STOCK CODE：1598

Dyaco International Inc.

2019 ANNUAL REPORT

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Company Website: http://www.dyaco.com

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Acting Spokesperson：Liu, Yu-Ching

Title：Vice President

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DYACO Address and Telephone

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Branch：None

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Tel：886-2-2381-6288

Auditors

Auditors：Ms. CHEN, Chao-Mei and Mr. Hsieh Chien-Hsin

Company：Deloitte & Touche Taiwan

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Overseas Secuities exchange：None

Comapany website：http://www.dyaco.com

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I. Letter to Shareholders

Dear shareholders:

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

In 2019, as a result of trade frictions between China and the United States, political instability in the United States and Britain leaving the EU, trade policy uncertainty was on the rise, and the pace of global economic expansion was showing uneven development, gradually affecting the growth rate. Despite the impact on international trade, U.S. personal consumption expenditures and private investment continued to climb in 2019, with the economy growing at 2.3%, as tax cuts and increased spending boosted demand. The Company had the best sales growth in North America in terms of sales performance across all markets, with solid growth in overall results and profitability. The following presents the Company's 2019 results of operations, 2019 business plan and future development strategy.

1.1 The business of 2019

(1). Results of business plan implementation

Overall North American sales performance grew year-on-year, benefiting from the continued growth of the SOLE and SPIRIT brands in North America, as well as the strong performance of XTERRA products on large channels and e-commerce platforms, while sales in other markets did not go up, resulting in a 5% year-over-year increase in overall operating income for 2019. The average exchange rate of the U.S. dollar outperformed last year's higher gross profit and various operating expenses were well controlled, leading to net income from operations of NT$328 million for 2019, and net income after tax of NT$220 million, or earnings of NT$2.05 per share, due to an increase in the fourth-quarter depreciation of the U.S. dollar and a loss on the write-off of our subsidiary Dongguan Dayu Sports Equipment Co., Ltd..

(2). Budget execution

The Company did not disclose its financial projections for 2019, however, the overall operating conditions were affected by the economic environment and market competition and did not perform as well as the Company's internally developed business plan.

(3). Financial and Profitability Analysis

A. Financial Analysis

Unit: NT $1,000

	2019		2018		Increase (Decrease)
	Amount	%	Amount	%	%
Net Operating Revenue	5,850,528	100%	5,557,150	100%	5%
Operating Costs	4,134,129	71%	4,029,751	73%	3%
Gross Profit	1,716,399	29%	1,527,399	27%	12%
Operating Expenses	1,377,363	24%	1,539,755	28%	-11%
Other Operating Income and Expenses	-11,331	0%	97,446	2%	-112%
Profit (Loss) from Operations	327,705	6%	85,090	2%	285%

Non-Operating Income and Expenses	-49,061	-1%	61,571	1%	-180%
Profit (Loss) before Income Tax	278,644	5%	146,661	3%	90%
Income Tax Expense (Benefit)	58,549	1%	19,205	0%	205%
Net Income (Loss)	220,095	4%	127,456	2%	73%

B. Profitability Analysis

Items		2019	2018
Liquidity	Current Ratio	92.88	83.22
	Quick Ratio	60.40	50.38
	Times interest earned	5.69	3.70
Operating ability	Average Collection Turnover (Times)	5.28	5.61
	Average Inventory Turnover (Times)	3.41	3.33
Profitability	Return on Total Assets (%)	3.74	2.50
	Return on Equity (%)	10.18	6.03
	Net Margin (%)	3.76	2.29
	Earnings Per Share (NT$)	2.05	1.16

(4). Research and development status

The Company's technology sources are based on the integrated development of its R&D team and domestic upstream manufacturers, market demand and research institutions. Through marketing personnel to get close to the market and customers, we can further understand the development trend of products and the application of new technologies, and develop products and technologies. Where necessary, it hires relevant consultants for advice, and cooperates with universities and research institutions in technology development, so that the overall product development efficiency and effectiveness are faster and more effective than those of our competitors. The R&D achievements for fiscal 2019 are listed below:

A. Connecting rod climbing stepper.
B. All-commercial dual-lift electric treadmill.
C. Fan fitness equipment (fan bike).
D. FITEBIKE boxing stand and hollow upright bike combined with training equipment.
E. Crawler treadmill.
F. Adjustable crank upright bike for rehabilitation.
G. Lifting electric treadmill for before and after rehabilitation.
H. Upper extremity training machine for rehabilitation.

1.2 Summary of the Business Plan 2020

(1). Management policy

A. Adhering to the core value of "brand, service and innovation," the Company develops products and creates value based on people's needs, is committed to providing consumers with simple, comfortable and safe products, and continuously focusing on improving the quality of people's workouts and leisure life.

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

C. Diversified expansion of new products and new brands, such as UFC Mixed Martial Arts brand weight training, fighting and related workout equipment added in 2018, Johnny G new flywheel added in 2019, and Philips brand licensing, for its physical therapy and elderly rehabilitation equipment in the field of medical technology.

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

(2). Marketing policy

A. Build e-commerce marketing tools to increase market share outside the physical channel.

B. Enhance third-party sales platform materials and search engine resources to increase brand exposure in various countries.

C. Continuously develop brand agents in various countries and establish brand communication platforms.

D. Integrate the Company's official websites and fan pages to enhance the Company's image in Taiwan and increase the exposure of domestic products.

E. Upgrade the functionality of the Company's website and reinforce the impression with product press releases.

F. Design global physical channel marketing materials in a consistent manner.

(3). R&D policy

A. Actively develop new models of SPIRIT and SOLE series to increase consumer choice.

B. Provide consumers with practical and aesthetically pleasing products at a high price-performance ratio with a certain quality, and further introduce a smart cloud platform.

C. Break into the field of medical rehabilitation equipment by strengthening cooperation with academia and through cross-industry alliance and develop products for both the elderly and the mobility-impaired.

D. Develop a new TFT system for light commercial and commercial models.

E. Combine Internet of Things with wearable devices for the development of sports equipment control instruments with rich entertainment connectivity (APP software and 3C product connectivity control).

(4). Production policy

A. Appropriately expand production capacity and boost production efficiency to ensure on-time delivery, quality improvement and cost reduction.

B. Integrate industry supply chain, improve management efficiency and quality reliability, set up information sharing mechanisms, respond quickly to end market demand, reduce inventory cost and increase added value.

Future Company Development Strategy

(1). Continuous innovation of product technology

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

(2). Development of health and rehabilitation products

Due to the rise of the fitness culture and the advent of an aging society, the health and care industry has stepped out of traditional service industry, with more and more applications of Internet of things (IoT) technology, artificial intelligence (AI) and sensing technology emerging, and the health and care industry booming. Dyaco Inc. has been developing safe rehabilitation equipment over a long period of time, combining R&D innovation, manufacturing technology and scale, and marketing channel strength to provide the world's best rehabilitation equipment, and creating new business opportunities in addition to traditional sports and fitness facilities. The Company has acquired a license from Philips to formally launch its rehabilitative equipment series, which is already available in the North American market, and in the future, it will integrate with its existing sales channels to fully and aggressively deploy its products.

(3). Brand development

We are sticking to the core values of "brand, service and innovation" to provide customers with not only products, but also brand belief, product innovation and after-sales service experience to enhance the relationship with our partners. We continue to cultivate brand agents in various countries while establishing brand communication platforms to expand the international market share of our self-owned brands SOLE, SPIRIT, FUEL, XTERRA and brands distributed.

(4). Upholding principles and beliefs

A. The requirements for product quality and the commitment to customers remain unchanged.

B. Self-imposed expectation of excellence and innovation in R&D and design remains unchanged.

C. The principle of integrating relationships up and down the supply chain to the mutual benefit of the customer and the supplier remains unchanged.

D. The belief in promoting the brand and tapping into local channels to benefit more people remains unchanged.
E. The principles of nurturing international talent and localizing the management team remain unchanged.

Affected by External Competitive Environment, Regulatory Environment and Overall Business Environment

Global economic growth will be even more sluggish, with weak demand in advanced countries, leading to severe overcapacity problems in emerging markets and a significant decline in global trade volume. Governments are sinking deeper into debt and unable to drive a fiscal stimulus, while central banks are reaching the limits of easing monetary policy, with no new products and innovations to trigger market demand. In the absence of growth momentum, the global economy can only maintain slow growth, and there are still many risks and variables in the future global economic performance, and companies continue to face a tough overall business environment, testing their ability to respond.

Although there are still many uncertain political and economic factors affecting the economic performance around the world and the assessment of the general market outlook is still quite conservative, we are still quite optimistic about the future development of the Company's operations. In particular, we will continue to roll out new products this year, so that the brand benefits will boost the steady growth of the original product line, while through the upstream and downstream consolidation, we can maximize the synergy of corporate resources and gain more market share.

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

Sincerely yours,
Chairman: Lin, Ing-Gin
General Manager: Chen, Ming-Nan
Chief Accountant Officer: Chiu, Yuan-Sheng

II. Company Overview

2.1 Establishment date：2 June 1990

2.2 Comapany and group history

Year	Key Milestones
1990	• Dyaco International Inc. was established in Taipei, with a capital of NT$5,000 thousand.
1993	• Cash capital increase of NT$10,000 thousand and paid-in capital of NT$15,000 thousand after the capital increase.
1994	• Set up a customer service center in Los Angeles, US.
1999	• Cash capital increase of NT$14,000 thousand and paid-in capital of NT$29,000 thousand after the capital increase.
2007	• Cash capital increase of NT$71,000 thousand and paid-in capital of NT$100,000 thousand after the capital increase.
2008	• Cash capital increase of NT$150,000 thousand and paid-in capital of NT$250,000 thousand after the capital increase. • 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 district 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	• Its product has won the "Best Buy" award in the United States for two consecutive years. • It was 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. • Received ISO-13485 Quality Management System Certification for Medical Device Industry.
2011	• The Flywheel Elliptical Machine won the Taiwan Excellence Award, and the Shake Weight the Taiwan Excellence Award and Innovative Product Excellence Award. • Cash capital increase of NT$15,000 thousand and paid-in capital of NT$494,900 thousand after the capital increase.

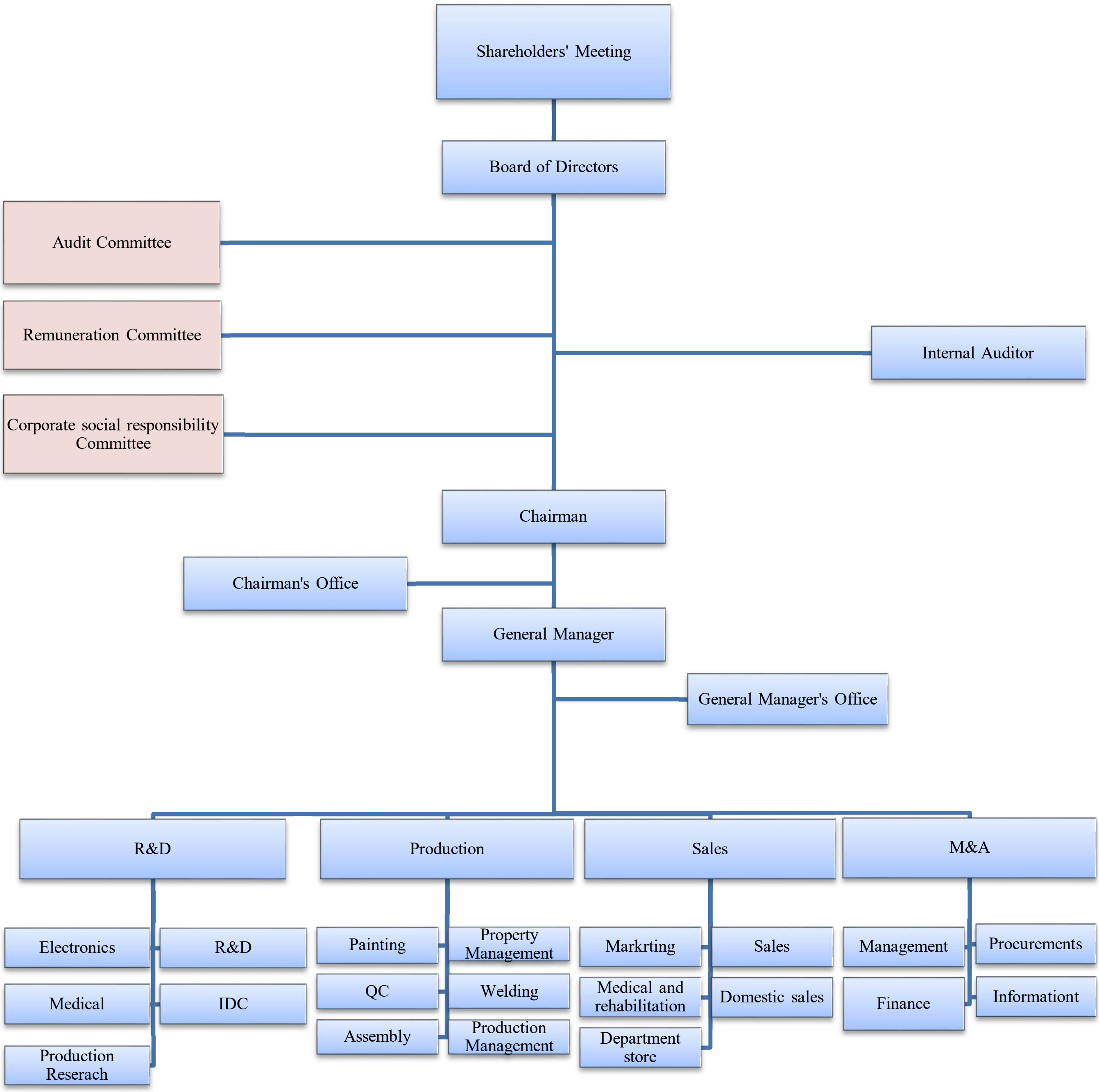
Year	Key Milestones
	• Cash capital increase of NT$15,100 thousand and paid-in capital of NT$510,000 thousand after the capital increase. • Capital increase of NT$137,700 thousand through capitalization of retained earnings and paid-in capital of NT$647,700 thousand after the capital increase. • Awarded the top 500 import and export excellent companies in 2010. • Public issuance of its stock was approved by the Financial Supervisory Commission (FSC). • Listing emerging stocks were approved on Oct 24.
2012	• The Freewheel Race Bike with Additional Exerciser won the Innovative Product Excellence Award. • Invested in the establishment of Dyaco Japan Co., Ltd. to expand the Japanese sales market. • The US logistics headquarters was officially opened. • Capital increase of NT$33,388 thousand through capitalization of retained earnings and employee bonuses, and paid-in capital of NT$681,088 thousand after the capital increase.
2013	• Sports and fitness equipment combined with micro projector playback won the Innovative Product Excellence Award. • Acquired Maurice pincopffs 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	• The Shaper won the Taiwan Excellence Silver Award 2014. • 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	• 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	• Signed a sole strategic partnership agreement on fitness and rehabilitation equipment with the China Institute of Sport Science.

Year	Key Milestones
	• The adjustable span elliptical trainer and multi-trainer - Super Wheel won the Taiwan Excellence Award. • All-commercial series of fitness equipment was 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	• 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. • Took 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	• 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	• SOLE SC300 (XS300) Mountaineering Trainer with Adjustable Strides won the 27th Excellence Award. • Third place in the medical device and equipment industry in the 2019 edition of "Taiwan Top 5000 Regional Large Enterprises Ranking" by China Credit Information Service Ltd. • 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	• 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.

III. Corporate Governance Report

3.1 **Company organization**

3.1.1 Structure



3.1.2 Functions

Name of Departmeny	Functions
Chairman's Office	• Formulate strategies, objectives, and policies business operations
Audit Committee	• Assessment of the effectiveness of the internal control system. • Adoption or amendment of an internal control system pursuant to Article 14-1of the Securities and Exchange Acts. • Adoption or amendment, pursuant to Article 36-1of the Securities and Exchange Acts, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others. • A matter bearing on the personal interest of a director. • A material asset or derivatives transaction. • A material monetary loan, endorsement, or provision of guarantee. • 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 so required by the company or the Competent Authority.
Remuneration Committee	• The Company's Remuneration Committee periodically reviews the performance and compensation policies, systems, standards and structure of the Company's directors and managers annually. • Periodically evaluates the remuneration of the Company's directors and managers.
Corporate social responsibility Committee	• To set up the policies of CSR. • To review the CSR annual report. • To report the annual impletataion r of CSR for Board.
Internal Audit	• Responsible for business implementation assessments, audits, supervision and recommendations for improvement of various departments.
General Manager's Office	• Coordinate the Company's business strategy, business planning, business policy formulation, investment planning and control. • Evaluate and control the operation status and internal control of each department, and manage the implementation, planning and coordination of the Company's overall business.
Finance Department	• 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. • 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.

Name of Departmeny	Functions
Management Department	• Personnel, administration, general affairs, information and fixed assets management and promotion. • Staff education and training planning and implementation. • 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 Department	• 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 Department	• 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.
Business Division (business, department store, domestic sales, medical and rehabilitation department)	• 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, driving sales and production coordination.
Marketing Department	• 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 Division (welding, painting, assembly)	• Draft and implement production plans and keep tabs on production progress. • Production line process SOP and education training. • Use and management of raw materials. • Machinery and equipment maintenance.
Department of Property Management	• Coordinate the arrangement of raw materials and product import and export, transportation control. • Coordinate the inventory management and record of products.
Production Management Department	• 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 Department	• Planning and implementation of company-wide quality assurance. • Quality inspection and control.

Name of Departmeny	Functions
	• Customer complaint handling. • Analysis and improvement of the causes of quality abnormalities.
R&D Business Division	• 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, 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:

30 March 2020; Units: Shares

Title	Name	Gender	Nationality or country of registration	Date of first appointment	Date of appointment	Office term	Shares held at time of appointment		Shares currently held		Shares currently held by spouse and children		Shares held under names of others		Experience and academic background	Positions currently held in DYACO and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remark(Note)
							No.	%	No.	%	No.	%	No.	%			Title	Name	Relation	
Chairman	Lin, Ing-Gin	Male	ROC	1990.6.2	2017.5.26	3	18,295,279	19.68%	10,063,283	8.74%	663,787	0.58%	22,432,841	19.49%	Bachelor of Department of Public Health, National Taiwan University Master of Professional Accounting, University of Texas Founder of Dyaco International Inc.	Director of Dyaco International Holding Limited Directior of Fuel-Spirit International Inc. Director of Dyaco Canada Inc. Director of Dyaco (Shanghai) Trading Co., LTD. Representative of GUANG-YING LIMITED President of YONG-HENG INVESTMENT CORPORATION President of CHIH-LING INVESTMENT CORPORATION President of Wing Long Co., Ltd.	–	–	–	–
Director	YONG-HENG INVESTMENT CORPORATION	–	ROC	2017.5.26	2017.5.26	3	6,104,490	6.57%	6,318,057	5.49%	–	–	–	–	–	–	–	–	–	–
	Representative: Wang, Ching-Tsung	Male	ROC	2017.5.26	2017.5.26	3	–	–	66,347	0.06%	–	–	–	–	Bachelor of Department of Business Administration, FengChia University President of Dyaco Interanaional Inc.	–	–	–	–	–
Director	GUANG-YING LIMITED	–	ROC	2017.5.26	2017.5.26	3	9,465,572	10.18%	9,796,727	8.51%	–	–	–	–	–	–	–	–	–	–
	Representative: Chou, Mei-Ling	Female	ROC	2017.5.26	2017.5.26	3	–	–	41,399	0.04%	–	–	–	–	Bachelor of Department of Business Administration, National Taipei University of Business	Vice Manager of TUM Inc.	–	–	–	–

Independent Director	Hsieh, Chang-Hung	Male	ROC	2011.12.9	2017.5.26	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 Chief Secretary of Ministry of Transoprtation and Communication President of IBF Securities Investment Consultin General Manager of IBF Securities Investment Consultin	—	—	—	—	—
Independent Director	Wang, Kai-Li	Male	ROC	2011.12.9	2017.5.26	3	—	—	—	—	—	—	—	—	PhD of Economics Sciences, Utah State University U.S.A Adjunct Professor, Department of Financial, National Chung Hsing University Professor, Department of Financial, Tunghai University Director, Department of Financial, Tunghai University Director of EMBA of Tunghai University Committee financial member of Taiwan Economic Associaltion	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.	—	—	—	—

Independent Director	Wang, Chih-Cheng	Male	ROC	2017.5.26	2017.5.26	3	–	–	–	–	–	–	–	–	Adjunct Professor, School of Law, National Cheng Kung University Committee member of Foundation of Finance PhD of College of Law, National Chengchi University	Director of CTBC Securities Director of CTBC Holding Independent Director of Taiwan Life Insurance 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 Professor, College of Law, National Chung Cheng University Adjunct Professor, School of Law, Soochow University Adjunct Professor, School of Management, National Taiwan University of Science and Technology	–	–	–	–

Note: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 Coroprate Shareholder:

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
YONG-HENG INVESTMENT CORPORATION	Lin, Ing-Gin (99.08%) Lin, Yao-Nan (0.92%)
GUANG-YING LIMITED	GAIN GATE MANAGEMENT LIMITED (100%)

3.2.1.2 Major Shareholders of Major Shareholders of Corporations:

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholder
GAIN GATE MANAGEMENT LIMITED	Trend Express Holding Limited (100%)

3.2.1.3 Professional Qualifications and Independence Analysis of Directors:

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

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

1. Not employed by Dyaco or an affiliate.
2. Not a director or supervisor of Dyaco or its affiliate. This restriction does not apply to where the person is concurrently an independent director of Dyaco Holdings and its parent company or subsidiary or any subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or the laws of the country of the said company.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of Dyaco or is ranked in the top 10 in shareholdings.

