P.	Huang, Hsuan-Fu										
Seinor V.P.	Huang, Yu-Chih										
Seinor V.P.	Chiu, Yuan-Sheng										
Seinor V.P.	Lin, Shih-Chieh										
Seinor V.P.	Lo, Teng-I										
Chief Technology Officer	Brian Keith Murray										

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

Remuneration Range Table

Bracket	Name of President and Vice President	
	From Dyaco	From All Consolidated Entities
Under NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$2,000,000	Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I	Chiu, Yuan-Sheng Wu, Mei-Hua Lin, Shih-Chieh Huang, Hsuan-Fu Lo, Teng-I
NT\$2,000,000 ~ NT\$3,500,000	Hsu, Wen-Bin Tseng, Yu-Hsiang Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung Wu, Mei-Hua Hsu, Li-Wen Huang, Yu-Chih	Hsu, Wen-Bin Tseng, Yu-Hsiang Chen, Ming-Nan Brian Keith Murray Li, Chi-Jung Wu, Mei-Hua Hsu, Li-Wen Huang, Yu-Chih
NT\$3,500,000 ~ NT\$5,000,000	-	-
NT\$5,000,000 ~ NT\$10,000,000	-	-
NT\$10,000,000 ~ NT\$15,000,000	-	-
NT\$15,000,000 ~ NT\$30,000,000	-	-
NT\$30,000,000 ~ NT\$50,000,000	-	-
NT\$50,000,000 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	12	12

3.2.3.3. Name of executive officers that received employee bonuses and status of the distribution

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

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

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

Unit:NT1,000;%

Items	2021				2022			
	From Dyaco		From All Consolidated Entities		From Dyaco		From All Consolidated Entities	
	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax	Total Amount	Ratio of the total remuneration to net income after tax
Directors' remuneration	11,317	2.56%	11,317	2.56%	9,144	Note 2	9,144	Note 2
President and Vice Presidents' remuneration	23,533	5.29%	23,533	5.29%	25,703	Note 2	25,703	Note 2

Note 1: The Audit Committee was established on May 26, 2017 to replace Supervisors.

Note 2 : The Company's loss for the year 2022, not applicable.

The Company's pre-tax net loss for the year 2022, after deducting employee and director remuneration, is NT\$31,368,606. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit.

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

A. The Company has a Remuneration Committee which establishes and regularly reviews the policies, systems, standards and structures for the annual and long-term performance evaluation and compensation of directors and managers.

B. The remuneration paid by the Company to the directors in 2022 refers to the remuneration of the directors for the performance of their business, and the compensation of the directors allocated. In the event of moral hazard, other adverse events that may impair the Company' s reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to directors shall be adjusted with respect to their participation in and contribution to the operations. The Board of Directors is authorized to distribute compensation in accordance with the Remuneration Committee' s assessment and the typical pay levels adopted by peer companies.

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

a .To prioritize the interests of shareholders and employees based on the current year's operating results

- b. The remuneration to independent directors is higher than that to the directors because they serve as members of functional committees and have the responsibility to participate in discussions and resolutions at committee meetings.
- c. The Company's pre-tax net loss for the year 2022, after deducting employee and director remuneration, is NT\$31,368,606. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit.
- D. The remuneration of the president and vice presidents (grade) is based on salary, bonus and employee bonus, the first two of which are determined in accordance with the Company's personnel regulations, while the last one is subject to the earnings for the year of distribution and the Company's Articles of Incorporation. In the event of moral hazard, other adverse events that may impair the Company's reputation or goodwill, internal mismanagement, or corrupt practices, the reasonable compensation to managers shall be adjusted with respect to their participation in and contribution to the operations. Such compensation is determined according to the position held, the responsibility assumed, and the extent of contribution made to the Company, and by reference to the typical pay levels for similar positions set in the industry. The Company's pre-tax net loss for the year 2022, after deducting employee and director remuneration, is NT\$31,368,606. In accordance with the provisions of Article 24 of the Company's Articles of Association, no employee remuneration will be distributed in the absence of profit.

3.3 Implementation of corporate governance

3.3.1 The Board meeting status

1. Six Board meetings were convened in 2022(A). The directors' attendance status was as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B/A 】	Note
Chairman	Lin, Ing-Gin	6	-	100%	-
Director	Zhuang, Zhu-Wei	6	-	100%	-
Director	Chang, Chih-Chuan	6	-	100%	-
Director	Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi	3	-	100%	-
Independent Director	Hsieh, Chang-Hung	6	-	100%	-
Independent Director	Wang, Kai-Li	6	-	100%	-
Independent Director	Wang, Chih-Cheng	6	-	100%	-

2. Other required notes for the Board meetings:

3.3.1.1 In the event of either of the following situations, dates, sessions, motions, resolutions of the meetings, opinions from all independent directors, and the Company's responses to their opinions should be noted:

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

Board Meeting Dates	Resolution	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
The 14 th meeting of the 11 th Board on March 9, 2022	(1). Amendment to handling procedures for acquisition or disposal of assets.	None
	(2). Amendment to the Company's internal control policies and internal audit procedures.	None
	(3). The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(4). Entering into Contract of Construction of Plant on Leased Land.	None
	(5). Employee stock options are offered by Sweatband.com to their employees.	None
	Independent directors' opinions: None.	
	The Company's responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 15 th meeting of the 11 th Board on March 31, 2022	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Approval of 2021 annual financial statements and business report.	None
	(3). Approval of 2021 statement of internal control system.	None
	Independent directors' opinions: None.	
	The Company's responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 16 th meeting of the 11 th Board on May 11, 2022	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3). Approval of 2022 the first quarter consolidated financial statements.	None
	(4). The Company cancelled endorsements/guarantees for subsidiary Cardio Fitness GmbH & Co. KG.	None
	(5). The Company made loans to sub-subsidiary Cardio Fitness GmbH & Co. KG.	None

	(6). The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(7). The fifth buyback of treasury stock.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 17 th meeting of the 11 th Board on August 12, 2022	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3). Approval of 2022 the second quarter consolidated financial statements.	None
	(4). Increase investment in sub-subsidiary Dyaco Japan.	None
	(5). Increase investment in sub-subsidiary Dyaco UK.	None
	(6). Increase investment in sub-subsidiary Dyaco Europe.	None
	(7). Apply for bank loans.	None
	(8). Acquired for 70% equities of IUVO.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 18 th meeting of the 11 th Board on November 10, 2022	(1). Loaning of funds for the subsidiaries of the Company.	None
	(2). Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3). Increase investment in sub-subsidiary Sole Inc. and Fitness Equipment Service, LLC.	None
	(4). Approval of 2022 the third quarter consolidated financial statements.	None
	(5). Apply for bank loans.	None
	(6). Transaction charges structure for IUVO' s equity segment.	None
	(7). Increase investment in sub-subsidiary IUVO.	None
	(8). Increase investment in sub-subsidiary President Plastic Products MFG. Co., Ltd.	None
	(9). The Company made loans to sub-subsidiary City Sport.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 19 th meeting of the 11 th Board on December 23, 2022	(1). President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	None
	(2). The Company made loans to sub-subsidiary Sweatband.com.	None
	(3). Apply for bank loans.	None
	(4). 2022 Assessment of independence of CPAs.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	

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

3.3.1.2 The Board reports on the implementation of corporate governance

Board Meeting Dates	Corporate Governance Implementation Status	Attendance and Directors' Response
The 15 th meeting of the 11 th Board on March 31, 2022	(1). Report: Communication between governance unit and CPAs. (2). Report: Communication between governance unit and internal auditors.	All directors present at the meeting acknowledged resolutions.
The 19 th meeting of the 11 th Board on December 23, 2022	(1). Report: Corporate Sustainable Development implementation status in 2022. (2). Report: Ethical Corporate Management implementation status in 2022. (3). Report: Stakeholder reporting and communication in 2022. (4). Report: Status of the intellectual property management scheme in 2022. (5). Report: Implementation of risk management policies in 2022. (6). Report: Communication between governance unit and CPAs.	All directors present at the meeting acknowledged resolutions.

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

Name	Date	Motion	Grounds for Recusal	Participation in Voting
Chang, Chih-Chuan	The 14 th meeting of the 11 th Board on March 9, 2022	Entering into Contract of Construction of Plant on Leased Land.	Chang, Chih-Chuan was interested parties.	Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on resolutions of the Compensation Committee.
Lin, Ing-Gin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, Wang, Chih-Cheng	The 15 th meeting of the 11 th Board on March 31, 2022	Approval of 2021 distribution of employees' and directors' compensation	Lin, Ing-Gin, Zhuang, Zhu-Wei, Chang, Chih-Chuan, Hsieh, Chang-Hung, Wang, Kai-Li, Wang, Chih-Cheng were interested parties.	Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on resolutions of the Compensation Committee.

3.3.1.4 Evaluation of targets for strengthening of the functions of the Board during the current and immediately preceding fiscal years (e.g. setting up an Audit Committee, enhancing information transparency, etc) :

1. The Company adopted procedures for Board self-assessment or peer evaluation on Board meeting of November 11, 2016 and completed Board self-assessment report in December 2021. The result of the internal assessment is expected to be reported to the Board at its first quarter meeting in 2023 and disclosed on Company website.
2. To enhance the transparency of information, the Company issues major operations news in the form of material information.
3. The Company immediately discloses major resolutions on the Market Observation Post System after the Board meeting to protect shareholders' rights and interests, has a designated person responsible for the collection and disclosure of Company information, and establishes a spokesperson system to ensure timely and proper release of material information for shareholders and stakeholders.
4. The Company continually arranges professional training for directors. A total of 51 hours of director training with respect to the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report. The training was as follows.

Name	Date	Host by	Training/Speech Title	Duration	Total Hours
Lin, Ing-Gin	2022.09.18	Taiwan Investor Relations Institute	Corporate Governance Series - ESG and Tax Practice Analysis	3	6
	2022.11.10	Taiwan Corporate Governance Association	Cross-border merger analysis	3	
Zhuang, Zhu-Wei	2022.07.07	Taipei Exchange	"Sustainable Development Roadmap" Industry Theme Promotion Conference	2	8
	2022.08.25	Taipei Exchange	Seminar to insiders of listed/registered companies	3	
	2022.10.25	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3	
Chang, Chih-Chuan	2022.11.10	Taiwan Corporate Governance Association	Cross-border merger analysis	3	6
	2022.11.18	Securities & Futures Institute	TCFD Disclosure Practices And The Role Of The Board Of Directors.	3	
Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi	2022.06.21	Securities & Futures Institute	The practice seminar for director, supervisors and corporate governance director-Taipei	12	12
	2022.06.22				
Hsieh, Chang-Hung	2022.11.10	Taiwan Corporate Governance Association	Cross-border merger analysis	3	6
	2022.12.09	Taiwan Corporate Governance Association	Transforming to a risk intelligence organization – from fraud risk prevention, detection and investigation perspectives	3	
Wang, Kai-Li	2022.08.11	Taiwan Corporate Governance Association	Analysis of the global economic trends and technological pulse	3	6
	2022.11.10	Taiwan Corporate Governance Association	Cross-border merger analysis	3	
Wang, Chih-Cheng	2022.04.08	Taiwan Corporate Governance Association	Global information technology risk and Information security governance.	2	7
	2022.04.08	Taiwan Corporate Governance Association	The Net-Zero Trend: A Practical Observation of The Board's ESG	3	
	2022.06.10	Securities & Futures Institute	The 2022 Advocacy Briefing on Prevention of Insider Trading	3	

5. Board Performance Evaluation:

A. Performance Evaluation and Compensation

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

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

B. Result of Performance Evaluation

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

a. Internal Evaluation:

The individual directors are assessed on the following six aspects:

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

The weighted average score for the 2022 overall performance of the directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 3, 2023.

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

- Involvement in the Company' s operations
- Enhancement of the quality of the Board' s decision-making
- Makeup and structure of the Board
- Election of directors and continuing knowledge development
- Internal controls

The weighted average score for the 2022 overall performance of the directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 3, 2023.

b. External Expert Evaluation:

According to procedures for Board self-assessment or peer evaluation, external expert

evaluation shall be performed at least once every three years. The Company engaged Chainye Management Consulting Co. to conduct an external evaluation of the overall performance of Board, directors and functional committees for the year 2020. The evaluation was performed through a combination of data analysis (including self-assessment questionnaires and public information) and actual participation in the Company' s Board and functional committee meetings.

Evaluation scope was as follow.

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

Evaluation Result:

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

Suggestions / Improvements	Measures to be adopted
It is recommended that the Company plan in advance the terms of reference and operation of the Board of Directors and functional committees in accordance with the Corporate Governance 3.0 -Sustainable Development Roadmap.	<ol style="list-style-type: none"> 1. Introduce enterprise risk management mechanisms. 2. Provide diversified director continuing education. 3. Establish a Corporate Sustainability Committee to review sustainability reports and related issues.

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

1. Committee member term: May 28, 2020 to May 27, 2023
2. The purpose of the Audit Committee is to assist the Board in fulfilling its role of overseeing the quality and integrity of the Company's performance in relation to accounting, auditing, financial reporting processes and financial controls.
3. Audit Committee's annual work plan for 2022 is as follows.
 - (1) Financial statements.
 - (2) The policies and procedures for auditing and accounting.
 - (3) The policies and procedures for internal controls.
 - (4) The material asset or derivatives transactions.
 - (5) The material loaning of funds and endorsements/guarantees.
 - (6) The offering, issuance, or private placement of equity-type securities.
 - (7) The status of derivatives transactions and investments.
 - (8) Regulation compliance.
 - (9) Risk management.
 - (10) The evaluation of the independence and suitability of its CPA.
 - (11) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
 - (12) Regular communications between the Chief Internal Auditor and the CPA.
 - (13) The performance assessment of the Audit Committee.
4. Audit Committee's highlight of 2022:
 - (1) Review financial statements: The Board of Directors prepared the annual business report, the financial statements, and the earnings distribution proposal for the year 2021. The financial statements were audited and the audit report was issued by Deloitte. The above-mentioned business report, financial statements and earnings distribution proposal were forwarded to the Audit Committee for auditing, and the Audit Committee found that the same were prepared in accordance with the rules.
 - (2) The hiring of the CPA: The Audit Committee prepared CPA independence evaluation form with reference to Certified Public Accountant Act §47 and the Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence. The form evaluated the independence, competence and suitability of the CPA from the aspects of being a related party, having a business relationship, or having a financial interest with the Company.
 - (3) The 18th meeting of the 2nd Audit Committee on November 11, 2022, the 19th meeting of the 2nd Audit Committee on December 23, 2022, the 18th meeting of the 11th Board on November 11, 2022, and the 19th meeting of the 11th Board on December 23, 2022 approved that CPA Hsieh, Chien-Hsin and CPA Liao, Wan-I with Deloitte met the criteria for independence evaluation and were qualified to act as the Company's certified public accountants. M&A deals review: The Audit Committee reviewed the M&A proposal of IUVO, approved separately on the 17th meeting of the 11th Audit Committee on August 12, 2022 and submitted to the Board for a resolution.
5. Six Audit Committee meetings were convened in 2022 (A). The members' qualification and attendance status are as follows

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B/A 】	Note
Independent Director	Hsieh, Chang-Hung	6	-	100%	Appointed on May 28, 2020
Independent Director	Wang, Kai-Li	6	-	100%	Appointed on May 28, 2020
Independent Director	Wang, Chih-Cheng	6	-	100%	Appointed on May 28, 2020

6. Other required notes for the meetings:

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

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

Board Meeting Date	Resolution	Matters with the approval of two-thirds or more of all directors but without the approval of the Audit Committee
The 14 th meeting of the 11 th Board on March 9, 2022	(1) Amendment to handling procedures for acquisition or disposal of assets.	None
	(2) Amendment to the Company' s internal control policies and internal audit procedures.	None
	(3) The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(4) Apply for bank loans.	None
	(5) Entering into Contract of Construction of Plant on Leased Land.	None
	(6) Employee stock options are offered by Sweatband.com to their employees.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 15 th meeting of the 11 th Board on March 31, 2022	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Approval of 2021 annual financial statements and business report.	None
	(3) Approval of 2021 statement of internal control system.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 16 th meeting of the 11 th Board on May 11, 2022	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3) Approval of 2022 the first quarter consolidated financial statements.	None
	(4) The Company cancelled endorsements/guarantees for subsidiary Cardio Fitness GmbH & Co. KG.	None
	(5) The Company made loans to sub-subsidiary Cardio Fitness GmbH & Co. KG.	None
	(6) The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	None
	(7) The fifth buyback of treasury stock.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	

The 17 th meeting of the 11 th Board on August 12, 2022	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3) Approval of 2022 the second quarter consolidated financial statements.	None
	(4) Increase investment in sub-subsidiary Dyaco Japan.	None
	(5) Increase investment in sub-subsidiary Dyaco UK.	None
	(6) Increase investment in sub-subsidiary Dyaco Europe.	None
	(7) Apply for bank loans.	None
	(8) Acquired for 70% equities of IUVO.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 18 th meeting of the 11 th Board on November 10, 2022	(1) Loaning of funds for the subsidiaries of the Company.	None
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	None
	(3) Increase investment in sub-subsidiary Sole Inc. and Fitness Equipment Service, LLC.	None
	(4) Approval of 2022 the third quarter consolidated financial statements.	None
	(5) Apply for bank loans.	None
	(6) Transaction charges structure for IUVO' s equity segment.	None
	(7) Increase investment in sub-subsidiary IUVO.	None
	(8) Increase investment in sub-subsidiary President Plastic Products MFG. Co., Ltd.	None
	(9) The Company made loans to sub-subsidiary City Sport.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	
The 19 th meeting of the 11 th Board on December 23, 2022	(1) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	None
	(2) The Company made loans to sub-subsidiary Sweatband.com.	None
	(3) Apply for bank loans.	None
	(4) 2022 Assessment of independence of CPAs.	None
	Independent directors' opinions: None.	
	The Company' s responses to independent directors' opinions: None.	
	Resolution: All directors present at the meeting approved.	

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

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

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

1. Communications between the independent directors and the CPA

Date	Attendee	Summary
November 10, 2022	Independent Director Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Deloitte & Touche CPA Liao, Wan-I	<p>Communications between the Independent Directors and the CPA</p> <p>Preparation of financial statement timely and improvement process.</p> <p>Independent Directors' Response</p> <ol style="list-style-type: none"> 1. If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist. 2. There are many subsidiaries in the Dyaco International Group, and the parent company should fulfill the responsibility of supervising them. <p>The Company Follow-up</p> <ol style="list-style-type: none"> 1. Full cooperation with CPA in the audit. 2. The Company assigned additional manpower to carry out the responsibility of supervising the subsidiaries.
December 23, 2022	Independent Director Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng Deloitte & Touche CPA Hsieh, Chien-Hsin Liao, Wan-I	<p>Communications between the Independent Directors and the CPA</p> <ol style="list-style-type: none"> 1. According to the Statements of Auditing Standards No. 62, a CPA shall communicate with the governance unit; according to the Statements of Auditing Standards No. 58, a CPA shall communicate with the governance unit the key audit matters in the audit report. 2. The CPA communicated the planned scope and method in relation to Dyaco International Group's 2022 annual financial statements, including audit approaches for foreign subsidiaries (CPA adopted remote work mode and obtained audit documentation by e-mail or videoconferencing, etc.) 3. The CPA introduced the audit team members of Dyaco International Group. 4. The CPA declared that he had complied with the relevant regulations of the National Federation of CPA Associations of the R.O.C. "Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence" and had not violated independence. 5. The CPA explained the precautions against fraud. 6. The CPA identified and communicated the key audit matters of Dyaco International Group for 2022. 7. AQL. <p>Independent Directors' Response</p> <ol style="list-style-type: none"> 1. If the CPA has any difficulties or significant communication issues during the audit, the finance department should do its best to assist. 2. For the companies acquired and invested in this year, the Company should supervise the accounting quality and the timing for provision of reports to the Group for consolidated financial statements preparation and for CPA audit. 3. The Company should supervise to set supervision and management of subsidiaries and notification regulations. 4. The Company should supervise and follow up on key audit matters and other communication matters. 5. The audit approaches for key audit matters. The CPA is expected to provide suggestions in the next Audit Committee meeting on audit results. <p>The Company Follow-up</p> <ol style="list-style-type: none"> 1. Full cooperation with CPA in the audit. 2. The financial department will attend operating meeting. 3. The exit meeting will be held after the audit of 2022 annual financial statements in the first quarter of 2023.

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

Date	Attendee	Summary
December 23, 2022	Independent Director Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	<p>Communications between the Independent Directors and the CIA</p> <ol style="list-style-type: none"> 1. Last meeting follow-up. 2. 2021 audit matters. 3. 2022 annual engagements. 4. Human resource allocation by audit department <p>Independent Directors' Response</p> <ol style="list-style-type: none"> 1. Remind internal auditors to conduct the audit of major subsidiaries on major operation cycles.

	Chief Internal Auditor Liu, Yu-Li	<p>2. Engagements are submitted to the Audit Committee and the Board of Directors for resolution.</p> <p>3. Increase internal auditor depend on operation status.</p> <p>The Company Follow-up</p> <p>1. Engagements were discussed and passed in the Audit Committee meeting and the Board meeting on December 23, 2022.</p> <p>2. The 2023 audit of major subsidiaries on major operation cycles will be conducted in accordance with internal control standards.</p>
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3. Audit Committee

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

Audit Committee Meeting Date	Attended Independent Director	Attended Chief Internal Auditor	Summary	Resolution
March 9, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of December 2021, January 2022 and February 2022.	Reported to the Board of Directors after the Audit Committee' s approval.
March 31, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Approved 2021 internal control statement.	The Audit Committee and the Board of Directors approved.
May 11, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of March 2022 and April 2022.	Reported to the Board of Directors after the Audit Committee' s approval.
August 12, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of May 2022, June 2022 and July 2022.	Reported to the Board of Directors after the Audit Committee' s approval.
November 10, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Reported the audit report of August 2022, September 2022 and October 2022.	Reported to the Board of Directors after the Audit Committee' s approval.
December 23, 2022	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	<ul style="list-style-type: none"> Reported the audit report of November 2022. Approved 2023 annual audit plan. 	<ul style="list-style-type: none"> Reported to the Board of Directors after the Audit Committee' s approval. The Audit Committee and the Board of Directors approved.

4. Evaluation of the Audit Committee

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

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

The weighted average score for the 2022 overall performance of the directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 3, 2023.

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

3.3.3.1 Information of Remuneration Committee members

Title	Qualification	Professional qualifications and experience	Independence (Note 3)	Number of other public companies in which the member also serves as a member of their Remuneration Committee
	Name			
Independent Director	Hsieh, Chang-Hung	Served in Deputy Chief Secretary of National Science Council, head of Tax Administration, Tax Reform Commission, The Ministry of Finance Chief Secretary of Ministry of Transportation and Communication, President and General Manager of IBF Securities Investment Consulting, has come with excellent corporate governance experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-
Independent Director	Wang, Kai-Li	Served in Professor, Department of Financial, Tunghai University, Chairman of Taiwan Financial Development Association, Independent Director of Ginko International Co., Ltd. Independent Director of AKER Co., Ltd, has come with excellent financial and corporate governance experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	2
Other	Chen, Shih-Hsin	Served in Senior consultant of Ogilvy Public Relations, Vice professor, Department of Health Care Management, National Taipei University of Nursing and Health Sciences has come with excellent health communication, company culture, and Social Contagion Theory 、communication network analysis experiences.	(1) 、(2) 、(3) 、(4) 、(5) 、(6) 、(7) 、(8) 、(9) 、(10) 、(11) 、(12)	-

Note : Independence of the Remuneration Committee members in the two years before appointment and during their term. Those who comply will be disclosed above.

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

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

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, -68- minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a manager in (1) or not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of personnel in (2) and (3).

(5) Not directors, supervisors or legal shareholders who directly hold more than 5% of the total issued shares of the Company, in the top five for shareholdings, or appointed a representative as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for those who concurrently serve as independent directors established by the Company and its parent company, subsidiary, or subsidiary of the same parent company in accordance with this law or local laws and regulations).

(6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (but concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).

(7) Directors, supervisors or employees of other companies or institutions that are not the same person or spouse as the chairman, president or equivalent positions of the Company (but concurrent independent directors of the Company or its parent

company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).

(8) Not directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that is in financial or business dealings with the Company (but if a specific company or organization holds more than 20% but less than 50% of the Company's total issued shares, and the concurrent independent directors of the Company or its parent company, subsidiary or subsidiary of the same parent company as established by this law or local laws and regulations are not limited by this).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or president of a sole proprietorship, partnership, company, or institution that, provides auditing and commercial, legal, financial, accounting services or consultation that does not exceed NT\$500,000 in remuneration over the last two years to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not apply to members of the Remuneration Committee, Public Acquisition Review Committee, or Mergers and Acquisitions Special Committee who perform their duties in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers and Acquisitions Act.

(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

(11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C

3.3.3.2 The Remuneration Committee status

1. Committee Member Term: May 28, 2020 to May 27, 2023.

2. The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

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

(2) Periodically assessing and setting the types and amounts of the compensation of the directors and managerial officers.

(3) Two Remuneration Committee meetings were convened in 2022 (A). The members ' qualification and attendance status are as follows.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chair	Hsieh, Chang-Hung	2	-	100%	Re-appointed on May 28, 2020
Member	Wang, Kai-Li	2	-	100%	Re-appointed on May 28, 2020
Member	Chen, Shih-Hsin	2	-	100%	Re-appointed on May 28, 2020

3. Other required notes for the meetings:

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

Remuneration Committee Meeting Date	Resolution
The 6 th meeting of the 4 th Remuneration Committee on March 31, 2022	(1). Approval of 2021 distribution of employees' and directors' compensation.
	Resolution of the Remuneration Committee: Except members recused themselves from the discussion and voting, the chair put the motion before all members present at the meeting and none voiced an objection.
	The Company' s responses to the Remuneration Committee' s opinions: Except directors recused

	themselves from the discussion and voting, other directors present at the meeting approved based on the resolution of the Remuneration Committee.
The 7 th meeting of the 4 th Remuneration Committee on December 23, 2022	(1).Approval of 2023 compensation structure.
	(2).Approval of directors' and managers' compensation.
	(3).Approval of 2022 distribution of managers' annual bonus.
	(4).Approval of 5 th transfer of treasury shares to managers and employees.
	Resolution of the Remuneration Committee: Except members recused themselves from the discussion and voting, the chair put the motion before all members present at the meeting and none voiced an objection.
	The Company' s responses to the Remuneration Committee' s opinions: Except directors recused themselves from the discussion and voting, other directors present at the meeting approved based on the resolution of the Remuneration Committee.

- (2) If the Board of Directors refuses to adopt or modifies a recommendation by the Remuneration Committee, Board meeting dates, sessions, motions, resolutions of the meetings, and the Company' s responses to the Remuneration Committee' s opinions shall be noted (If the compensation approved by the Board of Directors is better than that suggested by the Remuneration Committee, the differences and reasons shall be stated): None.
- (3) If, with respect to any resolution of the Remuneration Committee, any member had a dissenting opinion or qualified opinion which was documented or issued through written statements, Remuneration Committee meeting dates, sessions, motions, all members' opinions and the handling thereof shall be noted: None.
- (4) Evaluation of the Remuneration Committee
- (5) The Company conducted an evaluation of the Company's functional committee at the end of the year and the Remuneration Committee members were assessed on the following four aspects:
- A. Involvement in the Company' s operations.
 - B. Awareness of the Remuneration Committee' s duties.
 - C. Enhancement of the quality of the Remuneration Committee' s decision-making.
 - D. Makeup of the Remuneration Committee and election of members.
- The weighted average score for the 2022 overall performance of the directors was 5 out of 5 and is expected to report the result to the Board of Directors at March 3,2023.

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

1. The composition, duties and operations of the Corporate Sustainability Committee

2. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it.

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

4. In accordance with the Company's Corporate Sustainability Committee chart, on August 11, 2021, the CSR Committee members were appointed as Corporate Sustainability Committee members with their term from August 11, 2021 to May 27, 2023. The Corporate Sustainability Committee consists of three independent directors with the chairman of the Board as the chairman of the Committee and the independent director Wang, Chih-Cheng as the deputy chairman.

5. The duties of the Corporate Sustainability Committee:

(1) Development of the Company's sustainable development policies.

(2) Establishment of sustainable development of the Company, including sustainable governance, ethical management, environmental and social objectives, strategy and implementation plan development.

(3) Regularly evaluate, follow up on, and amend the Company's sustainable development implementation, and report to the Board of Directors on a regular basis.

(4) Address the concerns of various stakeholders, including shareholders, customers, suppliers, employees, governments, non-profit organizations, communities, and the media, and oversee communication plans.

(5) Review of reports.

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

6. Two Corporate Sustainability Committee meeting was convened in 2022 (A). The members' qualifications, specialty and attendance status are as follows.

Title	Name	Specialty	Title	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chairman	Lin, Ing-Gin	Corporate Governance	Chairman	2	-	100%	Appointed on August 11, 2021
Deputy Chairman	Wang, Chih-Cheng	Legal	Independent Director	2	-	100%	Appointed on August 11, 2021
Member	Wang, Kai-Li	Finance	Independent Director	2	-	100%	Appointed on August 11, 2021
Member	Hsieh, Chang-Hung	Management	Independent Director	2	-	100%	Appointed on August 11, 2021

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

Corporate Sustainability Meeting Date	Resolution
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The 1 st meeting of the 1 st Corporate Sustainability Committee on December 28, 2021	(1). 2021 Sustainable development report.
	(2). Stakeholder survey on critical issues.
	Resolution of the Corporate Sustainability Committee: All Corporate Sustainability Committee members present at the meeting approved.
	The Company' s responses to the Corporate Sustainability Committee' s opinions: The Company implemented in accordance with the resolution.

8. Other required notes for the meetings: None.

3.3.5 The composition, duties and operations of the Nominating Committee

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

2. The duties of the Nominating Committee

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

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

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

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

3. The Remuneration Committee status

(1) Four members.

(2) Committee Member Term: August 12 , 2022 to August 12, 2023. Zero Corporate Sustainability Committee meeting was convened in 2022 (A). The members' qualifications, specialty and attendance status are as follows:

Title	Name	Specialty	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) 【 B / A 】	Note
Chairman	Lin, Ing-Gin	Corporate Governance	-	-	-	Appointed on August 12, 2022
Member	Wang, Chih-Cheng	Legal	-	-	-	Appointed on August 12, 2022
Member	Wang, Kai-Li	Finance	-	-	-	Appointed on August 12, 2022
Member	Hsieh, Chang-Hung	Management	-	-	-	Appointed on August 12, 2022

4. Other required notes for the meetings: None.

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

On March 8, 2019, the Board of Directors of the Company appointed the vice president of finance Chiu Yuan-Sheng, who had more than three years of experience in the position of finance director in a public company, as the corporate governance director. The main duties of which are furnishing information required for business execution by directors, assisting directors' compliance of law by providing the latest regulations related to the operation of the Company, and reporting to the Board of Directors at the end of each year regarding the effectiveness of operations.

1. The 2022 business promotion was as follows and reported to the Board of Directors on December 23, 2022:

Year Activity	2022 Implementation Status
Regularly informed the Board members of the latest regulations related to the Company's industry and corporate governance.	The regulations of Corporate Governance 3.0 and preparation of financial statements by the Company were promoted.
Offered inhouse training courses for the Board members.	The training course were held on November 10, 2022.
Evaluated the purchase of directors liability insurance.	The renewal of insurance was completed on September 15, 2022 and reported to the Board on November 10, 2022.
The agenda of the Board meeting followed the procedure of the Board meeting.	Held 2022 Board meetings.
The agenda of the shareholder meeting followed the procedure of the shareholder meeting.	Held 2022 shareholder meeting.
Stakeholder communication report.	Stakeholder communication report was reported to the Board on December 23, 2022
Planned and implemented annual corporate governance evaluation.	Top 6%~20% of listed companies for 2021 corporate governance evaluation.

2. The corporate governance training courses for corporate governance director in 2022:

Date		Host by	Course	Duration	Total Hours in 2022
From	To				
2022.07.28	2022.07.29	Taiwan Institute for Sustainable Energy	2022 Net Zero and Sustainability Forum	5	14.0
2022.09.29	2022.09.29	Taiwan Stock Exchange	2022: Reference guide for Independent Director & Audit Committee	3	
2022.11.10	2022.11.10	Taiwan Corporate Governance Association	Cross-border merger analysis	3	
2022.11.11	2022.11.11	Taiwan Futures Exchange	The seminar of derivatives strategies and prospect	3	

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

Assessment Item	Implementation Status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Summary	
1. Whether the Company has formulated and disclosed “Corporate Governance Best Practice Principles,” according to “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” ?	V		The Company has formulated the “Corporate Governance Best Practice Principles” for the establishment of a good corporate governance system, which were last amended on February 21, 2020 in accordance with the provisions amended by the competent authorities, and submitted to the Board for approval and implementation, as disclosed on the Market Observation Post System and the Company's website at www.dyaco.com for download and reference.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
2. The Company’ s shareholding structure and shareholders’ interest (1) Whether the Company has formulated and implemented internal procedures for handling suggestions, questions, disputes, and litigation of shareholders.	V		Besides through the stock transfer agency, the Company has internal material information handling and insider trading prevention management procedures in place, and has a spokesperson, acting spokesperson and investment relations department to properly address shareholder and investor suggestions, queries, and disputes in order to ensure shareholders' interests.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
(2) Whether the Company has got hold of the list of major shareholders and their ultimate controllers.	V		The Company keeps track of the shareholdings of directors, managers and substantial shareholders holding more than 10% of the shares, and keeps up with the list of substantial shareholders and their ultimate controllers as far as possible through successive shareholder registers, reports changes in their shareholdings on a monthly basis, and discloses the list of the top 10 shareholders in the annual report and on the Company's website at www.dyaco.com .	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
(3) Whether the Company has established and implemented risk management and firewall mechanism pertaining to affiliates.	V		Regarding supervision of its affiliated companies, the Company has, pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies,” “Regulations Governing Establishment of Internal Control Systems by Public Companies,” “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” drawn up the “Corporate Governance Best Practice Principles,” “Internal Control System,” “Operational Procedures for Loaning of Funds and Making of Endorsements/Guarantees,” “Procedures for the Acquisition or Disposal of Assets,” “Regulations Governing the Supervision and Management of Subsidiaries,” and “Regulations Governing the Management of Transactions with Related Parties, Specific Companies and Group Companies,” clearly delineating the duties and responsibilities among the Company and its affiliates and building appropriate firewalls based on risk assessment to eliminate unconventional transactions and strictly prohibit conveyance of unjust interests.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
(4) Whether the Company has formulated internal norms forbidding the Company’ s insiders to take advantage of unpublicized information in trading in securities.	V		The Company has the “Code of Ethical Conduct,” “Operating Procedures and Conduct Guidelines for Ethical Corporate Management,” and “Internal Material Information Handling and Insider Trading Prevention Management Procedures,” under which insiders are not allowed to engage in insider trading with unpublished information of which they are aware, nor are they allowed to leak undisclosed information to others.	Compliance with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
3. Composition and duties of the Board of Directors (1) Whether the Board of	V			Compliance with