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

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

30 March 2020; Units: Shares

Title	Name	Gender	Nationality	Elected Date	Shares Held		Shares Held by Spouse & Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Positions Held Concurrently	Related to President, Executive Vice Presidents and Senior Vice Presidents of Divisions			Employee Stock Options Granted to Management Team	Remark (Note)
					No.	%	No.	%	No.	%			Title	Name	Relationship		
Presidnet	Chen, Ming-Nan	Male	ROC	2017.07.12	722,586	0.63%	648,679	0.56%	—	—	EMBA of Feng Chia University Vice President, the Research and Development Department of Dyaco International Inc.	Representive of Shelton Corporation (Jiaxing)., LTD	—	—	—	—	—
Executive V.P. and Chief Financial Offier	Wu, Mei-Hua	Female	ROC	1998.05.01	503,198	0.44%	4,326	0.00%	—	—	EMBA of National Taipei University Vice President, the Financial Department of Dyaco International Inc.	Supervisor of Dyaco (Shanghai) Trading Co., Ltd. Director of Yong-Heng Investment Corpoartion Directot of Chih-Ling Investment Corpoartion President of Daan Health Management Consulting Co., Ltd. Director of Wing Long Co., Ltd. Supervisor of Shelton Corporation (Jiaxing)., Ltd.	—	—	—	—	—
Executive V.P.	Li, Chi-Jung	Male	ROC	2014.01.01	11,209	0.01%	101,743	0.09%	—	—	President of Tung Keng Enterprise Co., Ltd.	—	—	—	—	—	—
Chief Technical Cheif	Brian Keith Murray	Male	USA	2008.04.22	39,243	0.03%	46,151	0.04%	—	—	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	630,303	0.55%	158,303	0.14%	—	—	Bachelor of Chienkuo Technology University	—	—	—	—	—	—
Senior V.P..of Sales Department	Hsu, Li-Wen	Female	ROC	1999.07.07	93,687	0.08%	3,260	0.00%	—	—	EMBA of Tunghai University Sales Manager of Dyaco International Inc.	—	—	—	—	—	—
Senior V.P. of Research and Development Department	Huang, Hsuan-Fu	Male	ROC	1997.07.23	94,236	0.08%	—	—	—	—	Taichung Munipal Wufeng Agicutural and Industrial High School	—	—	—	—	—	—

Senior V.P. of Sales Department	Huang, Yu-Chih	Female	ROC	2013.03.05	913	0.00%	—	—	—	—	Master of Japanese, Soochow University	—	—	—	—	—	—
Senior V.P. of Financial Department Chief Accountant Officer Chief of Corporate Governance Affairs	Chiu, Yuan-Sheng	Male	ROC	2013.12.27	75,582	0.07%	—	—	—	—	Master of the Department of Financial, Shih Hsin University Manager of the underwriting of TISC Pricewaterhousecoopers Taiwan	Supervisor of Wing Long Co., Ltd. Supervisor of Daan Health Management Consulting Co., Ltd.	—	—	—	—	—
V.P. of the Management Department	Lin,,Wei-Hsu	Male	ROC	2008.05.12	5,189	0.00%	13,439	0.01%	—	—	Master of Business and Information, Hua Fan University	—	—	—	—	—	—
V.P. of Production Management Department	Li, Mei-Yu	Female	ROC	2012.08.16	59,620	0.05%	—	—	—	—	Bachelor of Chemical Engineering, Cheng Shiu University	—	—	—	—	—	—
V.P. of Medical Rehabilitation Department	Lin, Shih-Chieh	Male	ROC	2013.03.05	—	—	—	—	—	—	MBA, University of North Alabama Director of Chunghwa Yuming Healthcare Co., Ltd.	Director of Daan Health Management Consulting Co., Ltd.	—	—	—	—	—
V.P. of the Legal and Patent Affairs Department	Li, Che-Jung	Male	ROC	2013.06.19	—	—	—	—	—	—	Bachelor of Chemical Engineering, Feng Chia University Patent senior engineer of Starconn Electronics	—	—	—	—	—	—
V.P. of the Accountant Department	Wu, Shu-Mei	Female	ROC	2016.09.01	48,362	0.04%	—	—	—	—	Master of Accounting, Tamkang University	—	—	—	—	—	—
V.P. of Sales Department	Ho, Chieh-Shun	Male	ROC	2017.09.20	1,265	0.00%	—	—	—	—	Master of Business Administration, Manchester Business School President, the Taiwan branch of Gerage Jemnen	—	—	—	—	—	—
V.P. of the Procurement Department	Li, Tai-Lan	Female	ROC	2018.11.01	59,435	0.05%	45,669	0.04%	—	—	Bachelor of Business Administration, Chienkuo Technology University	—	—	—	—	—	—
Chief Audit Officer	Liu, Yu-Li	Female	ROC	2018.05.11	—	—	—	—	—	—	Master of Accounting, Soochow University Vice Manager of Pricewaterhousecoopers Taiwan	—	—	—	—	—	—

Note: Information on Chairmen or Presidents retiring from a company or affiliates and reappointed as consultants and their remuneration : None.

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

3.2.3.1 Remuneration of Directors and Independent Directors

Unit: NT$1,000; %

Position	Name	Remuneration								The Aggregate of A,B,C,and D as Percentage of Net Income		Relevant Remuneration Received by Who are also Employees												The Aggregate of A,B,C,D,E,F,G,H and I as Percentage of Net Income		Any OtherCompensations from Other Investees or ParentCash Comany
		Base Compensation (A)		Retirement and Resignation (B)		Directors' Compensation (C) (Note 1)		Business-conducting Expenses (D)				Salaries, Bonuses and Special Allowances (E)		Retirement and Resignation (F)		Employees' Compensation (G)				Issuance of new employee shares for acquisition of shares (H)		Issuance of new restricted employee shares for acquisition of shares (I)				
																The Company		All Consolidated Entities								
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	
Chairman	Lin, Ing-Gin	3,574	3,574	-	-	325	325	699	699	2.09	2.09	-	-	-	-	-	-	-	-	-	-	-	-	2.09	2.09	-
Director	YONG-HENG INVESTMENT CORPORATION	-	-	-	-	180	180	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	-
	Representative: Wang, Ching-Tsung	-	-	-	-	-	-	120	120	0.05	0.05	1,306	1,306	-	-	-	-	-	-	-	-	-	-	0.64	0.64	-
Director	GUANG-YING LIMITED	-	-	-	-	180	180	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	-
	Representative:Chou, Mei-Ling	-	-	-	-	-	-	120	120	0.05	0.05	-	-	-	-	-	-	-	-	-	-	-	-	0.05	0.05	-
Independent Director	Hsieh, Chang-Hung	600	600	-	-	180	180	120	120	0.41	0.41	-	-	-	-	-	-	-	-	-	-	-	-	0.41	0.41	-
Independent Director	Wang, Kai-Li	600	600	-	-	180	180	120	120	0.41	0.41	-	-	-	-	-	-	-	-	-	-	-	-	0.41	0.41	-
Independent Director	Wang, Chih-Cheng	600	600	-	-	180	180	120	120	0.41	0.41	-	-	-	-	-	-	-	-	-	-	-	-	0.41	0.41	-

Note1: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.

Note2: Except for the disclosure above, remuneration paid to the Company's directors for their services to all the companies listed in the financial statements (e.g., serving as a non-employee adviser): None.

Remuneration Range Table

Bracket	Name of Directors			
	The Aggregate of A,B,C,and D		The Aggregate of A,B,C,D,E,F,G,H and I	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Under NT$ 1,000,000	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung GUANG-YING LIMITED Representative:Chou, Mei-Ling Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung GUANG-YING LIMITED Representative:Chou, Mei-Ling Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung GUANG-YING LIMITED Representative:Chou, Mei-Ling Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung GUANG-YING LIMITED Representative:Chou, Mei-Ling Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng
NT$1,000,000~NT$2,000,000	-	-	-	-
NT$2,000,000~NT$3,500,000	-	-	-	-
NT$3,500,000~NT$5,000,000	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin	Lin, Ing-Gin
NT$5,000,000 ~ NT$10,000,000	-	-	-	-
NT$10,000,000 ~ NT$15,000,000	-	-	-	-
NT$15,000,000 ~ NT$30,000,000	-	-	-	-
NT$30,000,000 ~ NT$50,000,000	-	-	-	-
NT$50,000,000 ~ NT$100,000,000	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	6	6	6	6

3.2.3.2 Remuneration of President, Vice President

Unit:NT$1,000/ %

Position	Name	Salaries (A)		Retirement and Resignation (B)		Bonuses and Special Allowances (C)		Employees' Compensation (D)				The Aggregate of A,B,C,and D as Percentage of net income (%)		Issuance of new employee shares for acquisition of shares		Issuance of new restricted employee shares for acquisition of shares		Any Other Compensations from Other Investees or Parent Company
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	
								Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends							
President	Chen, Ming-Nan	15,847	15,847	925	925	1,973	1,973	212	-	212	-	8.61	8.61	-	-	-	-	-
CEO	Ting, Ping-I (Note)																	
Executive V.P.	Wu, Mei-Hua																	
Executive V.P	Li, Chi-Jung																	
Seinor V.P.	Hsu, Li-Wen																	
Seinor V.P	Huang, Hsuan-Fu																	
Seinor V.P	Huang, Yu-Chih																	
Seinor V.P	Chiu, Yuan-Sheng																	
Seinor V.P	Lo, Teng-I																	
Chief Technical Cheif	Brian Keith Murray																	

Note:Job Adjustment dated June 25, 2019.

Remuneration Range Table

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

3.2.4 4. Names of executive officers that received employee bonuses and status of the distribution

Title	Name	Stock	Cash	Total	Ratio accounted compared to the total net income (%)
President	Chen, Ming-Nan	-	321	321	0.15%
Executive V.P.	Wu, Mei-Hua				
Executive V.P.	Li, Chi-Jung				
Senior V.P.	Lo, Teng-I				
Senior V.P.	Hsu, Li-Wen				
Senior V.P.	Huang, Hsuan-Fu				
Senior V.P.	Chiu, Yuan-Sheng				
Senior V.P.	Huang, Yu-Chih				
CTO	Brian Keith Murray				
V.P.	Lin,Wei-Hsu				
V.P.	Lin, Shih-Chieh				
V.P.	Li, Che-Jung				
V.P.	Li, Mei-Yu				
V.P.	Wu, Shu-Mei				
V.P.	Ho, Chieh-Shun				
V.P.	Li, Tai-Lan				

3.2.5 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:

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

Unit: %

Items	Ratio of the total amount to net income after tax (%)			
	2018		2019	
	Parent Comany	All companies in the consolidated report	Parent Comany	All companies in the consolidated report
Directors	5.84%	5.84%	3.59%	3.59%
Supervisors	-	-	-	-
President and Vice Presidents	16.36%	16.36%	8.61%	8.61%

Note: Setting up the Audit Committee instead of Supervisors

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

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

B. The remuneration paid by the Company to the directors in 2019 refers to the remuneration of the directors for the performance of their business, or employee's compensation for part-timers and the compensation of the directors allocated. Such remuneration is determined according to the power and responsibility of their positions and their contributions, and by taking into consideration the level set by the trade.

C. The remuneration of the general manager and deputy general manager (grade) is based on salary, bonus and employee bonus, the first two of which are determined in accordance with the Company's personnel regulations, while the last one is subject to the earnings for the year of distribution and the Company's articles of incorporation. Such compensation is determined according to the position held, the responsibility assumed and the extent of contribution made to the Company, and by reference to the standard for similar positions set in the industry.

3.3 Inplementation of corporate governance

3.3.1 Board Meeting Status

Eight regular board meetings were convened in 2019. The status of attendance by board members was as following：

Title	Name	Attendance in person	By proxy	Attendance rate(%)	Remark
Chairman	Lin, Ing-Gin	8	—	100%	
Director	GUANG-YING LIMITED Representative : Chou, Mei-Ling	8	—	100%	
Director	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung	8	—	100%	
Independent Director	Hsieh, Chang-Hung	8	—	100%	
Independent Director	Wang, Kai-Li	8	—	100%	
Independent Director	Wang, Chih-Cheng	8	—	100%	

Other：

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

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

Term	Matters listed in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or express reservations by independent directors
13rd meeting of the 10th-term Board of Directors March 8, 2019	(1). Amendment to the "Articles of Incorporation"	None
	(2). Amendment to the "Operational Procedures for Acquisition or disposal of Assets "	None
	(3). Amendment to the "Internal Control Systems" and "Internal audit implementation rules"	None
	(4). Appointment of Chief of Corporate Governance Affairs.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
14rd meeting of the 10th-	(1). Loaning of Funds for the Subsidiaries of the Company.	None

term Board of Directors March 28, 2019	(2). To approved 2018 financial statements and business report。	None
	(3). To distribute 2018 earnings.	None
	(4). The Company's new share issue through capitalization of 2018 retained earnings.	None
	(5). Amendment to the "Operational Procedures for Issuing of Endorsements and Guarantees"	None
	(6). Amendment to the "Operational Procedures for Loaning of Company Funds"	None
	(7). To approved 2018 internail control system statement.	None
	(8). To Proposal for a cash offering by private placement of 2018.	None
	(9). Due to the internal organizational adjustment of the accounting firm to replacement CPA.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
15rd meeting of the 10th-term Board of Directors May 9, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	None
	(2). To approved 2019Q1 financial statements.	None
	(3). Issuung ordinary shares in the capital increase by cash of Wing Long Co., Ltd..	None
	(4). Replacement of Common Share Transfer Agent and Registrar.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
16rd meeting of the 10th-term Board of Directors August 12, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	None
	(2). To approved 2019Q2 financial statements.	None
	(3). Amendment to the "Ethical Corporate Management Best Practice Principles".	None
	(4). To cancelled endorsement for Fuel Spirit.	None
	(5). To set the record date of capitalization of 1st domestic secured convertible corporate bonds.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	

	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
3rd meeting of the interim Board of Directors August 23, 2019	To set the record date of capitalization of retained earnings.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
17rd meeting of the 10th-term Board of Directors Septmeber 17, 2019	(1). Issuung ordinary shares in the 2019 capital increase by cas.	None
	(2). To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing)., Ltd..	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
18rd meeting of the 10th-term Board of Directors November 12, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	None
	(2). Capital reduction of Dyaco International Holding Limited	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	
19rd meeting of the 10th-term Board of Directors December 10, 2019	(1). To approved merger plan.	None
	(2). To set up the subsidiary in US.	None
	(3). To evaluate the independence of the appointed external auditors.	None
	Independent directors' opinion: None.	
	The Company's handling of independent directors' opinions: None.	
	Resolution: Passed as proposed after the chairperson consulted all attending directors.	

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

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

Date & Session	Corporate Governance Implementation	Attendance and Directors' Response
The 19th Session of the 10th Board of Directors on December 10, 2019	(1). Corporate social responsibility (CSR) promotion in 2019. (2). Report: ethical Management promotion in 2019. (3). Report: Communication between various types of	All directors present and resolutions acknowledged.

	stakeholders in 2019. (4). Report: Communication between the governance entity and the CPA in 2019.	

3.3.1.3 In the event of directors' recusal from resolutions due to conflicts of interest, the name of the directors, the content of the motion, the reason for the recusal and the participation in the voting: None.

3.3.1.4 Exchange-listed and OTC-listed companies shall disclose information on the evaluation cycle and period, scope, method and content by the board of directors (or by peers), and fill in the following table for the implementation of the board evaluation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	2019	The evaluation covers the following six areas: (1) Grasping the Company's objectives and tasks. (2) Awareness of the responsibilities of the directors. (3) Level of participation in the Company's operations. (4) Internal relations management and communication. (5) Expertise and continuing education. (6) Internal control.	The Company developed a Board self-evaluation or peer evaluation regulation on November 11, 2016, and sends a performance self-evaluation questionnaire to all Board members for self-evaluation in December of each year beginning in 2016.External board performance evaluations are performed at least once every three years by an external professional independent organization or a team of external experts, with current year performance evaluations conducted at the end of the year.	(1) The overall average score of the board members' self-assessment was 4 out of 4 points, with the 2019 evaluation results reported at the Board meeting on January 2, 2020. (2) The overall average score of the Board's self-assessment was 4 out of 4 points, with the 2019 evaluation results reported at the board meeting on January 2, 2020.

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

(1) The Company's board of directors adopted a regulation on board self-evaluation or peer evaluation on November 11, 2016, and completed the directors' self-assessment report at the end of 2019 and published it on the Company's website for investors' reference.

(2) To enhance the transparency of information, the Company issues material operational news in the form of material information.

(3) The Company immediately posts important resolutions on the Market Observation Post System after the board

meeting to protect shareholders' rights and interests, and designates a person to be responsible for the collection and disclosure of company information, and establishes a spokesperson system to ensure the timely and proper release of material information for shareholders and stakeholder to refer to information related to the Company's financial business.

(4) The Company regularly arranges for its directors to attend professional training courses. The total number of education and training hours for directors was 45.5 hours during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Name	Date	Organizer	Course	Hours	Total Hours
Lin, Ing-Gin	2019.09.17	Taiwan Corporate Governance Association	Tariff Impact on Enterprises under the US-China Trade Disputes and Response	3	6
	2019.09.17	Taiwan Corporate Governance Association	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung	2019.09.17	Taiwan Corporate Governance Association	Tariff Impact on Enterprises under the US-China Trade Disputes and Response	3	6
	2019.09.17	Taiwan Corporate Governance Association	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
GUANG-YING LIMITED Representative: Chou, Mei-Ling	2019.09.17	Taiwan Corporate Governance Association	Tariff Impact on Enterprises under the US-China Trade Disputes and Response	3	6
	2019.09.17	Taiwan Corporate Governance Association	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
Hsieh, Chang-Hung	2019.09.17	Taiwan Corporate Governance Association	Tariff Impact on Enterprises under the US-China Trade Disputes and Response	3	6
	2019.09.17	Taiwan Corporate Governance Association	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
Wang, Kai-Li	2019.11.07	Taiwan Corporate Governance Association	Practical Aspects of Unconventional Transactions that Should be Noted by the Directors and Supervisors	3	6
	2019.08.07	Taiwan Corporate Governance Association	Company's Compliance with Laws and Regulations and Directors' Supervision Obligations	3	
Wang, Chih-Cheng	2019.09.17	Taiwan Corporate Governance	Tariff Impact on Enterprises under the US-China Trade Disputes and	3	15.5

		Association	Response		
	2019.09.17	Taiwan Corporate Governance Association	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
	2019.08.29	Taiwan Academy of Banking and Finance	Corporate Governance Classic Forum Series	3.5	
	2019.08.13	Taiwan Academy of Banking and Finance	Corporate Governance Lecture - The New Corporate Governance Blueprint for Major Reform and Response	3	
	2019.07.17	Securities & Futures Institute	2019 Legal Compliance Advocacy Session for In-house Equity Transactions of Listed Companies and Unlisted and Non-public Companies	3	

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

A. There are three members in the Company's Audit Committee.

B. Current term of office: From May 26, 2017 to May 25, 2020.

C. Nine regular audit committee meetings were convened in 2019. The status of attendance by committee members was as following:

Title	Name	Attendance in person	By proxy	Attendance rate(%)	Remark
Independent Director	Hsieh, Chang-Hung	9	—	100%	Appointed on May 26, 2017
Independent Director	Wang, Kai-Li	9	—	100%	Appointed on May 26, 2017
Independent Director	Wang, Chih-Cheng	9	—	100%	Appointed on May 26, 2017

Other：

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

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

Date of Board Meeting	Contents of resolutions and report	Matters listed in Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the audit committee but were approved by two-third or more of all directors
13rd meeting of the 10th-term Board of Directors March 8, 2019	(1). Amendment to the "Articles of Incorporation"	V	None
	(2). Amendment to the "Operational Procedures for Acquisition or disposal of Assets "	V	None
	(3). Amendment to the "Internal Control Systems" and "Internal audit implementation rules"	V	None None
	Resolution of the Audit Committee (2019.03.08) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
14rd meeting of the 10th-term Board of Directors March 28, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	V	None
	(2). To approved 2018 financial statements and business report.	V	None
	(3). To distribute 2018 earnings.	V	None
	(4). The Company's new share issue through capitalization of 2018 retained earnings.	V	None
	(5). Amendment to the "Operational Procedures for Issuing of Endorsements and Guarantees".	V	None
	(6). Amendment to the "Operational Procedures for Loaning of Company Funds".	V	None
	(7). To approved 2018 internail control system statement.	V	None
	(8). To Proposal for a cash offering by private placement of 2018.	V	None
	(9). Due to the internal organizational adjustment of the accounting firm to replacement CPA.。	V	None
	Resolution of the Audit Committee (2019.03.28):The Audit Committee unanimously approved this motion.		

	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
15rd meeting of the 10th-term Board of Directors May 9, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	V	None
	(2). To approved 2019Q1 financial statements.	V	None
	(3). Issuance of common stock for cash, the Subsidiary of Wing Long Co., Ltd..	V	None
	(4). Replacement of Common Share Transfer Agent and Registrar.	V	None
	Resolution of the Audit Committee (2019.05.09) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
16rd meeting of the 10th-term Board of Directors August 12, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	V	None
	(2). To approved 2019Q2 financial statements.	V	None
	(3). Amendment to the "Ethical Corporate Management Best Practice Principles".	V	None
	(4). To cancelled endorsement for Fuel Spirit.	V	None
	(5). To set the record date of capitalization of 1st domestic secured convertible corporate bonds.	V	None
	Resolution of the Audit Committee (2019.08.12) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
3rd meeting of the interim Board of Directors August 23, 2019	To set the record date of capitalization of retained earnings.	V	None
	Resolution of the Audit Committee (2019.08.23) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
17rd meeting of the 10th-term Board of Directors	(1). Issuance of 2019 common stock for cash.	V	None
	(2). To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing)., Ltd..	V	None
	Resolution of the Audit Committee (2019.09.17) : The Audit Committee unanimously approved this		

Septmeber 17, 2019	motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
18rd meeting of the 10th-term Board of Directors November 12, 2019	(1). Loaning of Funds for the Subsidiaries of the Company.	V	None
	(2). Capital reduction of Dyaco International Holding Limited	V	None
	Resolution of the Audit Committee (2019.11.12) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		
19rd meeting of the 10th-term Board of Directors December 10, 2019	(1). To approved merger plan.	V	None
	(2). To set up the subsidiary in U.S..	V	None
	(3). To evaluate the 2019 independence of the appointed external auditors.	V	None
	Resolution of the Audit Committee (2019.12.10) : The Audit Committee unanimously approved this motion.		
	The Company's resoponse the Audit Committee's opinion: Passed as proposed consulted all attending directors		

B. Other matters which were not approved by the audit committee but were approved by two-third or more of all directors: None.

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

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

- **Communications between the Independent Directors and the CPA**

Date	Communication highlights

Nov 21, 2019	**<u>CPA reports on the content of the communication</u>** 1. According to the Statement of Auditing Standards No. 62, a CPA shall communicate with the governance arm of the auditee; according to the Statement of Auditing Standards No. 58, a CPA shall communicate with the governance arm over the key audit items in the audit report. 2. The scope and method of audit for Dyaco International Group's 2019 annual financial statements. 3. Introduced the members of the audit team of Dyaco International Group. 4. Declared that our CPAs had complied with the relevant regulations of the National Federation of CPA Associations of Taiwan "Code of Professional Ethics Statement No. 10 on Integrity, Impartiality, Objectivity and Independence" and had not violated independence. 5. Explained the precautions against fraud. 6. Identified and communicated the key audits of Dyaco International Group for 2019. 7. Analytical description of peer comparison information. **<u>Matters discussed between the independent directors and the CPA</u>** 1. Key audit items. 2. Assessment of risk indicators. 3. Analysis of peer comparisons.

- **Communications between the Independent Directors and the chief internal auditor**

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

Communications between the independent directors and the chief internal auditor in 2019.

Date	Attendance in Independent Directors	Attendance in Chief Internal Audit	The material items	Results
March 8, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2018/12~2019/2.	The Audit Committee unanimously approved this motion and report to the Board of Directors.
March 28, 2019	Hsieh, Chang-Hung Wang, Kai-Li	Liu, Yu-Li	To approve 2018 internal control system statement.	The Audit Committee and the

	Wang, Chih-Cheng			Board of Directors unanimously approved.
May 9, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2019/3~2019/4.	The Audit Committee unanimously approved this motion and report to the Board of Directors.
Aug 12, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2019/5~2019/7.	The Audit Committee unanimously approved this motion and report to the Board of Directors.
Sept 17, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2019/8.	The Audit Committee unanimously approved this motion and report to the Board of Directors.
Nov 12, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2019/9~10.	The Audit Committee unanimously approved this motion and report to the Board of Directors.
Dec 10, 2019	Hsieh, Chang-Hung Wang, Kai-Li Wang, Chih-Cheng	Liu, Yu-Li	Report and communication in Audit Report of 2019/11. To approve 2020 internal audit plan.	The Audit Committee and the Board of Directors unanimously approved.

3.3.2.4 Information on the evaluation cycle and period, scope, method and content of the Audit Committee performance. The following table shows the Audit Committee's evaluation implementation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	2019	The performance evaluation of Audit Committee members covers the following five areas: (1) Grasping the Company's objectives and tasks (2) Awareness of the responsibilities of the Audit Committee (3) Level of participation in the Company's operations (4) Internal relations management and communication (5) Audit Committee members' expertise and continuing education	A performance self-assessment questionnaire was sent to all Audit Committee members in December of each year to evaluate themselves.	The results of the 2019 Audit Committee Member Performance Assessment, with an overall average self-assessment score of 4 out of 4 points, were reported to the Board of Directors on January 2, 2020.

3.3.3 The consist of Remuneration committee members and Operating Status

3.3.3.1 Information of Remuneration committee members

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
5. Not a director, supervisor, or employee of a corporate shareholder that directly holders 5% or -59- more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting

rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

7. Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
10. Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

3.3.3.2 Operations of the Remuneration Committee:

A. There are three members in the Company's Remuneration Committee.

B. Current term of office: From May 26, 2017 to May 25, 2020.

C. Two regular Remuneration Committee meetings were convened in 2019. The status of attendance by committee members was as follows:

Title	Name	Attendance in person	By proxy	A Attendance rate (%)	Notes
Convener	Hsieh, Chang-Hung	2	—	100%	Re-appointed on May 26, 2017
Committee Member	Wang, Kai-Li	2	—	100%	Re-appointed on May 26, 2017
Committee Member	Chen, Shih-Hsin	2	—	100%	Re-appointed on May 26, 2017

Other matters

A. The function of the Company’s Remuneration Committee is to evaluate, in a professional and objective manner, the compensation policies and systems of the Company's directors and managers, by meeting at least twice a year, and may meet as often as necessary to make recommendations to the Board of Directors for reference in making decisions.

B. The authority of the Company's Remuneration Committee:

a.The Company's Remuneration Committee periodically reviews the performance and compensation policies, systems, standards and structure of the Company's directors and managers annually.

b. Periodically reviews the Company's remuneration regulations and propose amendments.

c. Periodically evaluates the remuneration of the Company's directors and managers.

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

Remuneration Committee	Agenda items and resolutions
5th meeting of the 3th-term Remuneration Committee December 21, 2018	1. To reviews 2019 the compensation structure.
	2. To reviews the 2018 annual bonus of the Company's managers.
	3. To evaluates the remuneration of the Company's directors and managers.
	Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.
	The Company’s resoponse the Remuneration Committee ‘s opinion: Passed as proposed consulted all attending directors
6th meeting of the 3th-term Remuneration Committee March 28, 2019	1. To reviews the 2018 compensation to employee and directors.
	Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.
	The Company’s resoponse the Remuneration Committee ‘s opinion: Passed as proposed consulted all attending directors
7th meeting of the 3th-term Remuneration Committee	1. The allocation of the common stock subscriptions granted to managerial officers that the 2019 issued ordinary shares in the capital increase by cash.
	Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.

November 12, 2019	The Company's resoponse the Remuneration Committee 's opinion: Passed as proposed consulted all attending directors
8th meeting of the 3th-term Remuneration Committee January 2, 2020	1. Amendment to the "Procedures for share repurchase"
	2. To reviews 2020 the compensation structure.
	3. To reviews the 2019 annual bonus of the Company's managers.
	4. To evaluates the remuneration of the Company's directors and managers.
	Resolution of the Remuneration Committee : The Remuneration Committee unanimously approved this motion.
	The Company's resoponse the Remuneration Committee 's opinion: Passed as proposed consulted all attending directors.

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

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

F. Information on the evaluation cycle and period, scope, method and content of the Remuneration Committee performance. The following table shows the Remuneration Committee's evaluation implementation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	2019	The performance evaluation of Remuneration Committee members covers the following five areas: (1) Grasping the Company's objectives and tasks (2) Awareness of the responsibilities of the Remuneration Committee (3) Level of participation in the Company's operations (4) Internal relations management and communication (5) Remuneration Committee members' expertise and continuing education	A performance self-assessment questionnaire was sent to all Remuneration Committee members in December of each year to evaluate themselves.	The results of the 2019 Remuneration Committee Member Performance Assessment, with an overall average self-assessment score of 4 out of 4 points, were reported to the Board of Directors on January 2, 2020.

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

3.3.4.1 The composition of the CSR Committee:

In accordance with the provisions of the Organization Regulations of the Company's CSR Committee, the Committee shall consist of two independent directors as resolved by the Chairperson and the Board of Directors, with the Chairperson of the Board as the Chairman of the Committee and one independent director as the Deputy Chairman. There is also a project executive secretary to report regularly on CSR implementation.

3.3.4.2 The duties of the CSR Committee:

A. Corporate governance: study the changes in the company's internal and external environment and the issues it faces in order to achieve sustainable management, and collect economic information on corporate governance, supply chain, etc.

B. Environmental protection: consider the impact of our operations on the ecological benefits and engage in research and development, procurement, production, operations and services to ease the impact of our operations on the natural environment and people.

C. Social relations: gather and consolidate issues of concern to staff, community residents, and social groups, etc. and communicate them.

3.3.4.3 Operations of the Corporate social responsibility Committee:

A. Current term of office: From May 30, 2018 to May 25, 2020.

B. Two regular CSR Committee meetings were convened in 2019. The status of attendance by committee members was as follows:

Title	Name	Attendance in person	By proxy	Attendance rate (%)	Notes
Minister	Lin, Ing-Gin	2	−	100%	Appointed on May 30, 2018
Deputy Minister	Hsieh, Chang-Hung	2	−	100%	Appointed on May 30, 2018
Committee Member	Wang, Kai-Li	2	−	100%	Appointed on May 30, 2018
Committee Member	Chen, Shih-Hsin	2	−	100%	Appointed on May 30, 2018

Other matters

Information on the evaluation cycle and period, scope, method and content of the CSR Committee performance. The following table shows the CSR Committee's evaluation implementation:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
Once a year	2019	The performance evaluation of CSR Committee members covers the following	A performance	The results of the 2019 CSR Committee

		five areas: (1) Grasping the Company's objectives and tasks (2) Awareness of the responsibilities of the CSR Committee (3) Level of participation in the Company's operations (4) Internal relations management and communication （5）CSR Committee members' expertise and continuing education	self-assessment questionnaire was sent to all CSR Committee members in December of each year to evaluate themselves.	Member Performance Assessment, with an overall average self-assessment score of 4 out of 4 points, were reported to the Board of Directors on January 2, 2020.

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

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

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

A. The 2019 business promotion is as follows and was presented to the Board of Directors on December 10, 2019:

a. The members of the Board of Directors were regularly informed of the latest legal and regulatory amendments in the field of corporate management and corporate governance.
b. Offered at least 6 hours of in-home on-the-job training courses for the board members.
c. Evaluated the purchase of suitable directors' liability insurance.
d. Regularly convened communication meetings between the CPA, independent directors and the head of audit and accounting.
e. The agenda of the board meeting followed the rules of procedure of the board meeting.
f. The agenda of the shareholders' meeting followed the rules of procedure of the shareholders' meeting.
g. 2019 stakeholder communication matters report.

B. The education training courses of Corporate Governance for Chief Corporate Governance during 2019.

Date		Organizer	Course	Hours	Total Hours
From	to				
2019.07.24	2019.07.24	Securities & Futures Institute	2019 Legal Compliance Advocacy Session for In-house Equity Transactions of Listed Companies and Unlisted and Non-public Companies	3	18
2019.09.17	2019.09.17	Taiwan Corporate Governance Association	Tariff Impact on Enterprises under the US-China Trade Disputes and Response	3	
2019.09.17	2019.09.17	Securities & Futures Institute	Opportunities for Taiwanese Businessmen and Precaustions for Related Tax Risks in the Light of the Recent Cross-Strait New Policy	3	
2019.10.25	2019.10.25	Securities & Futures Institute	The 2019 Advocacy Briefing on Prevention of Insider Trading	3	
2019.11.14	2019.11.15	Accounting Research and Development Foundation	Continuing professional development course for Accounting Officers of Issuers, Securities Firms, and Securities Exchanges- Corporate Governance	3	
2019.11.21	2019.11.21	Taiwan Stock Exchange	How to implement of directors efficiently.	3	

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

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

Item	Implementation Status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summaried Explanation	
			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.	
d. Whether the company has formulated internal norms forbidding the company's insiders to take advantage of unpublicized information in trading in securities.	V		The Company has the "Code of Ethical Conduct," "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and "Internal Material Information Handling and Insider Trading Prevention Management Procedures," under which insiders are not allowed to engage in insider trading with unpublished information of which they are aware, nor are they allowed to leak undisclosed information to others.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
C. Composition and duties of the board of directors a. Whether the board of directors has formulated and achieved diversification for the composition of its membership.	V		1. In order to implement the diversity of the Board of Directors, the core items that the directors shall have are set out in the Director Election Regulations, the amendments to which were approved unanimously by the 16th Session of the 9th Board of Directors on March 2, 2017, with the diversity policy published on the Market Observation Post System and the Company's website at www.dyaco.com. 2. The Company has drawn up a policy on diversity in the composition of the Board of Directors in the election of directors. The Company selects directors with the necessary knowledge, skills and qualities to perform their duties based on their professional backgrounds and work areas. In order to achieve the desired objectives of corporate governance, the Board of Directors as a whole shall have the following capabilities: (1) Operational judgement. (2) Accounting and financial analysis skills. (3) Operational management capacity. (4) Crisis management capacity. (5) Industrial knowledge. (6) International market outlook. (7) Leadership.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th></tr>
<tr><td></td><td></td><td></td><td>
(8) Decision-making capacity.
3. The diversity of backgrounds of individual directors of the 10th Board is as follows:
(1) The gender composition of the Company's directors is as follows:
<table>
<tr><th>Gender</th><th>Place</th><th>Proportion of all directors</th></tr>
<tr><td>Female</td><td>1</td><td>17%</td></tr>
<tr><td>Male</td><td>5</td><td>83%</td></tr>
</table>
The Company places emphasis on gender equality in the composition of the Board of Directors, with a short-term target of 15% of the Board of Directors being women, and has achieved the short-term target.
(2) The age range of the Company's directors is as follows:
<table>
<tr><th>Age range</th><th>Place</th><th>Proportion of all directors</th></tr>
<tr><td>Age 51 to 60</td><td>3</td><td>50%</td></tr>
<tr><td>Age 61 to 70</td><td>1</td><td>17%</td></tr>
<tr><td>Age 71 to 75</td><td>2</td><td>33%</td></tr>
</table>
(3) Directors of the Company in their capacity as employees:
<table>
<tr><th>Directorship</th><th>Place</th><th>Proportion of all directors</th></tr>
<tr><td>Part-time staff</td><td>1</td><td>17%</td></tr>
<tr><td>Not part-time staff</td><td>5</td><td>83%</td></tr>
</table>
(4) The directors of the Company are all ROC nationals.
(5) The directorships of the Company are as follows:
<table>
<tr><th>Directorship</th><th>Place</th><th>Proportion of all directors</th></tr>
<tr><td>Director</td><td>3</td><td>50%</td></tr>
<tr><td>Independent director</td><td>3</td><td>50%</td></tr>
</table>
The Company expects to achieve a balanced composition of general and independent directors on the Board of Directors in order to strengthen the Board's oversight function, with a 50% proportion of independent directors in the Company.
</td><td></td></tr>
</table>

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summaried Explanation	Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
			(see below)	

(6) The terms of office of the independent directors are as follows:

Directorship	Place	Proportion of all directors
Under 3 years	1	17%
6-9 years	2	83%

(7) The assessment of diversified core items for the directors are as follows::

Diversified core items / Director	Operational judgment	Accounting and financial analysis skills	Operational management capacity	Crisis handling capacity	Industrial knowledge	International market outlook	Leadership	Decision-making capability
Lin, Ing-Gin	V	V	V	V	V	V	V	V
YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung	V		V	V	V		V	V
GUANG-YING LIMITED Representative: Chou, Mei-Ling	V	V	V	V		V	V	V
Hsieh, Chang-Hung	V	V	V	V		V	V	V