Assessment Item	Implementation Status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and reasons																																										
	Yes	No	Summary																																											
Directors has formulated and achieved diversification for the composition of its membership.			<div>1. To implement the diversity of the Board of Directors, the core competencies that the directors shall have are set out in the “Director Election Regulations,” the amendments to which were approved unanimously by the 16th Session of the 9th Board of Directors on March 2, 2017, with the diversity policy disclosed on the Market Observation Post System and the Company’ s website at www.dyaco.com.</div> <div>2. The Company has drawn up a policy on diversity in the composition of the Board of Directors in the “Director Election Regulations.” The Company selects directors with the necessary knowledge, skills and qualities to perform their duties based on their professional backgrounds and work areas. In order to achieve the desired objectives of corporate governance, the Board of Directors as a whole shall have the following capabilities:<div><div>(1) Operational judgement.</div><div>(2) Accounting and financial analysis skills.</div><div>(3) Operational management capacity.</div><div>(4) Crisis management capacity.</div><div>(5) Industrial knowledge.</div><div>(6) Global market insights.</div><div>(7) Leadership.</div><div>(8) Decision-making capacity.</div></div></div> <div>3. The diversity of backgrounds of individual directors of the 11th Board is as follows:<div><div>(1) The gender composition of the Company's directors is as follows:<table><tr><th>Gender</th><th>Place</th><th>% of All Directors</th></tr><tr><td>Female</td><td>1</td><td>14%</td></tr><tr><td>Male</td><td>6</td><td>86%</td></tr></table><div>The Company places emphasis on gender equality in the composition of the Board of Directors. The short-term goal of having at least one woman on the Board of Directors has been achieved; the current proportion of women on the Board is 14%.</div></div><div>(2) The age range of the Company's directors is as follows:<table><tr><th>Age Range</th><th>Place</th><th>% of All Directors</th></tr><tr><td>Age 36 to 40</td><td>1</td><td>14%</td></tr><tr><td>Age 51 to 60</td><td>4</td><td>58%</td></tr><tr><td>Age 61 to 70</td><td>1</td><td>14%</td></tr><tr><td>Age 71 to 75</td><td>1</td><td>14%</td></tr></table></div><div>(3) Directors of the Company in their capacity as employee:<table><tr><th>Directorship</th><th>Place</th><th>% of All Directors</th></tr><tr><td>Part-time staff</td><td>0</td><td>0%</td></tr><tr><td>Not part-time staff</td><td>7</td><td>100%</td></tr></table></div><div>(4) The directors of the Company are all ROC nationals.</div><div>(5) The directorships of the Company are as follows:<table><tr><th>Directorship</th><th>Place</th><th>% of All Directors</th></tr><tr><td>Director</td><td>4</td><td>57%</td></tr><tr><td>Independent Director</td><td>3</td><td>43%</td></tr></table><div>The Company expects to achieve a balanced composition of ordinary and independent directors on the Board of Directors in order to step up oversight function of the Board. The proportion of independent directors of the Company is over 40% for the current term, and to</div></div></div></div>	Gender	Place	% of All Directors	Female	1	14%	Male	6	86%	Age Range	Place	% of All Directors	Age 36 to 40	1	14%	Age 51 to 60	4	58%	Age 61 to 70	1	14%	Age 71 to 75	1	14%	Directorship	Place	% of All Directors	Part-time staff	0	0%	Not part-time staff	7	100%	Directorship	Place	% of All Directors	Director	4	57%	Independent Director	3	43%	“Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies”
Gender	Place	% of All Directors																																												
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Assessment Item	Implementation Status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons																																																																																
	Yes	No	Summary																																																																																	
			<p>achieve a balanced composition, the Company will increase the number of independent directorships in the next term, subject to operational circumstances.</p> <p>(6) The terms of office of the independent directors are as follows:</p> <table><tr><th>Directorship</th><th>Place</th><th>% of All Directors</th></tr><tr><td>4~6 years</td><td>1</td><td>17%</td></tr><tr><td>Over 9 years</td><td>2</td><td>83%</td></tr></table> <p>(7) The assessment of diversified core competencies for the directors are as follows:</p> <table><tr><th>Diversified core competencies Directors</th><th>Operational judgement</th><th>Accounting and financial analysis skills</th><th>Operational management capacity</th><th>Crisis management capacity</th><th>Industrial knowledge</th><th>Global market insights</th><th>Leadership</th><th>Decision-making capacity</th></tr><tr><td>Lin, Ing-Gin</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td></tr><tr><td>Zhuang, Zhu-Wei</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Chang, Chih-Chuan</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Li, Bo-Yi</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Hsieh, Chang-Hung</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Kai-Li</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr><tr><td>Wang, Chih-Cheng</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td></tr></table> <p>4. Board members and key management succession planning: In a succession plan, the Company's successors shall be involved in the sports equipment industry on a long-term basis, and must adhere to the highest principle of integrity in the Company's operation. The Company's General Manager, Chen Ming-Nan, has expertise in research and development, management and manufacturing, and Executive Vice President of Finance, Wu Mei-Hua, has expertise in financial management. Chen, Ting-Chung, the president of the sub-subsidiary Spirit Manufacturing Inc., has been working in the North American sports market for a long time, expanding the Company' s business in North American and focusing on operations management, with business and operations management skills. he training for senior management succession entails management competencies, professional competencies, personal development plans, including human resources, financial risk, EMBA, etc. Through professional competence training, the training is integrated to develop the ability of decision making and judgment. The Company expects that the addition of this member will continue to provide an effective, diverse and gender-equitable operating environment. Therefore, in addition to professional competence, at least one female director must be appointed to achieve</p>	Directorship	Place	% of All Directors	4~6 years	1	17%	Over 9 years	2	83%	Diversified core competencies Directors	Operational judgement	Accounting and financial analysis skills	Operational management capacity	Crisis management capacity	Industrial knowledge	Global market insights	Leadership	Decision-making capacity	Lin, Ing-Gin	V	V	V	V	V	V	V	V	Zhuang, Zhu-Wei	V	V	V	V		V	V	V	Chang, Chih-Chuan	V		V	V		V	V	V	Li, Bo-Yi	V		V	V		V	V	V	Hsieh, Chang-Hung	V	V	V	V		V	V	V	Wang, Kai-Li	V	V	V	V		V	V	V	Wang, Chih-Cheng	V	V	V	V		V	V	V
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Lin, Ing-Gin	V	V	V	V	V	V	V	V																																																																												
Zhuang, Zhu-Wei	V	V	V	V		V	V	V																																																																												
Chang, Chih-Chuan	V		V	V		V	V	V																																																																												
Li, Bo-Yi	V		V	V		V	V	V																																																																												
Hsieh, Chang-Hung	V	V	V	V		V	V	V																																																																												
Wang, Kai-Li	V	V	V	V		V	V	V																																																																												
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Assessment Item	Implementation Status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
			gender equality on the Board of Directors.	
(2) Whether the Company has established its own various functional committees other than the Remuneration Committee and the Audit Committee.	V		To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it. The composition, responsibilities and operations of the Corporate Sustainability Committee are described in Section 3.3.5.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
(3) Whether the Company has formulated measures and methods for the evaluation of the performance of the Board of Directors, conducts performance evaluation annually and submits the results of the performance evaluation to the Board of Directors for the reference of individual director's compensation and nomination for reappointment?	V		1. The Company issues a performance self-assessment questionnaire to all Board members in December of each year and performs the current year's performance evaluation at the end of the year. 2. For the 2022 Board of Directors' evaluation, please refer to Section 3.3.1.4. 3. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the Company's directors shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's Board of Directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of directors shall be determined by the Remuneration Committee regarding the extent of their participation in and contribution to the operations, with the reasonable fairness of performance risks linked to the compensation received, and the Board of Directors authorized to make payments in accordance with the Remuneration Committee's assessment and the usual standards of the industry.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
(4) Whether the Company has regularly evaluated the independence of certified public accountants.	V		The Company evaluates the independence and suitability of its certified public accountants (CPA) once a year, with the results of the most recent two annual evaluations submitted on December 28, 2021 and December 23, 2022 to the Board of Directors for approval after deliberations by the Audit Committee; please refer to below for details of the 2022 evaluation.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
4. Whether the listed company has a suitable and appropriate number of corporate governance personnel and has designated a corporate governance officer to be responsible for corporate governance-related matters (This includes, but is not limited to, providing information necessary for directors and supervisors to carry out their business, assisting directors and supervisors in complying with laws and regulations, holding board meetings and shareholders' meetings in accordance with the law, preparing minutes of board meetings and shareholders' meetings, etc.).	V		1. On March 8, 2019, the Board of Directors of the Company appointed Vice President of Finance Chiu, Yuan-Sheng as the head of corporate governance, who had more than three years of experience in the position of finance director in a public company, the main duties of which are to provide the directors with the information necessary for the execution of business, the latest regulations related to the operation of the Company to assist the directors and the Company to comply with the laws and regulations, and report to the Board of Directors at the end of each year to review the effectiveness of operations. 2. See Section 3.3.6 for the corporate governance director's duties, business execution highlights and continuing education.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
5. Whether the Company has established communications channel for stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and dedicated sector for stakeholders in its website, in addition to responding properly to key issues in corporate social responsibility concerned by stakeholders.	V		<ol style="list-style-type: none"> 1. The Company attaches importance to the balance of rights and obligations among its stakeholders, including authorities, employees, shareholders and investors, customers, suppliers, social groups and community residents, etc. While maintaining good communication with stakeholders, the Company has a section for stakeholders on its website. 2. Communication between various types of stakeholders in 2021 was reported by the head of corporate governance to a board meeting on December 23, 2022 and disclosed on the Company's website. 	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
6. Whether the Company appoints a professional stock agent to conduct the affairs of the shareholders' meeting.	V		The Company's stock agency to be represented by Fubon Securities Transfer Agency Department, which was approved for the record by a letter dated March 22, 2012 from Taiwan Depository & Clearing Corporation.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
7. Information publication 1. Whether the Company has installed website for publication of information on finance, business and corporate governance.	V		Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at www.dyaco.com .	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
2. Whether the Company adopts other means of information disclosure (such as setting up an English website, designating a person responsible for the collection and disclosure of company information, implementing a spokesperson system, and posting of the process of investors' conference on the Company website, etc.)	V		<ol style="list-style-type: none"> 1. Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at www.dyaco.com. 2. The Company's English website is maintained by dedicated staff, and the Company has also established a spokesperson system and an Investor Relations Department to serve shareholders and investors. 3. Information relating to shareholders' meetings or investors' conference is available on the Company's website. 	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"
3. Whether the Company discloses and reports the annual financial reports within two months after the end of the fiscal year, and declares the first, second, and third quarter financial reports and the monthly operations within the prescribed time limit.	V		The Company shall, within a time limit prescribed in Article 36 of the Securities and Exchange Act, announce and report its annual financial reports, first, second and third quarter financial reports, with its operations for each month published as scheduled.	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Discrepancy with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
8. Whether the Company has any other important information that would be useful in understanding the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of interested parties, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors).	V		<ol style="list-style-type: none"> 1. Employee rights and employee care: Please refer to Section on labour relations. 2. Investor relations: The Company has spokespersons, acting spokespersons and investor relations division whose contact information are publicly available, so that investors can reflect their opinions at any time, with the financial and corporate governance content updated on the Market Observation Post System and the Company's website in real time, which helps to enhance information transparency. 3. Supplier relations: The Company has smooth communication channels and good interaction with its suppliers. 4. Rights of interested parties: Stakeholders may communicate with the Company and make suggestions to protect their legal rights and interests. 5. Director training: The Company's directors have participated in continuing education on corporate governance in accordance with the regulations. Please refer to Section 3.3.1.4 for further details. 6. Implementation of risk management policies and risk measurement standards: <ol style="list-style-type: none"> (1) Risk management policies: <ol style="list-style-type: none"> A. Market risk management: Avoid excessive concentration of customers and product lines. B. Credit risk management: Periodically review the creditworthiness of customers, manage accounts receivable, and monitor cash flows and use of funds. C. Operational risk management: Establish, amend and promote various standard operating procedures. D. Enterprise scale risk management: Implement performance management and profit center system and regularly review the economic scale of each product line and subsidiary. (2) Risk management framework: <p>The management of the Company's operational risks is assigned to the relevant units according to the nature of their business, and is monitored by the Audit Department for the existing or potential risks of each operation.</p> <ol style="list-style-type: none"> A. Financial: Conduct financial dispatching, use funds and establish hedging mechanisms to reduce financial risk; and plan and develop short, medium and long-term financial and investment strategies. B. Business: Conduct product marketing and keep abreast of market trends to abate operational risks. C. Information: Perform network planning, construction, operation and maintenance, continuously monitor network quality, assess information risks and take appropriate response measures to reduce operational risks. D. Legal: In addition to reviewing the legality of contractual documents, assisting in controlling legal risks, complying with the laws and handling contractual and litigation disputes to mitigate legal risks. E. Audit: Promote the internal control system, conduct audit planning, and perform auditing to ensure its continued effectiveness in order to achieve the effectiveness and efficiency of the Group's operations, the reliability and timeliness of reporting and compliance with 	Compliance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"

Assessment Item	Implementation Status			Discrepancy with “Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and reasons									
	Yes	No	Summary										
			<p>relevant laws and regulations.</p> <p>F. Board of Directors: The Board is the highest decision-making unit for risk management of the Company and approves risk management policies to ensure effective control of operational risks by taking into account the overall operational risks and business environment.</p> <p>(3) Analysis and assessment of risk issues: Please refer to Section on risk issues.</p> <p>7. Implementation of customer policy: The Company has set up a customer service department to handle customer complaints and properly identify the problems and responsibilities to ensure the quality of service to customers.</p> <p>8. The liability insurance for directors and supervisors is as follows:</p> <table><tr><th>Date of Most Recent Board Meeting</th><th>Insurance Period</th><th>Insured Amount</th></tr><tr><td>November 12, 2021</td><td>September 15, 2021 – September 15, 2022</td><td>USD 5,000,000</td></tr><tr><td>November 10, 2022</td><td>September 15, 2022 – September 15, 2023</td><td>USD 5,000,000</td></tr></table> <p>9. The aforementioned communication with stakeholders and priority concerns shall be reported to the Board of Directors at least once a year and disclosed on the Company's website at www.dyaco.com; the communication with stakeholders in 2022 was reported to the Board of Directors on December 23, 2022.</p>	Date of Most Recent Board Meeting	Insurance Period	Insured Amount	November 12, 2021	September 15, 2021 – September 15, 2022	USD 5,000,000	November 10, 2022	September 15, 2022 – September 15, 2023	USD 5,000,000	
Date of Most Recent Board Meeting	Insurance Period	Insured Amount											
November 12, 2021	September 15, 2021 – September 15, 2022	USD 5,000,000											
November 10, 2022	September 15, 2022 – September 15, 2023	USD 5,000,000											
9. Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange and propose priority enhancements and measures for those that have not yet been improved.													
(1) In the 9 th Corporate Governance Review, the Company was ranked at 6% to 20%.													
(2) Improvements made													
A. CIA													
(3) Priorities to be reinforced in the future: Compliance with Corporate Governance 3.0.													

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

Independence evaluation of its certified public accountants (CPA)

1. assessment committee: Audit committee

2. Date: 2022.12.23

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

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

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

5. Conclusion

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

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

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Yes	
1. Does the Company have a governance structure for promoting sustainable developments and exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing sustainable development, and let the Board of Directors entrust the highranking management with the implementation and supervise the status?	V		<p>1. To implement the promotion of corporate social responsibility and sustainable management, the Board of Directors established the Corporate Sustainability Committee on August 11, 2021 and merged the CSR Committee into it.</p> <p>2. The Board of Directors approved the Corporate Sustainability Committee charter on August 11, 2021 for the Committee to follow.</p> <p>3. The Company' s CSR dedicated staff is the project secretary of the Corporate Sustainability Committee, responsible for promoting various programs and establishing ESG policies to be approved by the Board of Directors.</p> <p>4. The results of CSR promotion in 2022 were reported to the Board of Directors on December 23, 2022. Please refer to the following section "Other important information to help understand the operation of CSR" for the implementation results.</p> <p>5. The Company' s Corporate Sustainability Committee project secretary participates in external CSR-related workshops to understand how to implement the United Nations' Global Sustainable Development Goals (SDGs) into CSR, and actively engages in external CSR evaluations to improve itself and enhance its social responsibility. The social responsibility education and training courses in 2022 are as follows.</p> <p>(1). ISO 45001:2018 Occupational Safety and Health Management System.</p> <p>(2). ISO 50001 Energy Management System</p> <p>(3). GRI Standards and report practice.</p> <p>(4). ISO 14064-1:2018 Lead auditor training for GHG examination and control.</p> <p>(5). ISO 14064-1:2018 The verification and validation of GHG.</p> <p>(6). ISO 14067 Carbon footprint of products-Requirements and guidelines for quantification.</p> <p>(7). The seminar of CPC industry sustainable development and ESG.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies												
	Yes	No	Yes													
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		<ul style="list-style-type: none">● Risk Management <p>In the course of business management, prevention and control of possible risks are carried out, and relevant early warning measures are developed. In accordance with the principle of materiality, the Company conducts risk assessment on environmental, social, corporate governance and IT security issues related to its operations, which serve as a reference for the Company’ s risk management and operational strategies. The results of Risk Management in 2022 were reported to the Board of Directors on December 23, 2022.</p> <ul style="list-style-type: none">● Risk Management Policies and Procedures <p>Environmental issues</p> <p>The Company has established procedures to respond to environmental management issues related to the Company's business, with the main objective of reducing and preventing environmental impacts. The Company has established the following environmental management procedures:</p> <table><tr><th>Environmental Issues</th><th>Response</th></tr><tr><td>Recycling and waste management</td><td>Waste and recyclables management procedures</td></tr><tr><td>Pollution prevention and resource conservation</td><td>Environmental operation management procedures</td></tr><tr><td>Hazardous substance management</td><td>Environmental hazardous substance management procedures</td></tr><tr><td>Water resource management</td><td>Wastewater and plant noise management procedures</td></tr><tr><td>Energy consumption and greenhouse gas emissions</td><td>Energy consumption and greenhouse gas emission management procedures</td></tr></table> <p>The Company obtained ISO14001 certification in Dec 2021.</p> <p>Social issues</p> <p>In terms of social issues, a safe and healthy working environment for our employees is the Company’ s top priority. To ensure the physical and mental health of our employees and to enhance the safety of the workplace environment, we have a "Social Responsibility Management Manual" in place to regulate and promote workplace safety and the importance of physical and mental health of our employees through employee health checks, fire drills and education and training courses.</p> <p>Corporate governance issues</p> <p>With respect to corporate governance issues, the Company avoids violating the laws and regulations of the competent authorities to jeopardize the Company’ s reputation by setting up the Audit Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee, and establishing the position of Corporate Governance Officer to jointly supervise the Company’ s compliance with the relevant laws and regulations and implement corporate governance.</p>	Environmental Issues	Response	Recycling and waste management	Waste and recyclables management procedures	Pollution prevention and resource conservation	Environmental operation management procedures	Hazardous substance management	Environmental hazardous substance management procedures	Water resource management	Wastewater and plant noise management procedures	Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”
Environmental Issues	Response															
Recycling and waste management	Waste and recyclables management procedures															
Pollution prevention and resource conservation	Environmental operation management procedures															
Hazardous substance management	Environmental hazardous substance management procedures															
Water resource management	Wastewater and plant noise management procedures															
Energy consumption and greenhouse gas emissions	Energy consumption and greenhouse gas emission management procedures															

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

Evaluation Item	Implementation status				Discrepancy with industry standards in sustainable development practices and reasons for listed companies
	Yes	No	Yes		
(2) Does the Company endeavor to improve energy usage efficiency and use renewable materials which have a low impact on the environment?	V		<p>1. The Company' s main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment. As of 2022, a total of 250 suppliers, 66.67% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards.</p> <p>2. Energy-saving measures are formulated according to the "Administrative Measure for Energy Consumption and Greenhouse Gas Storage" , and the plans are promoted top-bottom within the company. To maximize the benefits of green energy use in factories, we have developed a policy on solar power generation systems. The roofs of factories are leased by the solar generation vendor, installed with solar power generation systems, and sold to Taipower. There are three solar power generation systems, in 2022, the CO2 reduction is 932,491 kg. By installing the solar energy system, the radiation heat dissipation was blocked, achieving the indoor cooling effect, and indirectly reducing the power consumption of air conditioners.</p> <p>3. The president and management department promote energy saving The Company follows the regulations and the "Environmental Safety and Health Policy," the "Environmental Operation Management Procedures," and the "Wastewater and Plant Noise Management Procedures" in the Company's social responsibility management manual. It discharges pollutants from air, water, or waste according to the standards with the management department' s inspection and management.</p> <p>4. The Company also encourages employees to participate in water conservation and incorporates green management into its corporate sustainability strategy. At the same time, the Company has set up a wastewater pre-treatment system to reduce the COD and SS of the wastewater to permitted and approved discharge volume before it is dumped into the sewage sewer to reduce loads of sewage systems. In 2022, there was no violation of wastewater discharge standards.</p> <p>5. Waste management is carried out by the general affairs department in accordance with the "Waste and Recyclables Management Procedures." The waste generated during the manufacturing process is general industrial waste, which is mainly organic sludge and scrapped furnace dust from production process, and general waste from company operations. The Company, in accordance with the laws, commissions qualified industrial waste disposal organization to perform the disposal of industrial waste.</p>		Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation status				Discrepancy with industry standards in sustainable development practices and reasons for listed companies								
	Yes	No	Yes										
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		<p>1. With regard to environmental issues, in view of the impact of climate change on the corporate operations, the Company has identified climate change and hazardous substances pollution as major risks, and has laid down procedures for the management of energy consumption and greenhouse gas emissions, procedures for the management of environmentally hazardous substances and procedures for the management of suppliers/subcontractors, and has reported to the Board of Directors and the Corporate Social Management Committee regularly. The Company departments conduct business inventory and risk identification for climate change, including analysis of risks and opportunities arising from direct or indirect impacts of extreme weather events, and estimates management costs and financial impacts based on a risk management strategy plan as a core of response actions on climate change. The information collected as described above is used to strengthen the Company's climate change governance and to systematically assess financial correlations in order to mitigate risks and seize business opportunities.</p> <table><tr><th>Risk category</th><th>Climate change risk identification</th><th>Climate change opportunity identification</th><th>Possible business items for company operation</th></tr><tr><td>Products and services</td><td>Low carbon products or services</td><td>Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.</td><td>Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.</td></tr></table> <p>2. The decrease in total emissions was due to lower capacity utilization in 2022 compared to that in 2021. The Company reduced its CO2 emissions due to solar power generation by a total of 929,954kg in 2022 , which was reduced by 92.6%</p>		Risk category	Climate change risk identification	Climate change opportunity identification	Possible business items for company operation	Products and services	Low carbon products or services	Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.	Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”
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Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies												
	Yes	No	Yes													
(4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V		<p>1. greenhouse gas emission</p> <p>Countries have recently established a consensus on greenhouse gas emissions control. Dyaco International has made greenhouse gas management a key policy in response to environmental protection and to reduce operational risks. The Company is committed to reducing greenhouse gas emissions year by year according to a plan within its capacity and making efforts to protect the environment.</p> <p>To reduce air pollution caused by diesel forklifts, the Company has increased the use of electric forklifts for material, semi-finished, and finished product handling on the assembly line. We also aim to gradually replace and reduce the proportion of diesel forklifts used in our facilities.</p> <p>As a manufacturer of sports equipment, the main source of greenhouse gas emissions for Dyaco International is the purchased electricity. The Company has completed the verification of greenhouse gas emissions according to ISO 14064-1:2018 in the first quarter of 2023, using 2021 as the base year. The greenhouse gas emissions for Changhua Factory, Factory 2, Factory 5, Taipei, and Taichung offices have been disclosed.</p> <table><tr><th>Unit:Tons CO₂e/Year</th><th>2021</th><th>2022</th></tr><tr><td>Scope1</td><td>680.403</td><td>238.679</td></tr><tr><td>Scope2</td><td>1,969.008</td><td>1,525.141</td></tr><tr><td>Scope1+ Scope2</td><td>2,649.410</td><td>1,763.820</td></tr></table> <p>* Scope 1: include CO2, CH4, and N2O generated by natural gases, motor gasoline, diesel oil</p> <p>*Scope 2: Electricity, based on the Bureau of Energy, 2021 power factor: 0.509 kgCO2e/kWh</p> <p>*Scope 2: Electricity, based on the Bureau of Energy, 2022 power factor: 0.509 kgCO2e/kWh</p> <p>The Company established energy-saving measures based on the "Regulations for the Management of Energy Consumption and Greenhouse Gas Emissions" and promoted them within the Company from top to bottom. To enhance the use of green energy, Dyaco International has established a solar power generation policy to maximize the efficiency of its factories. The roofs of various factory buildings are made available for lease to vendors to install solar power generation systems and sell excess electricity back to the Taiwan Power Company. In 2022, the three current solar power generation systems produced a total of 1,909,355 kWh of solar power, resulting in the reduction of 971,862 kg of carbon dioxide emissions. Installing solar energy systems can block radiation heat dissipation, resulting in an indoor cooling effect and indirectly reducing air conditioning power consumption.</p> <p>(1). The Company's greenhouse gas (GHG) inventory refers to ISO14064-1:2018, revealing the emissions of Changhua Plant 1, Plant 2 and Plant 5, and calculation of GHG emissions is not verified by a third party. We are engaged in the manufacturing of sports equipment, and the primary source of greenhouse gas is from purchased electricity, accounting for more than 90% of the total amount in the past four years.The Company is devoted to promoting energy conservation and carbon reduction in the long term by generating electricity through solar power systems to reduce carbon dioxide (CO2) emissions, with the following emission reduction targets:</p>	Unit:Tons CO ₂ e/Year	2021	2022	Scope1	680.403	238.679	Scope2	1,969.008	1,525.141	Scope1+ Scope2	2,649.410	1,763.820	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies"
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Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies																																						
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			<table><tr><th>Range</th><th>Period</th><th>Coverage Area</th><th>Reduction of CO₂ emissions</th></tr><tr><td>Short term</td><td>2020-2026</td><td rowspan="3">Factory 1 , 2, 5 in Changhua Taipei office and Taichung office</td><td>Average annual decrease of 800,000kg</td></tr><tr><td>Medium term</td><td>2027-2031</td><td>Average annual decrease of 900,000kg</td></tr><tr><td>Long term</td><td>2031-</td><td>Average annual decrease of 950,000kg</td></tr></table> <p>(2). The Company reduced its CO2 emissions due to solar power generation by a total of 7,459,929 kg from 2015 to 2022, with an average annual decrease of 971,861kg, reaching its long-term target.</p> <p>(3). CO2 emissions for the past two years are as follows.</p> <table><tr><th>Item</th><th>2021</th><th>2022</th></tr><tr><td>Emission</td><td>1,936,754</td><td>1,006,800</td></tr><tr><td>Decrease (Solar Power)</td><td>971,861</td><td>971,861</td></tr><tr><td>Total Emissions</td><td>1,004,263</td><td>74,309</td></tr></table> <p>The decrease in total emissions in 2022 is attributed to the reduced production capacity utilization compared to the previous year.</p> <p>2. Water usage</p> <p>Tap water is used for Company’ s process and non-process operations in each location, and no other water sources are used. Process water is mainly used in production operations, and the largest part of which is wastewater generated from the surface pre-treatment of the painting process - alkali dipping and film forming. To reduce water wastage, the wastewater from alkali dipping and film forming operations is recycled and reused. The generated wastewater is distributed to the wastewater pre-treatment system pursuant to the regulations. Non-process water is used for employees' daily use, and the sewage is treated to the extent that it complies with the regulations and is dumped into the sewer.</p> <p style="text-align: right;">Unit:Million Liters</p> <table><tr><th></th><th>2021</th><th>2022</th></tr><tr><td>Total Water Usage</td><td>21.787</td><td>11.088</td></tr><tr><td>Total Water Dischange</td><td>19.964</td><td>8.573</td></tr><tr><td>Water Consumption</td><td>1.823</td><td>2.515</td></tr></table> <p>*Water Usage is based on three factories in Changhua and Taichung office water bills.</p> <p>*Total Water Discharge = Wastewater + Sewage</p> <p>*Water Consumption = Total Water Usage – Total Water Discharge</p>	Range	Period	Coverage Area	Reduction of CO ₂ emissions	Short term	2020-2026	Factory 1 , 2, 5 in Changhua Taipei office and Taichung office	Average annual decrease of 800,000kg	Medium term	2027-2031	Average annual decrease of 900,000kg	Long term	2031-	Average annual decrease of 950,000kg	Item	2021	2022	Emission	1,936,754	1,006,800	Decrease (Solar Power)	971,861	971,861	Total Emissions	1,004,263	74,309		2021	2022	Total Water Usage	21.787	11.088	Total Water Dischange	19.964	8.573	Water Consumption	1.823	2.515	
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Evaluation Item	Implementation status					Discrepancy with industry standards in sustainable development practices and reasons for listed companies		
	Yes	No	Yes					
			3. The waste disposal waste generated during the manufacturing process is general industrial waste, which is mainly organic sludge and scrapped furnace dust from production process, and general waste from company operations.					
			Unit : Tons					
					110		111	Methods
			General Waste	Organic Sludge (D-0902)	40.160		22.900	Recycle & Reuse
				Waste Dust (D-1099)	4.660		4.330	Recycle & Reuse
				General Household Waste (D-1801)	138.900		29.790	Incinerate
			Total General Waste		183.720		57.020	
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V	The Company has been paying attention to human rights issues and enhancing workplace safety over the years, and has made the following specific management plans with reference to International Bill of Human Rights and workplace safety-related laws and regulations:			Compliance with “Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies”			
Matter of Concern	The Company’ s Specific Management Plan	2022 Number of Case						
Humane treatment	Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.	0						
Eliminating unlawful discrimination to ensure equal opportunities in employment	Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.	0						
Prohibition of child labor	Strictly enforce the requirements of social responsibility management regulations and Labor Standards Act, prohibit the use of child labor and establish procedures for child and youth labor management.	0						
Freedom of association, collective bargaining, trade union membership and religion	The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.	0						

Evaluation Item	Implementation status			
	Yes	No	Yes	Discrepancy with industry standards in sustainable development practices and reasons for listed companies
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>1. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee compensation at no less than 1% of the current year's profitability and director compensation at no more than 5% of the current year's profitability. However, the Company' s accumulated losses shall have been covered.</p> <p>2. The Company states its employees' obligations through internal meetings and advocacy letters on a regular or occasional basis that they shall comply with the Company's rules and regulations, and keeps records of such advocacy activities. In addition, the Company has established the "Personnel Regulations" and "Annual Mid-term and End-of-Term Employee Performance Appraisal Procedures," which shall be followed to handle all reward and punishment cases in a fair and equitable manner, and are included in the annual performance appraisal indicators, so that employees would understand the Company' s determination to follow through on each reward and punishment case.</p> <p>3. The Company's bonus is based on 2% of annual after-tax operating income, which is distributed to all employees after considering their years of service and annual performance evaluation to motivate all employees toward the Company's goals.</p> <p>4. Based on the above performance appraisal results, the Company motivates its employees through employee compensation, bonuses, issuance of treasury shares and employee stock options, and implements a performance appraisal mechanism that is linked to various salary and benefits.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies"
(3)Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		<p>1. The Company complies with the regulations related to occupational safety and has a "Social Responsibility Management Manual" to regulate the safety and health of its employees in the workplace.</p> <p>2. The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in September 2022.</p> <p>3. 8-10 health programs and lectures in 2022 and weekly promotional e-mails on health and safety. Half-yearly fire training in 2021 was held in compliance with Article 13 of the "Fire Services Act" and Article 15 of the "Enforcement Rules of Fire Services Act" to raise the awareness of personnel and to prevent disasters.</p> <p>4. 319 hours of external training and 1,975.5 hours of internal training on workplace safety-related education in 2022.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies"
(4)Does the company set up effective career development and training programs for its employees?	V		<p>1. The Company values the long-term career development of its employees, and every year, in addition to the education and training courses required by law, encourages employees to participate in internal and external training to enhance their practical skills.</p> <p>2. Total training hours in 2022 were 4,161.5 hours for internal training courses and 822 hours for external training courses.</p> <p>3. In addition, employees are encouraged to enroll in professional courses in colleges and universities after work to improve themselves and provide them with different perspectives on decision-making in the workplace. Thus, there is an in-service training grant program, but no employee applied for it in 2022.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies"

Evaluation Item	Implementation status			
	Yes	No	Yes	Discrepancy with industry standards in sustainable development practices and reasons for listed companies
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and has it established relevant consumer or customer protection policies and grievance procedures?	V		<p>1. Customer health and safety The Company values quality, introduces the ISO operation process, and complies with the relevant governmental regulations on R&D, procurement, production, operation and service process in internal control to ensure the transparency and security of product labeling and service information.</p> <p>2. Customer privacy According to privacy statements as set out in customer service (personal information guarantee policy), customer's personal information shall only be collected for the purpose of providing transaction-related operations, providing other information or services to users, compiling member statistics, conducting surveys or research on Internet activity, or for other lawful use of information, and only internal business personnel shall have the authority to inquire about and access customer personal information.</p> <p>3. Marketing and labelling The Company actively manages products and processes systematically to ensure compliance with international standards and has passed the latest version of ISO9001 Quality Management System and ISO13485 Medical Device Quality Management System. Furthermore, many of our products conform to international safety certifications, including UL/CSA, CE, GS, ROHS, WEEE, and our products and processes are continually endeavoring to be internationally compliant. The Company has a complaint line and e-mail address for handling complaints or disputes to protect consumer rights.</p> <p>4. A "Supplier/Subcontractor Management Procedure" is in place for all suppliers to sign a Supplier Responsibility Commitment prior to collaboration, pledging to comply with relevant national and local labor regulations and social standards.</p>	Compliance with "Sustainable development Best Practice Principles for TWSE/TPEx Listed Companies

Evaluation Item	Implementation status			
	Yes	No	Yes	Discrepancy with industry standards in sustainable development practices and reasons for listed companies
(6)Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		<p>1. Evaluation is conducted by the Purchasing Department at least once a year according to “Supplier Social Responsibility Examination Form” on 5 topics of labor, health and safety, environment, ethics, and management, and a total of 60 assessment items, requesting suppliers to collaborate, improve and pledge to comply with labor regulations and social standards. Suppliers that do not meet the Company’s environmental, occupational safety and social responsibility management requirements will have their contracts terminated or be removed from the supplier list.</p> <p>2. The Company’ s main export markets include the European Union (EU) countries, so, in accordance with the Hazardous Substances Standard, we ensure the materials comply with the EU restriction of the use of substance directive, which requests suppliers to provide materials in compliance with RoHS, REACH, and PAHs, as well as certified test reports or self-declaration to make sure no harm to humans and reduced risk to the environment.</p> <p>3. The Company launches an investigation into conflict minerals of electronic materials, ensures materials do not contain metals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries, and continuously monitors supply chain commitment to social and environment. Purchase Department actively reviews the website for updates and investigates suppliers every quarter.</p> <p>4. Implementation in 2022 is as follows:</p> <p>(1) As of 2022, a total of 250 suppliers, 66.67% of raw materials suppliers (Class F), signed a restriction of hazardous substances agreement with the Company. None was suspended for cooperation due to non-compliance with standards.</p> <p>(2) 6 suppliers had been investigated in 2022 for electronic materials that did not contain conflict minerals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries.</p> <p>(3) 257 suppliers had been investigated in 2022 for supplier environment, occupational safety and social responsibility management.</p>	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies”
5. Does the Company adopt internationally widely recognized standards or guidelines when producing sustainability reports and reports disclosing the Company's nonfinancial information? Do the reports above obtain assurance from a third party verification unit?	V		The Company voluntarily prepared 2021 CSR reports in accordance with the GRI Guidelines (Core Compliance) and acquired SGS AA1000 Type 1 Moderate level assurance. The mentioned reports were uploaded to the Market Observation Post System on September 28, 2022.	Compliance with “Sustainable development Best Practice Principles for TWSE/TPEX Listed Companies”
6. If the Company has established sustainable development principles based on Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the principles and their implementation: : The Company has formulated the “Sustainable Development Best Practice Principles” to fulfill its corporate social responsibility.				

Evaluation Item	Implementation status			Discrepancy with industry standards in sustainable development practices and reasons for listed companies	
	Yes	No	Yes		
7. Other important information to facilitate better understanding of the implementation of Sustainable Development:					
Community involvement, social contribution, social services and social benefits	<p>1. To express our gratitude to the police and firefighters for their selfless contributions to society and to provide them with adequate care, our company donated to police and firefighter units in 2022 as follows:</p> <p>(1) Donation of NT\$1,000,000 to Taichung Police-Friend Association</p> <p>(2) Donation of NT\$1,000,000 to the Taiwan Firefighters Development and Exchange Association</p> <p>2. Considering the possibility of reduced social resource allocation during the pandemic, the Company is committed to supporting social welfare organizations and caring for children in remote areas. In addition to sustainable business operations, we aim to give back to society promptly. In 2022, we donated to social welfare organizations and provided care to children in remote areas as detailed below:</p> <p>(1) Donation of NT\$200,000 to the Shuanglian Vision Impaired Care Foundation.</p> <p>(2) Donation of NT\$100,000 to the Zenan Homeless Social Welfare Foundation for the Mid-Autumn Festival anti-hunger meals, totaling 2,000 portions</p> <p>(3) Donation of NT\$99,600 to the Zenan Homeless Social Welfare Foundation for the Mid-Autumn Festival peace bags, totaling 166 portions</p> <p>(4) Donation of NT\$99,600 to the Huashan Social Welfare Foundation for the winter year-end banquet, totaling 166 portions</p> <p>(5) Donation of a running training machine worth NT\$190,000 to the Hualien branch of the Taiwan Association of Child Development and Early Intervention for rehabilitation purposes</p> <p>(6) Donation of a running training machine worth NT\$190,000 to the Hualien Tao Hsiang Primary School for rehabilitation purposes</p> <p>(7) Donation of NT\$420,000 to the Taiwan Rett Syndrome Association for individual relief</p> <p>(8) Donation of a walking machine worth NT\$66,000 to the Maria Social Welfare Foundation for the physical and mental disability treatment program</p> <p>(9) Donation of NT\$100,000 to the Maria Social Welfare Foundation for the physical and mental disability treatment program</p> <p>(10)Donation of NT\$200,000 to the Eden Social Welfare Foundation for the disadvantaged children program</p> <p>(11)Donation of NT\$277,300 to Dyaco Academy for the remote reading program and volunteer training in rural areas</p> <p>3. In 2022, the Company invested in sports events and sports education promotion activities relevant to our industry to increase our exposure and enhance brand recognition. The expenses related to these activities are as follows:</p> <p>(1). Donation of a batch of electric treadmills worth NT\$1,172,388 to the Chinese Taipei Athletics Association</p> <p>(2). Donation of NT\$400,000 to the National Chengchi University Campus Marathon</p> <p>(3). Donation of NT\$200,000 to the Jing-Mao Ladies Open</p> <p>(4). Sponsorship of prizes worth approximately NT\$600,000 for the Uniigym New Taipei Summer Challenge</p> <p>(5). Donation of 20 spinning bikes worth NT\$799,980 to the Chinese Culture University</p> <p>(6). Donation of NT\$700,000 as a scholarship fund to the College of Public Health of National Taiwan University</p>				
Support domestic cultural development	<p>The Company actively participates in cultural and creative investment, hoping to drive the overall development of the cultural and creative industry and fulfill our corporate social responsibility. Therefore, we have invested NT\$4 million for a 40% equity stake in Hong-Da-Xin Projection Industry Co., Ltd. and NT\$7.5 million for a 7.5% equity stake in Firenze Cultural Co., Ltd.</p> <p>In 2022, Hong-Da Digital Film Co., Ltd., Far EasTone Telecommunications Co., Ltd., Star Ritz International Co., Ltd., and Pili International Multimedia Co., Ltd. jointly established IDEAWORKS Entertainment Co., Ltd. to focus on producing and investing in high-quality Taiwanese film and television content and promoting Taiwanese cultural content such as literature and films. In addition to enriching FriDay's video content, we will seek to expand our collaborations with additional partners and explore the possibility of promoting our content overseas.</p> <p>In 2022, Firenze Culture Co., Ltd. organized several curation projects by combining AR interactive device technology with art, including the "Alive Art Renaissance," the "Bologna Illustrators Exhibition and Silent Book Contest," and the "Top 100 Greatest Paintings Exhibition."</p> <p>Regarding the investment in the exhibition facilities, film, and television drama industries to promote the development of the cultural and creative industries, the Company is committed to closely aligning with government policies and collaborating to promote Taiwan's cultural and creative industries on the global stage.</p>				

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

Assessment Item	Implementation Status			Discrepancy with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
1. Establishment of policy and program for ethical corporate management (1) Whether the company has the policy and methods of ethical corporate management approved by the Board of Directors in its charter and outbound documents and whether the Board of Directors and management have fulfilled the commitment to the policy of ethical corporate management?	V		<ol style="list-style-type: none"> The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to state its policy of business with integrity. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and other relevant laws and regulations, and the relevant internal regulations and internal control system shall be jointly followed by employees. The Company has stipulated in the rules of procedure of the Board meeting that directors shall recuse themselves from any matters in which they have an interest. 	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates the business activities with a higher risk of unethical conduct within the business scope; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" ?	V		<ol style="list-style-type: none"> The Company has stepped up its efforts to educate its purchasing staff to consult and compare prices with multiple suppliers when making purchases and adjusts the contents of purchasing staff's work from time to time as necessary. To prevent unethical conduct such as improper donations, sponsorships, illegal political contributions, etc., the Company has established the "Corporate Governance Best-Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" for the handling of major donations, which shall be submitted to the Board of Directors for approval. 	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(3) Whether the company has established and implements the operating procedures, behavior guidelines, consequences of violation and complaint system to prevent unethical conduct, and periodically reviews and revises such policies?	V		<ol style="list-style-type: none"> The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to prevent unethical conduct. The Company has set up a section for stakeholders on the Company website (www.dyaco.com), where complaints about any unethical conduct can be filed, and the reception unit will immediately investigate and take disciplinary action in accordance with the Company's "Personnel Regulations" and other relevant regulations. <p>1. No complaints about unethical conduct in 2022.</p>	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
2. Ethical Management Practice (1) Whether the company has evaluated the ethical records of business partners and include business conduct and ethics related clauses in the contracts?	V		The Company's business activities are based on the principles of honesty, transparency and accountability. Accordingly, the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" state that agents, customers, suppliers or other business partners shall jointly observe the policy of ethical management.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Assessment Item	Implementation Status			Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
(2) Whether the company has set up a unit under the Board of Directors which is dedicated to promoting the company' ethical standards and regularly (at least once a year) report directly to the Board of Directors on its ethical corporate management policy and relevant matters, program to prevent unethical conduct, supervision and implementation?	V		<ol style="list-style-type: none"> 1. The Company has designated the Management Department as a dedicated unit under the Board of Directors, which established the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and regularly reports to the Board of Directors on the implementation of the principles, urges the Company to prevent unethical acts, and reviews the effectiveness of its implementation and continuous improvement from time to time to ensure the performance of the ethical management policy. 2. The report on 2022 promotion of ethical management was reported to the Board of Directors on December 23, 2022. 3. The Company has implemented the policy of ethical management, with a summary of the implementation status in fiscal 2022as follows: <ol style="list-style-type: none"> (1). The 2022 educational training related to ethical management practices includes various regulatory advocacy (see Note 1) for a total of 843 hours. (2). The Company has a complaint and reporting system according to the "Corporate Governance Best-Practice Principles" , the "Ethical Corporate Management Best Practice Principles" , and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" , and a protection mechanism for whistleblowers, with 0 external whistleblowing case and 0 internal whistleblowing case in 2022. 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(3) Whether the company has established policies to prevent conflict of interests and provided, as well as faithfully executed, proper channels for complaints?	V		<ol style="list-style-type: none"> 1. The Company has set up a section for stakeholders on the Company website (www.dyaco.com), where stakeholders may contact the Company' s dedicated unit in a timely manner through various channels. 2. The Company has the rules of procedure of the Board meeting, under which a director or a juristic person he/she represents who has an interest in the agenda items at the meeting shall state their interest at the Board meeting, and shall not join the discussion and voting, nor shall they exercise their voting rights on behalf of other directors. In addition, directors are required to recuse themselves from the meeting in which they have an interest in order to avoid conflicts of interest. 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(4) To implement relevant policies on ethical corporate management, does the company establish effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and ethical conduct program audited by internal auditors or CPAs periodically?	V		<ol style="list-style-type: none"> 1. The Company has an accounting system and a dedicated accounting unit, and financial reports are audited or reviewed by CPAs to ensure the fairness of the financial statements. 2. The Company establishes an internal audit system and a self-assessment system to maintain an effective and appropriate internal control system. 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(5) Whether the company regularly provides internal or external education and training on ethical corporate management?	V		<ol style="list-style-type: none"> 1. The Company designated the Management Department as a dedicated unit to promote the concept of ethical management from time to time and disclosed this policy on the Company website at www.dyaco.com. 2. The 2022 educational training regarding ethical business practices includes various regulatory advocacy for a total of 843 hours. 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Assessment Item	Implementation Status			Discrepancy with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
3. Status of the company' s reporting system (1) Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channels, and designated specific person handling the reporting?	V		<ol style="list-style-type: none"> 1. The Company provides a channel for employees to make suggestions, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. If an employee files a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in accordance with the principle of confidentiality and protection of the whistleblower. 2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company' s dedicated unit in a timely manner through various channels (www.dyaco.com). 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(2) Whether the company has established standard operating procedures for investigating complaints received, follow-up procedures and related confidentiality mechanism?	V		<ol style="list-style-type: none"> 1. The Company provides a channel for employees to make suggestions, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. 2. A section for stakeholders is disclosed on the Company website, stating that stakeholders may contact the Company' s dedicated unit in a timely manner through various channels (www.dyaco.com). 3. If an employee files a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in a confidential manner to protect the whistleblower under the Company' s "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management." 	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
(3) Whether the company adopted measures to prevent a complainant from improper treatment?	V		In the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," it is stated that the Company shall protect the privacy and other personal interests of the parties concerned during the investigation of the complaint cases, the personnel involved in the investigation and deliberation shall be responsible for the confidentiality of the complaint, and violators shall be punished in accordance with the provisions of the Company's "Personnel Regulations."	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
4. Intensifying information disclosure Whether the company discloses its "Ethical Corporate Management Best Practices Principles" as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?	V		The Company discloses information on the implementation of the "Ethical Corporate Management Best Practice Principles" on the Market Observation Post System and the Company website at www.dyaco.com.	Compliance with " Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
<p>5. If the company has established ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Company," specify any discrepancy between the policies and their implementation: The Company has established the "Ethical Corporate Management Best Practice Principles" to perform good business practices and fulfill its social responsibility, with no material differences between the implementation and the principles.</p> <p>6. Other important information to facilitate better understanding of the company' s ethical corporate management (e.g., review and revision to the company' s ethical corporate management): The Company upholds ethical corporate management and takes into account the needs of its stakeholders to ensure business sustainability.</p>				

Note 1: The 2022 educational training regarding ethical business practices

Course	Hours	Number of People
EU Regulatory Compliance Strategy for Medical Device	12	1
The Seminar of 2022 Auditing standard.	3	1
Labor Relations Course	54	1
Anti-Counterterrorism, Anti-money laundering and counter-terrorism, Incident reporting, Trafficking in persons and humans, Crisis Management	1	378
Social Responsibility · Basic Standard.	1	378
Common Deficiencies in "Financial Report Review" and Important Internal Control Regulations	6	2
The Latest "ESG sustainability" and " Self-Preparation of Financial Statements" Related Regulations Development and Internal Control Management Practices	6	1

3.3.10 Implementation of Internal Control System

3.3.10.1 Internal Control System Statement

Dyaco International Inc.