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Discrepancy with “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<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>
4. Board membership and key management succession planning：
In planning a succession plan, the Company's successors shall be involved in the sports equipment industry on a long-term basis, and must adhere to the highest principle of integrity in the Company's operation. The Company's General Manager, Chen Ming-nan, has expertise in research and development, management and manufacturing, and Executive Vice President of Finance, Wu Mei-hua, has expertise in financial management. The training mode for senior management succession entails management competencies, professional competencies, personal development plans, including human resources, financial risk, executive master of business administration (EMBA), etc. Through professional competence training, the training is integrated to develop the ability of decision making and judgment.</td><td></td></tr>
<tr><td>b. Whether the company has installed on its own various functional committee other than the compensations committee and the auditing committee.</td><td>V</td><td></td><td>The Company formed the Corporate Social Responsibility (CSR) Committee in 2018 to deliberate and make recommendations on major issues such as corporate social responsibility of the Company for the reference of the Board of Directors and executive arms in decision-making and implementation. The composition, responsibilities and operation of the CSR Committee are described.</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
<tr><td>c. Whether the company has formulated measures and methods for the evaluation of the performance of the board of directors and carryout regular performance evaluation every year.</td><td>V</td><td></td><td>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 2019 Board of Directors' evaluation, please refer to the above.
3. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of the directors of the Company shall be distributed at a rate not exceeding 5% of the profitability of the current year. The procedures for determining remuneration shall be subject to the regulations on the Company's board of directors' self-evaluation or peer review. Article 21 of the Company's Articles of Incorporation states that the compensation of</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
</table>

Item	Implementation Status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summaried Explanation	
			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.	
d. Whether the company has regularly evaluated the independence of certified public accountants.	V		The Company evaluates the independence and suitability of its certified public accountants (CPA) once a year, with the results of the most recent two annual evaluations submitted on Dec 21, 2018 and Dec 10, 2019 to the Board of Directors for approval after deliberations by the Audit Committee; please refer to below for details of the 2019 evaluation.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
D. Does the listed company assign a department for corporate governance or a staff in charge of related issues (include but not restrict providing directors and supervisors with information to conduct business, holding board meeting, AGM, registration and updated registration for the company, composing meeting minutes for board meeting and AGM based upon the regulation.	V		1. On March 8, 2019, the Board of Directors of the Company approved the head of corporate governance was assumed by Vice President of Finance Chiu Yuan-sheng, who had more than three years of experience in the position of finance director in a public company, the main duties of which are to provide the directors with the information necessary for the execution of business, the latest regulations related to the operation of the Company to assist the directors and the Company to comply with the laws and regulations, and report to the Board of Directors at the end of each year to review the effectiveness of operations. 2. See the above for the 2019 Corporate Governance Director duties and business execution highlights and further education.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summaried Explanation	
E. Whether the company has established communications channel for stakeholders (include but not restrict shareholders, employees, customers and suppliers) and dedicated sector for stakeholders in its website, in addition to responding properly to key issues in corporate social responsibility concerned by stakeholders.	V		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 2019 was reported by the head of corporate governance at a January 2, 2020 board meeting and disclosed on the Company's website.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
F. Whether the company has entrusted professional stock-affairs agent to handle shareholder' meeting.	V		The Company originally appointed the Stock Transfer Agency Department of CTBC Bank Co., Ltd. to handle the affairs of the shareholders' meeting. The Board of Directors of the Company resolved on May 9, 2019 for the Company's stock agency to be represented by SinoPac Securities Corporation, with effect from August 1, 2019, which was approved for the record by a letter dated June 3, 2019 from Taiwan Depository & Clearing Corporation.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
G. Information publication a.Whether the company has installed website for publication of information on finance, business and corporate governance.	 V		 Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at www.dyaco.com.	 Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
b. Whether the company has publicized information via other methods (such as installation of English-language website, designations of persons in charge of collection and publication of company information, materialization of the system of spokesman and posting of the process of investors' conference on the company website).	V		1. Information about the Company's financial operations is available for reference by shareholders and the general public on the Market Observation Post System and the Company's website at www.dyaco.com. 2. 2While the Company's English-language website is maintained by a dedicated staff, the Company has also established a spokesperson system and an Investor Relations Department to serve shareholders and investors. 3. Information relating to shareholders' meetings or juristic person explanatory sessions is published immediately on the Company's website.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

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	Yes	No	Summaried Explanation	
c.Does the company release the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?	V		The Company shall, within a time limit prescribed in Article 36 of the Securities and Exchange Act, announce and report its annual financial reports, first, second and third quarter financial reports, with its operations for each month published as scheduled.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
d. Whether the company has other information conducive to understanding the status of corporate governance (including, but not limited to, staffers' interests, concern for staffers, investor relationship, stakeholders' rights, advanced study of directors and supervisors, execution of risk-management policy and criteria for risk assessment, execution of customer policy, and taking out of liabilities insurance for directors, and supervisors.	V		1. Employee rights and benefits, employee care: Please refer to the section on labour relations. 2. Investor relations: The Company has spokespersons, acting spokespersons and investor relations divisions whose contact information are publicly available, so that investors can reflect their opinions at any time, with the financial and corporate governance content updated on the Market Observation Post System (MOPS) and the Company's website in real time, which helps to enhance information transparency. 3. Supplier relationships: The Company has smooth communication channels and good interaction with its suppliers. 4. Rights of stakeholders: stakeholders may communicate with the Company and make suggestions to protect their legal rights and interests. 5. Directors' in-service training: the directors of the Company have participated in continuing education on corporate governance per the regulations. Please refer to the above for further details. 6. Implementation of risk management policies and risk measurement standards: (1) Risk management policies: i. Market risk management: avoid excessive concentration of customers and product lines. ii. Credit risk management: Periodically review the creditworthiness of customers, manage accounts receivable, and monitor cash flow and use of funds. iii. Operational risk management: establish, amend and promote various standard operating procedures.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			Discrepancy with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summaried Explanation	
			iv. 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: The management of the Company's operational risks is assigned to the relevant arms according to the nature of their business, and is monitored by the Audit Office for the existing or potential risks of each operation. i. Financial: conduct financial dispatching, use funds and establish hedging mechanisms to reduce financial risk; and plan and develop short, medium and long-term financial and investment strategies. ii. Business: conduct product marketing and keep abreast of market trends to abate operational risk. iii. Information: perform network planning, construction, operation and maintenance, continuously monitor network quality, assess information risks and take appropriate response measures to reduce operational risks. iv. Legal: in addition to reviewing the legality of contractual documents, assist in controlling legal risk, complying with the law and handling contractual and litigation disputes to mitigate legal risk. v. Audit: The internal control system is implemented to promote, audit business planning and execution to ensure its continued effectiveness in order to achieve the effectiveness and efficiency of the group's operations, the reliability and timeliness of reporting and compliance with relevant laws and regulations. vi. Board of directors: the highest decision-making body for risk management of the Company and approves risk management policies to ensure effective control of operational risks by taking into account the overall operational risks and business environment. (3) Analysis and assessment of risk issues: Please refer to below, Risk Issues. 7. Implementation of customer policy: The Company has set up a customer service department to handle customer complaints and properly identify the	

<table>
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<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th></tr>
<tr><td></td><td></td><td></td><td>problems and responsibilities to ensure the quality of service to customers.
8. The directors' insurance policies for directors' and supervisors' liability are as follows:
<table>
<tr><th>Date of most recent Board meeting report</th><th>Insurance period</th><th>Insured amount</th></tr>
<tr><td>Oct 31, 2018</td><td>Sept 15, 2018-Sept 15, 2019</td><td>USD 5,000,000</td></tr>
<tr><td>Nov 12, 2019</td><td>Sept 15, 2019 – Sept 15, 2020</td><td>USD 5,000,000</td></tr>
</table></td><td></td></tr>
<tr><td colspan="5">H. Please illustrate the improvement based upon Corporate Governance Evaluation Result released by Taiwan Stock Exchange.
a. In the 6th Corporate Governance Review, the Company was ranked at 6% to 20%.
b. Improvements made
1. An English-language company website has been created with financial, business and corporate governance related information.
2. A corporate governance officer has been set up to be responsible for corporate governance-related matters, with the operation and execution of the arm set up described in the annual report and on the Company website.
c. Priorities to be reinforced in the future
1. The annual financial report in English shall be uploaded seven days prior to the regular shareholders' meeting.
2. The English version of the Annual Report shall be uploaded seven days before the regular shareholders' meeting.</td></tr>
</table>

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

Item	Implementation Status			
	Yes	No	Summaried Explanation	Discrepancy with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons

<table>
<tr>
<td>A. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company’s operations and formulate relevant risk management policies or strategies based on the principle of materiality?</td>
<td>V</td>
<td></td>
<td>In the course of business management, prevention and control of possible risks are carried out, and relevant early warning measures are developed. In accordance with the principle of materiality, the Company conducts risk assessments on environmental, social and corporate governance issues related to its operations, which serve as a reference for the Company's risk management and operational strategies.
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.
<table>
<tr><th>Risk category</th><th>Climate change risk identification</th><th>Climate change opportunity identification</th><th>Possible business items for company operation</th></tr>
<tr><td>Energy sources</td><td>Policy incentives</td><td>Priority is given to the selection of equipment in line with government energy conservation subsidies.</td><td>Review the policies of each regional government, purchase equipment that meets the requirements, compile relevant information and submit an application to the government for subsidies.</td></tr>
<tr><td>Products and services</td><td>Low carbon products or services</td><td>Support low-carbon and environmentally friendly products by using eco-friendly and low-carbon materials for our products.</td><td>Examine the feasibility of using low-carbon and eco-friendly materials for each product and develop potential customers who choose eco-friendly and low-carbon materials.</td></tr>
</table>
</td>
<td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In addition, reducing energy consumption and efficient and rational use of resources can also minimize the use of harmful substances and mitigate the impact of environmental pollution.
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"</td>
<td></td>
</tr>
</table>

Item	Implementation Status			
	Yes	No	Summaried Explanation	Discrepancy with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons
			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. 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. The Company's senior management regularly assesses and reviews the environmental, social and corporate governance issues related to the above operations to the Audit Committee, the Remuneration Committee and the Corporate Social Responsibility Committee, and reports the results of the assessment to the Board of Directors on a regular basis after the head of corporate governance has compiled the significant risk issues.	
B. Whether the company has instituted unit for pushing fulfillment of corporate social responsibility, either on full- time or part-time basiss, in addition to having the board of directors authorize ranking management to handle the issue before reporting the outcome to the board of directors.	V		1. The Company's CSR dedicated staff is the project secretary of the Corporate Social Responsibility Committee, responsible for promoting various programs and formulating CSR policies to be approved by the board of directors. 2. The results of CSR promotion in 2019 were presented to the board of directors on January 2, 2020. Please refer to the following "6. Other important information to help understand the operation of CSR" for the implementation results. 3. The Company’s CSR Committee Project Secretary participates in external CSR-related workshops to understand how to implement the United Nations' Global Sustainable Development Goals (SDGs) into CSR, and actively engages in external CSR evaluations to improve itself and enhance its social responsibility. 4. The social responsibility education and training courses in 2019 are as follows: (1)Promotion session on indicators of gender equality in the workplace. (2)How to make culture and environment sustainable through youth empowerment (3)The Taipei Department of Social Welfare-hosted “2019 Social Welfare Charitable Foundation" workshop. A practical awareness session on the preparation of CSR reports.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

<table>
<tr><th rowspan="2">Item</th><th colspan="4">Implementation Status</th></tr>
<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th><th>Discrepancy with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><td>C. Environment issues
a. Does the company establish an appropriate environmental management system according to its industrial characteristics?</td><td>V</td><td></td><td>The Company has laid down procedures to respond to environmental management issues related to the Company's business, with the primary objective of reducing and preventing environmental impacts. The Company has established the following environmental management measures::
<table>
<tr><td>Environmental issues</td><td>Coping measures</td></tr>
<tr><td>Recycling and waste management</td><td>Waste and recyclable materials management procedure</td></tr>
<tr><td>Pollution prevention and resource conservation</td><td>Environmental operation management procedure</td></tr>
<tr><td>Hazardous substance management</td><td>Management procedure for environmental hazardous substances</td></tr>
<tr><td>Water resource management</td><td>Waste water and site boundary noise management procedure</td></tr>
<tr><td>Energy consumption and greenhouse gas emissions</td><td>Energy consumption and greenhouse gas emission management procedure</td></tr>
</table></td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
<tr><td>b. Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load?</td><td>V</td><td></td><td>The Company is committed to environmental and corporate sustainable development, and actively promotes energy saving and carbon reduction, including continuous energy and water conservation, upgrading paperless operations, and using environmentally friendly materials for public affairs products to lessen the environmental burden and cut down unnecessary waste of resources.</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
<tr><td>c. Whether the company has noticed the effect of climate change on its business activities, conducted check on greenhouse gases, and formulated strategy on energy conservation and carbon/greenhouse gases abatement.</td><td>V</td><td></td><td>As part of our efforts to effectively manage and control greenhouse gas emissions and to reduce energy consumption and use resources efficiently and rationally, the Company has drawn up the "Energy Consumption and Greenhouse Gas Emission Management Procedures."</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th><th>Discrepancy with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><td>d. Has the company counted greenhouse gas emissions, water consumption and toatlweight of waste in the past two years, and formulated policies for energy saving and carbon reduction, water use reduction or other waste management?</td><td>V</td><td></td><td>1. The Company is devoted to promoting energy conservation and carbon reduction in the long term by generating electricity through solar power systems to reduce carbon dioxide (CO_2) emissions, with the following emission reduction targets:
<table>
<tr><td>Duration</td><td>Period</td><td>Reduction of CO_2 emissions</td></tr>
<tr><td>Short-range</td><td>2015-2019</td><td>Average annual decrease of 750,000kg</td></tr>
<tr><td>Medium- range</td><td>2020-2026</td><td>Average annual decrease of 800,000kg</td></tr>
<tr><td>Long-range</td><td>2026-</td><td>Average annual decrease of 850,000kg</td></tr>
</table>
The Company reduced its carbon dioxide emissions due to solar power generation by a total of 3,750,941kg from 2015 to 2019, with an average annual reduction of 750,188kg, reaching its short-range target.
2. Carbon dioxide emissions for the past two years are as follows:
<table>
<tr><td>Item</td><td>2018</td><td>2019</td></tr>
<tr><td>Emissions</td><td>2,079,129 KG</td><td>2,155,865 KG</td></tr>
<tr><td>Reduction (solar power)</td><td>750,188 KG</td><td>750,188 KG</td></tr>
<tr><td>Total emissions</td><td>1,328,941 KG</td><td>1,450,677 KG</td></tr>
</table>
3. The rise in total emissions was due to an increase in the utilization of the Company's plastic plant capacity in 2019.
4. Excluding the Company's plastic plant, the total emissions decreased from 701,574kg in 2018 to 622,901kg in 2019, a drop in emissions of 11.21%.</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
</table>

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<tr><th>Yes</th><th>No</th><th>Summaried Explanation</th><th>Discrepancy with “Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies” and reasons</th></tr>
<tr><td>D. Social issues
a. Whether the company has formulated relevant management policy and procedure, according to related laws/regulations and international convention on human right.</td><td>V</td><td></td><td>The Company has been paying attention to human rights issues and enhancing workplace safety over the years, and has made the following specific management plans with reference to international human rights conventions and workplace safety-related laws and regulations:
<table>
<tr><th>Matters of Concern</th><th>The Company's specific management plan</th></tr>
<tr><td>Humane treatment</td><td>Humane treatment management procedures are in place to ensure that staff are not subjected to cruel and inhumane treatment.</td></tr>
<tr><td>Eliminating unlawful discrimination to ensure equal opportunities at work</td><td>Discrimination prohibition management procedures are in place to provide fair and reasonable work opportunities and humane treatment so that the Company does not discriminate in hiring, compensation, training, promotion, or termination.</td></tr>
<tr><td>Prohibition of child labor</td><td>Strictly enforce the requirements of social responsibility management regulations and the country's labor standards law, prohibit the use of child labor and establish procedures for managing child and youth labor.</td></tr>
<tr><td>Freedom of association, collective bargaining, trade union membership and religion</td><td>The Company protects and respects employees' freedom of association, union membership, religion and participation in collective bargaining, and has management procedures therefor.</td></tr>
</table></td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
<tr><td>b. Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefis), and appropriately reflect the operating performance or results in employee compensation?</td><td>V</td><td></td><td>The Company explains its employees' obligations to comply with the Company's rules and regulations through internal meetings and advocacy letters on a regular or occasional basis, and keeps records of such advocacy activities. In addition, the Company has instituted the "Personnel Regulations" and "Annual Mid-term and End-of-Term Employee Performance Appraisal Procedures," which shall be followed to handle all reward and punishment cases in a fair and equitable manner, and are included in the annual performance appraisal indicators, so that employees would understand the Company's determination to follow through on each reward and punishment case</td><td>Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”</td></tr>
</table>

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c. Whether the company has provided staffers safe and healthy working environment and held regular safety and health education for stffers.	V		1. The Company complies with the regulations related to occupational safety and has a "Social Responsibility Management Manual" to regulate the safety and health of its employees in the work environment. 2. The specific implementation for 2019 includes employee health checks, fire drills and promotion of workplace safety and emphasis on employee physical and mental health through educational training programs, with a total of 2,020 hours of internal training and 454 hours of external training.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
d. Whether the company has established effective cultivation plan for staffers in developing capabilities essential for their career.			1. The Company attaches importance to the long-term career development of its employees, and every year, in addition to the education and training courses required by law, encourages employees to participate in internal and external training to enhance their practical skills. 2. Total training hours in 2019 were 3,330.5 hours for internal training courses and 784 hours for external training courses. 3. In addition, employees are encouraged to pursue professionalized courses in colleges and universities after work to expand their self-efficacy and provide them with different perspectives on decision-making in the workplace, and thus, there is an in-service training grant program, under which three employees were pursuing their studies in 2019.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			
	Yes	No	Summaried Explanation	Discrepancy with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
e. With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures.	V		1. Customer health and safety The Company takes quality into account and 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. 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. 3. Marketing and labeling 4. The Company actively manages products and processes systematically to ensure compliance with international standards, and has passed the latest version of ISO9001 Quality Management System and ISO13485 Medical Device Quality Management System. Furthermore, many of our products conform to international safety certifications, including UL/CSA, CE, GS, ROHS, WEEE, and our products and processes are continually endeavoring to be internationally compliant. The Company has a complaint line and e-mail address for handling complaints or disputes to safeguard consumer rights. 5. Consumer protection policy and complaint procedures (1) The complaints are received daily and responded to within 36 hours to maintain customers' trust and confidence. (2) The Company provides a customer service description on the Company's website to give customers a better understanding of the services provided by the Company (www.dyaco.com.tw). The Company has a complaint channel at info@dyaco.com on its website for consumer rights.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			
	Yes	No	Summaried Explanation	Discrepancy with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
f. Does the company formulate supplier management policies, requiring suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		1. A "Supplier/Subcontractor Management Procedure" is in place for all suppliers to sign a Supplier Responsibility Commitment prior to collaboration, pledging to comply with relevant national and local labor regulations and social standards. Evaluation is conducted by the Purchasing Department at least once a year and suppliers that do not meet the Company's environmental, occupational safety and social responsibility management requirements will have their contracts terminated or their supplier status cancelled. 2. Regularly advocate that suppliers should work together on environmental protection, safety and health work, etc. to fulfill their corporate social responsibility. 3. Implementation and execution in 2019 is as follows: (1) As of 2019, there are 64 manufacturers that supply the Company with environmentally friendly and non-toxic RoHS & Reach certifications. (2) A total of 66 suppliers have entered into Hazardous Substance Restriction Guarantees with the Company in 2019. (3) In 2019, 70 providers were surveyed for items such as supplier environment, occupational safety and social responsibility management, among which the top 5 providers of the deal were actually audited. (4) Six suppliers had been investigated in 2019 for electronic materials that did not contain conflict metals such as tantalum, tin, tungsten and gold mined from the eastern Congo and its neighboring countries.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
E. Does the company refer to the internationally-acccepted reporting standards or guidelines to prepare corporate social responsibility reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?	V		Since the Company does not fall into the category required to prepare CSR reports under Article 2 of the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, it has voluntarily prepared CSR reports in accordance with the GRI Guidelines (Core Compliance) and uploaded them to the Market Observation Post System since 2018.	Compliance with Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"
F. Describe the operation of company's Corporate Social Responsibility Best Prectice Principles, should it exist, and its difference with" Corporate Social Responsibility Best Prectice Principles for TWSE/GTSM-Listed Companies." The Company has formulated the Corporate Social Responsibility Best Practice Principles to fulfill its corporate social responsibility.				