Internal Control System Statement

Date: March 23, 2023

In 2022, the Company conducted an internal audit of its internal control system and hereby declares the following:

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

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

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

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

Based on the findings of the aforementioned examination, the Company believes it can reasonably assure that the design and implementation of its internal control system as of December 31, 2022 (including supervision and management of subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant regulatory requirements, have achieved the aforementioned objectives.

This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned

information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

This statement was passed by the Board of Directors on March 23, 2023, with none of the seven attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Dyaco International Inc.

Chairman: Lin, Ing-Gin

General manager: Chen, Ming-Nan

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

3.3.10.3 If any penalties are imposed on the Company and its personnel or punishments are imposed by the Company on personnel in violation of internal control system regulations during the most recent year or during the current year up to the date of publication of the annual report, specify the contents of the penalty, major deficiencies and improvement: None.

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

3.3.11.1 Material resolutions of shareholders meeting

Date	Type	Material Motions	Resolutions
2022.5.27	Regular shareholders meeting	Report matters	
		(1) To report the proposal for cash distribution of 2021 earnings.	The Board of Directors on March 31, 2022 decided to distribute cash dividends to shareholders in the amount of NT\$317,501,885 (NT\$2.50 per share), and set July 3, 2022 as the exdividend date and July 29, 2022 as the cash dividend payment date, which were completed based on the above schedule.
		Ratifications matters	
		(1) To accept 2021 Business Report and Financial Statements.	The proposal was adopted by shareholders meeting at May 27, 2022.
		(2) To approve the proposal for distribution of 2021 earnings.	<ul style="list-style-type: none"> The proposal was adopted by shareholders meeting at May 27, 2022. The Company's 2021 audited after-tax profit amounted to NT\$ 440,846,817. After adjusting for retained earnings, deducting legal reserve and special reserve, and adding unappropriated retained earnings in the previous year, a total of NT\$ 570,302,745 is available for distribution and the proposed cash distribution is NT\$317,501,885. A motion for the distribution of cash dividends can be found in the first proposal of the aforementioned report.
		Discussion matters	
		(1) Amendment to the "Handling procedures for acquisition or disposal of assets."	The proposal was adopted by a vote, which are disclosed on the company website on May 27, 2022..
		(2) Amendment to the "Articles of Incorporation" .	<ul style="list-style-type: none"> The proposal was adopted by a vote, which are disclosed on the company website on May 27, 2022.. Following the approval at the shareholders' meeting, an application for change of registration was made to the Ministry of Economic Affairs and was approved by the ministry on June 15, 2022 with its Jing-Shou-Shang-Zi letter No. 11101092850. °
		(3) Amendment to the "Rules of Procedure for Shareholders Meetings."	The proposal was adopted by a vote, which are disclosed on the company website on May 27, 2022..
		Election matters	

Date	Type	Material Motions	Resolutions
		(1) By-election of the 11th Director	<ul style="list-style-type: none"> The proposal was adopted by a vote. Title and name of the new position holder: Wanshida Construction Co., Ltd. Representative: Li, Bo-Yi Following the approval at the shareholders' meeting, an application for change of registration was made to the Ministry of Economic Affairs and was approved by the ministry on June 15, 2022 with its Jing-Shou-Shang-Zi letter No. 11101092850.
		Other Matters	
		(1) To approve the lifting of non-competition restrictions on new director.	Before giving a notice convening a shareholders' meeting on April 26, 2022, none of the candidates nominated for the Board of Directors had held part-time positions in other companies with the same or similar business as the Company. Therefore, it will not be discussed at the shareholders' meeting since Article 209 of the Company Act does not apply.

3.3.11.2 Material resolutions of Board meeting

Date and Term	Material Motions	Resolutions
The 14 th meeting of the 11 th Board on March 9, 2022	(1) Amendment to handling procedures for acquisition or disposal of assets.	All directors present approved.
	(2) Amendment to the Company's internal control policies and internal audit procedures.	All directors present approved.
	(3) The Company made endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	All directors present approved.
	(4) Entering into Contract of Construction of Plant on Leased Land.	All directors present approved.
	(5) Employee stock options are offered by Sweatband.com to their employees.	All directors present approved.
The 15 th meeting of the 11 th Board on March 31, 2022	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Approval of 2021 annual financial statements and business report.	All directors present approved.
	(3) Approval of 2021 statement of internal control system.	All directors present approved.
The 16 th meeting of the 11 th Board on May 11, 2022	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	All directors present approved.
	(3) Approval of 2022 the first quarter consolidated financial statements.	All directors present approved.
	(4) The Company cancelled endorsements/guarantees for subsidiary Cardio Fitness GmbH & Co. KG.	All directors present approved.
	(5) The Company made loans to sub-subsidiary Cardio Fitness GmbH & Co. KG.	All directors present approved.
	(6) The Company cancelled endorsements/guarantees for subsidiary Shelton Corporation (Jiaxing), Ltd.	All directors present approved.
	(7) The fifth buyback of treasury stock.	All directors present approved.
The 17 th meeting of the 11 th Board on August 12, 2022	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	All directors present approved.
	(3) Approval of 2022 the second quarter consolidated financial statements.	All directors present approved.
	(4) Increase investment in sub-subsidiary Dyaco Japan.	All directors present approved.
	(5) Increase investment in sub-subsidiary Dyaco UK.	All directors present approved.
	(6) Increase investment in sub-subsidiary Dyaco Europe.	All directors present approved.
	(7) Apply for bank loans.	All directors present approved.
	(8) Acquired for 70% equities of IUVO.	All directors present approved.
The 18 th meeting of the 11 th Board on November 10, 2022	(1) Loaning of funds for the subsidiaries of the Company.	All directors present approved.
	(2) Determining whether there were loaning funds to unrelated parties in this quarter.	All directors present approved.

Date and Term	Material Motions	Resolutions
	(3) Increase investment in sub-subsidiary Sole Inc. and Fitness Equipment Service, LLC.	All directors present approved.
	(4) Approval of 2022 the third quarter consolidated financial statements.	All directors present approved.
	(5) Apply for bank loans.	All directors present approved.
	(6) Transaction charges structure for IUVO' s equity segment.	All directors present approved.
	(7) Increase investment in sub-subsidiary IUVO.	All directors present approved.
	(8) Increase investment in sub-subsidiary President Plastic Products MFG. Co., Ltd.	All directors present approved.
	(9) The Company made loans to sub-subsidiary City Sport.	All directors present approved.
The 19 th meeting of the 11 th Board on December 23, 2022	(1) President Plastic Products MFG. Co., Ltd. made endorsements/guarantees for the Company.	All directors present approved.
	(2) The Company made loans to sub-subsidiary Sweatband.com.	All directors present approved.
	(3) Apply for bank loans.	All directors present approved.
	(4) 2022 Assessment of independence of CPAs.	All directors present approved.

3.3.12 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors during the most recent year or during the current year up to the date of publication of the annual report: None.

3.3.13 During the most recent year or during the current year up to the date of publication of the annual report, the Company' s chairman, general manager, accounting director, financial director, chief internal auditor, corporate governance director and R&D director had resigned or been dismissed: None.

3.4 CPA's Fee Information

Unit: NT\$1,000

Accounting Firm	Name	Period	audit fees	non-audit fees	Total	Note
Deloitte & Touche	Mr. Hsieh, Chien-Hsin Ms. Liao, Wan-I Ms. Chen, Chao-Mei	2022/1/1~ 2022/12/31	7,144	300	7,444	The non-audit fees were incurred for the 2022 transfer pricing report.

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

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

3.5 Information on Replacement of CPA

3.5.1 About the former CPA

Date of Change	Approved by the Board of Directors on November 10, 2022		
Reason for change and explanation	Due to the internal organizational adjustment of the accounting firm		
State whether the Appointment is Terminated or Rejected by the Appointor or CPAs	Status		Accountant
	The Parties		Appointor
	Appointment terminated automatically		N/A
	Appointment rejected (discontinued)		N/A
Reasons for issuing audit reports other than unqualified opinion in the last two years	N/A		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Other
	No	V	
	Description:None		
Supplementary Disclosure	None		

3.5.2 About the successor CPA

Accounting firm name:	Deloitte & Touche Taiwan
Name of CPA	Mr. Hsieh Chien-Hsin and Ms. Liao Wan-I
Date of appointment	November 10, 2022
Prior to the appointment, any inquiry or consultation and results on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	N/A
Written opinions from the successor CPAs that are different from the former CPA's opinions	N/A

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

3.6 Where the Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

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

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

Unit: Shares

Title	Name	2022		For the year ended March 28	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Lin, Ing-Gin	(25,000)	0	0	0
Director	Wanshida Construction Co., Ltd.	207,000	0	(11,000)	0
Representative	Li, Bo-Yi	0	0	0	0
Director	Zhuang, Zhu-Wei	0	0	0	0
Director	Chang, Chih-Chuan	0	0	0	0
Independent Director	Hsieh, Chang-Hung	0	0	0	0
Independent Director	Wang, Kai-Li	-	-	0	0
Independent Director	Wang, Chih-Cheng	-	-	0	0
CEO	Hsu, Wen-Bin	13,000	-	20,000	0
COO	Tseng, Yu-Hsiang	2,000	0	9,000	0
General Manager	Chen, Ming-Nan	(42,000)	0	29,000	0
Executive V.P. and Chief Financial Officer	Wu, Mei-Hua	7,000	0	30,000	0
Executive V.P.	Li, Chi-Jung	1,000	0	17,000	0
Senior V.P. Chief Accountant Officer and Chief of Corporate Governance	Chiu, Yuan-Sheng	10,000	0	16,000	0
Senior V.P.	Huang, Hsuan-Fu	8,000	0	9,000	0
Senior V.P.	Hsu, Li-Wen	(37,000)	0	20,000	0
Senior V.P.	Huang, Yu-Chih	7,000	0	16,000	0
Senior V.P.	Lo, Teng-I	8,000	0	4,000	0
Senior V.P.	Lin, Shih-Chieh	7,000	0	15,000	0
CTO	Brian Keith Murray	11,000	0	0	0
V.P.	Lin, Wei-Hsu	(17,000)	0	14,000	0
V.P.	Li, Che-Jung	0	0	11,000	0
V.P.	Li, Mei-Yu	6,000	0	18,000	0
V.P.	Wu, Shu-Mei	(16,000)	0	(15,000)	0
V.P.	Ho, Chieh-Shun	2,000	0	4,000	0
V.P.	Li, Tai-Lan	(7,000)	0	14,000	0

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

Name	Reason of Transfer	Transaction Date	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NT\$)
Lin, Shih-Chieh	Donation	2021.04.08	Chen, Mei-Yun	Spouse	8,000	NA
Lin, Wei-Hsu	Donation	2021.08.25	Lin Wang, Yu-Ling	Offspring	25,000	NA

Name	Reason of Transfer	Transaction Date	Transferee	Relationship between Transferee and the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price (NT\$)
Lin, Wei-Hsu	Donation	2021.09.28	Lin Wang, Yu-Ling	Offspring	8,000	NA
Lin, Ing-Gin	Donation	2021.12.16	Taipei Dyaco charitable foundation	The same as Chairman	10,000	NA
Lin, Wei-Hsu	Donation	2022.01.18	Lin Wang, Yu-Ling	Offspring	18,000	NA
Wu, Mei-Hua	Donation	2022.01.25	Chang, Pei-Chen	Offspring	50,000	NA
Lin, Wei-Hsu	Donation	2022.02.21	Lin Wang, Yu-Ling	Offspring	18,000	NA
Chen, Ming-Nan	Donation	2022.05.03	Chen, Po-Yu	Offspring	55,000	NA
Lin, Ing-Gin	Donation	2022.12.19	Taipei Dyaco charitable foundation	The same as Chairman	25,000	NA

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

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

March 28, 2023 / Unit: Share

Name	Shareholding		Spouse & Minor		Shareholding in the Name of Others		Relationship		Note Shares
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Lin, Ing-Gin	10,013,283	7.44%	-	-	30,544,723	22.69%	GUANG-YING LIMITED	Representative	-
							YONG-HENG INVESTMENT CORPORATION	President	
							CHIH-LING INVESTMENT CORPORATION	President	
							CHUAN-FENG INVESTMENT CORPORATION	Major shareholder	
GUANG-YING LIMITED Representative: Lin, Ing-Gin	9,796,727	7.28%	-	-	-	-	Lin, Ing-Gin	Representative	-
Dyaco International Inc.	8,963,000	6.66%	-	-	-	-	-	-	-
CHUAN-FENG INVESTMENT CORPORATION Representative: Yang, Yu-Tao	8,111,882	6.03%	-	-	-	-	Lin, Ing-Gin	Major shareholder	-
	-	-	3,000	0.00%	-	-	-	-	-
HO, I-HSING INVESTMENT CORPORATION Representative: Yang, Hsiu-Yu	6,653,725	4.94%	-	-	-	-	-	-	-
	-	-	1,470,015	1.26%	-	-	-	-	-
YONG-HENG INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	4.69%	-	-	-	-	Lin, Ing-Gin	President	-
CHIH-LING INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	4.69%	-	-	-	-	Lin, Ing-Gin	President	-
Chanitex Co., Ltd.	2,455,000	1.82%	-	-	-	-	-	-	-
Heide ASSETS MANAGEMENT CO., LTD	1,941,000	1.44%	-	-	-	-	-	-	-
Yang, Hsiu-Yu	1,470,015	1.26%	-	-	-	-	-	-	-

3.9 Long-Term Investment Ownership

December 31, 2022 / Unit: 1,000 Shares

Investee	Ownership by Dyaco		Direct/ Indirect Ownership by Directors, Supervisors and Management		Total Investment	
	Shares	%	Shares	%	Shares	%
Dyaco International Holding Limited	290,634	100%	-	-	290,634	100%
Fuel Spirit International Inc.	-	-	12,400	100%	12,400	100%
Dyaco Europe GmbH	-	100%	-	-	-	100%
CARDIO fitness GmbH& Co. KG	-	-	-	100%	-	100%
CARDIO fitness Verwaltungs GmbH	-	-	-	100%	-	100%
Dyaco UK Ltd.	-	100%	-	-	-	100%
Spirit Manufacturing Inc.	-	-	1,667.5shares	100%	1,667.5 shares	100%
Spirit Direct, LLC	-	-	-	100%	-	100%
Sole Inc.	-	100%	-	-	-	100%
Fitness Equipment Service, LLC	-	-	-	100%	-	100%
Dyaco Canada Inc.	-	-	1,000 shares	100%	1,000 shares	100%
Neutron Ventures Ltd	292,666	80%	-	-	292,666	80
Interactive Online Commerce Ltd	-	-	-	100%	-	100%
Neutron Ventures Poland S.p Z.o.o	-	-	-	100%	-	100%
Sweatband.com Ltd	-	-	-	100%	-	100%
CITY SPORT (THAILAND)CO.,LTD.	176,000	44%	-	-	176,000	44%
Dyaco Japan Co., Ltd.	201	100%	-	-	201	100%
Dyaco (Shanghai) Trading Co., Ltd.	-	-	-	100%	-	100%
Dyaco Health Technology (Beijing) Co., Ltd.	-	-	-	100%	-	100%
Shelton Corporation (Jiaxing), Ltd.	-	-	-	60%	-	60%
President Plastic Products MFG. Co., Ltd.	1,110	100%	-	-	1,110	100%
Wing Long Co., Ltd.	2,500	100%	-	-	2,500	100%
Cikayda Inc.	2,000	100%	-	-	2,000	100%
Daan Health Management Consulting Co., Ltd.	1,000	100%	-	-	1,000	100%
IUVO INDUSTRY CO.,Ltd	15,300	90%	-	-	15,300	90%

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of Capital

March 28, 2023

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

Y/M	Issue Price (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Source	Subscriptions paid with property other than cash	Other
2007.05	10	10,000	100,000	10,000	100,000	Cash capital 71,000,000	-	Note 1
2008.04	10	25,000	250,000	25,000	250,000	Cash capital 150,000,000	-	Note 2
2008.12	10	36,510	365,100	36,510	365,100	Cash capital 115,100,000	-	Note 3
2009.12	10	70,000	700,000	47,990	479,900	Capital reserves 15,800,000 Cash capital 99,000,000	-	Note 4
2011.04	20	70,000	700,000	49,490	494,900	Cash capital 15,000,000	-	Note 5
2011.06	40	70,000	700,000	51,000	510,000	Cash capital 15,100,000	-	Note 6
2011.08	10	100,000	1,000,000	64,770	647,700	Capital reserves 137,700,000	-	Note 7
2012.10	10	100,000	1,000,000	68,109	681,088	Capital reserves 33,388,000	-	Note 8
2015.03	33	100,000	1,000,000	78,109	781,088	Cash capital 100,000,000	-	Note 9
2015.09	10	100,000	1,000,000	82,014	820,142	Capital reserves 39,054,000	-	Note 10
2016.09	10	100,000	1,000,000	92,950	929,502	Cash capital 109,360,000	-	Note 11
2019.09	10	150,000	1,500,000	96,063	960,635	Capital reserves 31,133,000	-	Note 12
2019.11	10	150,000	1,500,000	96,100	961,009	Share capital of 374,000 converted from convertible corporate bonds	-	Note 13
2020.01	39	150,000	1,500,000	115,100	1,151,009	Cash capital 190,000,000	-	Note 14
2020.07	10	200,000	2,000,000	120,981	1,209,820	Share capital of 58,311,000 converted from convertible corporate bonds and 500,000 converted from employee stock option certificates	-	Note 15
2020.10	10	200,000	2,000,000	131,149	1,311,496	Share capital of 99,176,000 converted from convertible corporate bonds and 2,500,000 converted from employee stock option certificates	-	Note 16
2021.01	10	200,000	2,000,000	132,652	1,326,523	Share capital of 14,027,000 converted from convertible corporate bonds and 1,000,000 converted from employee stock option certificates	-	Note 17
2021.04	10	200,000	2,000,000	133,444	1,334,443	Share capital of 5,539,000 converted from convertible corporate bonds and 2,380,000 converted from employee stock option certificates	-	Note 18
2021.07	10	200,000	2,000,000	133,982	1,339,823	Share capital of 5,380,000 converted from employee stock option certificates	-	Note 19
2022.01	10	200,000	2,000,000	134,022	1,340,223	Share capital of 400,000 converted from employee stock option certificates	-	Note 20
2022.04	10	200,000	2,000,000	134,114	1,341,148	Share capital of 925,000 converted from employee stock option certificates	-	Note 21

Note 1: Fu-Shang-Jian No. 09684564210 dated May 21, 2007

Note 3: Fu-Chan-Ye-Shang No. 09880098210 dated January 17, 2009

Note 5: Fu-Chan-Ye-Shang No. 10083293020 dated May 23, 2011

Note 7: Jing-Shou-Shang-Zi No. 10001175310 dated August 1, 2011

Note 9: Jing-Shou-Shang-Zi No. 10401038990 dated March 10, 2015

Note 11: Jing-Shou-Shang-Zi No. 10501249020 dated October 24, 2016

Note 13: Jing-Shou-Shang-Zi No. 10801154540 dated November 4, 2019

Note 15: Jing-Shou-Shang-Zi No. 10901124080 dated July 17, 2020

Note 17: Jing-Shou-Shang-Zi No. 11001009390 dated January 21, 2021

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

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

Note 2: Fu-Chan-Ye-Shang No. 09784102410 dated May 9, 2009

Note 4: Fu-Chan-Ye-Shang No. 09891466720 dated December 22, 2009

Note 6: Jing-Shou-Shang-Zi No. 10001159860 dated July 18, 2011

Note 8: Jing-Shou-Shang-Zi No. 10101205290 dated October 5, 2012

Note 10: Jing-Shou-Shang-Zi No. 10401183000 dated September 1, 2015

Note 12: Jing-Shou-Shang-Zi No. 10801121560 dated September 5, 2019

Note 14: Jing-Shou-Shang-Zi No. 10901011200 dated January 30, 2020

Note 16: Jing-Shou-Shang-Zi No. 10901196870 dated October 20, 2020

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

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

March 28, 2023; Unit: Shares

Share Type	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total Shares	
Common Share	134,609,754	65,390,246	200,000,000	-

4.1.2 Shareholder Structure

March 28, 2023; Unit: Shares

Shareholder Structure	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	-	66	10,427	59	10,552
Shareholding (Shares)	-	-	54,834,021	70,931,028	8,844,705	134,609,754
Percentage	-	-	40.74%	52.69%	6.57%	100.00%

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

4.1.3 Diffusion of Ownership

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

March 28, 2023

Class of Shareholding (Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	1,229	220,633	0.16%
1,000-5,000	7,443	14,906,571	11.07%
5,001-10,000	981	7,680,678	5.71%
10,001-15,000	290	3,754,649	2.79%
15,001-20,000	182	3,370,863	2.50%
20,001-30,000	153	3,954,171	2.94%
30,001~50,000	110	4,291,328	3.19%
50,001-100,000	72	4,907,856	3.65%
100,001-200,000	37	4,808,940	3.57%
200,001-400,000	23	6,226,374	4.63%
400,001-600,000	8	3,883,605	2.89%
600,001-800,000	4	2,764,477	2.05%
800,001-1,000,000	3	2,832,210	2.10%
Over 1,000,001	17	71,007,399	52.75%
Total	10,552	134,609,754	100.00%

4.1.3.2 Diffusion of ownership of preferred shares: None.

4.1.4 List of Major Shareholders

March 28, 2023

Major Shareholders' Name	Shares	Percentage
Lin, Ing-Gin	10,013,283	7.44%
GUANG-YING LIMITED	9,796,727	7.28%
Dyaco International Inc. (Treasury Stock)	8,963,000	6.66%
CHUAN-FENG INVESTMENT CORPORATION	8,111,882	6.03%
HO, I-HSING INVESTMENT CORPORATION	6,653,725	4.94%
YONG-HENG INVESTMENT CORPORATION	6,318,057	4.69%
CHIH-LING INVESTMENT CORPORATION	6,318,057	4.69%
Chanitex Co., Ltd.	2,455,000	1.82%
Heide ASSETS MANAGEMENT CO., LTD	1,941,000	1.44%
Yang, Hsiu-Yu	1,690,015	1.26%

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

Unit: NT\$

Item \ Year			2021	2022
Market Price per Share	Highest Market Price		131.00	56.50
	Lowest Market Price		51.50	34.30
	Average Market Price		85.05	42.30
Net Worth per Share	Before Distribution		34.47	29.43
	After Distribution		31.97	28.93
Earnings per Share	Weighted Average Shares (thousand Shares)		126,743	125,706
	Earnings per Share	Before Adjusted	3.48	(0.61)
		After Adjusted (Note1)	3.47	-
Dividends per Share	Cash Dividends		2.50	0.5-
	Stock Dividends	Dividends from Retained Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price/Earnings Ratio (Note2)		24.44	(69.34)
	Price/Dividend Raito (Note3)		34.02	84.60
	Cash Dividend Yield Rate (Note4)		2.94%	1.18%

Note 1: The dividend distribution for 2022 is subject to the resolution of the shareholders' meeting in 2023.

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

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

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

4.1.6 Company's Dividend Policy and Implementation Thereof

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

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

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

4.1.6.2 Distribution of dividends proposed for the year:

The Company's 2022 annual earnings distribution has been approved by the Board of Directors' resolution on March 23, 2023, with shareholders' bonuses of NT\$62,813,377 and cash dividends of NT\$0.5 per share allotted, and the distribution is calculated using the unconditional rounding below Yuan.

A resolution on the distribution of earnings for 2022 is pending at the shareholders' meeting expected to be held on May 26, 2023.

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

4.1.8 Compensation of employees, directors and supervisors

4.1.8.1 The percentages or ranges with respect to employee, director and supervisor compensation, as set forth in the company's articles of incorporation

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

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

1. If the Board of Directors approves a change in the amount of employee, director and supervisor compensation, the difference shall be treated as a change in accounting estimates and recorded as profit or loss for the following year, without affecting the recognized financial statements.

2. The distribution of compensation as approved by the Board of Directors:

- (1) The amount of compensation for employees and directors distributed in cash or stock. If there is a discrepancy between the estimated amount and the amount recognized in the year of expense, the discrepancy, cause, and how it is treated should be disclosed.

On March 23, 2023, The Company's pre-tax net loss for the year 2022. In accordance with the provisions of Article 24 of the Company's Articles of Association, no director remuneration will be distributed in the absence of profit, which was approved by the Board of Directors and submitted to the 2022 shareholders' meeting in accordance with relevant regulations. If the actual distributed amount differs from the estimated amount, the difference is treated as a change in estimate.

- (2) The amount of compensation for employees distributed by shares as a percentage of net income after tax and total compensation for employees for the period: The proposed

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

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

The Company's 2023 earnings distribution proposal will be submitted to the shareholders' meeting on May 26, 2023.

4.1.8.4 The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated: The employee compensation of NT\$5,518,368 and director compensation of NT\$2,000,000 have been fully paid in cash. There is no discrepancy between the actual distributed amount and the amount recognized.

4.1.9 Repurchase Shares Status:

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

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

Buyback of Treasury Stock (Completed)

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

4.2.1 Status of corporate bonds

Unit: NT\$1,000

Type of Corporate Bond	2 nd Domestic Secured Convertible Corporate Bonds	
Issue Date	2020.8.24	
Par Value	NT\$100,000	
Issue and Trading Place	Taipei Exchange	
Issue Price	Issued at face value	
Total Amount	NT\$600,000,000	
Interest Rate	0%	
Duration	3 years	
Assurance Institution	Bank SinoPac	
Assignee	Cathay United Bank	
Underwriting Institution	President Securities Corporation	
Singed Lawyer	Handsome Attorneys-at-Law Chiu, Ya-Wen	
Singed CPA	Deloitte & Touche Taiwan/Ms. Chen, Chao-Mei and Mr. Hsieh, Chien-Hsin	
Repayment	Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, exercise repurchase rights in accordance with Article 18 of these Terms, exercise early redemption rights in accordance with Article 17 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.	
Outstanding Amount	NT\$424,100,000	
Redeption or Advanced Repayment	Please refer to Article 17 and Article 18 of the Company's terms of issuance and conversion of corporate bonds.	
Restrictive Clauses	N/A	
Credit Rating Institution, Credit Rating Date and The Rating	None	
Other Rights Attached	Amount of common shares converted as of the printing date of the annual report	NT\$175,900,000
	Issuance and conversion method	Please refer to the Company's terms of issuance and conversion of corporate bonds.
Shares Dilution & Influsence on Stockholders' Equity	<p>Convertible bonds do not have a dilutive effect on the Company's stock until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on stock dilution.</p> <p>The conversion of convertible bonds into common stock will not only reduce liabilities, but increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run.</p>	
Entrust Insitution of Exchange Object	N/A	

Type of Corporate Bond	3 rd Domestic Unsecured Convertible Corporate Bonds	
Issue Date	2021.6.28	
Par Value	NT\$100,000	
Issue and Trading Place	Taipei Exchange	
Issue Price	Issued at face value	
Total Amount	NT\$1,000,000,000	
Interest Rate	0%	
Duration	3 years	
Assurance Institution	Bank SinoPac	
Assignee	Cathay United Bank	
Underwriting Institution	President Securities Corporation	
Singed Lawyer	Handsome Attorneys-at-Law Chiu, Ya-Wen	
Singed CPA	Deloitte & Touche Taiwan/Ms. Chen, Chao-Mei and Mr. Hsieh, Chien-Hsin	
Repayment	Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, exercise repurchase rights in accordance with Article 18 of these Terms, exercise early redemption rights in accordance with Article 17 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.	
Outstanding Amount	NT\$1,000,000,000	
Redeption or Advanced Repayment	Please refer to Article 17 and Article 18 of the Company's terms of issuance and conversion of corporate bonds.	
Restrictive Clauses	N/A	
Credit Rating Institution, Credit Rating Date and The Rating	None	
Other Rights Attached	Amount of common shares converted as of the printing date of the annual report	None
	Issuance and conversion method	Please refer to the Company's terms of issuance and conversion of corporate bonds.
Shares Dilution & Influence on Stockholders' Equity	Convertible bonds do not have a dilutive effect on the Company's stock until the creditor requests to execute the conversion right. The creditor can choose a more favorable time point for conversion during the convertible period and therefore has a deferred effect on stock dilution. The conversion of convertible bonds into common stock will not only reduce liabilities, but increase shareholders' equity, which in turn will increase net worth per share, thus protecting existing shareholders' equity in the long run.	
Entrust Insitution of Exchange Object	N/A	

4.2.2 Information on convertible corporate bonds

Unit: NT\$

Type of Corporate Bonds		2 nd Domestic Secured Convertible Corporate Bonds	
Year		2022	As of March 28, 2023
Item			
	Market price of the convertible corporate bonds	Highest	110.15
		Lowest	100.05
		Average	103.90
Conversion price		89.90	
Issue date and conversion price at issuance		August 24, 2020 89.90	
Fulfilling the conversion obligation		Issuing new shares	
Type of Corporate Bonds		3 rd Domestic Unsecured Convertible Corporate Bonds	
Year		2022	As of March 28, 2023
Item			
	Market price of the convertible corporate bonds	Highest	105.00
		Lowest	95.80
		Average	102.45
Conversion price		100.60	
Issue date and conversion price at issuance		June 28, 2021 100.60	
Fulfilling the conversion obligation		Issuing new shares	

4.3 Issuance of preferred shares: None.

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

4.5 Issuance of Employee Stock Warrants

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

Employee stock warrants	1 st Issuance of Employee Stock Warrants
Date of approval by competent authorities	May 18, 2017
Issue date	December 21, 2017
Units granted	4,000,000 Shares
Units granted to total issued shares (%)	4.30%
Duration	6 years
Fulfilling the obligation	Issuing new shares
Vesting schedule and quota (%)	50 percent for 2 years after the date of grant, 75 percent for 3 years after the date of grant and 100 percent for 4 years after the date of grant.
Units exercised (Shares)	1,783,500
Amount exercised (NT\$)	68,659,350
Units unexercised (Shares)	1,285,500 shares
Exercise price for unexercised units	NT\$34.9
Units unexercised to total issued shares (%)	0.96%
Impact on shareholders' equity	The Company issues employee stock option certificates to attract and retain the necessary professional talent and to motivate employees and enhance their cohesion for the benefit of the Company's shareholders.

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

4.5.2 List of executives and the top 10 employees holding employee stock options as of the date of publication of the annual report:

	Title	Name	Number of Option (1,000 Shares)	Option as a Percentage of Issued Shares	Exercised				Unexercised			
					Number of Options (1,000 Shares)	Exercise Price	Amount	Option as a Percentage of Issued Shares	Number of Options (1,000 Shares)	Exercise Price	Amount	Option as a Percentage of Issued Shares
Executive	Consultant	Wang, Ching-Tsung	4,000	2.98%	1783	38.5	68,659	1.33%	1,285	34.9	44,864	0.96%
	President	Chen, Ming-Nan										
	CEO	Ting, Ping-I (Note)										
	Executive V.P.	Wu, Mei-Hua										
	Executive V.P.	Li, Chi-Jung										
	Senior V.P.	Lo, Teng-I										
	Senior V.P.	Wang, Hong-Yo (Note)										
	CTO	Brian Keith Murray										
	Senior V.P.	Hsu, Li-Wen										
	Senior V.P.	Huang, Hsuan-Fu										
	Senior V.P.	Chiu, Yuan-Sheng										
	Senior V.P.	Huang, Yu-Chih										
	V.P.	Ko, Yu-Wen (Note)										
	V.P.	Li, Mei-Yu										
	V.P.	Lin, Hsin-Bao										
	V.P.	Wu, Shu-Mei										
	V.P.	Li, Che-Jung										
	V.P.	Lin, Wei-Hsu										
	V.P.	Lin, I-Chun (Note)										
	V.P.	Liu, Yu-Ching										
	V.P.	Lin, Shih-Chieh										
	President of the Subsidiary	Chen, Ting-Chung										
	Chairman of the Subsidiary	Chem, Heien-Ming										
	V.P. of the Subsidiary	Hsu, Huo-Yin										

Note: Wang, Hong-Yo resigned on July 6, 2018, Ting, Ping-I had job adjustments on June 25, 2019, Ko, Yu-Wen resigned on June 25, 2019, and Lin, I-Chun resigned on February 3, 2020.

4.6 Issuance of New Restricted Employee Shares: None.

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

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

V. Business Overview

5.1 Business Activities

5.1.1 Business scope

5.1.1.1 Major business activities

CA02990	Other Fabricated Metal Products Manufacturing Not Elsewhere Classified
CC01040	Lighting Equipment Manufacturing
CC01080	Electronic Parts and Components Manufacturing
CC01990	Electrical Machinery, Supplies Manufacturing
CD01050	Bicycles and Parts Manufacturing
CF01011	Medical Materials and Equipment Manufacturing
CH01010	Sporting and Athletic Articles Manufacturing
CN01010	Furniture and Fixtures Manufacturing
F108031	Wholesale of Drugs, Medical Goods
F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
F205040	Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures
F208031	Retail sale of Medical Equipments
F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles
F219010	Retail Sale of Electronic Materials
F401010	International Trade
J801030	Athletics and Recreational Sports Stadium
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

5.1.1.2 Percentage of sales revenue

Unit: NT\$1,000;%

Item \ Year	2021		2022	
	Amount	%	Amount	%
Treadmill	5,806,638	49.45%	3,254,691	45.70%
Elliptical	2,286,908	19.48%	984,170	13.82%
Bike	1,398,360	11.91%	799,705	11.23%
Outdoor Furniture	1,015,807	8.65%	911,149	12.79%
Others	1,234,368	10.51%	1,172,696	16.46%
Total	11,742,081	100.00%	7,122,411	100.00%

5.1.1.3 Current goods and services

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

R&D Program	Areas of Application
Sports equipment that combines IoT with wearable devices	Recently, the concept of the Internet of Things (IoT) has caught on and wearable device technology is maturing. At present, there are plans to develop various sports equipment by combining the concept of IoT and wearable devices, so that the sports equipment hardware and software computing, exercise programs, health status monitoring are revolutionized.

R&D Program	Areas of Application
Treadmill DC energy saving system	Currently, all high-end products in the industry are based on AC inverters, but the AC inverter system with lower speed has poorer performance and less stable power output. The new DC brushless motor and DC inverter system with a high efficiency processor are re-matched to achieve a stable full speed efficiency, which in turn saves energy.
Sports equipment linked to APP cloud platform	After development, it allows consumers to download the app, which can be used to connect to sports equipment for workout planning and recording, and to get data analysis of sports patterns, sales distribution and product reliability through Bluetooth connection in the background. With this app, future product design, marketing and production can be more closely aligned with the needs of users.
MS Kinect balance assessment and training system	The current balance assessment systems on the market use extremely expensive force plates, so much so that most hospitals can only use subjective man-made assessment. The Company plans to use MS Kinect to provide an affordable Balance Assessment System solution that can be used universally by small and medium-sized hospitals and even rehab clinics. The continuation of the previous system, together with a foot sensor as a further high-precision sensing application, will significantly increase the measurement accuracy and application level.

5.1.2 Industry overview

5.1.2.1 Fitness equipment

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

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

The Home-Use Market

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

The Commercial/Light-Commercial market

Commercial fitness equipment is mainly placed in places such as hotels, fitness centers, clubs, and medical rehabilitation centers for non-fixed users. Therefore, the equipment has a variety of functions, high product quality, and higher price and durability characteristics. The product's design also focuses more on appearance and aesthetics, and it is mainly provided to the above places through commercial sales channels. In addition, light-commercial fitness

equipment is mostly used in small fitness rooms in communities and schools.

According to market research agency Statista, the global market size of fitness equipment exceeded US\$10 billion for the first time in 2016, reaching US\$10.504 billion. In 2019, before the outbreak of the COVID-19 pandemic, the market grew to US\$11.726 billion. However, during the pandemic, various countries implemented epidemic prevention regulations such as maintaining social distancing and lockdowns to prevent the spread of the virus, forcing gyms to shut down and significantly reducing the demand for commercial fitness equipment. As a result, the overall market size of fitness equipment in 2020 decreased by US\$2.653 billion compared to the previous year. With the gradual easing of COVID-19 in 2021 and 2022 and the gradual lifting of restrictions, the commercial market has seen a recovery. The overall market size of fitness equipment in 2021 and 2022 grew to US\$10.229 billion and US\$11.286 billion, respectively. It is estimated that the market size will recover to pre-pandemic levels in 2023, and the overall market size is expected to reach US\$14.446 billion by 2028.

The Global Market Size for Fitness Equipment



Date : Statista/FY23

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

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

Relevant data also shows a high market concentration in the fitness equipment demand market.

The North American Market

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

According to Research and Markets, North America is the largest single market for fitness equipment globally and is projected to have a CAGR of 2.13% from 2022 to 2028. In addition, the home market size reached US\$6 billion in 2021, and it is expected that the North American home fitness equipment market will reach US\$8.7 billion by 2031, with a CAGR of 3.8%. Related data also shows that the demand market is continuing to thrive.

The European Market

According to a report by Triton Market Research, the top three countries in terms of revenue ranking in the European fitness market are Germany, the United Kingdom, and France. According to the statistical data from Eurostat, the prevalence of overweight and obesity among adults in Europe has significantly increased, which has led to the rise of the fitness culture. According to Research and Markets, the CAGR of the European fitness market is expected to be 3.78% from 2022 to 2028.

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

Other Markets

According to a report by Triton Market Research, the top three countries in terms of revenue ranking in the European fitness market are Germany, the United Kingdom, and France. According to the statistical data from Eurostat, the prevalence of overweight and obesity among adults in Europe has significantly increased, which has led to the rise of the fitness culture. According to Research and Markets, the CAGR of the European fitness market is expected to be 3.78% from 2022 to 2028. According to the industry report by Data Bridge Market Research, the value of the European fitness equipment market is expected to increase to a scale of US\$9.1 billion by 2028, with a CAGR of approximately 6.2% from 2021 to 2028. The European market for sports-related apps is expected to increase to a scale of US\$7.3 billion by 2028, with a CAGR of approximately 24.6% between 2021 and 2028.