Item	Implementation Status			
	Yes	No	Summaried Explanation	Discrepancy with "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons

G. Other key information conducive to the understanding of the company's CSR-related affairs:
2019 CSR concrete results:

Community involvement, social contribution, social services and social causes	• Held Dyaco International Marathon 2019 and invited three social welfare organizations to the site to persuade runners to have a chip • Sponsored the NTU Handball team for training with NT$140,000 and clothing • Donated clothing to the NTU Department of Public Health's Summer Work Service Team at Dacheng, Changhua • Donated NT$8,000 in cash to the NTU Public Health Alumni Association • Donated 20 flywheels amounting to NT$998,000 to the Soochow University Downtown Campus • Sponsored the Department of Physical Education of National Taiwan Normal University with the annual sports performance costumes and equipment • Donated three LW180 Walking Assist Treadmills priced at NT$69,500 each to the Maria Social Welfare Foundation • Donated NT$200,000 in cash to the Taichung Municipal Sports Federation Handball Committee • Donated NT$5,000 in cash to Kao-Yuan Vocational High School of Technology & Commerce for school development • Donated NT$500,000 in cash to the Coast Guard Administration for the implementation of various marine patrol projects. • Dyaco Primary School Reading Education Program • Staff worked at Taichung City Hondao Senior Citizens' Welfare Foundation's Peng Zu Experience activity • Ruisui Farmers' Association pomelo tree adoption
Other CSR activities	• Sports Enterprise certification explanatory session by the MOE Sports Administration • MOE Sports Enterprise certification presentation ceremony • Dyaco Primary School award ceremony

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

Item	Implementation Status			Discrepancy with"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"and reasons
	Yes	No	Summaried Explantion	
A. Formulate policy and program for ethical corporate management a. Whether the company has explicitly express the policy and methods of ethical corporate management in its charter and outbound documents and whether the board of diectors and management have fulfilled the commitment to the policy of ethical corporate management.	V		1. The Company has revised the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to state its policy of business with integrity. 2. The Company complies with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act and other relevant laws and regulations, and the relevant internal regulations and internal control system shall be jointly followed by employees. 3. The Company has stipulated in the rules of procedure of the board meeting that directors shall recuse themselves from any matters in which they have an interest.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
b. Whether the company has established an assessment mechanism for the risk dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least cover the preventive measures for the conduct of the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".	V		1. The Company has stepped up its efforts to educate its purchasing staff to consult and compare prices with multiple suppliers when making purchases, and adjusts the contents of purchasing staff's work from time to time as necessary. 2. To prevent dishonest acts such as improper donations, sponsorships, illegal political contributions, etc., the Company has established the "Corporate Governance Best-Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" for the handling of major donations, which shall be submitted to the Board of Directors for approval.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
c. Does the company specify the operating procedures, behabior guidvance system in the plan to prevent dishonesty, and the implement it, and regularly review and revise the pre-disclosure plan?	V		1. The Company has revised the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" to prevent dishonest conduct. 2. The Company has set up a section for stakeholders on the Company's website (www.dyaco.com), where complaints about any misconduct can be filed, and the reception office will immediately investigate and take disciplinary action in accordance with the Company's "Personnel Regulations" and other relevant regulations. 3. No complaints about unethical conduct in 2019.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Item	Implementation Status			Discrepancy with"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"and reasons
	Yes	No	Summaried Explantion	
B. Materialize ethical corporate management a. Whether the company has evaluated the track record on the integrity of business partners and whether the contracts with business partners include an article on behavioral integrity.	V		The Company's business activities are based on the principles of honesty, transparency and accountability. Accordingly, the Company's "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" state that agents, customers, suppliers or other business partners shall jointly observe the policy of ethical management.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
b. Does the company set up a special unit under the board of directors to promote the integrity management of the enterprise, and regularly (at least once year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?	V		1. The Company has designated the Management Department as a dedicated arm under the Board of Directors, which revises the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management," and regularly reports to the Board of Directors on the implementation of the principles, urges the Company to prevent unethical acts, and reviews the effectiveness of its implementation and continuous improvement from time to time to ensure the performance of the ethical management policy. 2. A report on the promotion of ethical management for 2019 was made to the Board of Directors on December 10, 2019. 3. The Company has implemented the policy of conducting business with integrity, with a summary of the relevant implementation in fiscal 2019 as follows: (1) The 2019 educational training related to ethical business practices includes various regulatory advocacy (see Note 1) for a total of 70 hours. (2) There is a complaint and reporting system under the Corporate Governance Best-Practice Principles, the Ethical Corporate Management Best Practice Principles, and the Operating Procedures and Conduct Guidelines for Ethical Corporate Management, and a protection mechanism for whistleblowers, with 0 external whistleblowing cases and 0 internal whistleblowing cases in 2019 received.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Item	Implementation Status			Discrepancy with”Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”and reasons
	Yes	No	Summaried Explantion	
c. Whether the company has formulated policy preventing conflict of interest and provided, as well as faithfully executed, proper channel for complaints.	V		1. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company’s dedicated arm in a timely manner through various channels (www.dyaco.com). 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”
d. Whether the company has instituted effective accounting system and internal control system for the materialization of the policy of ethical corporate management, which is audited regularly by in-house auditing unit or certified puclic account under its entrustment.	V		1. The Company has an accounting system and a dedicated accounting arm, and financial reports are audited or reviewed by a CPA to ensure the fairness of the financial statements. 2. The Company establishes an internal audit system and a self-inspection system to maintain an effective and appropriate internal control system.	Compliance with ”Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”
e. Whether the company had held internal or external education and training regularly on ethical corporate management.	V		1. The Company has designated the Management Department as a dedicated arm to promote the concept of ethical management from time to time, and has made this policy available on the Company's website at www.dyaco.com. 2. The 2019 educational training regarding ethical business practices includes various regulatory advocacy for a total of 70 hours.	Compliance with ”Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”

Item	Implementation Status			Discrepancy with"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"and reasons
	Yes	No	Summaried Explantion	
C. Status of the company's reporting system: a. Whether the company has formulated concrete reporting and rewarding system, as well as convenient reporting channel, in addition to desighation of specific person handling the reporting.	V		The Company provides a channel for employees to make suggestions to expand communication and management, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. If an employee submits a complaint orally or in writing, the head of the department shall immediately identify the matter for processing or report it for processing and inform the complainant of the result or the status of processing, with the processing conducted in accordance with the principle of confidentiality and protection of the whistleblower. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company's dedicated arm in a timely manner through various channels (www.dyaco.com).	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
b. Whether the company has instituted standard operating procedure for handling reported items and related confidentiality mechanism.	V		The Company provides a channel for employees to make suggestions to expand communication and management, strengthen labor-management relations, and set up labor-management meetings through which employees can obtain fair and reasonable handling of their grievances. A section for stakeholders is available on the Company's website, stating that stakeholders may contact the Company's dedicated arm in a timely manner through various channels (www.dyaco.com). 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"
c. Whether the company has adopted measures to protect informants 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, and the personnel involved in the investigation and deliberation shall be responsible for the confidentiality of the complaint, and violators shall be punished in accordance with the provisions of the Company's Personnel Regulations.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"

Item	Implementation Status			Discrepancy with"Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"and reasons
	Yes	No	Summaried Explantion	
D. Intensifying information disclosure Whether the company has disclosed its "Ethical Corporate Management Best Practices Principles"on its website and the implementation effect.	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's website at www.dyaco.com.	Compliance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies"
E. Should the company formulate own ethical corporate management principles according to "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Company", specify its execution and difference with the principles. The Company has instituted the "Ethical Corporate Management Best Practice Principles" to establish good business practices and fulfill its social responsibility, with no material differences between the operation and the principles.				
F. Other key information conducive to the understanding of the company's ethical corporate management (Such as review and revision to the company's ethical corporat management)： The Company operates in good faith and takes into account the needs of its stakeholders.				

3.3.9 Implementation of internal control system:

3.3.9.1 Internal Control System Statement

DYACO INTERNATIONAL INC.

Internal Control System Statement

Date: March 27, 2020

In 2019, the Company conducted an internal audit of its internal control system and hereby declares the following:

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

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

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

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

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

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

This statement was passed by the Board of Directors on March 27, 2020, with none of the six attending Directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Dyaco International Inc.

Chairman: Lin, Ing-Gin

Gernernal manager: Chen, Ming-Nan

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

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

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

3.3.11.1 Material resolutions of a shareholders meeting:

Date	Type	Material Motions	Resolutions
2019.05.30	Regular shareholders meeting	**Ratifications matters**	
		1. To accept 2018 Business Report and Financial Statements.	The proposal was adopted by shareholders meeting at May 30, 2019.
		2. To approve the proposal for distribution of 2018 earnings.	Resolution to allot shareholders cash dividend of NT$31,132,579 (NT$0.35 per share) and stock dividend of NT$0.35 (NT$31,132,580 for the issue of 3,113,258 ordinary shares). And by a resolution of a board of directors meeting, the ex-dividend benchmark date of August 6, 2019 and the cash dividend payment date of September 3, 2019 have been fixed and completed in accordance with the above schedule.
		Discussion matters	
		1. Amendment to the “Articles of Incorporation”.	The proposal was adopted by a vote.
		2. Amendment to the “Operational Procedures for Acquisition or disposal of Assets”.	The proposal was adopted by a vote.

Date	Type	Material Motions	Resolutions
		3. Amendment to the “Operational Procedures for Issuing of Endorsements and Guarantees”.	The proposal was adopted by a vote.
		4. Amendment to the “Operational Procedures for Loaning of Company Funds”.	The proposal was adopted by a vote.
		5. Discussion on the Company’s new share issue through capitalization of 2018 retained earnings.	1. The proposal was adopted by a vote. 2. Upon passage of the resolution of a shareholders' meeting, after reporting to the Financial Supervisory Commission (FSC) with effect from June 19, 2019, and then applying to the Ministry of Economic Affairs (MOEA) for registering the change, approval was obtained from the MOEA by MOEA Ching-Shou-Shang-Tzu letter No. 10801121560 on September 5, 2019.

3.3.11.2 Material resolutions of board meeting:

Date and Term	Material motions	Resolution
13rd meeting of the 10th-term Board of Directors March 8, 2019	(1) Amendment to the “Articles of Incorporation”	Passed as proposed all attending directors.
	(2) Amendment to the “Operational Procedures for Acquisition or disposal of Assets ”	Passed as proposed all attending directors.
	(3) Amendment to the “Internal Control Systems” and “Internal audit implementation rules”	Passed as proposed all attending directors.
	(4) Appointment of Chief of Corporate Governance Affairs.	Passed as proposed all attending directors.
14rd meeting of the 10th-term Board of Directors March 28, 2019	(1) Loaning of Funds for the Subsidiaries of the Company.	Passed as proposed all attending directors.
	(2) To approved 2018 financial statements and business report。	Passed as proposed all attending directors.
	(3) To distribute 2018 earnings.	Passed as proposed all attending directors.
	(4) The Company’s new share issue through capitalization of 2018 retained earnings.	Passed as proposed all attending directors.
	(5) Amendment to the “Operational Procedures for Issuing of Endorsements and Guarantees”	Passed as proposed all attending directors.
	(6) Amendment to the “Operational Procedures for Loaning of Company Funds”	Passed as proposed all attending directors.
	(7) To approved 2018 internail control system statement.	Passed as proposed all attending directors.

Date and Term	Material motions	Resolution
	(8) To Proposal for a cash offering by private placement of 2018.	Passed as proposed all attending directors.
	(9) Due to the internal organizational adjustment of the accounting firm to replacement CPA.	Passed as proposed all attending directors.
15rd meeting of the 10th-term Board of Directors May 9, 2019	(1) Loaning of Funds for the Subsidiaries of the Company.	Passed as proposed all attending directors.
	(2) To approved 2019Q1 financial statements.	Passed as proposed all attending directors.
	(3) Issuing ordinary shares in the capital increase by cash of Wing Long Co., Ltd..	Passed as proposed all attending directors.
	(4) Replacement of Common Share Transfer Agent and Registrar.	Passed as proposed all attending directors.
16rd meeting of the 10th-term Board of Directors August 12, 2019	(1) Loaning of Funds for the Subsidiaries of the Company.	Passed as proposed all attending directors.
	(2) To approved 2019Q2 financial statements.	Passed as proposed all attending directors.
	(3) Amendment to the "Ethical Corporate Management Best Practice Principles".	Passed as proposed all attending directors.
	(4) To cancelled endorsement for Fuel Spirit.	Passed as proposed all attending directors.
	(5) To set the record date of capitalization of 1st domestic secured convertible corporate bonds.	Passed as proposed all attending directors.
3rd meeting of the interim Board of Directors August 23, 2019	To set the record date of capitalization of retained earnings.	Passed as proposed all attending directors.
17rd meeting of the 10th-term Board of Directors Septmeber 17, 2019	(1) Issuing ordinary shares in the 2019 capital increase by cas.	Passed as proposed all attending directors.
	(2) To provide endorsements and guarantees for the subsidiary, Shelton Corporation (Jiaxing)., Ltd..	Passed as proposed all attending directors.
18rd meeting of the 10th-term Board of Directors November 12, 2019	(1) Loaning of Funds for the Subsidiaries of the Company.	Passed as proposed all attending directors.
	(2) Capital reduction of Dyaco International Holding Limited	Passed as proposed all attending directors.
19rd meeting of the 10th-term Board of Directors December 10, 2019	(1) To approved merger plan.	Passed as proposed all attending directors.
	(2) To set up the subsidiary in US.	Passed as proposed all attending directors.
	(3) To evaluate the independence of the appointed external auditors.	Passed as proposed all attending directors.

3.3.11.3 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report:None.

3.3.11.4 During the latest year and up to the printing date this Annual Report, the Company's chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed:

Title	Name	Date of Appointment	Date of Dismissal	Reasons
CEO	Ting, Ping-I	2017.07.12	2019.06.25	Job adjustment

3.4 CPA’Sfee information

Name of accounting firm	Name of accountants	Audit period	Remark
Deloitte & Touche	Ms. CHEN, Chao-Mei and Mr. Hsieh Chien-Hsin	2019/1/1~2019/12/31	None

Range of Accountants’ Fees

Unit:NT$1,000

Fee items / Numerical range of amounts		Audit fees	Non-audit fees	Total
1	Below NT$2,000,000	-	100	-
2	NT$2,000,000 (inclusive)～NT$4,000,000	4,494	-	-
3	NT$4,000,000 (inclusive)～NT$6,000,000	-	-	4,594
4	NT$6,000,000 (inclusive)～NT$8,000,000	-	-	-
5	NT$8,000,000 (inclusive)～NT$10,000,000	-	-	-
6	Above NT$10,000,000 (inclusive)	-	-	-

3.4.1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee:：None.

3.4.2. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year:None.

3.4.3. The audit fee is reduced by over 15% compared with the previous year:None.

3.4.4. The Non-audit fees include the capitalization of retained earnings service charge .

3.5 Information on the replacement of CPA:

3.5.1 About the former CPA

<table>
<tr><td>Date of Change</td><td colspan="5">Approved by the Board of Directors on March 14, 2019</td></tr>
<tr><td>Reason for change and explanation</td><td colspan="5">Due to the internal organizational adjustment of the accounting firm</td></tr>
<tr><td rowspan="3">State whether the Appointment is Terminated or Rejected by the Appointor or CPAs</td><td colspan="3">Status / The Parties</td><td>Accountant</td><td>Appointor</td></tr>
<tr><td colspan="3">Appointment terminated automatically</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="3">Appointment rejected (discontinued)</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Reasons for issuing audit reports other than unqualified opinion in the last two years</td><td colspan="5">N/A</td></tr>
<tr><td rowspan="6">Is there any disagreement in opinion with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Auditing scope or procedures</td></tr>
<tr><td></td><td colspan="3">Other</td></tr>
<tr><td>No</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description:None</td></tr>
<tr><td>Supplementary Disclosure</td><td colspan="5">None</td></tr>
</table>

3.5.2 About the successor CPA

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

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

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

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

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

Unit:shares

Title	Name	2019		Mar. 31, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Lin, Ing-Gin	320,842	(3,990,000)	0	0
Director	YONG-HENG INVESTMENT CORPORATION Representative: Wang, Ching-Tsung	213,567	(100,000)	0	0
Director	GUANG-YING LIMITED Representative:Chou, Mei-Ling	331,155	(572,000)	0	0
Independent Director	Hsieh, Chang-Hung	0	0	0	0
Independent Director	Wang, Kai-Li	0	0	0	0
Independent Director	Wang, Chih-Cheng	0	0	0	0
General Manager	Chen, Ming-Nan	(25,575)	0	0	0
Executive V.P. and Chief Financial Offier	Wu, Mei-Hua	(33,870)	0	76,000	0
Executive V.P.	Li, Chi-Jung	209	0	5,000	0
Senior V.P. Chief Accountant Officer Chief of Corporate Governance Affairs	Chiu, Yuan-Sheng	2,216	0	10,000	0
Senior V.P.	Huang, Hsuan-Fu	(35,902)	0	13,000	0
Senior V.P.	Hsu, Li-Wen	2,828	0	10,000	0
Senior V.P.t	Huang, Yu-Chih	(27,970)	0	0	0
Senior V.P.	Lo, Teng-I	(108,672)	0	15,000	0
CTO	Brian Keith Murray	1,326	0	0	0
V.P.	Lin,Wei-Hsu	(10,758)	0	(5,026)	0
V.P.	Li, Che-Jung	0	0	0	0
V.P.	Li, Mei-Yu	2,015	0	0	0
V.P.	Lin, Shih-Chieh	0	0	0	0
V.P.	Wu, Shu-Mei	1,600	0	1,000	0
V.P.	Ho, Chieh-Shun	36	0	179	0
V.P.	Li, Tai-Lan	2,009	0	0	0
V.P.	Ting, Ping-I(Note1)	0	0	0	0
V.P.	Ko, Yu-Wen(Note2)	(72,598)	0	0	0
V.P.	Lin, I-Chun(Note 3)	(2,841)	0	0	0
V.P.	Lin, Hsin-Bao (Note 4)	0	0	0	0
V.P.	Liu, Yu-Ching(Note5)	0	0	0	0

Note1: Job adjustment dated June 25, 2019

Note2: Resignation dated December 31, 2019

Note3: Resignation dated February 3, 2020

Note4: Job adjustment dated December 20, 2019

Note5: Job adjustment dated December 20, 2019

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:None.