According to the relevant industry report from Data Bridge Market Research, the market value

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

5.1.2.2 Outdoor Leisure Furniture

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

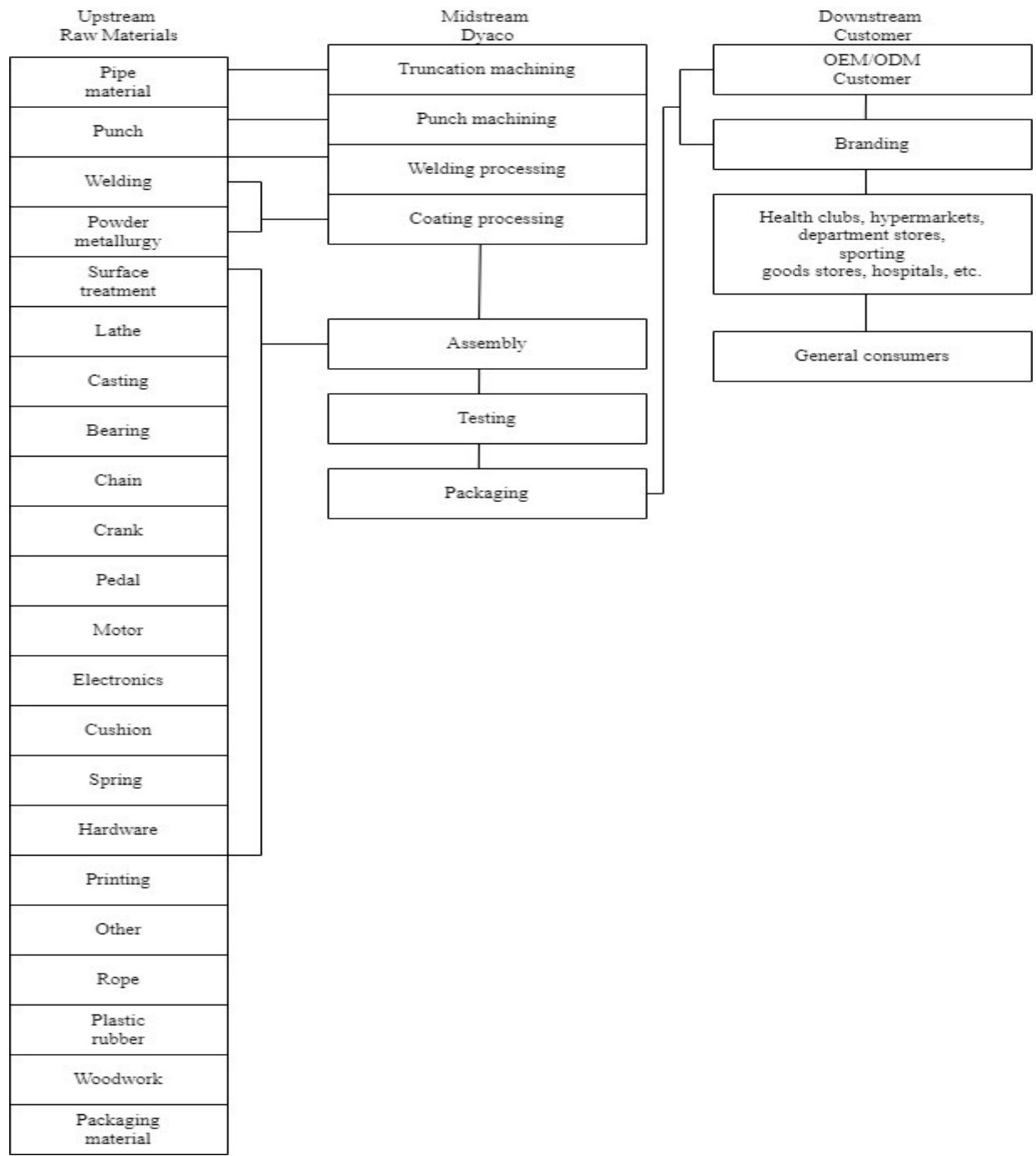
The earliest outdoor leisure furniture purchased by consumers consisted of a complete table and chairs set. Nowadays, in addition to traditional table and chair sets, related products such as sun umbrellas, tents, and swings have also been developed. Because outdoor leisure furniture is placed outside,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

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

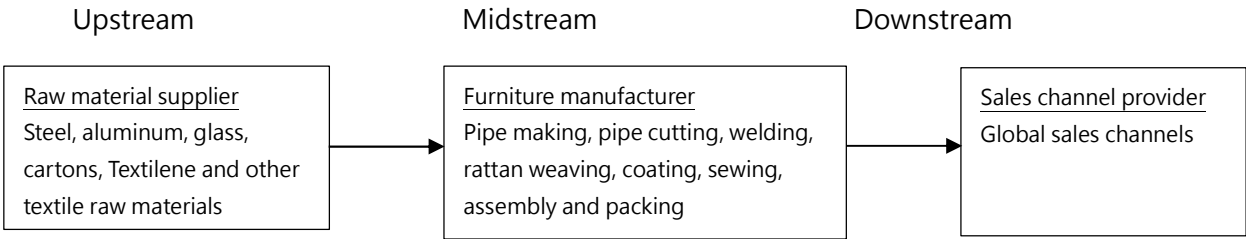
leisure furniture industry. According to the Outdoor Furniture Industry report by Data Bridge Market Research, the CAGR of the global outdoor furniture market from 2021 to 2028 is 6.1%, and the market size will grow to US\$29.98 billion. The Asia-Pacific region will grow rapidly in the next few years, including China, Malaysia, South Korea, Singapore, and India.

5.1.3 Upstream, midstream and downstream correlation of industry

5.1.3.1 Fitness equipment



5.1.3.2 Outdoor leisure furniture



5.1.4 Product development trends

5.1.4.1 Fitness equipment

In the past, fitness equipment users were mostly motivated by muscle building or weight control, but with the influence of technology, economic advancement and an aging society, more and more users are taking up fitness activities for other reasons. With the advancement of production technology and the popularity of fitness equipment, the difference between home and commercial workout equipment is becoming more and more blurred, and today's consumers tend to purchase fitness equipment that meets their actual needs based on function and quality. A report by American College of Sports Medicine, "Worldwide Survey of Fitness Trends for 2021," predicts that new global fitness trends this year will include online training, wearable technology, weight training, outdoor activities, and high-intensity interval training. With regard to the supply and demand of fitness equipment in recent years, the following trends are projected for the future development of the industry:

A. Low-load exercise equipment

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

B. Towards user-friendly and personalized design

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

C. Integrating electronic technology development

Compared with the rapid changes in consumer electronics, integrating fitness equipment with electronic products can still be improved. Due to the technological advancement and affordability of electronic products, the use of electronic technology to assist and monitor the workout process will become more popular. The new products with emphasis on program control, body condition monitoring, real-time information feedback and other functions will test the ability of fitness equipment manufacturers to integrate electronic technology.

D. Environmental and energy efficiency

With global warming, climate change and energy depletion, there is a growing awareness

of the need to save energy and reduce carbon emissions. Though people may not be able to do this in everything they do in life, when spending money on consumer goods or luxury goods, they can consider the reduction of carbon footprint, how to reduce electricity consumption and weight, as well as the use of consumables and parts, so that the product itself can be recognized to a certain extent, and from which comfort can be drawn.

5.1.4.2 Outdoor furniture

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

5.1.5 Product competition

5.1.5.1 Fitness equipment

The fitness equipment industry has entered a mature stage, with a high concentration of product demand, an increasing brand influence, and a growing trend of brand concentration. Competition between brands will bring about a change in the nature of competition in the industry and the polarization of prices in the past. When purchasing fitness equipment, consumers will not only consider the actual demand of exercise, but also attach importance to the brand image and product appearance design. Therefore, to cater to customer needs and maintain brand image, manufacturers will continue to roll out new products in terms of appearance, specification design and functionality, expecting to differentiate themselves from their competitors, but this will also lead to a relatively short product life cycle. As such, in addition to marketing channels, innovative R&D and design capabilities are also key factors in maintaining competitiveness in the fitness industry.

Since the United States remains by far the largest consumer market for the global fitness equipment industry, most of the world's top 10 fitness equipment manufacturers are dominated by American companies. In terms of the competitive environment, the fitness equipment market is divided into household, light commercial and commercial products. For household goods, the main competitors are Icon Fitness and Johnson, with major Chinese manufacturers also joining in; Landice, True Fitness and Johnson are competitors in the light commercial market; Life Fitness, Technogym, Precor, Cybex and Johnson compete in the commercial market. The Company is a major manufacturer and seller of professional fitness equipment for home and commercial use. At present, domestic manufacturers of similar products include Johnson, Rexus, Tonic, SportsArt, Steelflex, Reallusion, Tung Keng, HealthStream and Strength Master, etc. However, except for Johnson and Rexus, which are listed companies, and Strength Master Fitness Tech. Co., which has been registered on the Emerging Stock Market, the rest of companies in the industry are limited in scale.

To continuously enhance the competitiveness of the industry, in addition to keeping abreast of the global market demand, fashion trends and product design direction, we continue to maintain the existing advantages in Taiwan under the threat of low production costs and soaring prices of raw materials, develop innovative products with added value

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

5.1.5.2 Outdoor furniture

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

5.1.6 Technology and R&D overview

5.1.6.1 The technical level of the business

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

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

5.1.6.2 R&D of the business

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

The Company has so far applied for or passed patents and certifications in Taiwan, China, the United States, the European Union, etc. As of the end of March 2023, the Company has acquired a total of 119 domestic and foreign patents (including invention, utility model and

design), with 1 patents pending. The Company owns more than 200 trademarks.

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

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

Unit: NT\$1,000

Item	Year	2021 (Per Audited)	2022 Q1 (Per Book)
R&D Expenses		108,315	26,204
Net Operating Revenue		7,122,411	2,228,761
R&D Expenses as a percentage of Net Operating Revenue		1.52%	1.18%

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

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

5.1.7 Business development plan

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

5.1.7.1 Short-term development plans

1. Marketing policy

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

2. Production policy

- (1) Appropriately expand production capacity and strengthen production management to ensure on-time delivery, quality improvement and cost reduction.
- (2) Integrate industry supply chain, improve management efficiency and quality reliability,

set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost and increase added value.

3. R&D policy

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

5.1.7.2 Long-term development plans

- (1) Adhering to the core value of "brand, service and innovation," the Company develops products and creates value based on people's needs, is committed to providing consumers with simple, comfortable and safe products, and continuously focuses on improving the quality of people's workouts and leisure life.
- (2) Besides products, the Company provides brand belief, product creativity and after-sales service experience, which builds up our relationship with our partners. Based on this framework, we continue to expand the international market share of our self-owned brands SPIRIT, XTERRA and FUEL, as well as brand SOLE.
- (3) The Company will continue to be dedicated to R&D technology innovation, and cooperate with the academic community, in the field of medical rehabilitation equipment, to extend the Company's R&D advantages, so that our products can benefit not only the general public, but also those with mobility difficulties or elders at home. Everyone can take pleasure in sports, so as to take care of more people in need of help. After all, we need a healthy body to have a good quality of life.

5.2 Market, Production and Sales Overview

5.2.1 Market analysis

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

Unit: NT\$1,000; %

Sales Region \ Year		2021		2022	
		Sales	%	Sales	%
Domestic		160,319	1.37%	137,187	1.93%
Exports	America	9,274,861	78.99%	5,131,274	72.04%
	China	299,035	2.55%	282,226	3.96%
	Europe	1,484,560	12.64%	1,151,426	16.17%
	Others	523,306	4.45%	420,298	5.90%
Total		11,742,081	100.00%	7,122,411	100.00%

5.2.1.2 Market share

1. Fitness equipment

The Company has long focused on the development, manufacture and sale of fitness equipment, with a focus on household and light commercial products, and is expected

to be the number one domestic exporter of home gym equipment as the impact of the epidemic has helped boost the Company's market share. Since there are no commercial or academic institutions that provide relevant market size statistics to calculate the Company's market share, only the approximate market share is estimated from the statistics for indoor fitness equipment sales released by the statistics department of the Ministry of Economic Affairs, as follows:

Unit: NT\$1,000; %

Year	Sales of Dyaco	Sales of Taiwan	Market Share
2018	3,289,437	21,585,083	15.24%
2019	3,544,844	26,334,036	13.46%
2020	8,485,910	35,329,563	24.02%
2021	6,872,833	55,002,347	12.50%
2022	2,728,902	15,360,624	17.77%

2. Outdoor furniture

Outdoor leisure furniture products are sold at different prices depending on the materials used, and similar products may be market segmented by several different price points, so it is not easy to calculate the market share ranking of various manufacturers in this industry.

5.2.2 Future supply and demand conditions and growth of the market

5.2.2.1 Fitness equipment

The advancement of technology and medical science has led to a continuous extension of human life expectancy. The global trend is shifting from "living longer" to how to age well. The health industry's development not only brings people a better life but also contains endless business opportunities. Therefore, governments and industries worldwide are investing in the health economy, providing diverse and innovative services to meet the growing demand in the health market. The health promotion service industry comprises four major categories: health management, dietary health, exercise and fitness, and mental health. Exercise and fitness equipment is essential to the industry's future development. The development strategy will also focus on older people and people with disabilities rather than just young and middle-aged adults by developing gentle, interesting, and easy-to-use products suitable for these groups to meet the needs of the healthcare market. In addition, gender is also one of the driving forces of consumer trends. Females are more active in participating in fitness activities than males. In recent years, the outstanding performance of female athletes has further spurred the trend of women using fitness equipment.

The fitness equipment industry caters to those who aim for better health and reduce the effects of aging, making it a customer base that includes the general public and falls under the category of proactive and enthusiastic industries. By exploring the future products of the fitness equipment industry based on the global age structure, the development will move towards body shaping and stress-relieving equipment with high development potential and health-preserving equipment with high economic value. In addition, fitness equipment manufacturers should focus on developing brands and distribution channels, accelerating the

research and development of multi-functional and specialized products, designing products based on physical fitness, using electronic technology, and enhancing integrated marketing and innovative value. In the future, fitness equipment will also steadily grow under such development trends.

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

5.2.2.2 Outdoor furniture

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

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

5.2.3 Competitive niche

5.2.3.1 Acquire marketing channels

1. Ownership of four fitness equipment brands SOLE, SPIRIT, FUEL and XTERRA, rehabilitation equipment brand Dyaco Medical, and authorized ultimate fighting brand UFC.
2. With subsidiaries in the U.S., Canada, Japan and China, we are able to respond to customers' needs quickly and accurately grasp the market trend, which helps us to promote our own brands and raise the competition threshold, by accessing the marketing channels and distribution bases and offering a consistent production process

from research and development, production, sales to after-sales service.

3. With more than 130 partners in the international market, the Company operates locally in a cooperative manner, providing mutual support and reducing direct operating costs.

5.2.3.2 Innovative R&D

1. We have a professional team responsible for product appearance design, commercial design, institutional design, 3D drawing, 2D drawing, electronic engineering, finished product life test to safety certification, and due to a professional work division, we can develop 10 to 20 new products in a year and launch them within 6 to 12 months.
2. We have acquired the patents of many innovations and utility models, and continue to make proper use of the arrangement of each patent to raise the entry threshold of market technology.
3. We work with the academic institutes in industrial-academic exchanges and technical cooperation to make the products more diversified and creative.
4. In view of the world's rapidly aging population, Dyaco has been partnering with domestic and overseas academic institutions and large rehabilitation and care centers for many years. Based on the professional R&D technology for fitness equipment software and hardware, the Company is leading the industry in creating a range of high-end rehabilitative medical equipment.

5.2.3.3 Manufacturing efficiency

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

5.2.3.4 Pros, cons and countermeasures to the development vision

1. Pros

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

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

(2) Well-established supply chain

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

(3) Innovative design capabilities to keep up with trends

The Company has a complete product development system, and experienced marketing, business and R&D teams consisting of nearly a hundred people, which continue to expand the medium- and long-term cooperation with professional design companies, so that the appearance design of each product reaches a certain level. The R&D team has also been digging into mechanical and electronic system integration and innovation throughout the years to gain a grasp of key technologies, while the marketing department continues to sharpen its grip on the market and keep abreast of trends and fashions, so that the products can meet the market demand and widen their differentiation from the competitors'. We are the first company in Taiwan to successfully transfer the flywheel transmission system to elliptical machines and acquire a design patent on the core key technology, which not only guarantees the possibility of transferring the flywheel system to exercise equipment such as steppers, treadmills, etc., but also allows for the diversification of fitness-related products in the years ahead.

2. Cons

(1) Product homogeneity

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

Response:

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

(2) Multiple competitors and price cutting

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

Response:

- A. Using the brand to increase product recognition and customer loyalty, providing customers with a complete business solution (including marketing, product, after-sales service experience integration), not only unites the efforts of local agents to fight together, but also makes it difficult for consumers to make purchasing

decisions only based on price.

B. Seek strategic alliance partners in potential markets.

C. We constantly research and develop new products, develop new technologies through industry-academia cooperation or cross-industry alliances, and increase the entry threshold for new product production so that competitors cannot easily imitate.

(3) Increasing production costs

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

Response:

A. Seek out suppliers that comply with environmental regulations and guide the production of raw materials which meet environmental regulations.

B. Prepare materials in a systematic way to obtain the advantage of price and supply stability by purchasing in large quantities.

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

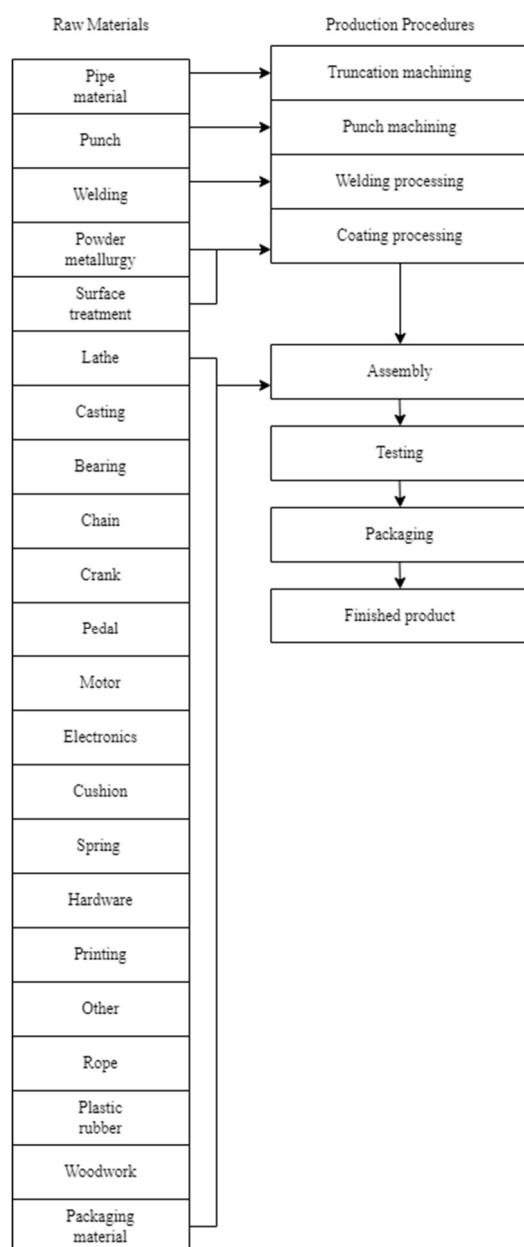
5.2.4 Important uses and manufacturing processes of primary products

5.2.4.1 Important uses of primary products

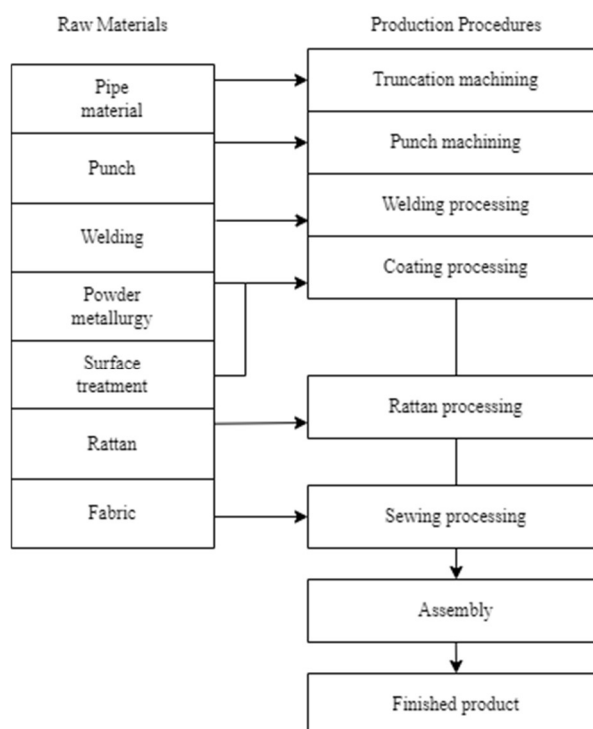
Product Category	Usage
General fitness equipment	Used in homes, hotels, companies, schools, gyms, etc., to burn calories and fat through exercise for healthy body shaping.
Medical rehabilitation equipment	Used in medical institutions, care centers, physiotherapy facilities and at home for the elderly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

5.2.4.2 Manufacturing process

(1) Fitness equipment



(2)Outdoor furniture



5.2.5 Supply of major raw materials

Major raw materials	Major suppliers	Supply status
System	Guangzhou Yunzan Co. 、Electronic Way Technology Co.,Ltd. 、EJEK TECHNOLOGY CO., LTD. 、CORESTAR CO., LTD. , etc	Good
Plastic	WAN CHANG PRECISION CO.,LTD 、Ningbo Beilei Stationery Manufacturing Co., Ltd. 、Dongguan Gao Jiaxun co., etc	Good
Motor	Guangdong Wanrui Co., etc	Good
Metal	JIAXING Youqiang metal Co., etc	Good

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

5.2.6 List of main procurement/sales suppliers/clients

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

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

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

Unit: NT\$1,000; %

Item	2021				2022			
	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	A Customer	1,957,742	16.67	None	A Customer	720,810	10.12	None
2	B Customer	764,739	6.51	None	B Customer	732,069	10.28	None
	Others	9,019,600	76.82	-	Others	5,669,532	79.60	None
	Net sales	1,957,742	16.67	-	Net sales	7,122,411	100.00	-

The reason for increases or decreases:

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

5.2.6.3 Output volume and value during the most recent two years

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

Output volume Year	2021			2022		
	Capacity	QTY	Amount	Capacity	QTY	Amount
Main Products						
Treadmill	330,000	319,643	2,932,162	180,000	115,217	1,242,640
Elliptical	110,000	102,280	1,250,683	60,000	19,819	338,529
Bike	60,000	55,242	557,973	30,000	11,005	143,212
Furniture	-	-	851,406	-	-	847,540
Others	-	-	191,005	-	-	275,940
Total	500,000	477,165	5,783,229	270,000	146,041	2,847,861

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

Note2: Production capacity means the amount that the Company can produce under normal operation by using existing production equipment after considering the necessary downtime and holidays; production capacity can be adjusted between different products.

The reason for increases or decreases:

1. Due to the slowdown in overall demand for home fitness equipment in the market, in order to reduce the risk of inventory backlog, the Company actively reduced inventory in 2022 and responded by reducing production, resulting in a decrease in production volume.
2. Starting from the fourth quarter of 2022, the Company has increased its product line with the addition of E-bikes, resulting in an increase in other product categories.

5.2.7 Sales volume and value during most recent two years

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

Sales volume Year	2021				2022			
	Domestic		Export		Domestic		Export	
Main Products	QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Treadmill	1,723	63,017	325,208	5,743,621	1,414	48,805	166,589	3,205,886
Elliptical	1,228	26,170	111,493	2,260,738	384	12,533	44,602	971,637
Bike	1,545	22,810	182,717	1,375,549	1,186	22,321	84,623	683,922
Furniture	-	-	-	1,015,807	-	-	-	911,149
Others	-	48,322	-	1,186,046	-	53,527	-	1,212,630
Total	4,496	160,319	619,418	11,581,761	2,984	137,187	295,814	6,985,224

The reason for increases or decreases:

1. Due to the slowdown in overall demand for home fitness equipment in the market.

2. Starting from the fourth quarter of 2022, the Company has increased its product line with the addition of E-bikes, resulting in an increase in other product categories.

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

Year		2021	2022	2023/3/31
Number of employees	Direct Labor	674	698	645
	Indirect Labor	667	720	745
	Total	1,341	1,418	1,390
Average age (Year)		40.49	41.51	41.32
Average years of service (Year)		6.97	7.96	8.09
Education level (%)	PHD	-	-	8.62
	Master	-	0.07	0.07
	Bachelor	6.14	5.46	5.54
	Senior High School and below	34.89	34.18	34.17

5.4 Disbursements for environmental protection

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

1. The Company has obtained a permit for installing anti-pollution facilities, or permit of pollution drainage.
2. The wastewater and sewage generated in the Company's manufacturing process or factory are first treated by a wastewater pre-treatment facility to meet the effluent standards before being discharged through the sewage system. The Company has received a letter of approval from the Industrial Development Bureau of the Ministry of Economic Affairs for the use of wastewater and sewerage underground systems in the Chuanhsing Industrial Zone, with a water pollution prevention permit also obtained, which was issued by the Environmental Protection Bureau of the Changhua County Government.
3. The waste generated by the Company's manufacturing process or factory is removed and disposed of by a qualified waste treatment company, with an industrial waste disposal plan filed in accordance with the regulations.
4. The Company is not an industry or has a manufacturing process listed in the announcement of stationary pollution sources that is obliged to apply for installation, change and operation permits, and thus is not required to set up related facilities and prepare pollution prevention plans, nor is the Company a business entity that is required to set up an air pollution prevention arm thereunder, so it has not had any dedicated units and personnel.
5. The Company has paid the water pollution prevention and control fees in accordance with the regulations.
6. The Company obtained ISO14001 certification in 2021.

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

Unit: NT\$

Equipment	QTY	Date of acquisition	Investment costs	Non-depreciated balance amount	The purpose and anticipated benefits
Wastewater Treatment Works - Yen Zealously	1	2009/03/31	1,530,000	0	Meet the environmental regulations for

Wastewater treatment refurbishment works	1	2015/08/01	350,000	29,841	wastewater discharge.
Wastewater treatment refurbishment works - Pipework for 10-ton plastic drums for acid and alkali storage	1	2020/3/20	160,000	113,334	

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

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

Penalty Date	April 26, 2021
Penalty number	Changhua Environmental Protection Bureau Waste Disposition No. 1100054337
Violation of legal provisions	Article 31, paragraph 1, subparagraph 2 and subparagraph 1 of the Waste Disposal Act
Contents of Violation	The quantity of non-hazardous waste, including dust collected in the Changhua plant or its mixtures, and inorganic sludge produced from June 2020 to January 2021 was reported to exceed by ten percent the maximum monthly amount indicated in the waste disposal plan (hereinafter referred to as "the Plan") submitted by the Company. Furthermore, the on-site storage of non-hazardous waste, including dust collected or its mixtures, was approximately 6 tons, which was inconsistent with the reported amount of 1.325 tons via the online system. The Company did not comply with the requirement to amend the Plan in accordance with regulations and obtain approval from the competent authority prior to conducting business operations. In addition, the reported amount of waste stored through the online system was inconsistent with the actual on-site amount.
Contents of Penalty	NT\$12,000
Estimated amount and response measures that may occur	Strengthen the education and training of dedicated personnel and continuously review and improve relevant operating procedures to ensure that all operations comply with legal regulations.

As of now, the improvement has been completed, and there have been no further incidents of being penalized.

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

5.5 Labor Relations

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

5.5.1 Employee benefits

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

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

5.5.2 Employee continuing education and training

The Company has set forth educational and training management procedures, and provides orientation training for new employees. Current employees may participate in in-house educational and training activities and those assigned by the Company or approved through an application for an external training course as required by their work may have their training costs borne by the Company. Training and drills are carried out to cultivate professional talents and increase work efficiency. In 2022, the total number of hours of internal training courses was 4,161.5 and the total number of hours of external training courses was 822.

In addition, employees are encouraged to pursue professional courses at colleges and universities to expand their professional competency and provide different perspectives for decision-making in the workplace. The Company has an on-the-job training program, but no employee applied for it in 2022.

5.5.3 Retirement system and the implementation

The Company has established rules for the retirement of staff employees and workers under the Labor Standards Act, and each month sets aside a reserve for retirement pensions at a certain percentage of their monthly salaries and wages, which is deposited with the Bank of Taiwan for safekeeping pursuant to the Ministry of the Interior's Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds. If the reserve account is inadequate to cover the actual pension payments, the shortfall is recognized as a current expense. The amount of appropriation for 2022 is NT\$367,000. Effective July 1, 2005, in accordance with the Labor Pension Act, the Company made a defined contribution to the pension plan at the Bureau of Labor Insurance covered by the Act at a rate of 6% of the employee's monthly wages/salaries, with the contribution recorded as current expense. The employee's monthly wages/salaries shall be deducted at a voluntary deposit rate to individual labor pension accounts at the Bureau. The amount of appropriation for 2022 is NT\$13,192,000. The provisions of the Labor Pension Act applicable to the Company are as follows:

5.5.3.1 Employees who apply for voluntary retirement:

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

1. Those who have been working in the Company for 15 years or more and are over 55 years old.
2. Those who have been working in the Company for 25 years or more.
3. Those who have been working in the Company for 10 years or more and are over 60 years old.

5.5.3.2 Employees forced to retire:

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

1. Where the employee attains the age of 65.
2. Where the employee is unable to perform his/her duties due to mental disorder or disability.

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

5.5.3.3 Pension payment standard:

1. The pension shall be paid in accordance with Articles 84-2 and 55 of the Labor Standards Act for those whose seniority of service before or after the said Act is applicable to the enterprise where they work, who choose to be continuously covered by the retirement mechanism in the said Act under the Labor Pension Act, or who reserve their seniority prior to the application of the Labor Pension Act.
2. As set forth in Subparagraph 2, Paragraph 1, Article 55 of the Labor Standards Act, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to workers who have the years of service referred to in the preceding paragraph and are forced to retire under Subparagraph 2, Paragraph 1, Article 35 due to mental disorder or disability incurred from the execution of their duties.
3. For employees whose pensions are subject to the Labor Pension Act, the Company contributes 6% of their monthly wages on a monthly basis to their individual labor pension accounts.

5.5.3.4 Pension payments:

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

5.5.4 The status of agreements between labor and management

The Company upholds the rights of employees in accordance with labor laws and relevant regulations. We maintain smooth communication channels between labor and management online and offline. Employees are encouraged to communicate and discuss with their department supervisors directly, and other communication channels are available to facilitate mutual, timely, and comprehensive understanding to work together to achieve common goals. In response to the employment of foreign employees, the Company also provides multilingual support to facilitate the communication of complete information. As of December 31, 2022, the Company has no significant disputes between labor and management.

The communication methods are as follows:

1. Labor-management meetings

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

2. Human Resources Announcement

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

3. Company Suggestion Box

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

4. Bulletin Board

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

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

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

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

Dyaco cares for employees and attaches great importance to workplace safety and health. According to the "Occupational Safety and Health Act," occupational safety and health committee are set up with 14 members, including the general manager as the chairperson, 5 labor representatives (35%), occupational safety and health personnel, department supervisors, and medical staff. Meetings were held quarterly to review and discuss policies well as results tracking. We create the most suitable work environment for employees to reduce the operational risks, reaching the goals of zero hazards and zero occupational diseases.

1. Workplace Promotion

2. Occupational Safety Management System & Policy

3. Notification System

4. Special Health Check

5.5.7 Workplace Promotion

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

5.5.8 Occupational Safety Management System & Policy

1. Working Environment Monitoring Report

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

2. Strengthen On-Site Inspections

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

3. Chemical Classification Management

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

4. Safety And Health Management of Contractors

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

5.5.9 Notification System

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

5.5.10 Special Health Check

In addition to general health checks, employees in particular work areas, including noise, dust, dimethylformamide, n-hexane, etc., will be provided with special health inspections.

5.5.11 Occupational Health and Safety Statistics

No major occupational disasters occurred in the Dyaco Taiwan area in 202. Factories are also gradually adopting automatic machinery such as automatic sealing machines, automatic lifting platforms, automatic arms, etc., to reduce the chances of employees getting injuries. Pre-employment training is implemented to strengthen safety in each department, and training courses are held every quarter to reduce occupational hazards.

5.5.12 Disaster Prevention

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

5.5.13 Occupational Hazard Statistics

In 2022, occupational accident injuries significantly reduced, mainly because of publicity and work safety precautions.

5.5.14 Regular implementation of operational environmental monitoring

1. Preventing occupational disasters, protecting workers' health, avoiding physical and

chemical hazards, providing employees with a healthy and comfortable working environment, and implementing regular monitoring of the working environment, with the operation site tested for dust, noise, etc. every six months.

2. Regular implementation of safety and health education and training

(1) Pursuant to Articles 16 and 17 of the Occupational Safety and Health Education and Training Rules.

(2) Implementing three hours of general safety and health education for new and transferred personnel.

(3) Implementing three hours of in-service safety and health education training every three years.

(4) Implementing various safety and health education and training (first aid workers, crane operators, forklift operators are dispatched for training and certification, etc.).

(5) 319 hours of external training and 1,975.5 hours of internal training on workplace safety-related education and training in 2022.

3. Regular implementation of fire drills

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

4. Convening of the Occupational Safety and Health Committee

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

5. Employee health check

The Company provides employees with annual health checks and follow-up of abnormal test results, with a coverage rate of over 95% of employees per year and annual health checks were already conducted in September 2022.

5.5.15 Gender Equality and Workplace Diversity

64.84% of the employees are between the ages of 30 and 49, which indicates that the Company hires experienced employees in the workplace, facilitating its steady growth and dedication to its expertise. Nearly 90% of the employees are under the age of 50, which brings innovation and development into the Company. The gender breakdown is 62.66% male and 37.34% female, which is a result of the industry that the Company operates in. Moreover, 30.30% of the executives are female. The Company is committed to promoting diversity and equal advancement opportunities in the workplace.

5.5.4.1 List any losses suffered by the Company in the most recent fiscal years and up to the annual report publication date due to labor disputes, and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

None

5.6 Cyber security management:

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

1. Organizational structure

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

2. Information security management mechanism and policy

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

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

(1) Cyber security policies :

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

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

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

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

5.7 Important Contracts

Nature of Contract	The parties	Term of Contract	Content	Restriction Clauses
Bank Loan	Mega Bank	2019.09.27-2024.09.27	Mid and Long-term Secured borrowings	None
Bank Loan	Mega Bank	2020.02.26-2025.02.26	Mid and Long-term Secured borrowings	None
Bank Loan	Chang Hua Bank	2008.05.21-2023.05.21	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2009.09.23-2024.09.23	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2015.11.25-2022.11.25	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2016.10.31-2023.10.31	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2034.06.17	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2024.06.17	Mid and Long-term Secured borrowings	None
Bank Loan	Taiwan Cooperative Bank	2018.11.30-2038.11.26	Long-term Secured borrowings	None
Bank Loan	Bank of Montreal	2016.05.01-2023.04.30	Long-term Secured borrowings	None
Co-branded Agreement	Johnny G Method	Beginning of 2017.01	The partnership agreement with Johnny G	None
Distributor Agreement	Zuffa International LLC.	2017.06~2026.12	Agent distribution of UFC' s products	None
Construction Contracting	Houli Construction Co., Ltd.	From March 10, 2022, to the completion date	Contracting project at Dajia Factory	None

VI. Financial Overview

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

6.1.1 IFRS

6.1.1.1 Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Item \ Year	Financial Statements for the past five years				
	2018	2019	2020	2021	2022
Current Assets	3,207,449	3,550,149	8,255,861	6,967,059	5,818,100
Property, Plant and Equipment	2,824,366	2,656,050	2,877,597	2,923,838	3,691,829
Intangible Assets	464,504	416,321	1,238,670	1,285,100	1,355,244
Other Assets	528,989	672,781	879,860	1,024,794	1,099,426
Total Assets	7,025,308	7,295,301	13,251,988	12,200,791	11,964,599
Current Liabilities	Before Distribution	3,854,329	3,822,171	6,608,905	5,298,358
	After Distribution	3,823,196	3,697,850	5,655,878	4,980,856
Non-current Liabilities		1,092,458	1,228,813	1,773,221	2,521,150
Total Liabilities	Before Distribution	4,946,787	5,050,984	8,382,126	7,819,508
	After Distribution	4,915,654	4,926,663	7,429,099	7,502,006
Equity Attributable to Owners of the Parent		1,744,645	1,894,145	4,513,176	3,986,350
Capital		929,502	961,009	1,326,523	1,340,222
Capital Surplus		738,397	758,304	1,986,005	2,115,925
Retained Earnings	Before Distribution	328,209	452,985	1,648,927	1,136,888
	After Distribution	297,076	328,664	695,900	819,386
Other Equity		(79,123)	(105,813)	(175,628)	(238,081)
Treasury Share		(172,340)	(172,340)	(272,651)	(368,604)
Non-controlling Interest		333,876	350,172	356,686	394,933
Total Equity	Before Distribution	2,078,521	2,244,317	4,869,862	4,381,283
	After Distribution	2,047,388	2,119,996	3,916,835	4,063,781

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2018~2022.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2022.

6.1.1.2 Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000

Item \ Year	Financial Statements for the past five years				
	2018	2019	2020	2021	2022
Net Operating Revenue	5,557,150	5,850,528	13,123,756	11,742,081	7,122,411
Gross Profit	1,527,399	1,716,399	5,484,319	4,057,402	2,085,155
Profit (Loss) from Operations	85,090	327,705	1,852,910	785,373	(384,230)
Non-Operating Income and Expenses	61,571	(49,061)	(198,006)	(236,910)	303,169
Profit (Loss) before Income Tax	146,661	278,644	1,654,904	548,463	(81,061)
Net Income (Loss) from Continuing Operations	127,456	220,095	1,318,056	443,598	(94,683)
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	127,456	220,095	1,318,056	443,598	(94,683)
Other Comprehensive Income (Net amount after tax)	(29,252)	(43,447)	(61,094)	(63,201)	114,085
Total Comprehensive Income	98,204	176,648	1,256,962	380,397	19,402
Profit attributable to Owners of the Parent	107,123	189,001	1,321,109	440,342	(76,129)
Profit Attributable to Non-controlling Interest	20,333	31,094	(3,053)	3,256	(18,554)
Comprehensive Income (Loss) Attributable to Owners of the Parent	87,865	160,352	1,250,448	378,535	37,842

Comprehensive Income Attributable to Non-controlling Interest	10,339	16,296	6,514	1,862	(18,440)
Earnings Per Share	1.16	2.05	11.69	3.47	(0.61)

Note1: The above financial statements have been audited or reviewed by an independent accountant during 2018~2022.

6.1.1.3 Condensed Balance Sheet (Parant Company Only)

Unit: NT\$1,000

Item	Year	Financial Statements for the past five years				
		2018	2019	2020	2021	2022
Current Assets		2,156,513	2,580,856	6,448,880	5,627,552	3,972,184
Property, Plant and Equipment		1,762,174	1,690,350	1,672,688	1,620,884	1,801,014
Intangible Assets		144,981	119,356	91,538	128,350	104,955
Other Assets		1,606,619	1,657,716	2,754,895	2,780,531	3,677,254
Total Assets		5,670,287	6,048,278	10,968,001	10,157,317	9,555,407
Current Liabilities	Before Distribution	3,117,051	3,203,247	4,991,086	3,856,584	4,685,150
	After Distribution	3,085,918	3,078,926	4,038,059	3,539,082	Note 2
Non-current Liabilities		808,591	950,886	1,463,739	2,314,383	1,201,149
Total Liabilities	Before Distribution	3,925,642	4,154,133	6,454,825	6,170,967	5,886,299
	After Distribution	3,894,509	4,029,812	5,501,798	5,853,465	Note 2
Equity attributable to Owners of the Parent		1,744,645	1,894,145	4,513,176	3,986,850	3,669,108
Capital		929,502	961,009	1,326,523	1,340,222	1,341,147
Capital Surplus		738,397	758,304	1,986,005	2,115,925	2,142,919
Retained Earnings	Before Distribution	328,209	452,985	1,648,927	1,136,888	737,509
	After Distribution	297,076	328,664	695,900	819,386	Note 2
Other Equity		(79,123)	(105,813)	(175,628)	(238,081)	(126,177)
Treasury Share		(172,340)	(172,340)	(272,651)	(368,604)	(426,290)
Non-controlling Interest		-	-	-	-	-
Total Equity	Before Distribution	1,744,645	1,894,145	4,513,176	3,986,850	3,669,108
	After Distribution	1,713,512	1,769,824	3,560,149	3,669,348	Note 2

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2018~2022.

Note 2: The shareholders' meeting will decide on the earnings distribution for 2022.

6.1.1.4 Condensed Statement of Comprehensive Income (Parant Company Only)

Unit: NT\$1,000

Item \ Year	Financial Statements for the past five years				
	2018	2019	2020	2021	2022
Net Operating Revenue	3,289,437	3,544,844	8,485,910	6,872,833	2,728,902
Gross Profit	680,925	795,984	2,598,498	1,668,316	508,543
Profit (Loss) from Operations	229,335	359,077	1,665,999	1,071,546	195,643
Non-Operating Income and Expenses	(118,234)	(117,699)	(63,718)	(527,733)	(230,814)
Profit (Loss) before Income Tax	111,101	241,378	1,602,281	543,813	(35,171)
Net Income (Loss) from Continuing Operations	107,123	189,001	1,321,109	440,342	(76,129)
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	107,123	189,001	1,321,109	440,342	(76,129)
Other Comprehensive Income (Net amount after tax)	(19,258)	(28,649)	(70,661)	(61,807)	113,971
Total Comprehensive Income	87,865	160,352	1,250,448	378,535	37,842
Profit attributable to Owners of the Parent	107,123	189,001	1,321,109	440,342	(76,129)
Profit Attributable to Non-controlling Interest	-	-	-	-	-
Comprehensive Income (Loss) Attributable to Owners of the Parent	87,865	160,352	1,250,448	378,535	37,842
Comprehensive Income Attributable to Non-controlling Interest	-	-	-	-	-
Earnings Per Share	1.16	2.05	11.69	3.47	(0.61)

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2017~2021.

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

Year	Accounting Firm	CPA	Audit opinion
2018	Deloitte & Touche Taiwan	Ms. Liao, Wan-Yi/Mr. Chang, Keng-Hsi	Unqualified Opinion
2019	Deloitte & Touche Taiwan	Ms. Chen, Chao-Mei/Mr. Hsieh, Chien-Hsin	Unqualified Opinion
2020	Deloitte & Touche Taiwan	Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei	Unqualified Opinion
2021	Deloitte & Touche Taiwan	Mr. Hsieh, Chien-Hsin/Ms. Chen, Chao-Mei	Unqualified Opinion
2022	Deloitte & Touche Taiwan	Mr. Hsieh, Chien-Hsin/ Ms. Liao, Wan-Yi	Unqualified Opinion

6.2 Financial analysis of the last five years

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

6.2.1.1 Consolidated Financial Statement

Item		Financial analyses of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to Asset Ratio	70.41	69.24	63.25	64.09	66.03
	Long-term Fund to Property, Plant and Equipment	112.27	130.76	230.86	236.07	165.54
Liquidity (%)	Current Ratio	83.22	92.88	124.92	131.49	99.41
	Quick Ratio	50.38	60.40	76.69	63.88	47.24
	Times Interest Earned	3.70	5.69	30.49	9.01	0.04
Operating ability	Average Collection Turnover (Times)	5.61	5.28	6.05	4.85	5.19
	Average Days of Collection	65	69	60	75	70
	Average Inventory Turnover (Times)	3.33	3.41	3.52	2.30	1.55
	Average Payables Turnover (Times)	3.29	3.60	3.55	3.35	4.14
	Average Days of Sales	110	107	104	158	236
	Property, Plant and Equipment Turnover (Times)	2.00	2.14	4.74	4.05	2.15
	Total Assets Turnover (Times)	0.81	0.82	1.28	0.92	0.59
Profitability	Return on Total Assets (%)	2.50	3.74	13.27	3.92	-0.22
	Return on Equity (%)	6.03	10.18	37.05	9.59	-2.24
	Pre-tax Income to Paid-in Capital Ratio (%)	15.78	28.99	124.76	40.92	-6.04
	Net Margin (%)	2.29	3.76	10.04	3.78	-1.33
	Earnings Per Share (NT\$)	1.20	2.05	11.69	3.47	-0.61
Cash flows	Cash Flow Ratio (%)	-1.16	10.77	19.30	-14.75	10.71
	Cash Flow Adequacy Ratio (%)	45.32	42.36	53.87	12.58	31.49
	Cash Flow Reinvestment Ratio (%)	-2.82	11.00	19.87	-29.80	6.14
Leverage	Operating Leverage	2.70	1.89	1.17	1.36	0.27
	Financial Leverage	2.77	1.22	1.03	1.10	0.82
Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).						
<ol style="list-style-type: none"> 1. Financial structure (reduced ratio of long-term funds to PP&E): In the second half of 2022, due to the upcoming maturity date for the second and early buyback of the third batch of convertible bonds, which were converted into current liabilities, the ratio of long-term funds decreased significantly. 2. Solvency (declining current ratio, quick ratio, and interest coverage ratio): Due to the upcoming maturity date for the second and early buyback of the third batch of convertible bonds, current liabilities increased significantly, and the decline in revenue reduced accounts receivable. 3. Operational Capability (Inventory Turnover, Accounts Payable Turnover, Average Days Sales Outstanding, PP&E Turnover, and Total Asset Turnover): In 2022, due to the high inflation and economic slowdown, the demand for home fitness equipment in the end market decreased, resulting in slower inventory turnover and a decrease in revenue of NT\$4,600,120 thousand compared to the previous year. 4. Cash Flow (Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Reinvestment Ratio Increased): In 2022, the Company actively reduced production to clear inventory and decreased operating expenses such as material purchases, leading to an increase of NT\$1,408,230 thousand in operating cash flow compared to 2021. 5. Operating Leverage: In 2022, the global demand for home fitness equipment decreased further, and the Company reduced production accordingly, resulting in a decline in production efficiency and an increase in fixed cost allocation per unit. As a result, the overall operating income turned into a loss. 						

Note: The above financial statements have been audited or reviewed by an independent accountant during 2018~2022.

6.2.1.2 Financial Statement (Parant Company Only)

Item		Year	Financial analyses of the last five years (Note 1)				
			2017	2018	2019	2020	2021
Financial structure (%)	Debt to Asset Ratio		69.23	68.68	58.85	60.76	61.60
	Long-term Fund to Property, Plant and Equipment		144.89	168.31	357.32	388.75	270.42
Liquidity (%)	Current Ratio		69.18	80.57	129.21	145.87	84.78
	Quick Ratio		59.37	71.21	114.58	132.97	77.51
	Times Interest Earned		3.84	7.31	46.62	13.42	0.38
Operating ability	Average Collection Turnover (Times)		2.63	2.83	3.00	1.70	0.95
	Average Days of Collection		139	129	122	215	382
	Average Inventory Turnover (Times)		8.73	9.76	11.99	8.75	5.54
	Average Payables Turnover (Times)		2.81	2.89	3.10	2.70	2.19
	Average Days of Sales		42	37	30	42	66
	Property, Plant and Equipment Turnover (Times)		1.93	2.05	5.05	4.17	1.59
	Total Assets Turnover (Times)		0.60	0.60	1.00	0.65	0.28
Profitability	Return on Total Assets (%)		2.52	3.75	15.86	4.51	-0.31
	Return on Equity (%)		6.01	10.39	41.24	10.38	-1.99
	Pre-tax Income to Paid-in Capital Ratio (%)		11.95	25.12	120.79	40.58	-2.62
	Net Margin (%)		3.26	5.33	15.57	6.42	-2.79
	Earnings Per Share (NT\$)		1.20	2.05	11.69	3.47	-0.61
Cash flows	Cash Flow Ratio (%)		7.72	16.75	4.67	-14.72	9.85
	Cash Flow Adequacy Ratio (%)		25.67	28.11	31.72	2.96	24.06
	Cash Flow Reinvestment Ratio (%)		7.27	16.89	1.80	-25.48	3.16
Leverage	Operating Leverage		1.18	1.07	1.18	1.08	-15.29
	Financial Leverage		1.21	1.12	1.02	1.04	1.41
Please provide the reasons for changes in financial ratios in the most recent two years (analysis not required if the change does not reach 20%).							
<p>1. Financial Structure (Decrease in Long-Term Funds as a Percentage of PP&E), Solvency (Decrease in Interest Coverage Ratio), Profitability (Decrease in Return on Assets, Return on Equity, Ratio of Pre-Tax Net Income to Paid-in Capital, Net Profit Margin, and Earnings Per Share), Operational Capability (Decrease in Total Asset Turnover Ratio), and Leverage (Operating and Financial Leverage): The decrease in global demand for fitness equipment, the appreciation of the NT Dollar, and the rise in raw material and transportation costs have led to a reduction in profitability.</p> <p>2. Solvency (Decrease in Current Ratio and Quick Ratio) and Operational Capability (Decrease in Accounts Receivable Turnover, Average Collection Days, and Average Days Sales Outstanding): The decrease in global demand for fitness equipment and the resulting decline in revenue led to a reduction in accounts receivable compared to the same period last year. However, the decrease in accounts receivable was less significant than the decrease in revenue.</p> <p>3. Cash Flow (Increase in Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Reinvestment Ratio): Due to an increase in the share of losses incurred by subsidiaries and affiliated companies accounted for under the equity method, there was an increase in net cash inflows generated from operating activities.</p>							

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2018~2022.

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

1. Financial structure

(1) Debt to Asset Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment = (Shareholders' Equity + Non-current Liabilities) / Net Property, Plant and Equipment

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating ability

(1) Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)

(2) Average Days of Collection = 365 / Average Collection Turnover

- (3) Average Inventory Turnover = Cost of Goods Sold / Average Amount of Inventory
- (4) Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)
- (5) Average Days of Sales = 365 / Average Inventory Turnover
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets
4. Profitability
 - (1) Return on Total Assets = (Net Income + Interest Expenses * (1 – Effective Tax Rate)) / Average Total Assets
 - (2) Return on Equity = Net Income / Average Equity
 - (3) Net Margin = After-tax Profit / Net Operating Income
 - (4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding
5. Cash flows
 - (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liabilities
 - (2) Cash Flow Adequacy Ratio = Net Cash Flows from Operating Activities in the past five years / (Capital Expenditure + Increase in Inventory + Cash Dividend) in the past five years.
 - (3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities – Cash Dividend) / (Gross Margin of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)
6. Leverage
 - (1) Operating Leverage = (Net Operating Revenue – Variable Operating Cost and Expenses) / Operating Profit
 - (2) Financial Leverage = Operating Profit / (Operating Profit – Interest Expense)

6.3 Audit Committee's Review Report in the most recent year

Dyaco International Inc.

Audit Committee' s Review Report

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

The Board of Directors has prepared and submitted the 2022 consolidated financial statements (including standalone financial statements), business report, and earnings distribution proposal. Independent auditors Mr. Hsieh, Chien-Hsin and Ms. Liao, Wan-Yi of Deloitte & Touche Taiwan audited the consolidated financial statements (including standalone financial statements) and has issued an audit report. These have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Dyaco International Inc.

Audit Committee convener: Hsieh, Chang-Hung

March 29, 2023

6.4 Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table: Please refer to Attachment 1.

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

6.6 The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

VII. Review and Analysis of the Financial Statues, Financial Performance, and Risk Management

7.1 Financial Position

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

7.1.1 Comparative analysis of financial status:

Unit: NT\$1,000

Item \ Year	2021	2022	Difference	
			Amount	%
Current Assets	6,967,059	5,818,100	-1,148,959	-16.49
Property, Plant and Equipment	2,923,838	3,691,829	767,991	26.27
Intangible Assets	1,285,100	1,355,244	70,144	5.46
Other Non-current Assests	1,024,794	1,099,426	74,632	7.28
Total Assets	12,200,791	11,964,599	-235,192	-1.94
Current Liabilities	5,298,358	5,853,132	554,774	10.47
Non-current Liabilities	2,521,150	2,047,507	-473,643	-18.79
Total Liabilities	7,819,508	7,900,639	81,131	1.04
Capital	1,340,222	1,341,147	925	0.07
Capital Surplus	2,115,925	2,142,919	26,994	1.28
Retained Earnings	1,136,888	737,509	-399,379	-35.13
Other Equity	(238,081)	(126,177)	111,904	-47.00
Treasury Share	(368,604)	(426,290)	-57,686	15.65
Non-controlling Interest	394,933	394,852	-81	-0.02
Total Equity	4,381,283	4,063,960	-317,323	-7.24

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

1. The difference in current assets is due to the decrease in global demand for fitness equipment and the reduction of inventory levels, which resulted in a decrease in accounts receivable.
2. The difference in PP&E is due to the acquisition of the subsidiary, IUVO Industry Co., Ltd., and the expenditures from constructing the Taichung Dajia plant.
3. The decrease in retained earnings is due to the decline in profits caused by the slowdown in global demand for fitness equipment, the appreciation of the NT Dollar, and the increase in raw material and transportation costs.
4. The difference in other equity is due to the translation difference generated from the financial statements of overseas operating entities caused by the exchange rate impact.

7.2 Financial Performance

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

7.2.1 Comparative Analysis of Financial Performance

Unit: NT\$1,000

Item \ Year	2020	2021	Increase (Decrease) Amount	Difference (%)
Net Operating Revenue	11,742,081	7,122,411	-4,619,670	-39.34
Operating Costs	7,684,679	5,037,256	-2,647,423	-34.45
Gross Profit	4,057,402	2,085,155	-1,972,247	-48.61
Operating Expenses	3,269,189	2,441,738	-827,451	-25.31
Other Operating Income and Expenses	(2,840)	(27,647)	-24,807	873.49

Item \ Year	Year		Increase (Decrease) Amount	Difference (%)
	2020	2021		
Profit from Operations	785,373	(384,230)	-1,169,603	-148.92
Non-operating Income and Expenses	(236,910)	303,169	540,079	-227.97
Profit before Income Tax	548,463	(80,061)	-628,524	-114.60
Income Tax Expense	104,865	13,622	-91,243	-87.01
Net Profit	443,598	(94,683)	-538,281	-121.34
Other Comprehensive Loss	(63,201)	114,085	177,286	-280.51
Total Comprehensive Income	380,397	19,402	-360,995	-94.90

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

1. Revenue, gross profit, operating profit, pre-tax profit, income tax expenses, net profit for the period, and total comprehensive income have decreased due to the slowdown in global demand for fitness equipment.
2. The decrease in operating revenue has led to a corresponding decrease in operating costs.
3. The decrease in operating expenses is mainly due to the reduction in the Company's sales-related expenses caused by the decline in revenue in 2022.
4. The difference in net other income and expenses is due to the recognition of a loss for prepaid expenses to suppliers that are deemed unrecoverable.
5. The difference in non-operating income and expenses is due to a significant increase in foreign exchange gains in 2022.
6. Regarding the differences in comprehensive income for the current period, please refer to the notes for operating (loss) income and operating non-operating income and expenses for a detailed explanation.

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

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

7.3 Cash Flows

7.3.1 Analysis of liquidity for the last two years

Item \ Year	Year		Difference (%)
	2021	2022	
Cash Flow Ratio (%)	-14.72	9.85	166.93%
Cash Flow Adequacy Ratio (%)	2.96	24.06	712.38%
Cash Flow Reinvestment Ratio (%)	-25.48	3.16	112.41%

Analysis of changes in cash flows:

Cash Flow (Increase in Cash Flow Ratio, Cash Flow Adequacy Ratio, and Cash Reinvestment Ratio): Due to an increase in the share of losses incurred by subsidiaries and affiliated companies accounted for under the equity method, there was an increase in net cash inflows generated from operating activities.

7.3.2 Analysis of changes in cash flow for the coming year

Unit: NT\$1,000

Beginning cash balance (1)	Estimated net cash flow from operating activities (2)	Estimated net cash flow from investing activities (3)	Estimated net cash flow from financing activities (4)	Estimated surplus (shortfall) amount (1)+(2)+(3)+(4)	Remedial measures for cash deficit	
					Investment plan	Financial plan
1,120,781	735,406	(1,871,005)	986,748	971,930	-	-

1. Operating Activities: The Company expects an increase in revenue, resulting in cash inflows from operating activities of NT\$4,260,737 thousand. The corresponding costs of generating these cash inflows are expected to result in cash outflows of NT\$3,992,681 thousand. The Company anticipates a net cash inflow of NT\$268,056 thousand from operating activities.

2. Investing and financing activities: The Company forecasts a net cash outflow of NT\$8,000 thousand from investing activities. In addition, it plans to distribute NT\$152,152 thousand in cash dividends and Director/employee compensation, and to repay bank loans totaling NT\$83,200 thousand. The Company expects a net cash outflow of NT\$243,352 thousand for financing activities.

3. Expected measures for insufficient cash: The Company currently has sufficient cash reserves, and there is no risk of liquidity shortage.

7.4 Effect of Major Capital Spending on Financial Position and Business Operations: None.

7.5 Investment Policy in The Most Recent Year, Profit/Loss Analysis, Improvement Plans, and Investment Plans for The Coming Year

7.5.1 Investment policy in the most recent year

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

7.5.2 Main reasons for profit or loss on reinvestment, improvement plans and investment plans for the coming year

Unit: NT\$1,000

Reinvestment Company	Main Business	Profit (Loss) for 2021	Main Reasons for Profit or Loss	Improvement Plan	Investment Plan
Dyaco International Holding Limited	Investment holding	(2,292)	The loss is due to the loss of the investee company.	—	None
Dyaco Eurpoe GmbH	Investment holding and sales of fitness equipment	(53,078)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	Increase capital in accordance with capital requirements
Daan Health Management Consulting Co., Ltd.	Medical equipment	(127)	Reduction in leasing operations of rehabilitation clinics	Adjustment to business development strategies to improve operational conditions.	None
Dyaco Japan Co., Ltd.	Sales of fitness equipment	(22,681)	Competition in the market has affected the Company's profitability and the commercial and rehabilitation market has been affected by the epidemic.	New sales initiatives are implemented to reduce costs and the benefits of new product and brand rollouts are expected to improve profitability.	Increase capital in accordance with capital requirements
Wing Long Co., Ltd.	Sales of alcoholic drinks	(6,089)	The Company is still in the start-up phase and the operations have not yet reached scale.	Increase sales by developing new customers and reduce expenditures.	Increase capital in accordance with capital requirements.
Dyaco UK Ltd.	Sales of fitness equipment	(40,045)	The business is still in the consolidation stage, with operations not yet at scale and the pandemic impacting commercial market development.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
SOLE INC.	Investment holding	(369,556)	The loss is due to the loss of the investee company.	—	None
President Plastic Products MFG. Co., Ltd.	Real estate lease	1,032	—	—	None
Cikayda Inc.	Management consultation	(910)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
City Sport (Thailand) Co., Ltd	Sales of fitness equipment	(8,565)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	None

Reinvestment Company	Main Business	Profit (Loss) for 2021	Main Reasons for Profit or Loss	Improvement Plan	Investment Plan
Neutron Ventures Ltd	Investment holding	(59,589)	The loss is due to the loss of the investee company.	—	None
CARDIOfitness GmbH & CO. KG	Sales of fitness equipment	(32,887)	Lower demand for home fitness equipment.	Adjustment to business development strategies and reduction of expenditures to improve operational conditions.	None
CARDIOfitness Verwaltungs GmbH	Investment holding	24	—	—	None
Fitness Equipment Services, LLC	Sales of fitness equipment	(345,987)	Losses are incurred due to the slowdown in demand for home fitness equipment in the post-epidemic era and the increase in product costs and transportation expenses.	Adjustment to business development strategies and reduction of expenditures to improve operational conditions.	Increase capital in accordance with capital requirements
Fuel-Spirit International Inc.	Investment holding and trading business	1,600	—	—	None
Spirit Manufacturing Inc.	Sales of fitness equipment	5,638	—	—	None
Dyaco Canada Inc.	Sales and services of fitness equipment	24,234	—	—	None
Spirit Direct	Sales of fitness equipment	(19,886)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	Increase capital in accordance with capital requirements
Dyaco Commercial & Medical North America, LLC.	Sales of fitness equipment	(79)	—	—	None
Interactive Online Commerce Ltd	Investment holding	(65,131)	The loss is due to the loss of the investee company.	—	None
Neutron Ventures Poland S.p Z.o.o	Management Consultation	(5,686)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
Sweatband.com Ltd	Sales of sporting goods	(65,131)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	Increase capital in accordance with capital requirements
Dyaco (Shanghai) Trading Co., LTD.	Sales of fitness equipment	(23,450)	The China' s government impletment epidemic prevention policies in the second half of 2022.	—	None
Dyaco Health Technology (Beijing) Co., Ltd.	Health management consultation	(284)	The business is still in the consolidation stage, with operations not yet at scale.	This should improve once the local business has stabilized and the scale of operations has materialized.	None
Shelton Corporation (Jiaxing),, LTD.	Manufacture and sale of outdoor furniture	7,712	—	—	None
IUVO INDUSTRY CO.,LTD.	Sales and manufacturing of electricity-assisted bike	4,071	—	—	None

7.6 Risk Analysis and Assessment

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

7.6.1.1 Changes in interest rates:

Unit: NT\$1,000; %

Item \ Year	2021	2022
Interest Income (Expense)	(67,065)	(82,254)
Profit (Loss) before Income Tax	548,463	(81,061)
Interest Income (Expense) to Profit (Loss) before Tax (%)	(12.23%)	101.47

The Company's interest expense is incurred as a result of bank loans in the operating activities. The net interest income and expense for 2021 and 2022 were (NT\$67,065) thousand and (NT\$82,254) thousand, respectively, which constituted for (12.23%) and 101.47 of the Company's net profit (loss) before income tax. Changes in interest rates have an impact on the Company's profitability to some extent. The Company's interest expense increased in 2022 due to increased bank borrowings required for operations. To avoid the impact of interest rate fluctuations on the Company's financing costs, the Company has kept a watchful eye on interest rate movements and maintained good relations with banks to obtain more favorable interest rates, and has observed the effects of interest rate changes in the financial market on the Company's funds in order to take flexible measures, so the changes in interest rates will not have a significant impact on the Company's profit or loss.

7.6.1.2 Exchange rate fluctuations

Unit: NT\$1,000; %

Item \ Year	2021	2022
Exchange Gain (Loss)	(185,471)	441,757
Profit (Loss) before Income Tax	548,463	(81,061)
Exchange Gain (Loss) to Profit (Loss) before Tax (%)	(33.82%)	(544.97%)

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

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

7.6.1.3 Changes in the inflation rate

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

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

1. The Company's financial operations are conservative and prudent and it does not engage in high-risk, highly leveraged investments.
2. The Company's loaning of funds, endorsements/guarantees are processed in accordance with its "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees" and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."
3. The Company engages in derivatives transactions in accordance with its "Procedures for the Acquisition or Disposal of Assets" for the purpose of hedging the risk of fluctuations in exchange rates of foreign currency assets or liabilities.

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

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

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

In the future, it is expected that the R&D expenses committed will be adjusted according to the product development schedules and plans and the operational conditions and will account for approximately 1% to 2% of the total revenue in 2023.

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

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

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

7.6.4.1 In addition to keeping an eye on the technological changes and technological developments in the industries in which the Company operates, and keeping abreast of the latest trends in the industry through close cooperation with customers, the Company is constantly enhancing its own R&D capabilities, protecting various innovative concepts and designs by patent applications, and actively expanding its market application areas in the future, so that

technological and industrial changes have no negative impact on the Company.

7.6.4.2 Information security risk management framework, information security policy, specific management solutions, and spend efforts on information security. Please refer to 5.6

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

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

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

7.6.6 Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response:

IUVO Industrial Co., Ltd. is a domestic e-bike manufacturer. The Company accelerated its entry into the e-bike industry by acquiring IUVO's equity in the fourth quarter of 2022. The acquisition has been completed without any significant risks.

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

As energy policies around the world promote sustainability and environmental awareness, the e-bike industry has seen rapid growth on a global scale. Recognizing this opportunity, the Company is expanding beyond the indoor fitness equipment industry and plans to enter the e-bike market in early 2022. We are currently constructing a factory in Dajia, Taichung, to manufacture e-bikes under our brand, Cikada. We anticipate completing the factory in the second half of 2022 and leveraging our existing sales channels in Europe and America to distribute these products.

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

7.6.8.1 Purchasing

The Company maintains more than two suppliers of raw materials and keeps a close eye on market dynamics, actively develops other suppliers to reduce the risk of overconcentration of sources of supply, and maintains good cooperative relationships with all suppliers to ensure stable sources of supply.

7.6.8.2 Sales

North America is a major market in the global fitness equipment industry, accounting for more than one-half of the global output value. The Company mainly sells its own brands and it has taken relevant measures to reduce the risk of concentration of sales:

(1) To actively participate in international exhibitions in order to enhance the Company's visibility and awareness in the international market, and to seek international quality customers to represent the Company's products or to commission development and

production of our products.

(2) Proactive research and development to expand product lines and applications, including the development of medical rehabilitation and health aids, products for senior citizens and people with mobility impairments, as well as the enhancement of product technology and functionality.

(3) To reduce the concentration of customers by actively exploring global markets and developing new customers, including setting up a sales company in Shanghai, China, and securing agents in various countries through sharing marketing resources.

Proactively promote own brands and launch a variety of own brands to capture overseas business opportunities. We currently own the global best-selling brand Spirit, emerging brands Fuel and Xterra, and the top fitness equipment brand SOLE.

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

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

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

There was no change in the Company's operation as a result of the change in management rights during the most recent year or during the current year up to the date of publication of the annual report.

7.6.11 Litigious and non-litigious matters

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

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

7.6.12 Other major risks and response measures: None.

7.7 Other Important Matters: None.

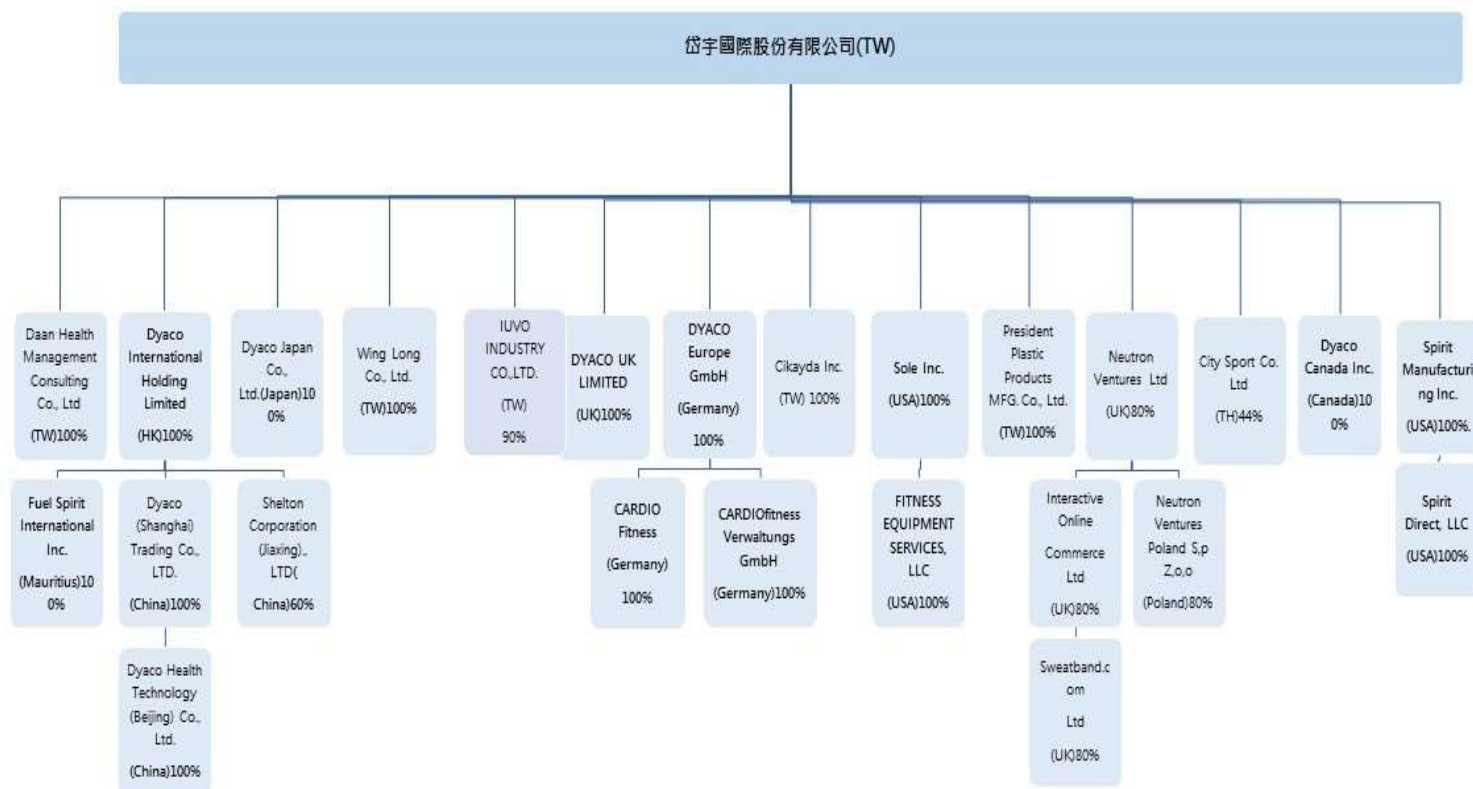
VIII. Special Notes

8.1 Profiles of Affiliated Enterprises

8.1.1 Consolidated operating report of affiliated enterprises

8.1.1.1 Organizational chart of affiliated enterprises

December 31, 2022



1. Information on affiliated enterprises:

Name	Date of Establishment	Address	Paid-in Capital	Main business and products
Dyaco International Holding Limited	2007.10.18	FLAT B,6/F.,TEDA BUILDING, 87 WING LOK STREET,SHEUNG WAN,HONG KONG	HKD 290,634,268	Investment
Fuel-Spirit International Inc.	2007.01.25	4th Floor,Amod Building,19 Poudriere Street,Port Louis,Mauritius	USD 12,400,000	Investment and sales of fitness equipment
Dyaco Canada Inc.	2013.07.01	5955 Don Murie Street Niagara Falls, Ontario L2G 0A9	CAD 1,000	Sales of fitness equipment
Spirit Manufacturing Inc.	2008.01.01	3000 Nestle Rd. Jonesboro,AR,U.S.A.	USD 41,687.5	Sales of fitness equipment
Spirit Direct LLC.	2013.01.29	22900 VENTURA BLVD STE 255 WOODLAND HILLS CA 91364	USD 2,830,000	Sales of fitness equipment
Dyaco (Shanghai) Trading Co., LTD.	2010.07.28	Room 601, 6F, Block A, No. 125, Shijie Road, Yangpu District, Shanghai	USD 3,000,000	Sales of fitness equipment
Shelton Corporation (Jiaxing), LTD	2002.11.14	No. 1058, Changsheng East Road, Jingji Technology Development Area, Jiaxing City, Zhejiang Province	USD 18,800,000	Sales and manufacturing of outdoor furniture and fitness equipment
Dyaco Health Technology (Beijing) Co., Ltd.	2010.07.28	Room 718, 7F, No. 80, Dajie, In Guangqu Door, Dongcheng District, Beijing City	RMB 3,500,000	Sales of fitness equipment
Daan Health Management Consulting Co., Ltd.	2015.12.18	12F., No.111, Songjiang Rd., Taipei City	TWD 10,000,000	Health management consultation and leasing of rehabilitation equipment
Dyaco Japan Co., Ltd.	2012.09.18	6-24-7, Nishikasai, Edogawa-ku, Tokyo	JPY 99,000,000	Sales of fitness equipment
Wing Long Co., Ltd.	2018.06.27	12F., No.111, Songjiang Rd., Taipei City	TWD 25,000,000	Sales of alcoholic drinks
Dyaco UK, Ltd.	2018.03.05	Unit 5 Featherstone Road Mill Square, Wolverton Mill, Milton Keynes, Bucks, MK12 5ZD	GBP 1,850,000	Sales of fitness equipment
Dyaco Europe GmbH	2014.06.26	Technologiepark Bergisch Gladbach Haus 56,Friedrich-Ebert-Straße 75,51429 Bergisch Gladbach	EUR 500,000	Sales of fitness equipment
CARDIO Fitness GmbH &CO. KG	2002.11.14	Industriestr. 154, 50996 Köln, Germany	EUR 41,000	Sales of fitness equipment
CARDIO Fitness Verwaltungs GmbH	2009.11.11	Industriestr. 154, 50996 Köln, Germany	EUR 25,000	Investment
Cikayda Inc.	2021.04.09	12F., No.111, Songjiang Rd., Taipei City	TWD 20,000,000	Management consultation
Sole Inc.	2019.11.27	56 E Exchange P1, Salt Lake City, UT 84111	USD 31,490,000	Investment
Fitness Equipment Service, LLC	2001.08.23	56 E Exchange P1, Salt Lake City, UT 84111	USD 2,100,000	Sales of fitness equipment
President Plastic Products MFG. Co., Ltd.	1967.10.24	31F., No. 213, Chaofu Rd., Xitun Dist., Taichung City	TWD 11,100,000	Real estate lease
Neutron Ventures Ltd	2008.04.17	C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW	GBP 36 元	Investment
Interactive Online Commerce Ltd	2008.09.02	C/o Sweatband.com, 94 Cleveland Street, London, England, W1T 6NW	GBP 14,961	Investment
Neutron Ventures Poland S,p Z,o,o	2009.10.15	Ul. Piotrkowska 60-2.12-2.18, 90-105 Łódź, Woj. Łódzkie	PLN 5,000	Management consultation
Sweatband.com Ltd	1995.11.29	94 Cleveland Street, London, England, W1T 6NW	GBP 951	Sales of fitness equipment
City Sport Co. Ltd	2001.10.19	18/28 Moo 9 Khlong Lam Chiak Road, Bung Kum, Thailand	THB 40,000,000	Sales of fitness equipment

Name	Date of Establishment	Address	Paid-in Capital	Main business and products
IUVO INDUSTRY CO.,LTD.	2000.01.14	No.460-1 Zhongsan Road Sec. 1, Tachia Dist.,Taichung City	TWD 170,000,000	Sales and manufacturing of electricity-assisted bike

2. Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation: None.
3. Industries covered by the operations of all affiliates: Industries covered by the overall related business operations: The main business operations of the Company and most related companies are research and development, manufacturing, and sales in the fitness equipment industry. Some affiliated companies are engaged in outdoor furniture manufacturing, e-bike manufacturing, liquor trading, and real estate leasing.

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

Name	Title	Name or Representative	Shares hold	
			Share	Share
Dyaco International Holding Limited	Director	Lin, Ing-Gin	Dyaco holds 126,415,463 shares	100%
Fuel-Spirit International Inc.	Director	Lin, Ing-Gin	Dyaco Holding holds 12,400,000 shares	100%
Dyaco Europe GmbH	Director	Lin, Ing-Gin	Dyaco invests EUR16,400,000	100%
CARDIO Fitness GmbH &CO. KG	Representative	Ting, Ping-I	Dyaco invests EUR8,096,000	100%
CARDIO Fitness Verwaltungs GmbH	Representative	Ting, Ping-I	Dyaco invests EUR29,000	100%
Dyaco UK, Ltd.	Director	Lin, Ing-Gin	Dyaco holds GBP 7,000,000	100%
Spirit Manufacturing Inc.	President	Chen, Ting-Chung	Fuel Spirit holds 1,667.5 shares	100%
Spirit Direct LLC	Representative	John Gibbs	Spirit invests USD2,830,000	100%
Sole Inc.	Director	Chen, Ting-Chung	Fuel Spirit invests USD31,490,000	100%
Fitness Equipment Service, LLC	Representative	William Macfarlane	Sole Inc. invests USD52,987,000	100%
Dyaco Canada Inc.	Chairman	Michael Thorne	Fuel Spirit holds 1,000 shares	100%
	Director	Lin, Ing-Gin		
Dyaco Japan Co., Ltd.	President	Naitou Jin	Dyaco holds 600 shares	100%
Dyaco (Shanghai) Trading Co., LTD.	Chairman	Chen, Hsien-Ming	Dyaco Holding invests USD3,000,000	100%
	Director	Wang, Shun-Chien and Lin, Ing-Gin		
	Supervisor	Wu, Mei-Hua		
Dyaco Health Technology (Beijing) Co., Ltd.	Representative	Huang, Kuo-I	Dyaco (Shanghai) invests RMB3,500,000	100%
Shelton Corporation (Jiaxing),, LTD	Representative	Tzeng, Huei-Feng	Dyaco Holding invests USD21,830,000	60%
Wing Long Co., Ltd.	Chairman	Lin, Ing-Gin	Dyaco holds 2,500,000 shares	100%
	Director	Wu, Mei-Hua and Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		
President Plastic Products MFG. Co., Ltd.	Chairman	Lin, Ing-Gin	Dyaco holds 1,100,000 shares	100%
	Supervisor	Wu, Mei-Hua		
Daan Health Management Consulting Co., Ltd.	Chairman	Wu, Mei-Hua	Dyaco holds 1,000,000 shares	100%
	Director	Lin, Shih-Chieh and Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		
Neutron Ventures Ltd	Director	Maziar Darvish Pierre Jean · De Villiers · Lin, Ing-Gin · Ting, Ping-I · Daen Jackson	Dyaco invests GBP5,121,000	80%
Interactive Online Commerce Ltd	Director	Maziar Darvish · Pierre Jean · De Villiers	Dyaco invests GBP4,532,000	80%
Sweatband.com Ltd	Director	Maziar Darvish Pierre Jean De Villiers	Dyaco invests GBP4,504,000	80%
Neutron Ventures Poland S,p Z,o,o	Representative	Maziar Darvish	Dyaco invests PLN5,000	80%
City Sport Co. Ltd	Director	Liu, I-Chen	Dyaco invests THB14,420,000	44%
Cikayda Inc.	Chairman	Lin, Ing-Gin	Dyaco holds 2,000,000 shares	100%
	Director	Chiu, Yuan-Shen and Ho, Chieh-Shun		
IUVO INDUSTRY CO.,LTD.	Chairman	Lin, Ing-Gin	Dyaco holds 15,300,000 shares	90%
	Director	Chen, Ming-Nan · Huang, Chih-Yuan · Ting, Ping-I		
	Supervisor	Hsu, Wen-Bin		

5. Affiliated enterprises' operational review in 2022

Name	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Current Profit and Loss (After Tax)	EPS
Dyaco Holding Limited	HKD 290,634,268	HKD 272,094,493	HKD 541,640	HKD 271,552,853	HKD -	HKD 2,125,597	HKD (507,310)	HKD 0.06
Fuel-Spirit International Inc.	USD 5,848,456	USD 7,108,061	USD 1,069,206	USD 6,038,855	USD 5,183,299	USD 803,405	USD 53,677	USD 0.0043
Dyaco Europe GmbH	EUR 500,000	EUR 6,113,768	EUR 314,562	EUR 5,799,206	EUR 1,222,187	EUR (847,407)	EUR (1,692,503)	N/A
CARDIO Fitness GmbH & CO. KG	EUR 41,000	EUR 5,415,955	EUR 3,796,441	EUR 1,619,514	EUR 9,023,416	EUR (1,111,989)	EUR (910,516)	N/A
CARDIO Fitness Verwaltungs GmbH	EUR 25,000	EUR 33,750	EUR 5,033	EUR 28,717	EUR 1,500	EUR 776	EUR 776	N/A
Dyaco UK, Ltd.	GBP 7,000,000	GBP 4,012,311	GBP 2,731,269	GBP 1,281,042	GBP 4,092,446	GBP 293,336	GBP (1,088,175)	N/A
Spirit Manufacturing Inc.	USD 41,688	USD 52,923,278	USD 42,228,884	USD 10,694,394	USD 53,503,353	USD 285,527	USD (46,375)	USD (695.57)
Spirit Direct LLC	USD 2,000,000	USD 1,524,495	USD 1,311,914	USD 212,581	USD 775,651	USD (669,065)	USD (667,215)	N/A
Dyaco Commercial & Medical North America, LLC.	USD -	USD -	USD -	USD -	USD -	USD -	USD (2,671)	N/A
Sole Inc.	USD 53,000,000	USD 4,460,697	USD 321,238	USD 4,139,459	USD -	USD -	USD (11,608,359)	N/A
Fitness Equipment Service, LLC	USD 2,100,000	USD 51,399,922	USD 47,954,046	USD 3,445,876	USD 71,253,534	USD (10,410,756)	USD (11,608,359)	N/A
Dyaco Canada Inc.	CAD 1,000	CAD 14,155,375	CAD 3,743,010	CAD 10,412,365	CAD 23,680,762	CAD 424,799	CAD 288,777	CAD 288.78
Neutron Ventures Ltd	GBP 36	GBP 3,092,303	GBP 2,446,332	GBP 645,971	GBP -	GBP (145)	GBP (1,917,007)	N/A
Interactive Online Commerce Ltd	GBP 14,961	GBP 3,296,227	GBP 2,434,460	GBP 861,767	GBP -	GBP -	GBP (1,796,856)	N/A
Neutron Ventures Poland S.p Z.o.o	PLN 5,000	PLN 291,867	PLN 297,717	PLN (5,850)	PLN 1,662,747	PLN (810,058)	PLN (815,023)	N/A
Sweatband.com Ltd	GBP 951	GBP 6,390,746	GBP 5,534,341	GBP 856,405	GBP 10,047,913	GBP (2,031,381)	GBP (1,769,856)	N/A
CITY SPORTS (THAILAND)CO.,LTD.	THB 40,000,000	THB 41,179,961	THB 48,896,168	THB (7,716,207)	THB 15,285,548	THB (22,330,574)	THB (22,238,739)	N/A
Dyaco Japan Co., Ltd.	JPY 30,000,000	JPY 138,526,980	JPY 122,394,552	JPY 16,132,428	JPY 184,849,818	JPY (52,312,931)	JPY (99,694,505)	JPY (166,158)
Dyaco (Shanghai) Trading Co., LTD.	RMB 19,307,950	RMB 62,054,417	RMB 29,273,618	RMB 32,780,799	RMB 57,760,383	RMB (4,842,121)	RMB (5,303,040)	N/A
Dyaco Health Technology (Beijing) Co., Ltd.	RMB 3,500,000	RMB 769,257	RMB 47,386	RMB 721,871	RMB -	RMB (64,415)	RMB (64,415)	N/A
Shelton Corporation (Jiaxing), LTD	RMB 151,913,772	RMB 352,285,977	RMB 211,152,150	RMB 141,133,827	RMB 475,030,212	RMB (361,457)	RMB 7,692,413	N/A
President Plastic Products MFG. Co., Ltd.	TWD 39,100,000	TWD 38,920,716	TWD 1,216,699	TWD 37,704,017	TWD -	TWD (331,662)	TWD 932,298	TWD 0.24
Wing Long Co., Ltd.	TWD 25,000,000	TWD 10,955,269	TWD 8,816,193	TWD 2,139,076	TWD 4,718,483	TWD (2,863,732)	TWD (6,089,321)	TWD (2.44)
Cikayda Inc.	TWD 20,000,000	TWD 18,479,336	TWD 440,368	TWD 18,038,968	TWD 1,190,475	TWD (928,951)	TWD (909,724)	TWD (4.55)
Daan Health Management Consulting Co., Ltd.	TWD 10,000,000	TWD 8,474,848	TWD 14,421	TWD 8,460,427	TWD 571,428	TWD (133,490)	TWD (126,257)	TWD (0.13)
IUVO INDUSTRY CO.,LTD.	TWD 170,000,000	TWD 724,744,029	TWD 666,382,977	TWD 58,361,052	TWD 91,372,176	TWD (1,985,810)	TWD (4,653,631)	TWD (0.27)

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

8.1.3 Affiliation report: None.

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

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

8.4 Other supplemental information: None.

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

Attachment 1

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

Dyaco International Inc. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 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 consolidated financial statements of Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Impairment of Goodwill

According to IAS 36 “Impairment of Assets”, goodwill arising from the acquisition of a business is subject to an annual impairment test by comparing its carrying amount (including attributable goodwill) with its recoverable amount. As of December 31, 2022, the carrying amount of goodwill held by the Group was \$533,646 thousand, which represented 4.46% of the total assets in the consolidated balance sheets. The impairment test of goodwill involves significant accounting judgments and estimates made by management, especially when estimating the future cash flows and discount rates used to calculate the present value of a cash-generating unit. Thus, the impairment test of goodwill was considered to be a key audit matter. For the accounting policies on impairment of goodwill and the related significant accounting judgments and estimates, refer to Notes 4-11 and 5-2. The cash-generating unit of goodwill from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 18, including the projected future cash flows and discount rates (weighted average cost of capital).