Name	Reason of Transfer	Date of Transaction	Transferee	Relationship between Teansferee the Company, Directors, Supervisors and Shareholders with more than 10% shareholding	Shares	Transaction Price(NT$)
Chen, Ming-Nan	Donation	2019.06.27	Taipei Dyaco charitable foundation	None	50,000	41.00
Lin, Ing-Gin	Donation	2019.12.12	Taipei Dyaco charitable foundation	None	20,000	10.00
Wu, Mei-Hua	Donation	2019.12.25	Chang,Pei-Chen	None	50,000	40.00
Lo, Teng-I	Donation	2019.12.26	Lo, Pei-Hsin	None	50,000	39.60

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

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

March 30, 2020 / Unit: shares

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The relationship between any of the Company's Top Ten Share Holders		Remarks
	shares	%	shares	%	shares	%	Name	Relatin	
Lin, Ing-Gin	10,063,283	8.74%	663,787	0.58%	22,432,841	19.49%	GUANG-YING LIMITED YONG-HENG INVESTMENT CORPORATION CHIH-LING INVESTMENT CORPORATION	Representative President President	–
GUANG-YING LIMITED Representative: Lin, Ing-Gin	9,796,727	8.51%	–	–	–	–	Lin, Ing-Gin	Representative	–
CHUAN-FENG INVESTMENT CORPORATION	8,304,882	7.22%	–	–	–	–	–	–	–
Representative: Yao, Yun-Ching	–	–	–	–	–	–	–	–	
Ho, I-HSING INVESTMENT CORPORATION	6,865,725	5.96%	–	–	–	–	–	–	–
Representative: Yang, Hsiu-Yu	–	–	2,529,979	2.28%	–	–	–	–	–
YONG-HENG INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	5.49%	–	–	–	–	Lin, Ing-Gin	President	–
CHIH-LING INVESTMENT CORPORATION Representative: Lin, Ing-Gin	6,318,057	5.49%	–	–	–	–	Lin, Ing-Gin	President	–
Bank SinoPac as Custodian for DAVID MARSDEN BABCOCK Investment Account	3,088,000	2.68%	–	–	–	–	–	–	–
Bank SinoPac as Custodian for WILLIAM TAYLOR MAC FARLANE Investment Account	2,674,000	2.32%	–	–	–	–	–	–	–
Bank SinoPac as Custodian for PRESTON TREVOR LARSEN Investment Account	2,674,000	2.32%							
Yang, Hsiu-Yu	2,529,979	2.28%	–	–	–	–	–	–	–

3.9 Long-Term Imvestments Ownership

December 31, 2019: 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
Spirit Manufacturing Inc.	—	—	1,667.5	100	1,667.5	100
Dyaco (Shanghai) Trading Co., LTD.	—	—	—	100	—	100
Dyaco Health Technology (Beijing) Co., Ltd.	—	—	—	100	—	100
Dyaco Japan Co., Ltd.	1,020	100	—	—	1,020	100
Spirit Direct, LLC	—	—	—	100	—	100
Dyaco Commercial & Medical North America,LLC.	—	—	—	100	—	100
Wing Long Co., Ltd.	1,500	100	—	—	1,500	100
Dyaco Canada Inc.	—	—	1,000	100	1,000	100
Dyaco Europe GmbH	—	100	—	—	—	100
Daan Health Management Consulting Co., Ltd.	1,000	100	—	—	1,000	100
CARDIO fitness GmbH& Co. KG	—	—	—	100	—	100
CARDIO fitness Verwaltungs GmbH	—	—	—	100	—	100
Dyaco UK Ltd.	—	100	—	—	—	100
Shelton Corporation (Jiaxing)., LTD	—	—	—	60	—	60

Note: Dongguan Dayu Sports Equipment Co., Ltd., was liquidated and cancelled in November 2019.

IV. Capital Overview

4.1 Capital and shareholdering

4.1.1 Sources of capital

March 30, 2020

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

Year/Month	Issue Price (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	AMT	Number of Shares	AMT	Capital	Subscriptons paid with property other than cash	Other
2007.05	10	10,000	100,000	10,000	100,000	Cash capital 71,000,000	-	Note 1
2008.04	10	25,000	250,000	25,000	250,000	Cash capital 150,000,000	-	Note 2
2008.12	10	36,510	365,100	36,510	365,100	Cash capital 115,100,000	-	Note 3
2009.12	10	70,000	700,000	47,990	479,900	Capital increase of 15,800,000 from capital surplus and Cash capital 99,000,000	-	Note 4
2011.04	20	70,000	700,000	49,490	494,900	Cash capital 15,000,000	-	Note 5
2011.06	40	70,000	700,000	51,000	510,000	Cash capital 15,100,000	-	Note 6
2011.08	10	100,000	1,000,000	64,770	647,700	Capital increase of 137,700,000 from capital surplus	-	Note 7
2012.10	10	100,000	1,000,000	68,109	681,088	Capital increase of 33,388,000 from capital surplus	-	Note 8
2015.03	33	100,000	1,000,000	78,109	781,088	Cash capital 100,000,000	-	Note 9
2015.09	10	100,000	1,000,000	82,014	820,142	Capital increase of 39,054,000 from capital surplus	-	Note10
2016.09	10	100,000	1,000,000	92,950	929,502	Cash capital 109,360,000	-	Note11
2019.09	10	150,000	1,500,000	96,063	960,635	Capital increase of 31,133,000 from capital surplus	-	Note12
2019.11	10	150,000	1,500,000	96,101	961,009	Share capital of 374,000 converted from convertible corporate bonds	-	Note13
2020.01	39	150,000	1,500,000	115,101	1,151,009	Cash capital 190,000,000	-	Note14

Note 1: Fu-Shang-Jian No. 09684564210 dated May 21, 2007
Note 2: Fu-Chan-Ye-Shang No. 09784102410 dated May 9, 2009
Note 3: Fu-Chan-Ye-Shang No. 09880098210 dated Januray 17, 2009
Note 4: Fu-Chan-Ye-Shang No. 09891466720 dated December 22, 2009
Note 5: Fu-Chan-Ye-Shang No. 10083293020 dated May 23, 2011
Note 6: Jing-Shou-Shang-Zi No. 10001159860 dated July 18, 2011
Note 7: Jing-Shou-Shang-Zi No.10001175310 dated August 1, 2011
Note 8: Jing-Shou-Shang-Zi No. 10101205290 dated October 5, 2012
Note 9: Jing-Shou-Shang-Zi No.10401038990 dated March 10, 2015
Note 10: Jing-Shou-Shang-Zi No. 10401183000 dated September 1, 2015
Note 11: Jing-Shou-Shang-Zi No. 10501249020 dated October 24, 2016
Note 12: Jing-Shou-Shang-Zi No. 10801121560dated September 5, 2019
Note 13: Jing-Shou-Shang-Zi No. 10801154540 dated November 4, 2019
Note 14: Jing-Shou-Shang-Zi No. 10901011200 dated January 30, 2020

March 30, 2020; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Share	115,100,887	34,899,113	150,000,000	-

4.1.2 Status of Shareholders

March 30, 2020/ Unit: Shares

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions& Natural Persons	Treasury stock	Total
Number of shareholders	—	4	29	2,823	29	1	2,886
Shareholding (shares)	—	108,048	40,225,452	57,948,122	9,124,265	7,695,000	115,100,887
Percentage	—	0.09%	34.95%	50.35%	7.93%	6.68%	100.00%

4.1.3 Shareholding Distribution Status

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

March 30, 2020

Class of Shareholding (Unit: Shares)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	403	65,423	0.05%
1,000-5,000	1,865	2,885,570	2.51%
5,001-10,000	186	1,377,565	1.20%
10,001-15,000	97	1,204,009	1.05%
15,001-20,000	63	1,129,118	0.98%
20,001-30,000	64	1,530,925	1.33%
30,001-40,000	27	942,870	0.81%
40,001-50,000	25	1,161,244	1.01%
50,001-100,000	57	4,284,192	3.72%
100,001-200,000	41	5,652,974	4.91%
200,001-400,000	19	5,324,474	4.63%
400,001-600,000	13	6,596,105	5.73%
600,001-800,000	8	5,649,806	4.91%
800,001-1,000,000	0	0	0.00%
Over 1,000,001	18	77,296,612	67.16%
Total	2,886	115,100,887	100.00%

4.1.3.2 Preferred stock Distribution Status: Not applicable.

4.1.4 List of Major Shareholders

March 30, 2020

Major Shareholders' Name \ Shares	Shares	Percentage
Lin, Ing-Gin	10,063,283	8.74%
GUANG-YING LIMITED	9,796,727	8.51%
CHUAN-FENG INVESTMENT CORPORATION	8,304,882	7.22%
Ho, I-HSING INVESTMENT CORPORATION	6,865,725	5.96%
YONG-HENG INVESTMENT CORPORATION	6,318,057	5.49%
CHIH-LING INVESTMENT CORPORATION	6,318,057	5.49%
Bank SinoPac as Custodian for DAVID MARSDEN BABCOCK Investment Account	3,088,000	2.68%
Bank SinoPac as Custodian for WILLIAM TAYLOR MAC FARLANE Investment Account	2,674,000	2.32%
Bank SinoPac as Custodian for PRESTON TREVOR LARSEN Investment Account	2,674,000	2.32%
Yang, Hsiu-Yu	2,529,979	2.20%

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

Unit: NT$

<table>
<tr><th colspan="3">Item</th><th>2018</th><th>2019</th></tr>
<tr><td rowspan="3">Market Price per Share</td><td colspan="2">Highest Market Price</td><td>44.85</td><td>47.65</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>26.80</td><td>33.10</td></tr>
<tr><td colspan="2">Average Market Price</td><td>35.37</td><td>39.53</td></tr>
<tr><td rowspan="2">Net Worth per Share</td><td colspan="2">Before Distribution</td><td>19.61</td><td>24.38</td></tr>
<tr><td colspan="2">After Distribution</td><td>18.91</td><td>Note 1</td></tr>
<tr><td rowspan="3">Earnings per Share</td><td colspan="2">Weighted Average Shares (thousand Shares)</td><td>89,133</td><td>92,069</td></tr>
<tr><td rowspan="2">Earnings per Share</td><td>Before Adjusted</td><td>1.20</td><td>2.05</td></tr>
<tr><td>After Adjusted</td><td>1.16</td><td>Note 1</td></tr>
<tr><td rowspan="4">Dividends per Share</td><td colspan="2">Cash Dividends</td><td>0.35</td><td>Note 1</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Dividends from Retained Earnings</td><td>0.35</td><td>Note 1</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>-</td><td>Note 1</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>-</td><td>Note 1</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price/Earnings Ratio</td><td>29.48</td><td>19.28</td></tr>
<tr><td colspan="2">Price/Dividend Raito</td><td>101.06</td><td>Note 1</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate</td><td>0.99%</td><td>Note 1</td></tr>
</table>

Note 1: A resolution on the distribution of earnings for 2019 is pending at the shareholders' meeting expected to be held on May 28, 2020.

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

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

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

4.1.6 Company dividend policy and implementation status

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

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

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

4.1.6.2. Distribution of dividends proposed for the year:

The Company's 2019 annual earnings distribution has been approved by the Board of Directors' resolution on March 27, 2020, with shareholders' bonus of NT$124,321,065 and cash dividend of NT$1.15004667 per share allotted, and the distribution is calculated using the unconditional rounding below Yuan.

A resolution on the distribution of earnings for 2019 is pending at the shareholders' meeting expected to be held on May 28, 2020.

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

4.1.8 Compensation of employees, directors and supervisors

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

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

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

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

4.1.8.3 The distribution of compensation as approved by the Board of Directors:

A. The amount of compensation for employees and directors distributed in cash or stock. If there is a discrepancy between the estimated amount and the amount recognized in the year of expense, the number of discrepancies, the reason for the discrepancy and the circumstances of the case should be disclosed.

On March 27, 2020, the Company's Compensation Committee approved the distribution of employee compensation of $2,450,530 and director compensation of $1,225,264, which was approved by the Board of Directors and submitted to the 2020 shareholders' meeting in accordance with relevant regulations.

Discrepancies between the actual and estimated amounts of employee compensation distributions are treated as changes in estimates.

B. 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.

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

The Company's 2019 earnings distribution proposal will be submitted to the shareholders' meeting on May 28, 2020.

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

The 2018 employee compensation of $1,122,235 has been fully paid in cash and no distribution of director compensation. There is no discrepancy between the Company's actual distribution and the amount recognized.

4.1.9 Repurchase Shares Status:

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

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

A. Buyback of Treasury Stock (Completed)

Batch of Buyback	1st	2nd
Purpose	For transferrung shares to employees	For transferrung shares to employees
Period	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 Quantity bought back	Common Share/4,000,000 Shares	Common Share /3,000,000 Shares
Vaue bought back	NT$ 172,339,773	NT$ 194,927,935
Quantity Bought back to expected quantity buyback (%)	100%	100%
Quantity written off and transferred	0	0
Cumulative shareholdings	7,000,000 shares	7,000,000 shares
Cumulatice shareholderings to total issued shares (%)	6.08%	6.08%

B. Buyback of Treasury Stock (Incompleted)

March 30, 2020

Purpose	3rd
Period	For transferrung shares to employees
Type	Common Share
Ceiling on total monetary amount of the repurchase	NT$ 1,002,912,315
Planned period	2020/03/20~2020/05/19
Number of shares	4,500,000 shares
Price range of the shares	NT$ 25~ NT$ 45
Type and Units exercised (shares)	Common Share/913,000 shares
Vaue bought back	NT$ 26,912,763
Quantity Bought back to expected quantity buyback (%)	20.29%

4.2 Issuance of corporate bonds

4.2.1 Status of corporate bonds

Unit: NT$1,000

<table>
<tr><td colspan="2">Type of Corporate Bond</td><td>1st domestic secured convertible corporate bonds</td></tr>
<tr><td colspan="2">Issue date</td><td>2017/9/20</td></tr>
<tr><td colspan="2">Par Value</td><td>NT$ 100,000</td></tr>
<tr><td colspan="2">Issue and Trading Place</td><td>Taipei Exchange</td></tr>
<tr><td colspan="2">Issue Price</td><td>According to face amount</td></tr>
<tr><td colspan="2">Total Amount</td><td>NT$ 600,000,000</td></tr>
<tr><td colspan="2">Interest Rate</td><td>0%</td></tr>
<tr><td colspan="2">Duration</td><td>3 Years</td></tr>
<tr><td colspan="2">Assurance Institution</td><td>Bank SinoPac</td></tr>
<tr><td colspan="2">Assignee</td><td>Cathay United Bank</td></tr>
<tr><td colspan="2">Underwriting Institution</td><td>Cathay Secuities Corporation</td></tr>
<tr><td colspan="2">Signed Lawyer</td><td>Handsome Attorneys-at-Law Ya-Wen Chiu</td></tr>
<tr><td colspan="2">Signed Accountants</td><td>Deloitte & Touche Taiwan
Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi</td></tr>
<tr><td colspan="2">Repayment</td><td>Except when the holder of this convertible corporate bond converts it into the Company's common shares in accordance with Article 10 of these Terms, or exercise repurchase rights the Company's common shares in accordance with Article 20 of these Terms,or exercise early redemption right the Company's common shares in accordance with Article 19 of these Terms, or when the Company buys it back from the securities firm, the Company shall pay the par value in lump sum cash payment to the holder upon maturity.</td></tr>
<tr><td colspan="2">Outstanding Amount</td><td>NT$ 600,000,000</td></tr>
<tr><td colspan="2">Redeption or Advanced Repayment</td><td>Please refer to the Company's terms of issuance and conversion of corporate bonds with Article 19 and Article 20 .</td></tr>
<tr><td colspan="2">Restrictive Clauses</td><td>N/A</td></tr>
<tr><td colspan="2">Credit Rating Institution
Credit Rating Date and
The outcome of the Rating</td><td>None</td></tr>
<tr><td rowspan="2">Other rights attached</td><td>Amount converted to common shares as of the date of report</td><td>None</td></tr>
<tr><td>Issuance and conversion method</td><td>Please refer to the Company's terms of issuance and conversion of corporate bonds.</td></tr>
<tr><td colspan="2">Shares Dilution & Influsence on Stockholders’ Equity</td><td>None</td></tr>
<tr><td colspan="2">Entrust Insitution of Exchange Object</td><td>N/A</td></tr>
</table>

4.2.2 Information on convertible corporate bonds:

Unit: NT$

Type of Corporate Bonds		1st domestic secured convertible corporate bonds	
Year / ITem		2019	As of March 20, 2020
Market price of the convertible corporate bonds	Max	118.95	112.00
	Low	102.20	100.00
	Average	111.20	104.78
Conversion price		40.10	
Issuance date and conversion price at issuance		September 20, 2017 40.10	
Fulfilling the conversion obligation		Issuing new shares	

4.3 Issuance of preferred shares: None.

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

4.5 Issuance of employee stock warrants:

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

Employee stock warrants	First issuance of employee stock warrants
Date of approval by competent authorities	May 18, 2017
Issuance date	December 21, 2017
Units granted	4,000,000 shares
Units granted to total shares issued and outstanding	4.30%
Duration	6 years
Exercise	Issuancing new shares
Vesting schedule and quota (%)	50 percent for 2 years after the date of grant, 75 percent for 3 years after the date of grant and 100 percent for 4 years after the date of grant. The impact on shareholders’ equity is limited as the warrants dilute year by year.
Units exercised (shares)	-
Amount exercised (NT$)	-
Units unexercised (shares)	4,000,000 shares
Exercise price for unexercised units	NT$ 42.95
Units unexercised to total outstanding shares (%)	4.30%
Impact on shareholders’ equity	None

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

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

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

Note: Job adjustment and resignation.

4.6 Issuance of new restricted employee shares: None.

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

4.8 Financing plans and implementation：

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

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

5.1.1.2 Percentage of sales revenue:

Unit:NT$1,000; %

Year / Items	2018		2019	
	Amount	Percentage of sales revenue	Amount	Percentage of sales revenue
Treadmill	2,236,658	40.25%	2,530,716	43.25%
Elliptical	1,150,197	20.70%	1,091,179	18.65%
Bike	612,008	11.01%	780,277	13.34%
Outdoor Funiture	879,877	15.83%	742,865	12.70%
Others	678,410	12.21%	705,491	12.06%
Total	5,557,150	100.00%	5,850,528	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.
Treadmill DC energy saving system	Currently, all high-end products in the industry are based on AC inverters, but the AC inverter system with lower speed has poorer performance and less stable power output. The new DC brushless motor and DC inverter system with a high efficiency processor are re-matched to achieve a stable full speed efficiency, which in turn saves energy.
Sports equipment linked to APP cloud platform	After development, it allows consumers to download the app, which can be used to connect to sports equipment for workout planning and recording, and to get data analysis of sports patterns, sales distribution and product reliability through Bluetooth connection in the background. With this app, future product design, marketing and production can be more closely aligned with the needs of users.
MS Kinect balance assessment and training system Phase 2	The current balance assessment systems on the market use extremely expensive force plates, so much so that most hospitals can only use subjective man-made assessment. The Company plans to use MS Kinect to provide an affordable Balance Assessment System solution that can be used universally by small and medium-sized hospitals and even rehab clinics. The continuation of the previous system, together with a foot sensor as a further high-precision sensing application, will significantly increase the measurement accuracy and application level.
UBE upper extremity movement assessment system	Designed for patients with general upper extremity movement disorders, patients with sports injuries, and users who need upper extremity exercise, this product not only provides exercise and rehabilitation functions, but also provides evaluation of left and right limb strength and speed.

5.1.2 Industry overview

5.1.2.1 Fitness equipments

A. Global industry developments overview

With the development of the economy, modern people’s life is rich and material, which has led to many problems such as obesity and immune decline; coupled with the demographic structure towards aging, the concept of exercise and health, which has led to the gradual rise of health consciousness, the importance of health and fitness activities has increased significantly, and an exercise trend has also been formed. Since sports and fitness activities have become a significant part of modern life, indoor sports and fitness equipment is not affected by weather and time constraints, providing users with the ability to engage in indoor fitness activities at home or in a fitness center when they are unable to engage in outdoor sports or fitness training. Therefore, fitness equipment plays an extremely important role in the sports and leisure industry.

The fitness equipment market is mainly segmented into "home market", "light commercial market" and "commercial market". The commercial market sales model is mostly sold through commercial procurement channels to clubs, fitness centers, hospitals, etc., and requires a large financial system to back it up. At present, a few large international companies (such as Life Fitness, Techno Gym and Precor) hold the majority of the market share; the light commercial market is mostly sold in public spaces such as small gyms and community buildings; while home market has two main types of products with simple functions, small size and large size, professional functions and high durability, and the sales model is sold through specialty stores, large chain stores, general retail channels, etc. The home market currently has many small and medium-sized manufacturers to join the market, resulting in the fragmentation of the home fitness equipment market and a highly competitive pattern.