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

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

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin for assessing the reasonableness of assumptions.
2. We compared the budgeted amounts with actual operating results of the Group in 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 Group to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

Other Matter

We have also audited the parent company only financial statements of Dyaco International Inc. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021 (Retrospectively Adjusted) (Note 32)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 1,120,781	9	\$ 1,212,636	10
Financial assets at fair value through profit or loss (Notes 4 and 7)	3,739	-	-	-
Financial assets at amortized cost (Notes 4, 9 and 37)	240,578	2	292,394	2
Notes receivable (Notes 4, 10 and 27)	940	-	1,490	-
Accounts receivable (Notes 4, 10 and 27)	1,095,392	9	1,647,028	14
Other receivables (Notes 4 and 10)	65,176	1	68,090	1
Other receivables from related parties (Note 36)	24,909	-	-	-
Current tax assets (Note 29)	51,611	1	35,596	-
Inventories (Notes 4, 5, 11 and 37)	2,989,456	25	3,531,206	29
Prepayments (Note 12)	214,900	2	155,988	1
Other current assets	<u>10,618</u>	<u>-</u>	<u>22,631</u>	<u>-</u>
Total current assets	<u>5,818,100</u>	<u>49</u>	<u>6,967,059</u>	<u>57</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss (Notes 4 and 7)	147,071	1	139,035	1
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	65,697	-	58,785	1
Financial assets at amortized cost- non-current (Note 9)	30,710	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	6,823	-	29,527	-
Property, plant and equipment (Notes 4, 15 and 37)	3,691,829	31	2,923,838	24
Right-of-use assets (Notes 4, 16 and 37)	311,457	3	328,889	3
Investment properties (Notes 4, 17 and 37)	28,547	-	53,481	-
Goodwill (Notes 4, 5, 18 and 32)	558,377	5	493,455	4
Other intangible assets (Notes 4 and 19)	796,867	7	791,645	7
Deferred income tax assets (Notes 4 and 29)	453,080	4	383,136	3
Prepayments for equipment	9,487	-	9,533	-
Refundable deposits	36,312	-	19,553	-
Other non-current assets	<u>10,242</u>	<u>-</u>	<u>2,855</u>	<u>-</u>
Total non-current assets	<u>6,146,499</u>	<u>51</u>	<u>5,233,732</u>	<u>43</u>
TOTAL	<u>\$ 11,964,599</u>	<u>100</u>	<u>\$ 12,200,791</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 37)	\$ 2,390,915	20	\$ 2,866,075	24
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	25,305	-	14,135	-
Contract liabilities (Note 27)	177,567	2	21,470	-
Notes payable (Note 22)	46,117	-	33,271	-
Accounts payable (Note 22)	1,015,770	9	1,338,034	11
Other payables (Note 23)	497,800	4	649,170	5
Current income tax liabilities (Note 29)	10,696	-	29,628	-
Provisions (Notes 4 and 24)	13,927	-	19,343	-
Lease liabilities (Notes 4 and 16)	16,522	-	17,859	-
Current portion of bonds payable (Notes 4 and 21)	1,398,537	12	-	-
Current portion of long-term borrowings (Notes 20 and 37)	218,987	2	232,812	2
Other current liabilities	<u>40,989</u>	<u>-</u>	<u>76,561</u>	<u>1</u>
Total current liabilities	<u>5,853,132</u>	<u>49</u>	<u>5,298,358</u>	<u>43</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 21)	-	-	1,379,436	11
Long-term borrowings (Notes 20 and 37)	1,483,762	12	557,615	5
Deferred tax liabilities (Notes 4 and 29)	437,337	4	420,369	4
Lease liabilities (Notes 4 and 16)	23,708	-	34,620	-
Long-term payable (Note 23)	83,093	1	107,094	1
Net defined benefit liabilities (Note 25)	16,467	-	19,284	-
Guarantee deposits received	<u>3,140</u>	<u>-</u>	<u>2,732</u>	<u>-</u>
Total non-current liabilities	<u>2,047,507</u>	<u>17</u>	<u>2,521,150</u>	<u>21</u>
Total liabilities	<u>7,900,639</u>	<u>66</u>	<u>7,819,508</u>	<u>64</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26)				
Share capital				
Ordinary shares	1,341,147	11	1,339,822	11
Advance share capital	-	-	400	-
Total share capital	<u>1,341,147</u>	<u>11</u>	<u>1,340,222</u>	<u>11</u>
Capital surplus	<u>2,142,919</u>	<u>18</u>	<u>2,115,925</u>	<u>18</u>
Retained earnings				
Legal reserve	329,002	3	284,853	2
Special reserve	238,087	2	175,628	1
Unappropriated earnings	<u>170,420</u>	<u>1</u>	<u>676,407</u>	<u>6</u>
Total retained earnings	<u>737,509</u>	<u>6</u>	<u>1,136,888</u>	<u>9</u>
Other equity	<u>(126,177)</u>	<u>(1)</u>	<u>(238,081)</u>	<u>(2)</u>
Treasury shares	<u>(426,290)</u>	<u>(3)</u>	<u>(368,604)</u>	<u>(3)</u>
Total equity attributable to owners of the Corporation	3,669,108	31	3,986,350	33
NON-CONTROLLING INTERESTS (Notes 13 and 26)	<u>394,852</u>	<u>3</u>	<u>394,933</u>	<u>3</u>
Total equity	<u>4,063,960</u>	<u>34</u>	<u>4,381,283</u>	<u>36</u>
TOTAL	<u>\$ 11,964,599</u>	<u>100</u>	<u>\$ 12,200,791</u>	<u>100</u>

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021 (Retrospectively Adjusted) (Note 32)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 27)	\$ 7,298,112	102	\$ 11,898,232	101
LESS: SALES RETURNS	30,878	-	47,460	-
SALES DISCOUNTS AND ALLOWANCES	<u>144,823</u>	<u>2</u>	<u>108,691</u>	<u>1</u>
NET OPERATING REVENUE	7,122,411	100	11,742,081	100
OPERATING COSTS (Notes 11 and 28)				
Cost of sales	<u>5,037,256</u>	<u>71</u>	<u>7,684,679</u>	<u>65</u>
GROSS PROFIT	<u>2,085,155</u>	<u>29</u>	<u>4,057,402</u>	<u>35</u>
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing	1,492,314	21	2,421,568	21
General and administrative	768,083	11	717,603	6
Research and development (Note 10)	108,315	1	110,751	1
Expected credit loss	<u>73,026</u>	<u>1</u>	<u>19,267</u>	<u>-</u>
Total operating expenses	<u>2,441,738</u>	<u>34</u>	<u>3,269,189</u>	<u>28</u>
OTHER OPERATING INCOME AND EXPENSES (Note 28)	<u>(27,647)</u>	<u>-</u>	<u>(2,840)</u>	<u>-</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(384,230)</u>	<u>(5)</u>	<u>785,373</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,275	-	1,444	-
Rental income	14,480	-	15,678	-
Other income	36,912	1	21,434	-
Foreign exchange gain or loss, net (Note 28)	441,757	6	(185,471)	(1)
Impairment loss (Note 28)	(24,882)	-	-	-
Expected credit loss (Note 10)	(39,500)	(1)	-	-
Loss on valuation of financial instruments	(768)	-	(14,951)	-
Other expenses (Notes 10 and 28)	(40,609)	(1)	(2,988)	-
Interest expense (Note 28)	(84,529)	(1)	(68,509)	(1)
Share of loss of associates (Note 14)	<u>(1,967)</u>	<u>-</u>	<u>(3,547)</u>	<u>-</u>
Total non-operating income and expenses	<u>303,169</u>	<u>4</u>	<u>(236,910)</u>	<u>(2)</u>

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED 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 32)	
	Amount	%	Amount	%
(LOSS) PROFIT BEFORE INCOME TAX	\$ (81,061)	(1)	\$ 548,463	5
INCOME TAX EXPENSE (Notes 4 and 29)	<u>13,622</u>	-	<u>104,865</u>	1
NET (LOSS) PROFIT	<u>(94,683)</u>	(1)	<u>443,598</u>	4
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	2,584	-	808	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(4,907)	-	(5,200)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	<u>(517)</u>	-	<u>(162)</u>	-
	<u>(2,840)</u>	-	<u>(4,554)</u>	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>116,925</u>	1	<u>(58,647)</u>	(1)
Total other comprehensive gain (loss)	<u>114,085</u>	1	<u>(63,201)</u>	(1)
TOTAL COMPREHENSIVE INCOME	<u>\$ 19,402</u>	-	<u>\$ 380,397</u>	3
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ (76,129)	(1)	\$ 440,342	4
Non-controlling interests	<u>(18,554)</u>	-	<u>3,256</u>	-
	<u>\$ (94,683)</u>	(1)	<u>\$ 443,598</u>	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 37,842	-	\$ 378,535	3
Non-controlling interests	<u>(18,440)</u>	-	<u>1,862</u>	-
	<u>\$ 19,402</u>	-	<u>\$ 380,397</u>	3
(LOSS) EARNINGS PER SHARE (Note 30)				
Basic	<u>\$ (0.61)</u>		<u>\$ 3.47</u>	
Diluted			<u>\$ 3.30</u>	

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Note 26)											
							Other Equity		Treasury Shares	Total	Non-controlling Interests (Notes 13 and 26)	Total Equity
							Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Share Capital			Retained Earnings								
	Ordinary Shares	Advance Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Retrospectively Adjusted) (Note 32)						
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	\$ 356,686	\$ 4,869,862
Issuance of ordinary shares under employee share options (Note 31)	8,760	(600)	58,812	-	-	-	-	-	-	66,972	-	66,972
Equity component of convertible bonds issued by the Corporation (Notes 21 and 26)	-	-	38,988	-	-	-	-	-	-	38,988	-	38,988
Changes in capital surplus from investments using the equity method (Note 31)	-	-	1,876	-	-	-	-	-	-	1,876	-	1,876
Gain on disgorgement	-	-	140	-	-	-	-	-	-	140	-	140
Appropriation of prior year's earnings												
Legal reserve	-	-	-	132,026	-	(132,026)	-	-	-	-	-	-
Special reserve	-	-	-	-	69,816	(69,816)	-	-	-	-	-	-
Cash dividends to shareholder - NT\$7.50 per share	-	-	-	-	-	(953,027)	-	-	-	(953,027)	-	(953,027)
	-	-	-	132,026	69,816	(1,154,869)	-	-	-	(953,027)	-	(953,027)
Convertible bonds converted to ordinary shares (Note 21)	19,566	(14,027)	43,162	-	-	-	-	-	-	48,701	-	48,701
Net profit for the year ended December 31, 2021	-	-	-	-	-	440,342	-	-	-	440,342	3,256	443,598
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	646	(57,253)	(5,200)	-	(61,807)	(1,394)	(63,201)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	440,988	(57,253)	(5,200)	-	378,535	1,862	380,397
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	36,000	36,000
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	-	(157,086)	(157,086)	-	(157,086)
Treasury shares transferred to employees (Note 26)	-	-	(13,058)	-	-	-	-	-	61,133	48,075	385	48,460
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	394,933	4,381,283
Issuance of ordinary shares under employee share options (Note 31)	1,325	(400)	38,932	-	-	-	-	-	-	39,857	-	39,857
Changes in capital surplus from investments using the equity method (Note 13)	-	-	-	-	-	(7,815)	-	-	-	(7,815)	7,815	-
Appropriation of prior year's earnings												
Legal reserve	-	-	-	44,149	-	(44,149)	-	-	-	-	-	-
Special reserve	-	-	-	-	62,459	(62,459)	-	-	-	-	-	-
Cash dividends to shareholder - NT\$2.50 per share	-	-	-	-	-	(317,502)	-	-	-	(317,502)	-	(317,502)
	-	-	-	44,149	62,459	(424,110)	-	-	-	(317,502)	-	(317,502)
Net loss for the year ended December 31, 2022	-	-	-	-	-	(76,129)	-	-	-	(76,129)	(18,554)	(94,683)
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	2,067	116,811	(4,907)	-	113,971	114	114,085
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	(74,062)	116,811	(4,907)	-	37,842	(18,440)	19,402
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,200	6,200
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	-	(96,415)	(96,415)	-	(96,415)
Treasury shares transferred to employees (Note 26)	-	-	(11,938)	-	-	-	-	-	38,729	26,791	4,344	31,135
BALANCE AT DECEMBER 31, 2022	\$ 1,341,147	\$ -	\$ 2,142,919	\$ 329,002	\$ 238,087	\$ 170,420	\$ (118,910)	\$ (7,267)	\$ (426,290)	\$ 3,669,108	\$ 394,852	\$ 4,063,960

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	2022	2021 (Retrospectively Adjusted) (Note 32)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (81,061)	\$ 548,463
Adjustments for:		
Depreciation expense	173,448	202,595
Amortization expense	80,321	81,736
Expected credit loss recognized	112,526	19,267
Net loss on fair value changes of financial instrument at fair value through profit or loss	768	14,951
Interest expense	84,529	68,509
Interest income	(2,275)	(1,444)
Compensation costs of employee share options	40,788	36,640
Share of loss of associates	1,967	3,547
(Gain) loss on disposal of property, plant and equipment	(433)	2,723
Loss on disposal of intangible assets	-	117
Loss on inventories valuation and obsolescence	73,502	3,577
Impairment losses	24,882	-
Impairments loss on prepayment for goods	28,080	-
Unrealized (gain) loss on foreign currency exchange	(409,046)	168,266
Changes in operating assets and liabilities		
Notes receivable	550	530
Accounts receivable	601,778	1,313,017
Increase in trade receivables - related parties	(24,909)	-
Other receivables	(36,586)	62,910
Inventories	768,900	(371,807)
Prepayments	(86,992)	35,450
Other current assets	8,126	(3,008)
Contract liabilities	156,097	(53,061)
Notes payable	12,846	(748,082)
Accounts payable	(476,108)	(1,113,088)
Other payables	(200,542)	(431,906)
Provisions	(5,012)	(5,841)
Other current liabilities	(35,572)	12,660
Net defined benefit liabilities	(233)	(307)
Cash generated from (used in) operations	810,339	(153,586)
Interest received	2,275	1,444
Interest paid	(65,346)	(57,775)
Income tax paid	(120,502)	(571,547)
Net cash generated from (used in) operating activities	626,766	(781,464)

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	2022	2021 (Retrospectively Adjusted) (Note 32)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (11,761)	\$ (12,900)
Decrease (increase) in financial assets at amortized cost	21,106	(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)
Net cash outflow on acquisition of subsidiaries (Note 32)	(49,951)	(75,325)
Payments for property, plant and equipment (Note 33)	(355,560)	(225,170)
Proceeds from disposal of property, plant and equipment	17,216	10,808
Increase in refundable deposits	(12,872)	(1,179)
Payments for intangible assets (Note 33)	(32,811)	(58,823)
(Increase) decrease in other non-current assets	<u>(7,387)</u>	<u>9,063</u>
Net cash used in investing activities	<u>(436,620)</u>	<u>(603,489)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) proceeds from short-term borrowings	(502,054)	1,289,927
Proceeds from issuance of convertible bonds	-	994,594
Proceeds from long-term borrowings	723,145	-
Repayments of long-term borrowings	(166,873)	(158,886)
Proceeds from guarantee deposits received	176	62
Repayment of the principal portion of lease liabilities	(25,962)	(20,503)
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 (used in) generated from financing activities	<u>(355,281)</u>	<u>1,075,889</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>73,280</u>	<u>(20,624)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(91,855)	(329,688)
CASH, BEGINNING OF THE YEAR	<u>1,212,636</u>	<u>1,542,324</u>
CASH, END OF THE YEAR	<u>\$ 1,120,781</u>	<u>\$ 1,212,636</u>

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 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 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 initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 New 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

Refer to Note 13, Tables 7 and 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' operations in other countries that used different currencies from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

g. Inventories

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

h. Investments in associates

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

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

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

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

i. Property, plant and equipment

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

Freehold land is not depreciated.

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

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

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

j. Investment properties

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

Depreciation is recognized using the straight-line method.

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

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

k. Goodwill

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

n. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

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

3) Derivative financial instruments

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

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

4) Convertible bonds

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

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

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

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

o. Provisions

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

p. Revenue Recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of fitness equipment and outdoor 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 discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

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

2) Revenue from the rendering of services

Revenue is recognized when services are rendered.

q. Leasing

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Share-based payment arrangements

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

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

t. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions 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 Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a. Write-down of inventories

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

b. Impairment of goodwill

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

6. CASH

	December 31	
	2022	2021
Cash on hand	\$ 75,100	\$ 14,618
Checking accounts and demand deposits	922,841	1,198,018
Time deposits	<u>122,840</u>	<u>-</u>
	<u>\$ 1,120,781</u>	<u>\$ 1,212,636</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Financial liabilities held for trading		
Derivative financial assets (not under hedge accounting)		
Cross-currency swap contracts	\$ 3,171	\$ -
Limited Partnership		
Changneng 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 14)	<u>\$ 147,071</u>	<u>\$ 139,035</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities		
Convertible bonds options (Note 21)	\$ 25,305	\$ 13,363
Cross-currency swap contracts (not under hedge accounting)	<u>-</u>	<u>772</u>
	<u>\$ 25,305</u>	<u>\$ 14,135</u>

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

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

	December 31	
	2022	2021
<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>44,023</u>	<u>45,495</u>
	<u>\$ 65,697</u>	<u>\$ 58,785</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Restricted deposits	<u>\$ 240,578</u>	<u>\$ 292,394</u>
<u>Non-current</u>		
Bank debenture	<u>\$ 30,710</u>	<u>\$ -</u>

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

	December 31	
	2022	2021
Restricted deposits	0.60%-4.83%	0.12%-0.29%

- b. In June 2022, the Group purchased 1.5-year financial debentures of Mega International Commercial Bank at a face value of \$23,032 thousand (US\$750 thousand), with a maturity date of January 5, 2024. The coupon rate and effective interest rate are 2.5%. In September 2022, the Group purchased 2-year financial debentures of Mega International Commercial Bank at a face value of \$7,678 thousand (US\$250 thousand), with a maturity date of September 15, 2024. The coupon rate and effective interest rate are 3.05%.
- c. The Group invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and external credit ratings are continuously monitored. The Group reviews changes in bond yields and other publicly available information and makes an assessment of whether there has been a significant increase in credit risk since the last period to the reporting date.

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

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

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

The Group assesses the counterparty has a low risk of default and a strong capacity to meet contractual cash flows. As of December 31, 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 37.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable (a)</u>		
At amortized cost		
Gross carrying amount	\$ 940	\$ 1,490
Less: Allowance for impairment loss	-	-
	<u>\$ 940</u>	<u>\$ 1,490</u>
<u>Accounts receivable (b)</u>		
At amortized cost		
Gross carrying amount	\$ 1,333,623	\$ 1,807,038
Less: Allowance for impairment loss	<u>238,231</u>	<u>160,010</u>
	<u>\$ 1,095,392</u>	<u>\$ 1,647,028</u>
<u>Other receivables (c)</u>		
Compensation advance payment receivable	\$ 49,818	\$ -
Tax refund receivables	13,165	8,514
Deposit refund receivable	-	43,500
Others	<u>2,193</u>	<u>16,076</u>
	<u>\$ 65,176</u>	<u>\$ 68,090</u>

a. Notes receivable

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

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

b. Accounts receivable

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on operating area of subsidiaries, and determines the provision for loss allowance is based on past due status.

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

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

December 31, 2022

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-5.65%	0%-36.04%	4.19%-57.50%	5.26%-58.75%	5%-100%	100%	
Gross carrying amount	\$ 865,336	\$ 167,372	\$ 103,311	\$ 14,155	\$ 31,576	\$ 151,873	\$ 1,333,623
Loss allowance (Lifetime ECLs)	(3,323)	(16,122)	(32,969)	(6,537)	(27,407)	(151,873)	(238,231)
Amortized cost	<u>\$ 862,013</u>	<u>\$ 151,250</u>	<u>\$ 70,342</u>	<u>\$ 7,618</u>	<u>\$ 4,169</u>	<u>\$ -</u>	<u>\$ 1,095,392</u>

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%-0.56%	0%-27.21%	1.84%-48.87%	12.03%-61.3%	10%-100%	100%	
Gross carrying amount	\$ 1,500,327	\$ 105,530	\$ 29,616	\$ 23,705	\$ 13,425	\$ 134,435	\$ 1,807,038
Loss allowance (Lifetime ECLs)	(2,699)	(2,615)	(4,216)	(7,098)	(8,947)	(134,435)	(160,010)
Amortized cost	<u>\$ 1,497,628</u>	<u>\$ 102,915</u>	<u>\$ 25,400</u>	<u>\$ 16,607</u>	<u>\$ 4,478</u>	<u>\$ -</u>	<u>\$ 1,647,028</u>

The Group's customer, New Level UK Ltd., was in severe financial difficulty and went into bankruptcy on February 26, 2018. As of December 31, 2022, accounts receivable from New Level UK Ltd. amounted to \$108,645 thousand (NT\$79,163 thousand and US\$960 thousand). Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Group recognized a loss allowance.

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

	2022	2021
Beginning balance	\$ 160,010	\$ 140,359
Add: Acquisitions through business combinations	-	3,314
Add: Net remeasurement of loss allowance	73,026	19,267
Less: Amounts written off	(293)	(1,605)
Foreign exchange gains and losses	<u>5,488</u>	<u>(1,325)</u>
Ending balance	<u>\$ 238,231</u>	<u>\$ 160,010</u>

c. Other receivables

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

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

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

11. INVENTORIES

	December 31	
	2022	2021
Raw materials	\$ 188,847	\$ 229,361
Work in progress	227,624	319,555
Finished goods	2,226,015	2,549,890
Merchandise	<u>346,970</u>	<u>432,400</u>
	<u>\$ 2,989,456</u>	<u>\$ 3,531,206</u>

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

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	\$ 4,882,928	\$ 7,582,046
Inventory write-downs and loss for market price	73,502	3,577
Warranties	<u>80,826</u>	<u>99,056</u>
	<u>\$ 5,037,256</u>	<u>\$ 7,684,679</u>

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

12. PREPAYMENTS

	December 31	
	2022	2021
Prepayments for goods	\$ 113,169	\$ 65,985
Tax overpayment retained for offsetting future tax payable	30,002	32,751
Prepaid expenses	63,671	51,258
Others	<u>8,058</u>	<u>5,994</u>
	<u>\$ 214,900</u>	<u>\$ 155,988</u>

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2022	2021	
Dyaco International Inc.	Dyaco International Holding Limited	Investment	100	100	-
	Dyaco Europe GmbH	Import, export and selling	100	100	Note 10
	Daan Health Management Consulting Co., Ltd.	Rental of medical equipment	100	100	-
	Dyaco Japan Co., Ltd.	Import, export and selling	100	100	Note 9
	Wing Long Co., Ltd.	Import, export and selling	100	100	Note 5
	Dyaco UK Ltd.	Import, export and selling	100	100	Note 11
	SOLE INC.	Investment	100	100	Note 12
	President Plastic Products MFG Co., Ltd.	Rental of property	100	100	Note 1
	Cikayda Inc.	Manufacturing and selling	100	100	Note 2
	CITY SPORTS (THAILAND) CO., LTD	Fitness equipment selling	44	44	Note 3
	Neutron Ventures Ltd	Sporting goods online selling	80	80	Note 4
	Spirit Manufacturing Inc.	Import, export and selling	100	-	Note 7
	Dyaco Canada Inc.	Import, export and selling	100	-	Note 7
	Iuvo Industry Co., Ltd	Electric-assisted bicycle manufacturer	90	-	Note 8
	SOLE INC.	Fitness Equipment Services, LLC.	100	100	-
Dyaco Europe GmbH	CARDIO fitness GmbH & Co. KG	Import, export and selling	100	100	-
	CARDIO fitness Verwaltungs GmbH	Investment	100	100	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			(%)		
			December 31		
			2022	2021	
Dyaco International Holding Limited	Fuel-Spirit International Inc.	Import and export	100	100	-
	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	100	100	-
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	60	60	-
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	100	100	-
Fuel-Spirit International Inc.	Spirit Manufacturing Inc.	Import, export and selling	-	100	Note 7
Spirit Manufacturing Inc.	Dyaco Canada Inc.	Import, export and selling	-	100	Note 7
	Spirit Direct, LLC.	Import, export and selling	100	100	-
	Dyaco Commercial & Medical North America, LLC.	Import, export and selling	100	100	Note 6
Neutron Ventures Ltd	Interactive Online Commerce Ltd	Investment	100	100	Note 4
	Neutron Ventures Poland S.p z.o.o	Service industry	100	100	Note 4
Interactive Online Commerce Ltd	Sweatband.com Ltd	Sporting goods selling	100	100	Note 4

(Concluded)

Remarks:

- 1) In December 8, 2020, the board of directors approved the resolution to purchase 100% equity of President Plastic Products Mfg. Co., Ltd. for NT\$258,640 thousand. As of December 31, 2021, NT\$18,889 was not paid and recognized as other payables. In November 2022, the Group acquired interest in subsidiary, President Plastic Products MFG Co., Ltd. for \$28,000 thousand.
- 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 Group obtained two out of three seats in the board of directors of CITY SPORTS (THAILAND) CO., LTD. as the Group has control over the decision making of the relevant activities of the company; therefore, it is listed as a subsidiary. 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\$29,502 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) Dyaco Commercial & Medical North America, LLC. completed the liquidation and was eliminated in the first quarter of 2022.
- 7) 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.
- 8) On August 24, 2022, the Corporation signed a contract with the major shareholder of IUVO Industry Co., Ltd. The Corporation acquired 83% interest for \$55,000 thousand on the base date October 3, 2022. On December 2022, the Group acquired interest for \$70,000, the Group did not subscribe according to its shareholding ratio. Thus, the shareholding ratio increased from 83% to 90%, and adjusted unappropriated earnings for \$7,815 thousand.
- 9) The Corporation acquires interest in subsidiary, Dyaco Japan Co., Ltd. through debt equity swap for \$44,560 thousand in August 2022.

10) The Group acquires interest in subsidiary, Dyaco Europe GmbH through debt equity swap for \$126,368 thousand in August 2022.

11) The Group acquires interest in subsidiary, Dyaco UK Ltd. through debt equity swap for \$182,850 thousand in August 2022.

12) The Group acquires interest in subsidiary, SOLE INC. through debt equity swap for \$694,235 thousand in August 2022.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2022	2021
Shelton Corporation (Jiaxing), Ltd.	China	40%	40%

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

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Shelton Corporation (Jiaxing), Ltd.	\$ 8,080	\$ 5,267	\$ 368,858	\$ 360,781

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

	December 31	
	2022	2021
Current assets	\$ 1,258,962	\$ 1,738,935
Non-current assets	880,495	918,445
Current liabilities	(928,405)	(1,479,458)
Non-current liabilities	(134,168)	(136,518)
Equity	\$ 1,076,884	\$ 1,041,404
Equity attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 708,026	\$ 680,623
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	368,858	360,781
	\$ 1,076,884	\$ 1,041,404

	2022	2021
Revenue	<u>\$ 2,100,584</u>	<u>\$ 3,594,063</u>
Net profit (loss) from continuing operations (Note)	\$ 20,200	\$ 13,167
Other comprehensive loss for the period	<u>(8)</u>	<u>(2,930)</u>
Total comprehensive income for the period	<u>\$ 20,192</u>	<u>\$ 10,237</u>
Profit (loss) attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 12,120	\$ 7,900
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>8,080</u>	<u>5,267</u>
	<u>\$ 20,200</u>	<u>\$ 13,167</u>
Total comprehensive income attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 12,115	\$ 6,142
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>8,077</u>	<u>4,095</u>
	<u>\$ 20,192</u>	<u>\$ 10,237</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 364,193	\$ (28,855)
Investing activities	(9,762)	(9,345)
Financing activities	<u>(301,352)</u>	<u>91,335</u>
Net cash inflow	<u>\$ 53,079</u>	<u>\$ 53,135</u>

Note: Net profit was \$34,016 thousand less amortization of \$13,816 thousand for the year ended December 31, 2022. Net profit was \$26,729 thousand less amortization of \$13,562 thousand for the year ended December 31, 2021.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021 (Retrospectively Adjusted)
Investments in associates	<u>\$ 6,823</u>	<u>\$ 29,527</u>
Associates that are not individually material		
Hongdaxin Projection Co., Ltd.	\$ 3,889	\$ -
Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	2,934	4,645
Morsel, Inc.	<u>-</u>	<u>24,882</u>
	<u>\$ 6,823</u>	<u>\$ 29,527</u>

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

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

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

Refer to Tables 7 and 8 for the principal places of business and countries of incorporation.

Aggregate information of associates that are not individually material:

	<u>For the Year Ended December 31</u>	
		2021
		(Retrospectively Adjusted)
	2022	(Note 32)
The Group's share of:		
Loss from continuing operations	\$ (1,967)	\$ (3,547)
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
	<u>\$ (1,967)</u>	<u>\$ (3,547)</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 Group has adjusted the initial accounting and the provisional amount since the acquisition date. Information on relevant items of balance sheets and statements of comprehensive income that were adjusted retrospectively are as follows:

	<u>December 31,</u>
	2021
Investments accounted for using the equity method	<u>\$ (179)</u>
Retained earnings	<u>\$ (226)</u>
Other equity	<u>\$ 47</u>
	<u>For the Year Ended</u>
	<u>December 31,</u>
	2021
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>

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 1,283,139	\$ 1,906,647	\$ 626,529	\$ 51,566	\$ 78,641	\$ 21,986	\$ 150,758	\$ 4,119,266
Acquisitions through business combinations (Note 32)	373,978	350	15,741	-	3,582	1,712	107,713	503,076
Additions	-	4,515	48,886	3,623	5,548	2,062	289,786	354,420
Disposals	-	(833)	(17,854)	(4,648)	(7,656)	(1,203)	-	(32,194)
Reclassification	(6)	265,330	-	-	2,118	-	(242,105)	25,337
Effects of foreign currency exchange differences	2,142	54,470	13,764	1,264	1,687	852	11,572	85,751
Balance at December 31, 2022	<u>1,659,253</u>	<u>2,230,479</u>	<u>687,066</u>	<u>51,805</u>	<u>83,920</u>	<u>25,409</u>	<u>317,724</u>	<u>5,055,656</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	-	663,820	420,878	33,376	65,616	11,738	-	1,195,428
Acquisitions through business combinations (Note 32)	-	142	6,095	-	2,886	197	-	9,320
Depreciation expenses	-	70,141	62,734	4,977	6,280	2,323	-	146,455
Disposals	-	(833)	(2,903)	(3,837)	(7,381)	(457)	-	(15,411)
Reclassification	-	2,053	-	-	-	-	-	2,053
Effects of foreign currency exchange differences	-	12,990	10,199	824	1,452	517	-	25,982
Balance at December 31, 2022	-	<u>748,313</u>	<u>497,003</u>	<u>35,340</u>	<u>68,853</u>	<u>14,318</u>	-	<u>1,363,827</u>
Carrying amounts at December 31, 2022	<u>\$ 1,659,253</u>	<u>\$ 1,482,166</u>	<u>\$ 190,063</u>	<u>\$ 16,465</u>	<u>\$ 15,067</u>	<u>\$ 11,091</u>	<u>\$ 317,724</u>	<u>\$ 3,691,829</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 1,277,444	\$ 1,911,892	\$ 790,276	\$ 49,855	\$ 74,460	\$ 24,297	\$ -	\$ 4,128,224
Acquisitions through business combinations (Note 32)	-	21,451	243	6,595	4,747	-	-	33,036
Additions	7,590	3,777	53,870	5,857	6,273	1,421	152,550	231,338
Disposals	(1,433)	(12,899)	(213,379)	(10,209)	(5,071)	(1,670)	-	(244,661)
Effects of foreign currency exchange differences	(462)	(17,574)	(4,481)	(532)	(1,768)	(2,062)	(1,792)	(28,671)
Balance at December 31, 2021 (retrospectively adjusted)	<u>1,283,139</u>	<u>1,906,647</u>	<u>626,529</u>	<u>51,566</u>	<u>78,641</u>	<u>21,986</u>	<u>150,758</u>	<u>4,119,266</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	598,857	549,088	32,511	59,623	10,548	-	1,250,627
Acquisitions through business combinations (Note 32)	-	6,572	205	6,226	4,163	-	-	17,166
Depreciation expenses	-	66,638	86,880	4,659	7,581	3,706	-	169,464
Disposals	-	(3,244)	(212,173)	(9,626)	(4,417)	(1,670)	-	(231,130)
Effects of foreign currency exchange differences	-	(5,003)	(3,122)	(394)	(1,334)	(846)	-	(10,669)
Balance at December 31, 2021 (retrospectively adjusted)	-	<u>663,820</u>	<u>420,878</u>	<u>33,376</u>	<u>65,616</u>	<u>11,738</u>	-	<u>1,195,428</u>
Carrying amounts at December 31, 2021 (retrospectively adjusted)	<u>\$ 1,283,139</u>	<u>\$ 1,242,827</u>	<u>\$ 205,651</u>	<u>\$ 18,190</u>	<u>\$ 13,025</u>	<u>\$ 10,248</u>	<u>\$ 150,758</u>	<u>\$ 2,923,838</u>

Remark: Reclassification to investment properties.

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

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

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 37.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 273,046	\$ 279,783
Buildings	32,052	36,423
Transportation equipment	<u>6,359</u>	<u>12,683</u>
	<u>\$ 311,457</u>	<u>\$ 328,889</u>
	2022	2021
Additions for right-of-use assets	<u>\$ 2,627</u>	<u>\$ 12,442</u>
Acquisitions through business combinations	<u>\$ 3,903</u>	<u>\$ 2,910</u>
Depreciation charge for right-of-use assets		
Land	\$ 7,673	\$ 8,587
Buildings	10,669	15,214
Transportation equipment	6,437	5,946
Office equipment	<u>-</u>	<u>75</u>
	<u>\$ 24,779</u>	<u>\$ 29,822</u>

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

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 16,522</u>	<u>\$ 17,859</u>
Non-current	<u>\$ 23,708</u>	<u>\$ 34,620</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	5.84%	5.84%
Buildings	1.36%-4.90%	1.56%-4.90%
Transportation equipment	1.65%-2.50%	1.65%-4.07%

c. Material lease-in activities and terms

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

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

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

d. Other lease information

	2022	2021
Expenses relating to short-term leases	<u>\$ 40,625</u>	<u>\$ 33,243</u>
Expenses relating to low-value asset leases	<u>\$ 427</u>	<u>\$ 640</u>
Total cash outflow for leases	<u>\$ (69,362)</u>	<u>\$ (55,944)</u>

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

17. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2022	\$ 78,917
Reclassification	(25,337)
Effects of foreign currency exchange differences	<u>876</u>
Balance at December 31, 2022	<u>54,456</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	25,436
Depreciation expenses	2,214
Reclassification	(2,053)
Effects of foreign currency exchange differences	<u>312</u>
Balance at December 31, 2022	<u>25,909</u>
Carrying amount at December 31, 2022	<u>\$ 28,547</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 79,327
Effects of foreign currency exchange differences	<u>(410)</u>
Balance at December 31, 2021	<u>78,917</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	22,266
Depreciation expenses	3,309
Effects of foreign currency exchange differences	<u>(139)</u>
Balance at December 31, 2021	<u>25,436</u>
Carrying amount at December 31, 2021	<u>\$ 53,481</u>

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

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

	December 31	
	2022	2021
Year 1	\$ 4,255	\$ 7,530
Year 2	675	663
Year 3	675	663
Year 4	675	663
Year 5	281	663
Year 5 onwards	<u>-</u>	<u>276</u>
	<u>\$ 6,561</u>	<u>\$ 10,458</u>

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

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

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

18. GOODWILL

	2022	2021
<u>Cost</u>		
Balance at January 1	\$ 501,442	\$ 487,049
Acquisitions through business combinations (Note 32)	24,731	29,952
Effect of foreign currency exchange differences	<u>40,549</u>	<u>(15,559)</u>
Balance at December 31	<u>566,722</u>	<u>501,442</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	7,987	8,931
Effect of foreign currency exchange differences	<u>358</u>	<u>(944)</u>
Balance at December 31	<u>8,345</u>	<u>7,987</u>
Carrying amounts at December 31	<u>\$ 558,377</u>	<u>\$ 493,455</u>

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

Assessment of Goodwill Impairment

The goodwill acquired through business combinations by the Group included Yongan Sports Technology Co., Ltd. (the company had completed cancellation after a short-form merger with the Corporation on January 1, 2018), Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIOfitness GmbH & Co. KG, Dyaco Canada Inc, Fitness Equipment Services, LLC, CITY SPORTS (THAILAND) CO., LTD, Neutron Ventures Ltd, and IUVO Industry Co., Ltd. Cash-generating unit (Group A), cash-generating unit (Group B), and carrying amount (Group C) including the amount of goodwill were thousand, thousand, and thousand.

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).

Cash-generating unit (Group A), cash-generating unit (Group B), and carrying amount (Group C) including the amount of goodwill were \$507,164 thousand, \$26,482 thousand, and \$24,731 thousand.