According to the Allied Market Research's industry report, the global fitness equipment size in 2019 is approximately US$11.5 billion and is projected to grow at a compound annual growth rate of 3.5% from 2020 to 2027, with the global market size projected to reach US$15.2 billion by 2027.

The growth trend of the industry is closely related to the national income index. Since the financial tsunami in 2008, the global consumer spending power and confidence have been affected and the sports equipment industry has been affected. The economic crisis continued to deepen in 2012, as the recovery of demand in the U.S. market slowed down and the global economy continued to be affected by Europe's debt and credit problems, with the overall economic momentum slowing. According to the International Monetary Fund's (IMF) January 2020 World Economic Outlook report, global economic activity is expected to pick up more slowly, with growth expected to be 3.3% in 2020 and 3.4% in 2021. Among all, the growth rate of developed economies declined slightly to 1.6% in 2020 and then to 1.6% in 2021. Total economic activity in the U.S. is expected to decline by 2.0% in 2020 and 1.7% in 2021 due to a slowdown in demand recovery, while the Eurozone economy continues to grow at a low rate of 1.3% and 1.4% in 2020 and 2021, respectively. China's economic growth will slow to 6.1% in 2019, and to 6.0% and 5.8% in 2020 and 2021, respectively.

Overview of the World Economic Outlook Projections

Real GDP; ％

	2018	2019	2020	2021
World Output	**3.6**	**2.9**	**3.3**	**3.4**
Advanced Economies	**2.2**	**1.7**	**1.6**	**1.6**
United States	2.9	2.3	2.0	1.7
Euro Area	1.9	1.2	1.3	1.4
Germany	1.5	0.5	1.1	1.4
United Kingdom	1.3	1.3	1.4	1.5
Japan	0.3	1.0	0.7	0.5
Canada	1.9	1.5	1.8	1.8
Emerging Market and Developing Economies	**4.5**	**3.7**	**4.4**	**4.6**
China	6.6	6.1	6.0	5.8
India	6.8	4.8	5.8	6.5
Russia	2.3	1.1	1.9	2.0
Brazil	1.3	1.2	2.2	2.3

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

B. Major market developments overview

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

The North American market

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

It is also predicted in the Allied Market Research's industry report that North America and Canada have the largest number of fitness clubs in the world, and the global fitness equipment market will continue to grow in both the home and commercial markets from 2018 to 2025, with breakthrough growth in the amounts of membership and fitness clubs. According to the IHRSA (The International Health, Racquet&Sportclub Association) 2019 Industry Report, the number of fitness clubs in the United States increased by 2.8% in 2018, and the number of fitness club members increased from 45.6 million in 2008 to 62.4 million in 2018, with a 37.1% growth rate. With the U.S. accounting for about 1/3 of the global fitness industry's $9.4

billion in annual sales in 2018, the overall commercial market can be said to be maintaining steady growth momentum while also continuing to drive the industry's rising market value.

The European market

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

Other markets

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

C. Domestic industry developments overview

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

According to Department of Statistics in March 2020, the value of indoor fitness equipment output increased by 19.4% annually in 2019, driven by the prevalence of sports and fitness concepts worldwide and the success of the industry in tapping into the international famous resorts and large chain fitness club.

In addition, according to customs import and export trade statistics, from 2015 to 2019, the export value of Taiwan's sports equipment (this includes general physical exercise, gymnastics or athletic competition items and equipment) has remained above US\$680 million, and the export value in 2019 even reached a record high of US\$1 billion, as the following table:

Unit:US$

Year	AMT	Increase (Decrease)%
2015	753,126,306	-0.95
2016	791,178,618	4.70
2017	840,700,705	6.30
2018	894,882,170	6.05
2019	1,053,732,239	17.75

Source: Bureau of Foreign Trade

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

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

5.1.2.2 Outdoor furniture

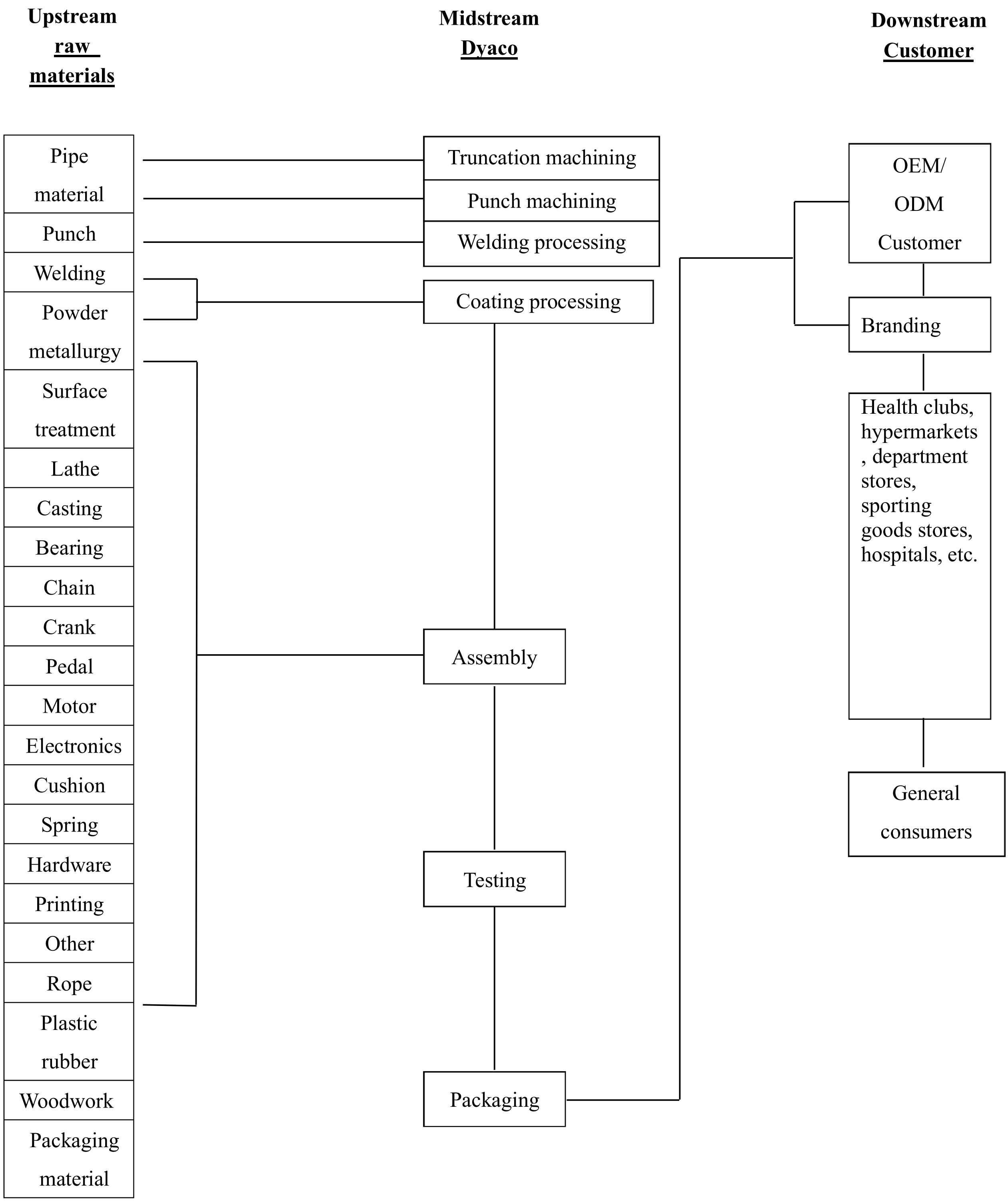
The global demand for outdoor leisure furniture is mainly in Europe and the United States, due to the better economic development in Europe and the United States, the national average annual income is high, they have enough spending power for outdoor leisure furniture, and European and American people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

The earliest outdoor leisure furniture purchased by consumers was a set of tables and chairs. At this stage, in addition to the traditional tables and chairs, umbrella seats, tents and swinging chairs have also been developed. As outdoor leisure furniture is placed outdoors, its use will be influenced by the climatic conditions, while in Europe and the United States, the four seasons are clear, when it is the end of winter and the temperature begins to warm up, the consumer demand for outdoor leisure furniture will gradually increase, and its purchase season is concentrated at the end of spring and throughout the summer. In order to meet the public's demand for outdoor leisure furniture, the major channel stores start selling outdoor leisure furniture products at the end of the first quarter of each year and the sales period will continue until the end of summer. The peak production season is concentrated between October and April of the following year. Due to the above-mentioned seasonal effects, the off-peak and peak seasons of the industry are more noticeable.

As outdoor leisure furniture is left outdoors for a long time, it is susceptible to the effects of the weather and shortens its useful life. In addition, consumers' preferred colors and styles change rapidly, so the life cycle of outdoor leisure furniture products is not long. According to a survey conducted by Casual Living, a professional outdoor leisure furniture research organization, the average consumer will replace their original outdoor leisure furniture after 2-4 years of use. The industry has matured and stabilized so far, and in the future, the major markets for outdoor leisure furniture will remain concentrated in countries such as the United States, Canada and Europe, where a stable market size has been formed and the market is more mature. In addition to the demand for outdoor leisure furniture in Europe and the United States, there are also emerging markets such as Asia, Oceania, Africa and South America. Although the demand for outdoor leisure furniture in emerging markets is not as great as that in Europe and the United States, there is more room for growth in this market, which will drive the continued growth of the global outdoor leisure furniture industry. According to the Mordor Intelligence's industry report, the global outdoor leisure furniture & supplies market will grow at a compound annual growth rate of 5.0% from 2019 to 2025, with the fastest growth occurring in the Asian region.

5.1.3 Upstream, midstream and downstream correlation of industry

5.1.3.1 Fitness equipment



5.1.3.2 Outdoor leisure furniture

Upstream		Midstream		Downstream
Raw material supplier Steel, aluminum, glass, cartons, Textilene and other textile raw materials	→	Furniture manufacturer Pipe making, pipe cutting, welding, rattan weaving, coating, sewing, assembly and packing	→	Sales channel provider Global sales channels

5.1.4 Product development trends

5.1.4.1 Fitness equipment

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

A. Low-load exercise equipment

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

B. Towards humanized and personalized design

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

C. Integrating electronic technology development

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

D. Environmental and energy efficiency

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

5.1.4.2 Outdoor furniture

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

5.1.5 Product competition

5.1.5.1 Fitness equipments

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

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

To continuously enhance the competitiveness of the industry, in addition to keeping abreast of the global market demand and fashion trends and product design direction, under the threat of low production costs and soaring prices of raw materials in China, we continue to maintain the existing advantages in Taiwan, develop innovative products with added value and differentiate them from Chinses products, boost the international marketing ability by our own brand, maximize our competitive edge in the international market, and actively explore global business opportunities.

5.1.5.2 Outdoor furniture

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

5.1.6 Technology and R&D overview

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

5.1.6.2 The Company has so far applied for or passed patents and certifications in Taiwan, China, the United States, the European Union, etc. As of the end of March 2020, the Company has acquired a total of 172 domestic and foreign patents (including invention, utility model and design), with eight patents pending. There are more than 156 trademark rights owned.

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

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

Unit: NT$1,000

Year / Items	2019 (Per Audited)	2020 Q1 (Per book)
R&D expenses	101,217	21,013
Net Operating Revenue	5,850,528	1,590,704
R&D Expense rate on Net Operating Revenue	1.73%	1.32%

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

- Connecting rod climbing stepper
- Fan fitness equipment (fan bike)
- Medical rehabilitation bed-based exercise equipment
- Crawler treadmill
- Biggerway large display control interface treadmill
- Johnny G commercial racing bike
- Medical rehabilitation fitness bike
- TG3D scan detection system
- Medical rehabilitation hand-foot exercise equipment
- FITEBIKE boxing stand and hollow upright bike combined with training equipment

5.1.7 Business development plan

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

5.1.7.1 Short-term development plans

A. Marketing policy

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

B. Production policy

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

C. R&D policy

- Actively develop new models of SPIRIT and SOLE series to increase consumer choice.
- 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.

- 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.
- Develop a new TFT system for light commercial and commercial models.
- Develop products with richer entertainment connectivity (APP software and 3C product connection control) to the control instrument.

5.1.8 Long-term development plans

5.1.8.1 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 focusing on improving the quality of people's workouts and leisure life.

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

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

5.2 Market, production and sales overview

5.2.1 Market analysis

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

Unit: NT$1,000；%

Sales Region \ Year		2018		2019	
		Sales AMT	%	Sales AMT	%
Domestic		98,044	1.76%	176,289	3.01%
Exports	America	3,799,384	68.37%	4,055,986	69.33%
	China	411,183	7.40%	343,057	5.86%
	Europe	798,535	14.37%	860,519	14.71%
	Others	450,004	8.10%	414,677	7.09%
Total		5,557,150	100.00%	5,850,528	100.00%

5.2.1.2 Market Share

A. Fitness Equipment

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

Unit: NT$1,000；%

Year	Sale amount of Dyaco	Sale amount of Taiwan	Market Share
2015	3,027,159	19,053,901	15.82%
2016	3,700,050	19,974,784	18.51%
2017	3,318,995	19,878,799	16.70%
2018	3,289,437	21,585,083	15.24%
2019	3,544,844	26,570,715	13.34%

B. Outdoor Funiture

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. As indicated by the statistics of www.chyxx.com, the global market size of outdoor leisure furniture was approximately US$39.8 billion in 2018, which translated to around NT$1.2227 trillion at the average exchange rate of NT$30.72 against the greenback in 2018. And the Company's 2019 net revenue from outdoor leisure furniture was NT$743 million, giving the Company a market share of approximately 0.06% based on its global market size.

5.2.1.3 Future supply and demand conditions and growth of the market

A. Fitness Equipment

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

According to the International Monetary Fund (IMF), the global economic growth rate would decrease slightly to 3.3% in 2020, with the growth rate of the advanced economies in the United States and the Eurozone, our major export markets, falling to 2.0% and 1.3% respectively, while the fast-growing demand for the sports goods industry in China would also be reduced to 6.0%. Meanwhile, Allied Market Research analysis report noted that the Asia-Pacific region is estimated to have a compound annual growth rate of up to 7.6% from 2020 to 2027. It is evident from the above data that the global economic growth would still show a slow upward trend, the economy of developed countries is slackening, but the demand for sports equipment in developing countries in the Asia Pacific region would increase year by year, which would affect people's consumption of sports equipment.

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

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

The fitness equipment industry is a proactive sector, as the general public can become customers because they want to be healthier and reduce the signs of ageing. To probe into the future products of the sports equipment industry based on the global age structure, we will move towards the development of high-potential contouring, relaxing sports equipment and high cost-effective health care sports equipment. Additionally, fitness equipment suppliers should evolve towards branding and channel development in the future, expedite the development of multi-functional and special-purpose products, design products based on the basic concept of fitness, and apply more electronic technology to reinforce the integrated marketing and innovation value, so that future fitness equipment will grow steadily under such a development trend.

B. Outdoor Funiture

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

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

5.2.2 Competitive niche

5.2.2.1 Acquire market channels

A. Ownership of three self-owned brands SPIRIT, FUEL and XTERRA and distribution rights for SOLE in the international market.

B. With subsidiaries in the U.S., Canada, Japan and China, we are able to respond to customers' needs quickly and accurately grasp the market trend, which helps us to promote our own brand and raise the competition threshold, by accessing the market channels and distribution bases and offering a consistent production process from research and development, production, sales and after-sales service.

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

5.2.2.2 Innovative R&D

A. We have a professional team responsible for product appearance design, commercial design, institutional design, 3D drawing, 2D drawing, electronic engineering, finished product life test to safety certification, and due to a professional work division, we can develop 10 to 20 new products in a year and launch them within six to 12 months.

B. We have acquired the patents of many innovations and utility models, and continue to make proper use of the arrangement of each patent to raise the entry threshold of market technology.

C. We work with the academic institutes in industrial-academic exchanges and technical cooperation to make the products more diversified and creative.

D. In view of the world's rapidly aging population, Dyaco has been partnering with domestic and overseas academic institutions and large rehabilitation and care centers for many years. Based on the professional R&D technology for fitness equipment software and hardware, our company is leading the industry in creating a range of high-end rehabilitative medical equipment.

5.2.2.3 Manufacturing efficiency

A. The introduction of enterprise resource planning software SAP ERP enables the integration of various departments to boost the efficiency of material procurement management and production.

B. The production process from pipe cutting, pipe bending, (automatic) welding, molding, baking and painting to assembly is fully autonomous, which can not only effectively control the cost but also keep tabs on product quality and production progress.

C. We have a complete quality assurance system, which includes incoming quality control (IQC), supplier quality engineer (SQE), input process quality control (IPQC), final quality control (FQC) and outgoing quality control (OQC), to strengthen the quality control of raw materials and finished products.The Company is able to stand out in every market, keep up with trends, and differentiate itself from the competitors in terms of appearance design, product uniqueness, manufacturing performance, marketing channels and after-sales service.

5.2.2.4 Pros, cons and countermeasures to the development vision

A. Pros

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

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

b. Well-established supply chain

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

c. Innovative design capabilities to keep up with trends

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

B. Cons

a. Product homogeneity

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

Response:

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

b. Multiple competitors, price cutting

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

Response:

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

C. Increasing production costs

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

Response:

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

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

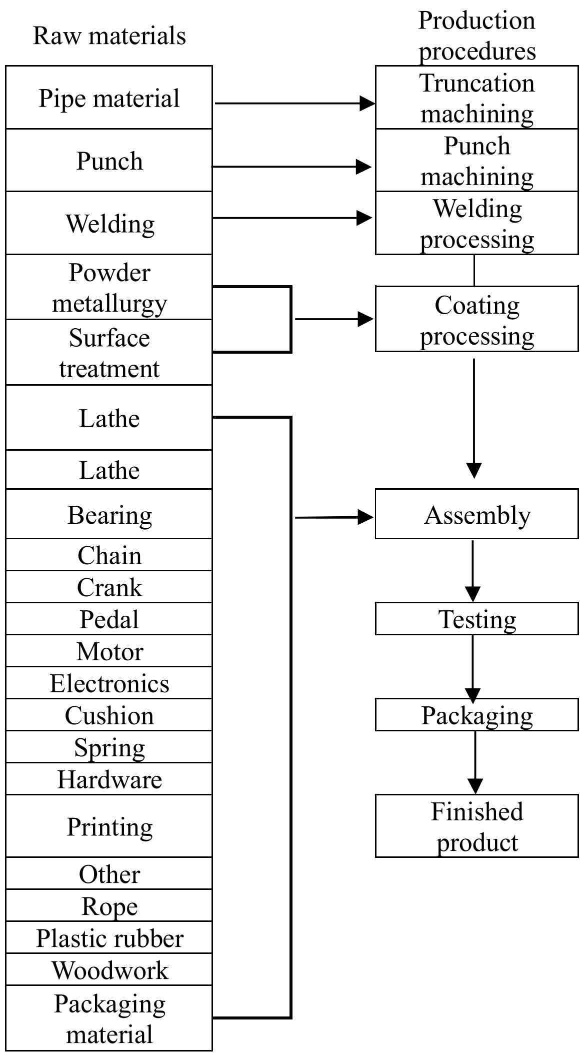
5.2.3 Important uses and manufacturing processes of primary products

5.2.3.1 Important uses of principal products

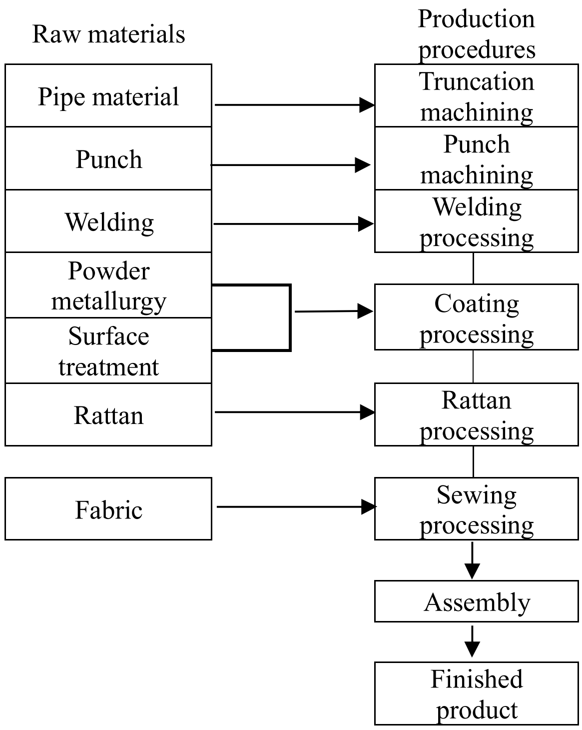
Product Category	Usage
General fitness equipment	Used in homes, hotels, companies, schools, gyms, etc., to burn calories and fat through exercise for healthy body shaping.
Medical rehabilitation equipment	Used in medical institutions, care centers, physiotherapy facilities and at home for the elderly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

5.2.3.2 Manufacturing process

A. Fitness equipments



B. Outdoor furniture



5.2.4 Supply of major raw materials

Major raw materials	Major suppliers	Supply status
System	Ejek Technology Co, Guangzhou ChuHui Electronics Co, Alatech Technology Limited etc.	Good
Plastic	Fun Jie Metal Co, Dongguan Xihai Co, etc.	Good
Motor	Guangdong Wanrui Co, Ya Cheng Electrical Engineering Co, etc.	Good
Metal	Beijiao Mingshang Metal Fittings Factory, Wujiang Junming Metal Products Co, etc.	Good

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

5.2.5 List of main procurement/sales suppliers/clients

5.2.5.1 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.