On December 31, 2022 and 2021, the management assessed the recoverable amount by value in use of asset's cash-generating unit (Group A), cash-generating unit (Group B), respectively, and considered the financial budget in the future as a reference of cash flows. The key assumptions which affected an assessment of the Group's recoverable amount and the methods to determine assumed key values are described as follows:

a. Increased rate of main business revenue:

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

b. Expected gross profit margin:

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

c. Discount rates

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

	December 31	
	2022	2021
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.

Group C was generated through the acquisition of a subsidiary in October 2022, and the Group recognized it is not necessary to perform impairment testing on December 31, 2022.

19. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Brand Value	Website	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 86,724	\$ 78,105	\$ 94,338	\$ 7,685	\$ 288,159	\$ 680,676	\$ 996	\$ 1,236,683
Acquisitions through business combinations	-	-	6,592	-	-	-	-	6,592
Additions	14,113	-	-	-	-	-	-	14,113
Effects of foreign currency exchange differences	568	4,349	6,099	-	5,248	68,805	110	85,179
Balance at December 31, 2022	101,405	82,454	107,029	7,685	293,407	749,481	1,106	1,342,567
<u>Accumulated amortization</u>								
Balance at January 1, 2022	66,957	63,742	72,556	7,685	172,830	60,767	501	445,038
Acquisitions through business combinations	-	-	-	-	-	-	-	-
Amortization expenses	11,099	7,247	2,008	-	24,905	34,791	271	80,321
Effect of foreign currency exchange differences	516	3,702	3,766	-	4,743	7,551	63	20,341
Balance at December 31, 2022	78,572	74,691	78,330	7,685	202,478	103,109	835	545,700
Carrying amounts at December 31, 2022	\$ 22,833	\$ 7,763	\$ 28,699	\$ -	\$ 90,929	\$ 646,372	\$ 271	\$ 796,867
<u>Cost</u>								
Balance at January 1, 2021	\$ 87,427	\$ 84,192	\$ 97,402	\$ 7,685	\$ 214,021	\$ 649,344	\$ 1,025	\$ 1,141,096
Acquisitions through business combinations	-	-	-	-	-	49,279	-	49,279
Additions	7,558	-	-	-	75,385	-	-	82,943
Disposals	(6,960)	-	-	-	-	-	-	(6,960)
Effects of foreign currency exchange differences	(1,301)	(6,087)	(3,064)	-	(1,247)	(17,947)	(29)	(29,675)
Balance at December 31, 2021 (retrospectively adjusted)	86,724	78,105	94,338	7,685	288,159	680,676	996	1,236,683
<u>Accumulated amortization</u>								
Balance at January 1, 2021	65,490	60,602	73,267	7,685	141,511	31,749	240	380,544
Amortization expenses	9,432	7,563	1,695	-	32,501	30,274	271	81,736
Disposals	(6,843)	-	-	-	-	-	-	(6,843)
Effect of foreign currency exchange differences	(1,122)	(4,423)	(2,406)	-	(1,182)	(1,256)	(10)	(10,399)
Balance at December 31, 2021 (retrospectively adjusted)	66,957	63,742	72,556	7,685	172,830	60,767	501	445,038
Carrying amounts at December 31, 2021 (retrospectively adjusted)	\$ 19,767	\$ 14,363	\$ 21,782	\$ -	\$ 115,329	\$ 619,909	\$ 495	\$ 791,645

- The Group signed royalty agreements of authorization with several foreign well-known sports brands to manufacture and sell products. The discounted cost was recognized as a royalty and included in intangible assets at the beginning of the authorization period, and the related liability was recognized as current and non-current payables for royalties. The interest expenses were calculated by the effective interest method.
- Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-13 years
Patents	5-15 years
Customer relationship	7-16 years
Existing technologies	3-5 years
Royalty	2-6 years
Brand value	10-23 years
Website	4 years

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured borrowings	\$ 1,182,395	\$ 1,837,515
Secured borrowings	<u>1,208,520</u>	<u>1,028,560</u>
	<u>\$ 2,390,915</u>	<u>\$ 2,866,075</u>
Range of interest rates		
Unsecured borrowings	1.43%-4.50%	0.98%-4.35%
Secured borrowings	1.60%-3.85%	0.85%-5.84%

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings</u>		
Mega Bank	\$ 580,100	\$ 281,500
Taiwan Cooperative Bank	488,875	170,401
Taishin Bank	157,500	172,500
First Horizon Bank	153,550	-
Taiwan Business Bank	121,320	-
Bank SinoPac	90,974	113,427
Cathay United Bank	39,300	-
Bank of Montreal	36,390	36,627
CTBC Bank	30,000	-
Chang Hua Bank	<u>4,740</u>	<u>15,972</u>
	1,702,749	790,427
Less: Current portion	<u>218,987</u>	<u>232,812</u>
Long-term borrowings	<u>\$ 1,483,762</u>	<u>\$ 557,615</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 July 2022, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from August 2024 to July 2027 after two years of interest payments. As of December 31, 2022, the amount of borrowings were \$400,000 thousand, at annual borrowing interest rates of 2.05%.

- 2) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of December 31, 2022 and 2021, the borrowings were \$161,579 thousand and \$170,401 thousand, respectively, at the annual borrowing interest rate of 1.60% and 1.40%, respectively. In 2021, IUVO Industry Co., Ltd signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2024. As of December 31, 2022, the borrowings were \$266,400 thousand at the annual borrowing interest rate of 1.956%. In 2022, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to March 2029. As of December 31, 2022, the borrowings were \$13,330 thousand at the annual borrowing interest rate of 2.346%. In 2022, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2024. As of December 31, 2022, the borrowings were \$47,566 thousand at the annual borrowing interest rate of 1.956%.
- 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 First Horizon Bank: In 2022, Spirit Manufacturing Inc. signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2022 to December 2042, at the annual borrowing interest rate of 6.50%.
- 5) Secured borrowings from Taiwan Business Bank: In December 2022, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly until December 2032. As of December 31, 2022, at the annual borrowing interest rate of 1.43%.
- 6) 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%, respectively. 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.
- 7) Secured borrowings from Cathay United Bank: In 2022, IUVO Industry Co., Ltd. signed a contract for borrowings, under which the principal and interest are repayable monthly from April 2022 to April 2027. As of December 31, 2022, at the annual borrowing interest rate of 1.15%.
- 8) Secured borrowings from Bank of Montreal: In 2016, Dyaco Canada Inc. signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2016 to April 2023. As of December 31, 2022 and December 31, 2021, at the annual borrowing interest rate all of 4.07%.
- 9) Secured borrowings from CTBC Bank: In 2021, IUVO Industry Co., Ltd. signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2021 to April 2024. As of December 31, 2022, at the annual borrowing interest rate of 2.95%.

- 10) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of December 31, 2022 and 2021, at the annual borrowing interest rate of 2.15% and 1.50%, respectively.

21. BONDS PAYABLE

	December 31	
	2022	2021
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 common shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

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

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>
Liability component at December 31, 2022	<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 year ended December 31, 2022 and December 31, 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 common shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The record date that the holder is entitled to sell back the convertible bond in advance is June 28, 2023. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 40-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0% of face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.57% per annum on initial recognition.

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

22. NOTES PAYABLE AND ACCOUNTS PAYABLE

- a. Notes payable

The Group issues notes payable for payment and business expenditure.

- b. Accounts payable

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

23. OTHER PAYABLES AND LONG-TERM PAYABLES

	December 31	
	2022	2021
<u>Current</u>		
Payables for freight	\$ 100,919	\$ 143,261
Payables for salaries and bonuses	74,952	77,564
Payables for employee benefits	44,878	44,227
Payables for value added taxes	36,783	31,797
Payables for advertisements	35,879	83,127
Payables for royalties (Note 19)	24,302	21,245
Payables for labor costs	12,908	16,660
Payables for insurance	10,309	14,019
Payables for annual leave	6,771	7,731
Payables for commissions	6,580	6,103
Payables for employees' compensation	5,518	5,734
Payables for purchases of equipment	2,813	3,873
Payables for investments (Note 13)	-	57,106
Payables for remuneration of directors	-	2,000
Others	<u>135,188</u>	<u>134,723</u>
	<u>\$ 497,800</u>	<u>\$ 649,170</u>
<u>Non-current</u>		
Payables for royalties (Note 19)	<u>\$ 83,093</u>	<u>\$ 107,094</u>

24. PROVISIONS

	December 31	
	2022	2021
Warranties	<u>\$ 13,927</u>	<u>\$ 19,343</u>
		Warranties
Balance at January 1, 2021		\$ 18,359
Acquisition through business combinations		3,082
Amount used		(100,725)
Additional provisions recognized		99,056
Effect of foreign currency exchange differences		<u>(429)</u>
Balance at December 31, 2021		<u>\$ 19,343</u>
Balance at January 1, 2022		\$ 19,343
Amount used		(57,249)
Additional provisions recognized		80,826
Effect of foreign currency exchange differences		<u>(28,993)</u>
Balance at December 31, 2022		<u>\$ 13,927</u>

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

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

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

	December 31	
	2022	2021
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
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 included in net interest)	-	(154)	(154)
Actuarial gain - changes in financial assumptions	(1,142)	-	(1,142)
Actuarial loss - changes in demographic 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>
Balance at January 1, 2022	<u>\$ 30,230</u>	<u>\$ (10,946)</u>	<u>\$ 19,284</u>
Recognized in profit or loss			
Net interest expenses (income)	<u>205</u>	<u>(71)</u>	<u>134</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(841)	(841)
Actuarial gain - changes in financial assumptions	(1,410)	-	(1,410)
Actuarial loss - changes in demographic assumptions	5	-	5
Actuarial gain - experience adjustments	<u>(338)</u>	<u>-</u>	<u>(338)</u>
Recognized in other comprehensive income	<u>(1,743)</u>	<u>(841)</u>	<u>(2,584)</u>
Contributions from employer	<u>-</u>	<u>(367)</u>	<u>(367)</u>
Balance at December 31, 2022	<u>\$ 28,692</u>	<u>\$ (12,225)</u>	<u>\$ 16,467</u>

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

	For the Year Ended December 31	
	2022	2021
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 Group is exposed to the following risks:

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

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

	December 31	
	2022	2021
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:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (607)	\$ (688)
0.25% decrease	\$ 628	\$ 714
Expected rate(s) of salary increase		
0.25% increase	\$ 622	\$ 703
0.25% decrease	\$ (604)	\$ (681)

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	\$ 367	\$ 367
Average duration of the defined benefit obligation	8 years	9 years

26. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
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

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 1,327,831	\$ 1,325,152
Conversion of bonds	613,057	613,057
Treasury share 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 Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	Conversion of Employee Share Options	Enforce Disgorgement	Conversion of Bond-options	Employee Share Options	Employee Share Options in 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>

Remark: 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 amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings from previous years shall be used by the Corporation's board of directors as the basis for proposing a distribution plan of new issued shares which should be resolved in the shareholders' meeting for the distribution. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 28-d.

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

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

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
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 March 23, 2023. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
(Reversal of) special reserve	\$ (111,910)	
Cash dividends	62,813	\$0.5

The above appropriation for cash dividends has been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 26, 2023.

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 translating the financial statements of foreign operations

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

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (2,360)	\$ 2,840
Recognized for the year		
Unrealized loss on equity instruments	<u>(4,907)</u>	<u>(5,200)</u>
Balance at December 31	<u>\$ (7,267)</u>	<u>\$ (2,360)</u>

e. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
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' exercised of the treasury share options, please refer to Note 31.

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

f. Non-controlling interests

	<u>For the Year Ended December 31</u>	
	2022	2021 (Retrospectively Adjusted)
Balance at January 1	\$ 394,933	\$ 356,686
Non-controlling interests arising from acquisition of subsidiaries (see Note 32)	6,200	36,000
Increase in non-controlling interests	7,815	-
Adjustments relating to changes in capital surplus of granting share options to employees of subsidiaries	4,344	385

(Continued)

	<u>For the Year Ended December 31</u>	
	2022	2021 (Retrospectively Adjusted)
(Loss) profit for the period attributable to non-controlling interests	\$ (18,554)	\$ 3,256
Exchange differences on translation of the financial statements of foreign entities	<u>114</u>	<u>(1,394)</u>
Balance at December 31	<u>\$ 394,852</u>	<u>\$ 394,933</u> (Concluded)

27. REVENUE

	<u>For the Year Ended December 31</u>	
	2022	2021
Revenue from contracts with customers		
Sporting goods	\$ 6,168,950	\$ 10,715,950
Furniture	911,149	1,015,807
Other revenue	<u>42,312</u>	<u>10,324</u>
	<u>\$ 7,122,411</u>	<u>\$ 11,742,081</u>

a. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable (Note 10)	<u>\$ 940</u>	<u>\$ 1,490</u>	<u>\$ 2,020</u>
Accounts receivable (Note 10)	<u>\$ 1,099,196</u>	<u>\$ 1,647,028</u>	<u>\$ 3,050,265</u>
Contract liabilities			
Sale of goods	<u>\$ 177,567</u>	<u>\$ 21,470</u>	<u>\$ 74,531</u>

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

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

	<u>For the Year Ended December 31</u>	
	2022	2021
From contract liabilities at the start of the year		
Sale of goods	<u>\$ 21,470</u>	<u>\$ 74,531</u>

b. Disaggregation of revenue

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

c. Partially completed contracts

	December 31	
	2022	2021
Sale of goods		
From January 2022 to December 2022	\$ -	\$ 21,470
From January 2023 to December 2023	<u>177,567</u>	<u>-</u>
	<u>\$ 177,567</u>	<u>\$ 21,470</u>

28. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 146,455	\$ 169,464
Intangible assets	80,321	81,736
Right-of-use assets	24,779	29,822
Investment properties	<u>2,214</u>	<u>3,309</u>
	<u>\$ 253,769</u>	<u>\$ 284,331</u>
An analysis of depreciation by function		
Operating costs	\$ 97,254	\$ 98,622
Operating expenses	73,980	100,664
Non-operating income and expenses	<u>2,214</u>	<u>3,309</u>
	<u>\$ 173,448</u>	<u>\$ 202,595</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>80,321</u>	<u>81,736</u>
	<u>\$ 80,321</u>	<u>\$ 81,736</u>

b. Other operating income and expenses

	For the Year Ended December 31	
	2022	2021
Impairment loss recognized on prepayments for goods	\$ (28,080)	\$ -
Gain (loss) on disposal of property, plant and equipment	433	(2,723)
Loss on disposal of intangible assets	<u>-</u>	<u>(117)</u>
	<u>\$ (27,647)</u>	<u>\$ (2,840)</u>

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

c. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 25)		
Defined contribution plan	\$ 27,184	\$ 28,804
Defined benefit plans	<u>134</u>	<u>60</u>
	<u>27,318</u>	<u>28,864</u>
Employees' compensation	915,384	939,162
Labor and national health insurance expenses	68,714	76,256
Other employee benefits	<u>34,301</u>	<u>34,088</u>
	<u>1,018,399</u>	<u>1,049,506</u>
 Total employee benefits expense	 <u>\$ 1,045,717</u>	 <u>\$ 1,078,370</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 327,747	\$ 397,206
Operating expenses	<u>717,970</u>	<u>681,164</u>
	<u>\$ 1,045,717</u>	<u>\$ 1,078,370</u>

d. Compensation of employees and remuneration of directors

The Corporation accrued employees compensation of employees and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the years ended December 31, 2022, there were no estimation for compensation of employees and remuneration of directors due to net loss before tax. The compensation of employees and remuneration of directors for the years ended December 31, 2021 which had been approved by the Corporation's board of directors on March 31, 2022 were as follows:

Accrual rate

	For the Year Ended December 31, 2021
Compensation of employees	1.00%
Remuneration of directors	0.36%

Amount

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

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the 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 or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 722,164	\$ 106,298
Foreign exchange losses	<u>(280,407)</u>	<u>(291,769)</u>
Net gains (losses)	<u>\$ 441,757</u>	<u>\$ (185,471)</u>

f. Interest expenses

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 63,080	\$ 55,300
Interest on convertible bonds	19,101	11,651
Interest on lease liabilities	<u>2,348</u>	<u>1,558</u>
	<u>\$ 84,529</u>	<u>\$ 68,509</u>

g. Other expenses

	For the Year Ended December 31	
	2022	2021
Compensation for losses	\$ 36,263	\$ -
Others	<u>4,346</u>	<u>2,988</u>
	<u>\$ 40,609</u>	<u>\$ 2,988</u>

29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 64,316	\$ 176,619
Income tax on unappropriated earnings	869	-
Adjustments for prior periods	<u>20,370</u>	<u>(5,697)</u>
	85,555	170,922
Deferred tax	<u>(71,933)</u>	<u>(66,057)</u>
Income tax expense recognized in profit or loss	<u>\$ 13,622</u>	<u>\$ 104,865</u>

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

	For the Year Ended December 31	
	2022	2021
Profit (loss) before tax	\$ <u>(81,061)</u>	\$ <u>548,463</u>
Income tax (benefit) expense calculated at the statutory rate	\$ (16,210)	\$ 109,693
Nondeductible expenses in determining taxable income	19,777	4,308
Investment credit	-	(12,116)
Income tax on unappropriated earnings	869	-
Unrealized loss carryforwards	3,697	628
Realized/unrealized deductible temporary differences	(18,731)	14,746
Effect of different tax rate of entities in the Group operating in other jurisdictions	3,850	(6,697)
Adjustments for prior years' tax	<u>20,370</u>	<u>(5,697)</u>
Income tax expense recognized in profit or loss	\$ <u>13,622</u>	\$ <u>104,865</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<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

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	\$ <u>51,611</u>	\$ <u>35,596</u>
Current tax liabilities		
Income tax payable	\$ <u>10,696</u>	\$ <u>29,628</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

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

For the year ended December 31, 2021

	Opening Balance	Acquisition Through Business Combinations	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effects of Foreign Currency Exchange Differences	Closing Balance
<u>Deferred tax assets</u>						
Temporary differences						
Deferred revenue	\$ 131,991	\$ -	\$ (1,357)	\$ -	\$ (27)	\$ 130,607
Investment loss recognized under the equity method	93,397	-	66,505	-	(7)	159,895
Write-down of inventories	33,439	-	(8,699)	-	(220)	24,520
Employee benefits	11,141	-	-	-	(84)	11,057
Allowance for impairment loss	20,946	-	1,652	-	(107)	22,491
Provisions	4,774	-	154	-	(139)	4,789
Defined benefit obligations	4,122	-	(44)	(162)	-	3,916
Payables for annual leave	2,612	-	(595)	-	(24)	1,993
Unrealized foreign exchange loss, net	23,581	-	(7,536)	-	(42)	16,003
Unrealized financial assets valuation loss	116	-	2,874	-	-	2,990
Property, plant and equipment	2,045	-	700	-	(1,284)	1,461
	328,164	-	53,654	(162)	(1,934)	379,722
Tax losses	2,074	-	1,340	-	-	3,414
	<u>\$ 330,238</u>	<u>\$ -</u>	<u>\$ 54,994</u>	<u>\$ (162)</u>	<u>\$ (1,934)</u>	<u>\$ 383,136</u>

(Continued)

	Opening Balance	Acquisition Through Business Combinations	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effects of Foreign Currency Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>						
Temporary differences						
Property, plant and equipment	\$ 140,004	\$ 2,215	\$ (4,531)	\$ -	\$ (1,131)	\$ 136,557
Investment gain recognized under the equity method	109,189	-	4,171	-	(4)	113,356
Intangible assets	173,962	9,856	(9,371)	-	(6,288)	168,159
Timing difference in sales	2,952	-	(633)	-	(22)	2,297
Unrealized foreign exchange gain, net	699	-	(699)	-	-	-
	<u>\$ 426,806</u>	<u>\$ 12,071</u>	<u>\$ (11,063)</u>	<u>\$ -</u>	<u>\$ (7,445)</u>	<u>\$ 420,369</u>

(Concluded)

e. Income tax assessments

The income tax returns of the Corporation, President Plastic Products MFG Co., Ltd, and IUVO Industry Co., Ltd. through 2020 have been assessed by the tax authorities.

The income tax returns of subsidiaries, Wing Long Co., Ltd. and Daan Health Management Consulting Co., Ltd., through 2021 have been assessed by the tax authorities.

30. 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 (loss) profit for the period is as follows:

	For the Year Ended December 31	
	2022	2021
(Loss) profit for the year attributable to owners of the Corporation	<u>\$ (76,129)</u>	<u>\$ 440,342</u>
Earnings used in the computation of basic (loss) earnings per share	<u>\$ (76,129)</u>	\$ 440,342
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax) and valuation gain or loss 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:

	For the Year Ended December 31	
	2022	2021
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 Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares 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 Group is net loss at the years ended December 31, 2022, therefore is not dilutive and diluted loss per share was not calculated.

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share options

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

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

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

Information on employee share options is as follows:

	For the Year Ended December 31			
	2022		2021	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Employee Share Options				
Balance at January 1	2,784	\$ 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:

	December 31	
	2022	2021
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:

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

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

For the year ended December 31, 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 Group were granted 748 thousand treasury share options on December 25, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

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

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

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

	August 2021
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 Group 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 Group were granted 899 thousand treasury share options on January 11, 2022. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury share options is as follows:

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

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

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

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

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

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

For the year ended December 31, 2022, the abovementioned employee share option certificate was exercised by the holder, the capital surplus - employee share option of 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 thousand options to employees of indirectly held subsidiaries; the duration is set to retroactively expire after 4 years from the issuance date of November 30, 2021 when the employees begin their employments. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation. The options granted are valid for 1 years and exercisable at the following schedule after the second anniversary from the grant date.

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

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

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

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

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

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

Compensation cost recognized by the subsidiaries was \$17,376 thousand and \$1,538 thousand for the year ended December 31, 2022 and December 31, 2021, respectively.

32. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

In order to expand the sales market of fitness equipment in Thailand, the Group acquired 44% equity in CITY SPORTS (THAILAND) CO., LTD

In order to expand the retail market of sporting goods in the United Kingdom, the Group acquired 80% equity in Neutron Ventures Ltd.

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

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

2021

	CITY SPORTS (THAILAND) CO., LTD	Neutron Ventures Ltd
Current assets		
Cash	\$ 2,721	\$ 15,608
Accounts receivables	3,248	1,704
Other receivable	996	245
Income tax assets	28	-
Inventories	25,706	116,444
Prepayment	-	8,053
Other current assets	-	2,954
Non-current assets		
Brand value	-	49,279
Property, plant and equipment (Note 15)	15,416	454
Right-of-use assets	2,910	-
Other non-current assets	207	55
Current liabilities		
Short-term borrowings	(6,093)	-
Accounts payable	-	(29,466)
Other payables	(18,120)	(27,641)
Income tax liabilities	-	(6,064)
Provision	-	(3,082)
Lease liabilities	(955)	-
Other current liabilities	-	(4,147)
Non-current liabilities		
Deferred tax liabilities	(2,215)	(9,856)
Lease liabilities	<u>(470)</u>	<u>-</u>
	<u>\$ 23,379</u>	<u>\$ 114,540</u>

2022

	Iuvo Industry Co., Ltd
Current assets	
Cash	\$ 5,049
Notes receivable	279
Accounts receivable	4,491
Other receivables	194
Inventories	104,697
Prepayments	31,251
Non-current assets	
Property, plant and equipment	493,756
Right-of-use assets	3,903
Brand value	6,592
Deferred tax asset	22
Refundable deposits	6,993
Other non-current assets	10,454
	(Continued)

	Iuvo Industry Co., Ltd
Current liabilities	
Short-term borrowings	\$ (15,000)
Contract liabilities	(134,634)
Notes payable	(46,440)
Accounts payable	(31,085)
Other payables	(49,091)
Lease liabilities	(1,605)
Current portion of long-term borrowings	(31,985)
Non-current liabilities	
Long-term borrowings	(317,741)
Deferred tax liabilities	(1,319)
Lease liabilities	<u>(2,312)</u>
	<u>\$ 36,469</u>
	(Concluded)

c. Non-controlling interests

The non-controlling interests of CITY SPORTS (THAILAND) CO., LTD, Neutron Ventures Ltd, and IUVO Industry Co., Ltd at the acquisition date were recognized according to the fair value of identifiable net assets.

d. Goodwill recognized on acquisitions

Acquired CITY SPORTS (THAILAND) CO., LTD

	CITY SPORTS (THAILAND) CO., LTD
Consideration transferred	\$ 12,450
Add: Non-controlling interests (56% in CITY SPORTS (THAILAND) CO., LTD)	13,092
Less: Fair value of identifiable net assets acquired	<u>(23,379)</u>
Goodwill recognized on acquisitions	<u>\$ 2,163</u>

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

	December 31, 2021
Property, plant and equipment	<u>\$ 10,664</u>
Goodwill	<u>\$ (3,769)</u>
Deferred tax liabilities	<u>\$ 2,132</u>
Retained earnings	<u>\$ (17)</u>
Non-controlling interests	<u>\$ 4,891</u>
Other interests	<u>\$ (111)</u>

**For the Year
Ended
December 31,
2021**

Operating expenses	\$ <u>46</u>
Income tax expense	\$ <u>(9)</u>
Net profit for the year	\$ <u>(37)</u>
Total comprehensive loss	\$ <u>(200)</u>
Net profit of non-controlling	\$ <u>(20)</u>

Acquired Neutron Ventures Ltd

**Neutron
Ventures Ltd**

Consideration transferred	\$ 119,421
Add: Non-controlling interests (20% in Neutron Ventures Ltd)	22,908
Less: Fair value of identifiable net assets acquired	<u>(114,540)</u>
Goodwill recognized on acquisitions	<u>\$ 27,789</u>

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

**December 31,
2021**

Brand value	\$ <u>49,174</u>
Goodwill	\$ <u>(31,726)</u>
Other payables	\$ <u>(1,368)</u>
Current tax liabilities	\$ <u>1,721</u>
Deferred tax liabilities	\$ <u>9,835</u>
Retained earnings	\$ <u>(263)</u>
Other equity	\$ <u>70</u>
Non-controlling interests	\$ <u>7,453</u>

**For the Year
Ended
December 31,
2021**

Operating expenses	\$ <u>411</u>
Income tax expense	\$ <u>(82)</u>
Net profit for the year	\$ <u>(329)</u>
Total comprehensive loss	\$ <u>(281)</u>
Net profit of non-controlling	\$ <u>(66)</u>

Acquired Iuvo Industry Co., Ltd

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

The goodwill recognized in the acquisition of CITY SPORTS (THAILAND) CO., LTD., Neutron Ventures Ltd., and IUVO Industry Co., Ltd mainly included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The initial accounting for business combinations of CITY SPORTS (THAILAND) CO., LTD., Neutron Ventures Ltd., and IUVO Industry Co., Ltd was incomplete by the end of the reporting period in which the combination occurred; thus, the Group reported provisional amounts for the items for which the accounting was incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional goodwill is recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

e. Net cash outflow on the acquisition of subsidiaries

2021

	CITY SPORTS (THAILAND) CO., LTD	Neutron Ventures Ltd
Consideration paid in cash	\$ 12,450	\$ 119,421
Less: Payables for investments (Notes 13 and 23)	(8,715)	(29,502)
Less: Cash balances acquired	<u>(2,721)</u>	<u>(15,608)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 1,014</u>	<u>\$ 74,311</u>

2022

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

f. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates are as follows:

- 1) The financial results of CITY SPORTS (THAILAND) CO., LTD and Neutron Ventures Ltd since the acquisition date to December 31, 2021 are as follows:

	CITY SPORTS (THAILAND) CO., LTD	Neutron Ventures Ltd
Revenue	<u>\$ 1,026</u>	<u>\$ 36,114</u>
Loss	<u>\$ (2,023)</u>	<u>\$ (3,958)</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$12,181,605 thousand, and the profit would have been \$430,958 thousand for 2021. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

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

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

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$7,235,277 thousand, and the loss would have been \$207,586 thousand for 2022. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2022, nor is it intended to be a projection of future results.

33. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2022 and 2021, the Group entered into the following partial cash investing and financing activities:

- a. From cash investing activities

	For the Year Ended December 31	
	2022	2021
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 354,420	\$ 231,338
Changes in prepayments for purchases of equipment	2,200	(7,083)
Changes in payables for purchase of equipment	<u>(1,060)</u>	<u>915</u>
Cash paid	<u>\$ 355,560</u>	<u>\$ 225,170</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Partial cash paid for other intangible assets		
Purchase of intangible assets	\$ 14,113	\$ 82,943
Changes in payables for royalties	20,944	(24,869)
Changes in prepayments	<u>(2,246)</u>	<u>749</u>
Cash paid	<u>\$ 32,811</u>	<u>\$ 58,823</u>
		(Concluded)

b. Changes in liabilities arising from financing activities

	Short-term Borrowings	Bonds Payable	Long-term Borrowings	Guarantee Deposits Received	Lease Liabilities
Balance at January 1, 2022	\$ 2,866,075	\$ 1,379,436	\$ 790,427	\$ 2,732	\$ 52,479
Cash flows	(502,054)	-	556,272	176	(25,962)
Non-cash changes					
New leases	-	-	-	-	2,627
Acquisition through business combinations (Note 32)	15,000	-	349,726	-	3,917
Interests	-	19,101	-	-	-
Exchange rate impact	<u>1,894</u>	<u>-</u>	<u>6,324</u>	<u>232</u>	<u>7,169</u>
Balance at December 31, 2022	<u>\$ 2,390,915</u>	<u>\$ 1,398,537</u>	<u>\$ 1,702,749</u>	<u>\$ 3,140</u>	<u>\$ 40,230</u>
Balance at January 1, 2021	\$ 1,573,781	\$ 462,372	\$ 950,550	\$ 2,737	\$ 64,271
Cash flows	1,289,927	994,594	(158,886)	62	(20,503)
Non-cash changes					
New leases	-	-	-	-	12,442
Acquisition through business combinations (Note 32)	6,093	-	-	-	1,425
Decrease during the period	-	-	-	-	(258)
Liability component	-	(1,492)	-	-	-
Equity component	-	(87,689)	-	-	-
Interests	-	11,651	-	-	-
Exchange rate impact	<u>(3,726)</u>	<u>-</u>	<u>(1,237)</u>	<u>(67)</u>	<u>(4,898)</u>
Balance at December 31, 2021	<u>\$ 2,866,075</u>	<u>\$ 1,379,436</u>	<u>\$ 790,427</u>	<u>\$ 2,732</u>	<u>\$ 52,479</u>

34. CAPITAL MANAGEMENT

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

35. FINANCIAL INSTRUMENTS

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

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

December 31, 2022

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

December 31, 2021

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<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 liabilities held for trading				
Swap contracts	\$ -	\$ 3,171	\$ -	\$ 3,171
Limited Partnership	-	-	568	568
	\$ -	\$ 3,171	\$ 568	\$ 3,739

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Hybrid financial assets convertible bonds	\$ -	\$ -	\$ 147,071	\$ 147,071
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 9,915	\$ 9,915
Foreign unlisted shares	-	-	44,023	44,023
Domestic listed private placement shares	-	-	11,759	11,759
	\$ -	\$ -	\$ 65,697	\$ 65,697
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Convertible bonds option	\$ -	\$ 25,305	\$ -	\$ 25,305
				(Concluded)

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Hybrid financial assets				
Hybrid financial assets				
Convertible bonds	\$ -	\$ -	\$ 139,035	\$ 139,035
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 13,290	\$ 13,290
Foreign unlisted shares	-	-	45,495	45,495
	\$ -	\$ -	\$ 58,785	\$ 58,785
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 772	\$ -	\$ 772
Convertible bonds option	-	13,363	-	13,363
	\$ -	\$ 14,135	\$ -	\$ 14,135

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

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

For the year ended December 31, 2021

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Hybrid Instruments	Equity Instruments
<u>Financial assets</u>		
Balance at January 1, 2021	\$ -	\$ 51,165
Purchases	138,750	12,900
Recognized in profit or loss	285	-
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	-	(5,200)
Effects of foreign currency exchange differences	<u>-</u>	<u>(80)</u>
Balance at December 31, 2021	<u>\$ 139,035</u>	<u>\$ 58,785</u>

3) Valuation techniques and assumptions applied for fair value measurement

Financial Instrument	Valuation Technique and Inputs
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 - swap contracts	Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - call and put options	Binomial-tree model for convertible bond pricing: The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.
Limited Partnership	The limited partnership uses the asset method to calculate the fair value of the investment targets. The asset method is used to evaluate the total value of the individual assets and liabilities covered by the investment.

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

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 150,810	\$ 139,035
Financial assets at amortized cost (Note 1)	2,574,727	3,232,677
Financial assets at FVTOCI - equity instruments	65,697	58,785
<u>Financial liabilities</u>		
FVTPL		
Held for trading	25,305	14,135
Amortized cost (Note 2)	6,958,910	6,984,535

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

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

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

	USD Impact		EUR Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ (161,474)	\$ (211,702)	\$ (5,356)	\$ (11,397)
	GBP Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ (8,183)	\$ (15,456)	\$ (17,918)	\$ 28,255

	CAD Impact	
	For the Year Ended	
	December 31	
	2022	2021
Profit or loss	\$ (718)	\$ (3,029)

b) Interest rate risk

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 359,509	\$ 292,386
Financial liabilities	4,043,842	4,385,261
Cash flow interest rate risk		
Financial assets	795,365	938,770
Financial liabilities	1,595,984	831,496

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended December 31, 2022 would have increased/decreased by \$2,002 thousand which was mainly attributable to the Group'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 Group's pre-tax profit for the year ended December 31, 2021 would have increased/decreased by \$268 thousand which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

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

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

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 49.32% and 61.36% of total accounts receivable as of December 31, 2022 and 2021, respectively.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities of \$2,365,882 thousand and \$3,516,878 thousand, respectively.

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

December 31, 2022

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 471,582	\$ 801,934	\$ 85,798	\$ -	\$ -
Variable interest rate liabilities	1.15%-4.45%	30,172	26,240	209,360	783,552	546,660
Fixed interest rate liabilities	1.43%-6.50%	196,070	606,173	2,964,726	236,643	-
Lease liabilities	1.36%-5.84%	1,271	2,943	11,637	24,721	-
		<u>\$ 699,095</u>	<u>\$ 1,437,290</u>	<u>\$ 3,271,521</u>	<u>\$ 1,044,916</u>	<u>\$ 546,688</u>

December 31, 2021

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 537,007	\$ 1,165,811	\$ 117,439	\$ -	\$ -
Variable interest rate liabilities	1.15%-4.45%	90,878	26,369	191,340	278,746	244,163
Fixed interest rate liabilities	0.85%-5.84%	574,559	529,132	1,707,855	1,521,235	-
Lease liabilities	1.56%-4.90%	1,335	3,065	13,635	35,873	-
		<u>\$ 1,203,779</u>	<u>\$ 1,724,377</u>	<u>\$ 2,030,269</u>	<u>\$ 1,835,854</u>	<u>\$ 244,163</u>

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

December 31, 2022

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

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	\$ -	\$ -	\$ 172	\$ -	\$ -
4) Financing facilities					

	<u>December 31</u>	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand		
Amount used	\$ 1,182,395	\$ 1,837,515
Amount unused	<u>1,307,750</u>	<u>1,552,000</u>
	<u>\$ 2,490,145</u>	<u>\$ 3,389,515</u>
Secured bank overdraft facilities		
Amount used	\$ 2,911,269	\$ 1,818,987
Amount unused	<u>1,058,132</u>	<u>1,964,878</u>
	<u>\$ 3,969,401</u>	<u>\$ 3,783,865</u>

36. RELATED PARTY TRANSACTIONS

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

a. Related parties and relationships

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Other related parties	
Houli Construction Co., Ltd.	Director of the Company
William MacFarland	Management of Fitness Equipment Services, LLC.

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

1) The following balances of other receivables from related parties were outstanding at the end of the reporting period:

	<u>December 31</u>	
	2022	2021
Other related parties	\$ 24,909	\$ -

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

2) Purchase of property, plant and equipment

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

The Group signed a construction project contract with a related party and entrusted it to build a factory. The total contract price was \$337,000 thousand, and the construction cost was paid on schedule according to the contract. The terms of the transaction are negotiated by both parties.

c. Compensation of key management personnel

The details of the compensation of key management personnel for the years ended December 31, 2022 and 2021 were as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 110,804	\$ 117,473
Post-employment benefits	<u>1,046</u>	<u>775</u>
	<u>\$ 111,850</u>	<u>\$ 118,248</u>

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

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	2021
Property, plant and equipment	\$ 2,276,801	\$ 1,972,402
Right-of-use assets	273,046	279,783
Pledged deposits - current	240,578	292,394
Inventories	118,039	168,792
Investment properties	<u>19,569</u>	<u>20,448</u>
	<u>\$ 2,928,033</u>	<u>\$ 2,733,819</u>

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS: NONE

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

The unrecognized contractual commitments of the Group are as follows:

	December 31	
	2022	2021
Acquisition of property, plant and equipment		
Property under construction	\$ 193,525	\$ 84,390

40. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In thousands of New Taiwan Dollars and Foreign Currency)

December 31, 2022

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

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,915	30.71 (USD:NTD)	\$ 58,808
USD	376	1.3547 (USD:CAD)	11,547
USD	828	132.1429 (USD:JPY)	25,434
USD	402	6.9669 (USD:RMB)	12,357
RMB	91,370	4.408 (RMB:NTD)	402,759
RMB	6,328	0.1435 (RMB:USD)	27,895
			(Concluded)

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 140,103	27.6800 (USD:NTD)	\$ 3,878,061
USD	16,221	6.3720 (USD:RMB)	449,000
USD	2,729	1.2803 (USD:CAD)	75,527
RMB	32,151	4.3440 (RMB:NTD)	139,666
RMB	248	0.1569 (RMB:USD)	1,077
EUR	7,286	31.3200 (EUR:NTD)	228,183
EUR	10	1.1315 (EUR:USD)	308
EUR	-	0.8397 (EUR:GBP)	14
GBP	8,241	37.3000 (GBP:NTD)	307,389
GBP	51	1.1909 (GBP:EUR)	1,904
Non-monetary items			
USD	22,880	27.6800 (USD:NTD)	633,315
USD	26,907	7.7994 (USD:HKD)	744,777
HKD	302,065	3.5490 (HKD:NTD)	1,072,030
RMB	194,817	1.2240 (RMB:HKD)	846,284
CAD	12,197	0.7811 (CAD:USD)	263,719
EUR	2,649	31.3200 (EUR:NTD)	82,955
GBP	3,213	37.3000 (GBP:NTD)	119,860
THB	13,546	0.8347 (THB:NTD)	11,308

Financial liabilities

Monetary items			
USD	1,527	27.6800 (USD:NTD)	42,264
USD	268	1.2803 (USD:CAD)	7,426
USD	2,120	115.0936 (USD:JPY)	58,685
USD	2,174	6.3720 (USD:RMB)	60,179
RMB	146,095	4.3440 (RMB:NTD)	634,637
RMB	16,390	0.1569 (RMB:USD)	71,198
EUR	18	1.1315 (EUR:USD)	564
GBP	5	1.1909 (GBP:EUR)	180
Non-monetary items			
GBP	3,141	37.3000 (GBP:NTD)	117,116
JPY	107,777	0.2405 (JPY:NTD)	25,920

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$441,757 thousand and \$(185,471) thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

41. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: 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 35

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

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9

- c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
- d. Intercompany relationships and significant intercompany transactions: Table 10
- e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 11

42. SEGMENT INFORMATION

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

a. Segment revenues and results

	Asia	Americas	Europe	Eliminations	Total
For the year ended <u>December 31, 2022</u>					
Revenues from external customers	\$ 1,915,877	\$ 4,386,944	\$ 819,590	\$ -	\$ 7,122,411
Intersegment revenues	<u>3,322,322</u>	<u>52,208</u>	<u>17,159</u>	<u>(3,391,689)</u>	<u>-</u>
Consolidated revenues	<u>\$ 5,238,199</u>	<u>\$ 4,439,152</u>	<u>\$ 836,749</u>	<u>\$ (3,391,689)</u>	<u>\$ 7,122,411</u>
Segment income (loss)	<u>\$ 645,920</u>	<u>\$ (355,269)</u>	<u>\$ (175,330)</u>	<u>\$ (196,382)</u>	<u>\$ (81,061)</u>
For the year ended December 31, 2021 <u>(retrospectively adjusted)</u>					
Revenues from external customers	\$ 2,472,007	\$ 8,442,811	\$ 827,263	\$ -	\$ 11,742,081
Intersegment revenues	<u>8,360,490</u>	<u>39,387</u>	<u>19,658</u>	<u>(8,419,535)</u>	<u>-</u>
Consolidated revenues	<u>\$ 10,832,497</u>	<u>\$ 8,482,198</u>	<u>\$ 846,921</u>	<u>\$ (8,419,535)</u>	<u>\$ 11,742,081</u>
Segment income (loss)	<u>\$ 783,287</u>	<u>\$ (262,585)</u>	<u>\$ (7,147)</u>	<u>\$ 34,908</u>	<u>\$ 548,463</u>

b. Segment assets and liabilities

	December 31	
	2022	2021 (Retrospectively Adjusted)
<u>Segment assets</u>		
Asia	\$ 7,263,516	\$ 7,040,084
Americas	3,814,410	4,450,060
Europe	<u>886,673</u>	<u>710,647</u>
Total segment assets	<u>\$ 11,964,599</u>	<u>\$ 12,200,791</u>
<u>Segment liabilities</u>		
Asia	\$ 4,337,828	\$ 3,284,962
Americas	2,937,361	3,905,747
Europe	<u>625,450</u>	<u>628,799</u>
Total segment liabilities	<u>\$ 7,900,639</u>	<u>\$ 7,819,508</u>

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2022	2021
Treadmill	\$ 3,254,691	\$ 5,806,638
Elliptical trainer	984,170	2,286,908
Bike	799,705	1,398,360
Furniture	911,149	1,015,807
Others	<u>1,172,696</u>	<u>1,234,368</u>
	<u>\$ 7,122,411</u>	<u>\$ 11,742,081</u>

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, mainland China, Europe and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2022	2021
America	\$ 5,131,271	\$ 9,274,861
Europe	1,151,419	1,484,560
Taiwan	329,384	403,803
Mainland China	282,226	299,035
Others	<u>228,111</u>	<u>279,822</u>
	<u>\$ 7,122,411</u>	<u>\$ 11,742,081</u>

	Non-current Assets	
	December 31	
	2022	2021 (Retrospectively Adjusted)
America	\$ 681,901	\$ 537,225
Mainland China	892,261	930,068
Taiwan	3,789,272	3,032,555
Europe	<u>86,507</u>	<u>99,058</u>
	<u>\$ 5,449,941</u>	<u>\$ 4,598,906</u>

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue:

	For the Year Ended December 31	
	2022	2021
Customer A from Asia	<u>\$ 732,069</u>	<u>\$ 764,739</u>
Customer A from America	<u>\$ 720,810</u>	<u>\$ 1,957,742</u>

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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	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 (JPY 1,705 thousand)	\$ 6,408 (JPY 209 thousand)	\$ 6,408 (JPY 209 thousand)	-	Business transaction	\$ 14,867	-	\$ -	-	\$ -	\$ 52,366 (Note 2)	\$ 1,467,643 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	139,124 (EUR 4,252 thousand)	3,336 (EUR 102 thousand)	3,336 (EUR 102 thousand)	-	Business transaction	5,590	-	-	-	-	139,124 (Note 2)	1,467,643 (Note 4)	
		CARDIOfitness GmbH & Co. KG	Other receivables from related parties	Yes	32,720 (EUR 1,000 thousand)	18,978 (EUR 580 thousand)	18,978 (EUR 580 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	1,467,643 (Note 1)	1,467,643 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	192,158 (GBP 5,181 thousand)	12,604 (GBP 340 thousand)	12,604 (GBP 340 thousand)	-	Business transaction	69,796	-	-	-	-	192,158 (Note 2)	1,467,643 (Note 4)	
		Spirit Manufacturing Inc.	Other receivables from related parties	Yes	345,808 (US\$ 11,260 thousand)	253,678 (US\$ 8,260 thousand)	253,678 (US\$ 8,260 thousand)	-	Business transaction	719,480	-	-	-	-	719,480 (Note 2)	1,467,643 (Note 4)	
		Fitness Equipment Services, LLC.	Other receivables from related parties	Yes	711,096 (US\$ 23,155 thousand)	469,626 (US\$ 15,292 thousand)	469,626 (US\$ 15,292 thousand)	-	Business transaction	999,460	-	-	-	-	999,460 (Note 2)	1,467,643 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	14,637 (US\$ 477 thousand)	14,637 (US\$ 477 thousand)	14,637 (US\$ 477 thousand)	-	Business transaction	12,728	-	-	-	-	14,637 (Note 2)	1,467,643 (Note 4)	
		CARIO fitness GmbH & CO. KG	Other receivables from related parties	Yes	51,249 (US\$ 1,566 thousand)	48,093 (US\$ 1,470 thousand)	48,093 (US\$ 1,470 thousand)	-	Business transaction	5,745	-	-	-	-	51,249 (Note 2)	1,467,643 (Note 4)	
		CITY SPORTS (THAILAND) CO., LTD.	Other receivables from related parties	Yes	62,587 (THB 30,000 thousand)	35,764 (THB 40,000 thousand)	35,764 (THB 40,000 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	733,822 (Note 1)	1,467,643 (Note 4)	
		Sweatband. Com Ltd.	Other receivables from related parties	Yes	59,344 (GBP 1,600 thousand)	59,344 (GBP 1,600 thousand)	48,217 (GBP 1,300 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	733,822 (Note 1)	1,467,643 (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 maximum financing to companies in which the parent entity directly and indirectly holds 100% voting shares is limited to net value of the lender, the maximum financing allowed to other corporations is limited to 40% of the net value of the lender.

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

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

Note 6: Eliminated from the consolidated financial statements.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 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 (Jiaxing), Ltd.	Indirectly held subsidiary	\$ 366,911	\$ 160,430 (US\$ 1,000 thousand and RMB 30,000 thousand)	\$ 117,190 (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 (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	100,000	-	-	-	-	1,834,554	Y	-	-	
		CARDIOfitness GmbH & Co. KG	Indirectly held subsidiary	1,834,554	32,720 (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.	Fellow subsidiary	1,834,554	100,000	-	-	-	-	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 corporations in mainland China.

TABLE 3**DYACO INTERNATIONAL INC. AND SUBSIDIARIES****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> 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	7,481	Note 1
	Inalways corporation	-	Financial assets at fair value through other comprehensive income (FVTOCI)	588,000	11,760	1.18	11,760	Note 1
	Uniigym Global Holdings Limited.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	9,179 (US\$ 299 thousand)	2.50	9,179 (US\$ 299 thousand)	Note 1
	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	30,971 (US\$ 1,008 thousand)	10.00	30,971 (US\$ 1,008 thousand)	Note 1
	<u>Limited partnership</u> Changneng Capital Limited Partnership	-	Financial assets at fair value through profit or loss (FVTPL)	-	568	-	568	Note 1
	<u>Convertible bonds</u> 1.5-year financial debentures of Mega International Commercial Bank	-	Financial assets at amortized cost	-	23,032 (US\$ 750 thousand)	-	23,032 (US\$ 750 thousand)	
	2-year financial debentures of Mega International Commercial Bank	-	Financial assets at amortized cost	-	7,678 (US\$ 250 thousand)	-	7,678 (US\$ 250 thousand)	
	<u>Convertible promissory note</u> Morsel Inc.	-	Financial assets at fair value through profit or loss (FVTPL)	-	147,071 (US\$ 4,789 thousand)	-	147,071 (US\$ 4,789 thousand)	Note 1
	<u>Stock</u> Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	3,873 (RMB 879 thousand)	9.00	3,873 (RMB 879 thousand)	Note 1

Note 1: 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.

TABLE 4

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**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 (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. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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)	71	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	719,480	100	Flexible	Based on mutual agreement	Flexible	(854,321)	77	
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.

Note 3: Eliminated from the consolidated financial statements.

TABLE 6

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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% (Note 1)	\$ -	-	\$ 233,500	\$ -
			Other receivables	378,227		-	-	-	-
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	854,321	0.90% (Note 1)	-	-	237,232	-
			Other receivables	126,112		-	-	-	-
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: Eliminated from the consolidated financial statements.

TABLE 7

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 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) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	%	Carrying Amount (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) (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) (Note 3)
	President Plastic Products MFG Co., Ltd.	Taiwan	Rental of property	286,640	258,640	391,000	100	288,532	932	1,032 (Note 4)
	Cikayda Inc.	Taiwan	Manufacturing and selling	20,000	20,000	20,000,000	100	18,039	(910)	(910)
	Morsel Inc.	America	Intelligent fitness content production company	27,750 (US\$ 1,000 thousand)	27,750 (US\$ 1,000 thousand)	909,090	11	-	(70,906) (US\$ -2,379 thousand)	-
	CITY SPORTS (THAILAND) CO., LTD.	Thailand	Fitness equipment selling	12,450 (THB 14,420 thousand)	12,450 (THB 14,420 thousand)	176,000	44	2,966 (THB 3,317 thousand)	(19,025) (THB -22,239 thousand)	(8,565) (THB -10,013 thousand) (Note 5)
	Neutron Ventures Ltd.	United Kingdom	Investment	119,851 (GBP 3,220 thousand)	119,851 (GBP 3,220 thousand)	292,666	80	74,702 (GBP 2,024 thousand)	(70,546) (GBP -1,917 thousand)	(59,589) (GBP -1,619 thousand) (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 (US\$ 8,890 thousand)	265,734 (US\$ 8,890 thousand)	1,667.5	100	249,945 (US\$ 8,155 thousand) (Note 9)	5,638 (US\$ 189 thousand)	5,638 (US\$ 189 thousand) (Note 9)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	262,457 (CAD 11,577 thousand) (Note 9)	24,234 (CAD 1,058 thousand)	24,234 (CAD 1,058 thousand) (Note 9)
Dyaco Europe GmbH.	Iuvo Industry Co., Ltd	Taiwan	Electric-assisted bicycle manufacturer	125,000	-	15,300,000	90	113,114	(4,654)	4,071 (Note 8)
	CARDIO fitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	90,076 (EUR 2,753 thousand)	(28,554) (EUR -911 thousand)	(32,887) (EUR -1,049 thousand) (Note 7)
	CARDIO fitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	940 (EUR 28 thousand)	24 (EUR 1 thousand)	24 (EUR 1 thousand)
SOLE INC.	Fitness Equipment Services, LLC.	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	63,262 (US\$ 2,100 thousand)	-	100	105,823 (US\$ 3,446 thousand)	(345,987) (US\$ -11,608 thousand)	(345,987) (US\$ -11,608 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)		
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	\$ 185,015 (US\$ 5,848 thousand)	\$ 379,727 (US\$ 12,400 thousand)	5,848,450	100	\$ 185,453 (HK\$ 47,093 thousand)	\$ 1,600 (HK\$ 420 thousand)	\$ 1,600 (HK\$ 420 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	-	265,734 (US\$ 8,890 thousand)	-	-	- (Note 9)	(7,018) (US\$ -235 thousand)	(7,018) (US\$ -235 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	-	271,752 (CAD 9,058 thousand)	-	-	- (Note 9)	(17,621) (CAD -769 thousand)	(17,621) (CAD -769 thousand)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US\$ 2,000 thousand)	62,118 (US\$ 2,000 thousand)	-	100	6,528 (US\$ 213 thousand)	(19,886) (US\$ -667 thousand)	(19,886) (US\$ -667 thousand)
	Dyaco Commercial & Medical North America, LLC. (Note 10)	America	Import, export and selling	-	6,092 (US\$ 200 thousand)	-	100	- (US\$ -3 thousand)	(79) (US\$ -3 thousand)	(79) (US\$ -3 thousand)
Neutron Ventures Ltd.	Interactive Online Commerce Ltd.	United Kingdom	Investment	97,577 (GBP 2,632 thousand)	97,577 (GBP 2,632 thousand)	-	100	31,962 (GBP 862 thousand)	(65,131) (GBP 1,770 thousand)	(65,131) (GBP 1,770 thousand)
	Neutron Ventures Poland S.p Z.o.o	Poland	Service industry	34 (PLN 5 thousand)	34 (PLN 5 thousand)	-	100	(41) (PLN -6 thousand)	(5,686) (PLN -815 thousand)	(5,686) (PLN -815 thousand)
Interactive Online Commerce Ltd.	Sweatband.com Ltd.	United Kingdom	Sporting Goods selling	96,564 (GBP 2,604 thousand)	96,564 (GBP 2,604 thousand)	-	100	31,764 (GBP 856 thousand)	65,131 (GBP -1,770 thousand)	65,131 (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 minus 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 complete the liquidation and had been eliminated in first quarter of 2022.

(Concluded)

TABLE 8

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**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 (US\$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	\$ 88,780 (US\$ 3,000 thousand)	\$ -	\$ -	\$ 88,780 (US\$ 3,000 thousand)	\$ (23,450) (HK\$ -6,161 thousand)	100	\$ (23,450) (HK\$ -6,161 thousand)	\$ 144,498 (HK\$ 36,693 thousand)	\$ -
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	568,888 (US\$ 18,800 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (US\$ 21,830 thousand)	34,016 (HK\$ 8,937 thousand)	60	7,712 (HK\$ 2,026 thousand) (Note 3)	708,026 (HK\$ 179,793 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(284) (RMB -64 thousand)	100	(284) (RMB -64 thousand)	6,045 (RMB 722 thousand)	-
	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(4,638) (RMB -1,049 thousand)	40	(1,856) (RMB -420 thousand)	2,934 (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 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

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

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

Note 3: Including 60% share of profit of \$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.

TABLE 9

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

TABLE 10

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
2022	0	Dyaco International Inc.	Spirit Direct, LLC.	a	Sales	\$ 7,092	-	-
					Other operating revenue	5,636	-	-
					Accounts receivable from related parties	8,707	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	30,199	-	-
					Other receivables from related parties	3,578	-	-
					Other payables to related parties	35,556	-	-
					Accounts receivable from related parties	27,358	-	-
					Sales	27,438	-	-
					Other operating revenue	117	-	-
			Dyaco Japan Co., Ltd.	a	Sales	14,729	-	-
					Other operating revenue	141	-	-
					Accounts receivable from related parties	10,705	-	-
					Other receivables from related parties	14,729	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Sales	134,024	-	2
					Other operating revenue	147	-	-
					Accounts receivable from related parties	57,678	-	-
			Spirit Manufacturing Inc.	a	Sales	630,899	-	9
					Other operating revenue	88,581	-	1
					Accounts receivable from related parties	854,321	-	7
					Other receivables from related parties	126,112	-	1
			Dyaco Canada Inc.	a	Sales	201,935	-	3
					Sales discounts and allowances	32,439	-	-
					Accounts receivable from related parties	6,171	-	-
			Dyaco Europe GmbH	a	Sales	5,523	-	-
					Other operating revenue	382	-	-
					Accounts receivable from related parties	280	-	-
					Other receivables from related parties	10,804	-	-
					Other payables to related parties	2,693	-	-
					Operating expenses	2,693	-	-
					Rental revenue	24	-	-
					Accounts receivable from related parties	492	-	-
			Daan Health Management Consulting Co., Ltd. Wing Long Co., Ltd.	a	Other payables to related parties	431	-	-
					Sales	17	-	-
					Other expenses	630	-	-
					Sales	69,796	-	1
			Dyaco UK Ltd.	a	Accounts receivable from related parties	60,179	-	1
					Other receivables from related parties	28,725	-	-
					Cost of goods sold	1,034,967	-	15
					Accounts payable to related parties	402,944	-	3
			Shelton Corporation (Jiaxing), Ltd.	a				

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
			Cardio Fitness GmbH & Co. KG	a	Other receivables from related parties	\$ 6	-	-
					Other expenses	270	-	-
					Inventories	1,110	-	-
					Accounts receivable from related parties	227	-	-
					Other receivables from related parties	71,491	-	1
					Sales	5,174	-	-
					Other operating revenue	571	-	-
			SOLE INC.	a	Other receivables from related parties	284	-	-
			Fitness Equipment Services, LLC.	a	Accounts receivable from related parties	944,029	-	8
					Other receivables from related parties	378,227	-	3
					Sales	999,145	-	14
					Other operating revenue	315	-	-
			President Plastic Products MFG Co., Ltd.	a	Refundable deposits	900	-	-
					Lease liabilities	9,178	-	-
					Right-of-use asset	9,483	-	-
					Interest expense	244	-	-
					Depreciation	1,952	-	-
					Other payables to related parties	2,200	-	-
			Cikayda Inc.	a	Other receivables from related parties	350	-	-
					Other payables to related parties	1,000	-	-
					Rental revenue	400	-	-
					Other expenses	1,190	-	-
			Sweatband.com Ltd	a	Accounts receivable from related parties	3,991	-	-
					Other receivables from related parties	48,217	-	-
					Sales	3,755	-	-
					Other operating revenue	109	-	-
			City Sports (Thailand) Co., Ltd.	a	Accounts receivable from related parties	1,390	-	-
					Other receivables from related parties	36,149	-	-
					Sales	2,151	-	-
					Other operating revenue	167	-	-
			Iuvo Industry Co., Ltd		Accounts receivable from related parties	280	-	-
					Other operating revenue	336	-	-
	1	Fuel-Spirit International Inc.	Spirit Manufacturing Inc.	c	Other payables to related parties	101,343	-	1
			Dyaco Canada Inc.	c	Other operating revenue	7,277	-	-
					Accounts receivable from related parties	1,236	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	86,478	-	1
					Accounts payable to related parties	27,895	-	-
			City Sports (Thailand) Co., Ltd.	c	Accounts receivable from related parties	2,392	-	-
					Sales	2,321	-	-
	2	Spirit Direct, LLC.	Dyaco Canada Inc.	c	Sales	31	-	-
	3	Dyaco (Shanghai) Trading Co., Ltd.	Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	33,381	-	-
					Accounts payable to related parties	25,772	-	-
					Inventories	841	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	118	-	-
					Other receivables	90	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	4	Spirit Manufacturing Inc.	Dyaco Canada Inc. Fitness Equipment Services, LLC.	c c	Sales Accounts receivable from related parties Sales Accounts payable to related parties Accounts receivable from related parties	\$ 12,442 1,475 30,137 34,383 2,387	- - - - -	- - - - -
	5	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG Sweatband.com Ltd	c c	Sales Cost of goods sold Other operating revenue Other expenses Accounts receivable from related parties Accounts payable to related parties Sales Accounts receivable from related parties	13,324 110 441 982 15,233 243 1,796 812	- - - - - - - -	- - - - - - - -
	6	Dyaco UK Ltd.	Sweatband.com Ltd	c	Sales Accounts receivable from related parties	5,155 5,196	- -	- -
	7	Fitness Equipment Services, LLC.	SOLE INC.	c	Other receivables from related parties	9,582	-	-
	8	Neutron Ventures Ltd.	Interactive Online Commerce Ltd. Sweatband.com Ltd.	c c	Other payables to related parties Other receivables from related parties	90,493 82,628	- -	1 1
	9	Interactive Online Commerce Ltd.	Sweatband.com Ltd.	c	Other payables to related parties	90,294	-	1
	10	Neutron Ventures Poland S.p Z.o.o	Sweatband.com Ltd.	c	Other payables to related parties Other receivables from related parties Sales	760 1,901 11,601	- - -	- - -

Note 1: Companies are numbered as follows:

- The parent is numbered as “0.”
- Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

- From the parent to the subsidiary.
- From the subsidiary to the parent.
- From the subsidiary to the subsidiary.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

TABLE 11**DYACO INTERNATIONAL INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 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.

Attachment 2

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

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)

	2022		2021 (Retrospectively Adjusted) (Note 13)	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
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	3,972,184	42	5,627,552	55
NON-CURRENT ASSETS				
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	5,583,223	58	4,529,765	45
TOTAL	\$ 9,555,407	100	\$ 10,157,317	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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	4,685,150	49	3,856,584	38
NON-CURRENT LIABILITIES				
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	1,201,149	13	2,314,383	23
Total liabilities	5,886,299	62	6,170,967	61
EQUITY (Note 23)				
Share capital				
Ordinary shares	1,341,147	14	1,339,822	13
Advance share capital	-	-	400	-
Total share capital	1,341,147	14	1,340,222	13
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	737,509	8	1,136,888	11
Other equity	(126,177)	(1)	(238,081)	(2)
Treasury shares	(426,290)	(5)	(368,604)	(4)
Total equity	3,669,108	38	3,986,350	39
TOTAL	\$ 9,555,407	100	\$ 10,157,317	100

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

DYACO INTERNATIONAL INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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 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		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Equity
	Ordinary Shares	Advance Share Capital		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 (Retrospectively Adjusted) (Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
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 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 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 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	461,665	(567,993)

(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 (Retrospectively Adjusted) (Note 13)
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,899</u>	<u>(2,633)</u>
NET INCREASE (DECREASE) IN CASH	(146,497)	(73,293)
CASH, BEGINNING OF THE YEAR	<u>611,607</u>	<u>684,900</u>
CASH, END OF THE YEAR	<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)

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 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 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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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

	December 31	
	2022	2021
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

	December 31	
	2022	2021
<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>

Financial assets - non-current

Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible promissory notes (Note 13)	<u>\$ 147,071</u>	<u>\$ 139,035</u>

(Continued)

	December 31	
	2022	2021
<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:

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

	December 31	
	2022	2021
<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

	December 31	
	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:

	December 31	
	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:

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

The Corporation assesses the counterparty has a low risk of default and a strong capacity to meet contractual cash flows. As of December 31, 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

	December 31	
	2022	2021
<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)	(878)	(1,370)	(317)	(744)	(10,970)	(84,843)	(99,122)
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)	(37)	(228)	(703)	(1,279)	(862)	(83,539)	(86,648)
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

	December 31	
	2022	2021
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:

	For the Year Ended December 31	
	2022	2021
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

	December 31	
	2022	2021
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

	December 31	
	2022	2021 (Retrospectively Adjusted)
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

	December 31	
	2022	2021 (Retrospectively Adjusted)
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.	113,114	-
	<u>3,001,763</u>	<u>2,003,440</u>
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>
	Proportion of Ownership and Voting Rights	
	December 31	
	2022	2021
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:

	December 31	
	2022	2021
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

	December 31	
	2022	2021
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>	
	2022	2022
		(Retrospectively Adjusted)
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:

	<u>December 31,</u>
	2021
Investments accounted for using the equity method	<u>\$ (179)</u>
Retained earnings	<u>\$ (226)</u>
Other equity	<u>\$ 47</u>
	<u>For the Year</u>
	Ended
	December 31
	2021
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 Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under 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>

	For the Year Ended December 31	
	2022	2021
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

	December 31	
	2022	2021
<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:

	December 31	
	2022	2021
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.

	December 31	
	2022	2021
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

Completed Investment Properties

Cost

Balance at January 1, 2021 and December 31, 2021	\$ 24,886
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Accumulated depreciation

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>
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Cost

Balance at January 1, 2022 and December 31, 2022	\$ 24,886
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Accumulated depreciation

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>
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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

	Computer Software	Royalty	Total
<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

	December 31	
	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

	December 31	
	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

	December 31	
	2022	2021
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>
Liability component at September 30, 2022	<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>
Liability component at December 31, 2022	<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

	December 31	
	2022	2021
<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:

	December 31	
	2022	2021
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
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 included in net interest)	-	(154)	(154)
Actuarial gain - changes in financial assumptions	(1,142)	-	(1,142)
Actuarial loss - changes in demographic 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>

(Continued)

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

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

	For the Year Ended December 31	
	2022	2021
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:

	December 31	
	2022	2021
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:

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	\$ (607)	\$ (688)
0.25% decrease	\$ 628	\$ 714
Expected rate(s) of salary increase		
0.25% increase	\$ 622	\$ 703
0.25% decrease	\$ (604)	\$ (681)

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

	December 31	
	2022	2021
Expected contributions to the plans for the next year	\$ 367	\$ 367
Average duration of the defined benefit obligation	8 years	9 years

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	200,000	200,000
Share capital authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	134,115	133,982
Ordinary shares issued	\$ 1,341,147	\$ 1,339,822

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

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
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 Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	Conversion of Employee Share Options	Enforce Disgorgement	Conversion of Bond-options	Employee Share Options	Employee Share Options in 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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
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:

	Appropriation of Earnings	Dividends Per Share (NT\$)
(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

	For the Year Ended December 31	
	2022	2021
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

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
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, 2022	December 31, 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 (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

	For the Year Ended December 31	
	2022	2021
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>
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>
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

	For the Year Ended December 31	
	2022	2021
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

	For the Year Ended December 31	
	2022	2021
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>
Total employee benefits expense	<u>\$ 423,577</u>	<u>\$ 500,747</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
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>
		(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

	For the Year Ended December 31, 2021
Compensation of employees	1.00%
Remuneration of directors	0.36%

Amount

	For the Year Ended December 31, 2021
	Cash
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

	For the Year Ended December 31	
	2022	2021
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

	For the Year Ended December 31	
	2022	2021
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

	For the Year Ended December 31	
	2022	2021
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:

	For the Year Ended December 31	
	2022	2021
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

	For the Year Ended December 31	
	2022	2021
<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

	December 31	
	2022	2021
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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 130,145	\$ (50,277)	\$ -	\$ 79,868
Investment loss recognized under the equity method	158,391	110,703	-	269,094
Allowance for impairment loss	11,856	3,668	-	15,524
Write-down of inventories	9,820	7,811	-	17,631
Defined benefit obligations	3,916	-	(517)	3,399
Unrealized financial instrument loss, net	2,990	(2,836)	-	154
Unrealized foreign exchange loss, net	14,731	(14,731)	-	-
Payables for annual leave	1,074	(73)	-	1,001
Provisions	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
	<u>\$ 333,364</u>	<u>\$ 54,265</u>	<u>\$ (517)</u>	<u>\$ 387,112</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gain, net	\$ -	\$ 7,257	\$ -	\$ 7,257
Investment gain recognized under the equity method	<u>113,258</u>	<u>5,515</u>	<u>-</u>	<u>118,773</u>
	<u>\$ 113,258</u>	<u>\$ 12,772</u>	<u>\$ -</u>	<u>\$ 126,030</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 130,938	\$ (793)	\$ -	\$ 130,145
Investment loss recognized under 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 loss, net	116	2,874	-	2,990
Unrealized foreign exchange loss, 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 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>	
	<u>2022</u>	<u>2021</u>
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>	<u>\$ 440,342</u>
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:

	For the Year Ended December 31	
	2022	2021
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:

	For the Year Ended December 31			
	2022		2021	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Employee Share Options				
Balance at January 1	2,784	\$ 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:

	December 31	
	2022	2021
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:

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

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

For the year ended December 31, 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:

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

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

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

	August 2021
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:

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

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

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

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

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

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

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

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:

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

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

Compensation cost recognized by the subsidiaries was \$17,376 thousand and \$1,538 thousand for the years ended December 31, 2022 and 2021, respectively.

29. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

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

	For the Year Ended December 31	
	2022	2021
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

	Short-term Borrowings	Bonds Payable	Long-term Borrowings	Guarantee Deposits Received	Lease Liabilities
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 Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<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 Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<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)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ 9,915	\$ 9,915
Foreign unlisted shares	-	-	40,150	40,150
Domestic listed private placement shares	<u>-</u>	<u>-</u>	<u>11,759</u>	<u>11,759</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,824</u>	<u>\$ 61,824</u>
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Convertible bonds option	<u>\$ -</u>	<u>\$ 25,305</u>	<u>\$ -</u>	<u>\$ 25,305</u> (Concluded)

December 31, 2021

	Level 1	Level 2	Level 3	Total
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

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Hybrid Instruments	Equity Instruments
<u>Financial assets</u>		
Balance at January 1, 2022	\$ 139,035	\$ 54,745
Purchases	600	11,759
Recognized in profit or loss	8,004	-
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	-	(4,680)
Balance at December 31, 2022	<u>\$ 147,639</u>	<u>\$ 61,824</u>

For the year ended December 31, 2021

	Financial Assets at FVTPL	Financial Assets at FVTOCI
	Hybrid Instruments	Equity Instruments
<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 unrealized valuation gain (loss) on financial assets at 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

Financial Instrument	Valuation Technique and Inputs
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 - swap contracts	Swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - call and put options	Binomial-tree model for convertible bond pricing: The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.
Limited partnership	The limited partnership uses the asset method to calculate the fair value of the investment targets. The asset method is used to evaluate the total value of the individual assets and liabilities covered by the investment.

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

c. Categories of financial instruments

	December 31	
	2022	2021
<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.

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

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

	CAD Impact	
	For the Year Ended	
	December 31	
	2022	2021
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:

	December 31	
	2022	2021
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

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 247,104	\$ 446,574	\$ 85,101	\$ -	\$ -
Variable interest rate liabilities	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

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
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

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

December 31, 2021

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

4) Financing facilities

	December 31	
	2022	2021
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

Related Party	Relationship with the Corporation
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	For the Year Ended December 31	
		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

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<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

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

e. Other income and expense - product service income

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<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

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<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

Related Party Category/Name	December 31	
	2022	2021
<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

Related Party Category/Name	December 31	
	2022	2021
<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

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

The outstanding accounts payable to related parties are unsecured.

j. Other payables to related parties

Related Party Category/Name	December 31	
	2022	2021
<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

	December 31	
	2022	2021
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

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

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

Related Party Category/Name	For the Year Ended December 31	
	2022	2021

Interest expense

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

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

- n. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 29,584	\$ 32,141
Post-employment benefits	1,006	709
	<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:

	December 31	
	2022	2021
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:

	December 31	
	2022	2021
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

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 94,978	30.7100 (USD:NTD)	\$ 2,916,784
RMB	16,182	4.4080 (RMB:NTD)	71,330
EUR	3,228	32.7200 (EUR:NTD)	105,614
GBP	4,338	37.0900 (GBP:NTD)	160,913
CAD	633	22.6700 (CAD:NTD)	14,355
Non-monetary items			
USD	33,167	30.7100 (USD:NTD)	1,018,573
HKD	267,322	3.9380 (HKD:NTD)	1,052,713
EUR	5,179	32.7200 (EUR:NTD)	169,444
THB	3,317	0.8941 (THB:NTD)	2,966
GBP	2,803	37.0900 (GBP:NTD)	103,962
JPY	6,517	0.2324 (JPY:NTD)	1,514
CAD	11,577	22.6700 (CAD:NTD)	262,457

Financial liabilities

Monetary items			
USD	1,915	30.7100 (USD:NTD)	58,808
RMB	91,370	4.4080 (RMB:NTD)	402,760

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<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)

	Foreign Currency	Exchange Rate	Carrying Amount
<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

TABLE 1

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 (JPY 1,705 thousand)	\$ 6,408 (JPY 209 thousand)	\$ 6,408 (JPY 209 thousand)	-	Business transaction	\$ 14,867	-	\$ -	-	\$ -	\$ 52,366 (Note 2)	\$ 1,467,643 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	139,124 (EUR 4,252 thousand)	3,336 (EUR 102 thousand)	3,336 (EUR 102 thousand)	-	Business transaction	5,590	-	-	-	-	139,124 (Note 2)	1,467,643 (Note 4)	
		CARDIOfitness GmbH & Co. KG	Other receivables from related parties	Yes	32,720 (EUR 1,000 thousand)	18,978 (EUR 580 thousand)	18,978 (EUR 580 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	1,467,643 (Note 1)	1,467,643 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	192,158 (GBP 5,181 thousand)	12,604 (GBP 340 thousand)	12,604 (GBP 340 thousand)	-	Business transaction	69,796	-	-	-	-	192,158 (Note 2)	1,467,643 (Note 4)	
		Spirit Manufacturing Inc.	Other receivables from related parties	Yes	345,808 (US\$ 11,260 thousand)	253,678 (US\$ 8,260 thousand)	253,678 (US\$ 8,260 thousand)	-	Business transaction	719,480	-	-	-	-	719,480 (Note 2)	1,467,643 (Note 4)	
		Fitness Equipment Services, LLC.	Other receivables from related parties	Yes	711,096 (US\$ 23,155 thousand)	469,626 (US\$ 15,292 thousand)	469,626 (US\$ 15,292 thousand)	-	Business transaction	999,460	-	-	-	-	999,460 (Note 2)	1,467,643 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	14,637 (US\$ 477 thousand)	14,637 (US\$ 477 thousand)	14,637 (US\$ 477 thousand)	-	Business transaction	12,728	-	-	-	-	14,637 (Note 2)	1,467,643 (Note 4)	
		CARIO fitness GmbH & CO. KG	Other receivables from related parties	Yes	51,249 (US\$ 1,566 thousand)	48,093 (US\$ 1,470 thousand)	48,093 (US\$ 1,470 thousand)	-	Business transaction	5,745	-	-	-	-	51,249 (Note 2)	1,467,643 (Note 4)	
		CITY SPORTS (THAILAND) CO., LTD	Other receivables from related parties	Yes	62,587 (THB 30,000 thousand)	35,764 (THB 40,000 thousand)	35,764 (THB 40,000 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	733,822 (Note 1)	1,467,643 (Note 4)	
		Sweatband. Com Ltd.	Other receivables from related parties	Yes	59,344 (GBP 1,600 thousand)	59,344 (GBP 1,600 thousand)	48,217 (GBP 1,300 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	733,822 (Note 1)	1,467,643 (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.

TABLE 2

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 (Jiaxing), Ltd.	Indirectly held subsidiary	\$ 366,911	\$ 160,430 (US\$ 1,000 thousand and RMB 30,000 thousand)	\$ 117,190 (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 (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 (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. Cikayda Inc.	Ultimate parent Ultimate parent is Dyaco International Inc.	1,834,554 1,834,554	770,000 -	300,000 -	300,000 -	300,000 -	7.95 -	1,834,554 1,834,554	- -	Y -	- -	

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

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

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

TABLE 3

DYACO INTERNATIONAL INC.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)

DECEMBER 31, 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> 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 (US\$ 299 thousand)	2.50	9,179 (US\$ 299 thousand)	Note 1
	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	30,971 (US\$ 1,008 thousand)	10.00	30,971 (US\$ 1,008 thousand)	Note 1
	<u>Limited partnership</u> Chang Nang Capital Limited Partnership	-	Financial assets at fair value through profit or loss (FVTPL)	-	568	-	568	Note 1
	<u>Convertible bonds</u> 1.5-year financial debentures of Mega International Commercial Bank	-	Financial assets at amortized cost	-	23,032 (US\$ 750 thousand)	-	23,032 (US\$ 750 thousand)	
	2-year financial debentures of Mega International Commercial Bank	-	Financial assets at amortized cost	-	7,678 (US\$ 250 thousand)	-	7,678 (US\$ 250 thousand)	
	<u>Convertible promissory note</u> Morsel Inc.	-	Financial assets at fair value through profit or loss (FVTPL)	-	147,071 (US\$ 4,789 thousand)	-	147,071 (US\$ 4,789 thousand)	Note 1
	<u>Stock</u> Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	3,873 (RMB 879 thousand)	9.00	3,873 (RMB 879 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.

TABLE 4

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 (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.

TABLE 6

DYACO INTERNATIONAL INC.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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% (Notes 1 and 2)	\$ -	-	\$ 233,500	\$ -
			Other receivables	378,227		-	-	-	-
	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	854,321	0.90% (Notes 1 and 2)	-	-	237,232	-
			Other receivables	126,112		-	-	-	-
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.

TABLE 7

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) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2022	December 31, 2021	Number of Shares (In Thousands)	%	Carrying Amount (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) (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) (Note 3)
	President Plastic Products MFG Co., Ltd.	Taiwan	Rental of property	286,640	258,640	391,000	100	288,532	932	1,032 (Note 4)
	Cikayda Inc.	Taiwan	Manufacturing and selling	20,000	20,000	2,000,0000	100	18,039	(910)	(910)
	Morsel Inc.	America	Intelligent fitness content production company	27,750 (US\$ 1,000 thousand)	27,750 (US\$ 1,000 thousand)	909,090	11	-	(70,906) (US\$ -2,379 thousand)	-
	CITY SPORTS (THAILAND) CO., LTD	Thailand	Fitness equipment selling	12,450 (THB 14,420 thousand)	12,450 (THB 14,420 thousand)	176,000	44	2,966 (THB 3,317 thousand)	(19,025) (THB -22,239 thousand)	(8,565) (THB -10,013 thousand) (Note 5)
	Neutron Ventures Ltd.	United Kingdom	Investment	119,851 (GBP 3,220 thousand)	119,851 (GBP 3,220 thousand)	292,666	80	74,702 (GBP 2,024 thousand)	(70,546) (GBP -1,917 thousand)	(59,589) (GBP -1,619 thousand) (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 (US\$ 8,890 thousand)	265,734 (US\$ 8,890 thousand)	1,667.5	100	249,946 (US\$ 8,155 thousand) (Note 9)	5,638 (US\$ 189 thousand)	5,638 (US\$ 189 thousand) (Note 9)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	262,457 (CAD 11,577 thousand) (Note 9)	24,234 (CAD 1,058 thousand) (Note 9)	24,234 (CAD 1,058 thousand) (Note 9)
	Iuvo Industry Co., Ltd	Taiwan	Electric-assisted bicycle manufacturer	125,000	-	15,300,000	90	113,114	(4,654)	4,071 (Note 8)
Dyaco Europe GmbH.	CARDIOfitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	90,076 (EUR 2,753 thousand)	(28,554) (EUR -911 thousand)	(32,887) (EUR -1,049 thousand) (Note 7)
	CARDIOfitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	940 (EUR 28 thousand)	24 (EUR 1 thousand)	24 (EUR 1 thousand)
SOLE INC.	Fitness Equipment Services, LLC.	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	63,262 (US\$ 2,100 thousand)	-	100	105,823 (US\$ 3,446 thousand)	(345,987) (US\$ -11,608 thousand)	(345,987) (US\$ -11,608 thousand)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	185,015 (US\$ 5,848 thousand)	379,727 (US\$ 12,400 thousand)	5,848,450	100	185,453 (HK\$ 47,093 thousand)	1,600 (HK\$ 420 thousand)	1,600 (HK\$ 420 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 (US\$ 8,890 thousand)	-	-	\$ - (Note 9)	\$ (7,018) (US\$ -235 thousand)	\$ (7,018) (US\$ -235 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	-	271,752 (CAD 9,058 thousand)	-	-	- (Note 9)	(17,621) (CAD -769 thousand)	(17,621) (CAD -769 thousand)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US\$ 2,000 thousand)	62,118 (US\$ 2,000 thousand)	-	100	6,528 (US\$ 213 thousand)	(19,886) (US\$ -667 thousand)	(19,886) (US\$ -667 thousand)
	Dyaco Commercial & Medical North America, LLC. (Note 10)	America	Import, export and selling	-	6,092 (US\$ 200 thousand)	-	100	-	(79) (US\$ -3 thousand)	(79) (US\$ -3 thousand)
Neutron Ventures Ltd.	Interactive Online Commerce Ltd.	United Kingdom	Investment	97,577 (GBP 2,632 thousand)	97,577 (GBP 2,632 thousand)	-	100	31,962 (GBP 862 thousand)	(65,131) (GBP 1,770 thousand)	(65,131) (GBP 1,770 thousand)
	Neutron Ventures Poland S.p Z.o.o	Poland	Service industry	34 (PLN 5 thousand)	34 (PLN 5 thousand)	-	100	(41) (PLN -6 thousand)	(5,686) (PLN -815 thousand)	(5,686) (PLN -815 thousand)
Interactive Online Commerce Ltd.	Sweatband.com Ltd.	United Kingdom	Sporting goods selling	96,564 (GBP 2,604 thousand)	96,564 (GBP 2,604 thousand)	-	100	31,764 (GBP 856 thousand)	65,131 (GBP -1,770 thousand)	65,131 (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)

TABLE 8

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 (US\$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	\$ 88,780 (US\$ 3,000 thousand)	\$ -	\$ -	\$ 88,780 (US\$ 3,000 thousand)	\$ (23,450) (HK\$ -6,161 thousand)	100	\$ (23,450) (HK\$ -6,161 thousand)	\$ 144,498 (HK\$ 36,693 thousand)	\$ -
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	568,888 (US\$ 18,800 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (US\$ 21,830 thousand)	34,016 (HK\$ 8,937 thousand)	60	7,712 (HK\$ 2,026 thousand) (Note 3)	708,026 (HK\$ 179,793 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(284) (RMB -64 thousand)	100	(284) (RMB -64 thousand)	6,045 (RMB 722 thousand)	-
	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(4,638) (RMB -1,049 thousand)	40	(1,856) (RMB -420 thousand)	2,934 (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 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

- Note 1: The investment company required in third region is Dyaco International Holding Limited.
- Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.
- Note 3: Including 60% share of profit of \$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.

TABLE 9

DYACO INTERNATIONAL INC.

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

Stock code: 1598

Dyaco International Inc.
岱宇國際股份有限公司