5.2.5.2 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；%

	2018				2019			
Item	Name	Amount	Percentage of net sales (%)	Relationship with issuer	Name	Amount	Percentage of net sales (%)	Relationship with issuer
1	Sole Fitness	1,128,554	20.31	None	Sole Fitness	1,376,969	23.54	None
2	Others	4,428,596	79.69	-	Others	4,473,559	76.46	-
	Net sales	5,557,150	100.00	-	Net sales	5,850,528	100.00	-

The reason for increases or decreases:

Sole Fitness has long been one of the Company's key clients, primarily engaged in the sale of SOLE branded products in the U.S. market, and has benefited from model modifications in 2019, resulting in sales growth compared to 2018.

5.2.6 Output volume and value during the most recent two years

Unit: NT$1,000；SET/PCS

Yeaar / Output volume	2018			2019		
Major Products	Capacity	QTY	AMT	Capacity	QTY	AMT
Treadmill	180,000	141,909	1,669,398	180,000	173,582	1,541,611
Elliptical	95,000	72,359	827,863	95,000	72,359	761,778
Bike	50,000	34,850	301,306	50,000	34,850	327,815
Funiture	—	—	955,623	—	-	594,005
Others	—	—	136,109	—	-	77,309
Total	325,000	249,118	3,890,299	325,000	280,791	3,302,518

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

The reason for increases or decreases:

The new treadmill was moved to Shelton Corporation Jiaxing Ltd. for mass production and XTERRA products have achieved good results in North America's major channels and e-commerce platforms, driving a significant growth in low-end treadmills compared to the same period last year, resulting in an increase in treadmill production but no increase in output value. In addition, Shelton Corporation Jiaxing Ltd.'s outdoor furniture production and output decreased compared to last year due to the trade dispute between the United States and China.

5.2.7 Sales volume and value during most recent two years

Unit: NT$1,000；SET/PCS

Year / Sales volume	2018				2019			
Major Products	Domestic		Export		Domestic		Export	
	QTY	AMT	QTY	AMT	QTY	AMT	QTY	AMT
Treadmill	1,207	37,969	131,252	2,184,974	1,665	54,812	158,391	2,455,233
Elliptical	390	10,347	72,359	1,153,240	913	22,301	67,833	1,089,549
Bike	755	11,276	61,954	600,733	1,176	18,099	106,433	762,178
Funiture	-	-	-	879,877	-	-	-	742,865
Others	-	38,452	-	640,282	-	81,076	-	624,415
Total	2,352	98,044	265,565	5,459,106	3,754	176,289	332,657	5,674,239

The reason for increases or decreases:

The Company is mainly export oriented. Thanks to the continued growth of the SOLE and SPIRIT brands in the North American market and the success of XTERRA's products in large channels and e-commerce platforms, the Company's overall sales performance in North America grew year-on-year, resulting in year-over-year growth in both sales volume and sales value in 2019. However, Shelton Corporation Jiaxing Ltd.'s outdoor furniture sales dropped due to the U.S.-China trade dispute.

5.3 Employees:

Year		2018	2019	2020/3/31
Number of employees	Direct Labor	755	739	707
	Indirect labor	602	583	592
	Total	1,375	1,322	1,299
Average age (Years)		39.34	39.73	39.99
Average years of service (Years)		6.34	6.72	6.96
Education background (%)	Master	2.80	4.24	4.46
	Bachelors	33.31	31.69	32.72
	Senior High School and below	63.89	64.07	62.82

5.4 Information on environmental protection expense

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

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

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

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

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

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

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

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

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

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

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

5.5 Employer/employee relations

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

5.5.1 Employee benefits

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

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

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

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

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

5.5.2 Employee continuing education and training

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

5.5.3 Retirement systems and the implementation

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

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

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

5.5.3.1 Employees who apply for voluntary retirement:

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

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

5.5.3.2 Employees forced to retire:

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

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

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

5.5.3.3 Pension payment standard:

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

5.5.3.4 Pension payments:

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

5.5.4 The status of agreements between labor and management

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

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

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

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

Employees' physical and mental health is an important part of workplace safety besides providing a good working environment in hardware to prevent employees from getting injured. If employees can maintain good physical and mental health, they can reduce occupational accidents and workplace violence caused by physical discomfort and distraction. Therefore, Dyaco implements workplace health services by: providing employees with annual health check-up and tracking of abnormalities, with an annual check-up rate of over 95%; conducting 8-10 health activities, seminars and weekly e-mail notice to promote health and safety awareness; preventing incidents from occurring, carrying out workplace violence prevention plans, human hazards prevention plans, overload prevention plans, etc., and inventorying potential human hazards in each unit and performing risk management; setting up a medical room for simple sickness and injury treatment, vital signs monitoring and emergency medical assistance, with an average of 10 people per month for simple ailment and injury treatment; installing 35 first-aid kits and two automated external defibrillators company-wide, so that the sick and injured can be treated immediately; and conducting workplace safety assessment and maternal health assessment for employees during pregnancy and one year after delivery, with an average of 15 staff members served in the past six months and setting up maternity lounges and breastfeeding rooms in idle space, so that employees can nurture the next generation in a safe environment. With active promotion, Dyaco was awarded the Health Promotion Administration's Healthy Workplace Certification - Health Promotion Mark in 2016.The actual promotion of work environment and employee personal safety protection measures in 2019 are as follows:

5.5.6.1 Regular implementation of operational environmental monitoring

Preventing occupational disasters, protecting workers' health, avoiding physical and chemical hazards, providing workers with a healthy and comfortable working environment, and implementing regular monitoring of the working environment, with the operation site tested for dust, noise, etc. every six months.

5.5.6.2 Regular implementation of safety and health education and training

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

5.5.6.3 Regular implementation of fire drills

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

5.5.6.4 Convening of the Occupational Safety and Health Committee

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

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

5.6 Material Contracts

Nature of contract	The parites	Term of Contract	Content	Restriction Clauses
Bank Loan	Mega Bank	2007.12.10-2022.12.10	Long-term Secured borrowings	None
Bank Loan	Mega Bank	2019.09.27-2024.09.27	Mid and Long-term Secured borrowings	None
Bank Loan	Mega Bank	2020.02.26-2022.02.26	Mid and Long-term Secured borrowings	None
Bank Loan	Chang Hua Bank	2008.05.21-2023.05.21	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2009.09.23-2024.09.23	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2015.11.25-2022.11.25	Long-term Secured borrowings	None
Bank Loan	Bank SinoPac	2016.10.31-2023.10.31	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2034.06.17	Long-term Secured borrowings	None
Bank Loan	Taishin Bank	2019.06.17-2024.06.17	Mid and Long-term Secured borrowings	None
Bank Loan	Taiwan Cooperative Bank	2018.11.30-2038.11.26	Long-term Secured borrowings	None
Bank Loan	Darlehen Koln Bank	2016.01.30-2020.07.31	Long-term Secured borrowings	None
Bank Loan	Bank of Montreal	2016.05.01-2023.04.30	Long-term Secured borrowings	None
Co-branded Agreement	Johnny G Method	Beginning of 2017.01	The partnership agreement with Johnny G	None
Distributor Agreement	Zuffa International LLC.	2017.06~2022.12	Agent distribution of UFC's products	None
Distributor Agreement	Koninklijke Philips N.V.	2018.06~2023.12	Agent distribution of PHILIPS 's products	None

VI. Financial Overview

6.1 Condensed Balance Sheet and Statement of Comprehensive Income fot 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				
		2015	2016	2017	2018	2019
Current Assets		2,438,107	3,327,094	3,143,572	3,207,449	3,550,149
Property, plant and equipment		1,651,142	1,765,806	2,743,842	2,824,366	2,656,050
Intangible Assets		236,367	189,436	290,923	464,504	416,321
Other Assets		105,358	78,057	458,229	528,989	672,781
Total Assets		4,430,974	5,360,393	6,636,566	7,025,308	7,295,301
Current Liabilities	Before Distribution	2,284,663	2,568,237	3,054,043	3,854,329	3,822,171
	After Distribution	2,161,642	2,373,042	3,009,568	3,823,196	Note 2
Non-Current Liabilities		592,449	560,071	1,436,693	1,092,458	1,228,813
Total Liabilities	Before Distribution	2,877,112	3,128,308	4,490,736	4,946,787	5,050,984
	After Distribution	2,754,091	2,933,113	4,446,261	4,915,654	Note 2
Equity attributable to owners of parent		1,551,862	2,230,011	1,820,518	1,744,645	1,894,145
Capital		820,142	929,502	929,502	929,502	961,009
Capital Surplus		291,802	705,869	722,117	738,397	758,304
Retained Earnings	Before Distribution	454,874	631,807	283,017	328,209	452,985
	After Distribution	331,853	436,612	238,542	297,076	Note 2
Other Equity		(14,956)	(37,167)	(59,258)	(79,123)	(105,813)
Treasury Share		-	-	(54,860)	(172,340)	(172,340)
Non-Controlling Interests		2,000	2,074	325,312	333,876	350,172
Total Amount of Equity	Before Distribution	1,553,862	2,232,085	2,145,830	2,078,521	2,244,317
	After Distribution	1,430,841	2,036,890	2,101,355	2,047,388	Note 2

Note 1：The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

Note2：As of the pub1ication date of this annual report, the 2019 earnings distribution wa approved by the BOD.

6.1.1.2 Condensed Statement of Comprehensive Income (Consoliated)

Unit: NT$1,000

Year / Iem	Financial Statement for the past five years				
	2015	2016	2017	2018	2019
Net Operating Revenue	4,415,214	4,724,842	4,457,716	5,557,150	5,850,528
Gross Profit	1,117,530	1,399,937	1,270,689	1,527,399	1,716,399
Profit (Loss) from Operations	236,968	408,698	(23,914)	85,090	327,705
Non-Operating Income and Expenses	94,179	(5,651)	(177,197)	61,571	(49,061)
Profit (Loss) before Income Tax	331,147	403,047	(201,111)	146,661	278,644
Net Income (Loss) from Continuing Operations	253,702	301,435	(165,903)	127,456	220,095
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	253,702	301,435	(165,903)	127,456	220,095
Other Comprehensive Income（Net amount after tax）	(31,127)	(23,618)	(22,725)	(29,252)	(43,447)
Total Comprehensive Income	222,575	277,817	(188,628)	98,204	176,648
Net Profit Attributable to parent company shareholders	253,702	301,361	(150,891)	107,123	189,001
Profit Atrributable to Noncontrolling Interest	-	74	(15,012)	20,333	31,094
Comprehensive Income (Loss) Attributable to Owners of the Parent	222,575	277,743	(175,686)	87,865	160,352
Comprehensive Income Attributable to Noncontrolling Interest	-	74	(12,942)	10,339	16,296
Earnings Per Share	3.13	3.54	(1.62)	1.16	2.05

Note 1：The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

6.1.1.3 Condensed Balance Sheet (Parant Company Only)

Unit: NT$1,000

Item		Year: Financial Statement for the past five years				
		2015	2016	2017	2018	2019
Current Assets		1,838,342	2,739,121	2,120,221	2,156,513	2,580,856
Property, plant and equipment		1,342,635	1,377,064	1,640,456	1,762,174	1,690,350
Intangible Assets		16,238	13,108	10,460	144,981	141,565
Other Assets		798,597	823,301	1,545,737	1,606,619	1,635,507
Total Assets		3,995,812	4,952,594	5,316,874	5,670,287	6,048,278
Current Liabilities	Before Distribution	1,887,282	2,228,129	2,303,908	3,117,051	3,203,247
	After Distribution	1,764,261	2,032,934	2,259,433	3,085,918	Note 2
Non-Current Liabilities			494,454	1,192,448	808,591	950,886
Total Liabilities	Before Distribution	2,443,950	2,722,583	3,496,356	3,925,642	4,154,133
	After Distribution	2,320,929	2,527,388	3,451,881	3,894,509	Note 2
Equity attributable to owners of parent			2,230,011	1,820,518	1,744,645	1,894,145
Capital			929,502	929,502	929,502	961,009
Capital Surplus			705,869	722,117	738,397	758,304
Retained Earnings	Before Distribution	454,874	631,807	283,017	328,209	452,985
	After Distribution	331,853	436,612	238,542	297,076	Note 2
Other Equity			(37,167)	(59,258)	(79,123)	(105,813)
Treasury Share			-	(54,860)	(172,340)	(172,340)
Non-Controlling Interests			-	-	-	-
Total Amount of Equity	Before Distribution	1,551,862	2,230,011	1,820,518	1,744,645	1,894,145
	After Distribution	1,428,841	2,034,816	1,776,043	1,713,512	Note 2

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

Note2: As of the pub1ication date of this annual report, the 2019 earnings distribution wa approved by the BOD.

6.1.1.4 Condensed Statement of Comprehensive Income (Parant Company Only)

Unit: NT$1,000

Year / Iem	Financial Statement for the past five years				
	2015	2016	2017	2018	2019
Net Operating Revenue	3,027,159	3,700,050	3,318,995	3,289,437	3,544,844
Gross Profit	636,374	855,069	688,065	680,925	795,984
Profit (Loss) from Operations	216,172	375,885	132,144	229,335	359,077
Non-Operating Income and Expenses	99,912	10,279	(308,338)	(118,234)	(117,699)
Profit (Loss) before Income Tax	316,084	386,164	(176,194)	111,101	241,378
Net Income (Loss) from Continuing Operations	253,702	301,361	(150,891)	107,123	189,001
Income (Loss) on Discontinued Operations	-	-	-	-	-
Net Income (Loss)	253,702	301,361	(150,891)	107,123	189,001
Other Comprehensive Income（Net amount after tax）	(31,127)	(23,618)	(24,795)	(19,258)	(28,649)
Total Comprehensive Income	222,575	277,743	(175,686)	87,865	160,352
Net Profit Attributable to parent company shareholders	253,702	301,361	(150,891)	107,123	189,001
Profit Atrributable to Noncontrolling Interest	-	-	-	-	-
Comprehensive Income (Loss) Attributable to Owners of the Parent	222,575	277,743	(175,686)	87,865	160,352
Comprehensive Income Attributable to Noncontrolling Interest	-	-	-	-	-
Earnings Per Share	3.13	3.54	(1.62)	1.16	2.05

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

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

Year	Name of Accounting Frim	Name of CPA	Audit opinion
2015	Deloitte & Touche Taiwan	Ms. Liao Wan-Yi and Mr. Hsieh Chien-Hsin	Unqualified Opinion
2016	Deloitte & Touche Taiwan	Ms. Liao Wan-Yi and Mr. Hsieh Chien-Hsin	Unqualified Opinion
2017	Deloitte & Touche Taiwan	Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi	Unqualified Opinion
2018	Deloitte & Touche Taiwan	Ms. Liao Wan-Yi and Mr. Chang Keng-Hsi	Unqualified Opinion
2019	Deloitte & Touche Taiwan	Ms. Chen, Chao-Mei and Mr. Hsieh Chien-Hsin	Unqualified Opinion

6.2 Financial analysis of the last five years

6.2.1 Consoliated Financial Analysis (IFRS)

6.2.1.1 Consoliated Financial Statement

Item	Year	Financial analysis of the last five years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure (%)	Debt to asset ratio	64.93	58.36	67.67	70.41	69.24
	Long-term Fund to Property, Plant and Equipment	129.99	158.12	130.57	112.27	130.76
Liquidity (%)	Current Ratio	106.72	129.55	102.93	83.22	92.88
	Quick Ratio	79.90	103.34	60.13	50.38	60.40
	Times interest earned	13.82	16.03	-5.66	3.70	5.69
Operating ability	Average Collection Turnover (Times)	4.60	5.31	5.48	5.61	5.28
	Average days of collection	79	69	67	65	69
	Average Inventory Turnover (Times)	5.08	5.49	3.48	3.33	3.41
	Average Payables Turnover (Times)	2.91	2.93	2.83	3.29	3.43
	Average days of sales	73	67	105	110	107
	Property, Plant and Equipment Turnover (Times)	2.98	2.77	1.98	2.00	2.14
	Total Assets Turnover (Times)	1.05	0.97	0.74	0.81	0.82
Profitability	Return on Total Assets (%)	6.54	6.61	-2.35	2.50	3.74
	Return on Equity (%)	18.63	15.92	-7.58	6.03	10.18
	Pre-tax Income to Paid-in Capital Ratio (%)	40.38	43.36	-21.64	15.78	28.99
	Net Margin (%)	5.75	6.38	-3.72	2.29	3.76
	Earnings Per Share (NT$)	3.13	3.54	-1.62	1.20	2.05
Cash flows	Cash Flow Ratio (%)	9.66	23.49	-10.40	-1.16	11.63
	Cash Flow Adequacy Ratio (%)	68.26	69.68	86.59	45.32	44.17
	Cash Flow Reinvestment Ratio	3.04	14.07	-37.86	-2.82	11.94
Leverage	Operating leverage	1.49	1.31	-5.65	2.70	1.89
	Financial leverage	1.12	1.07	0.44	2.77	1.22

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

A. Solvency (increase in quick ratio): the variance is mainly due to the cash capital increase in 2019.

B. Solvency (increase in interest coverage folds): due to revenue growth and control of operating costs and expenses in 2019.

C. Profitability (return on assets, return on equity, ratio to paid-in capital - net income before tax, net income ratio and increase in earnings per share): due to revenue growth and control of operating costs and expenses in 2019.

D. Cash flow (increase in cash flow ratio and cash reinvestment ratio): The improving overall operating conditions in 2019 resulted in net cash flow from operating activities shifting from an outflow from the previous year to an inflow.

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

6.2.1.2 Financial Statement (Parant Company Only)

Item	Year	2015	2016	2017	2018	2019
		Financial analysis of the last five years (Note 1)				
Financial structure (%)	Debt to asset ratio	61.16	54.97	65.76	69.23	68.68
	Long-term Fund to Property, Plant and Equipment	157.04	197.85	183.67	144.89	168.31
Liquidity (%)	Current Ratio	97.41	122.93	92.03	69.18	80.57
	Quick Ratio	85.73	111.56	78.19	59.37	71.21
	Times interest earned	19.49	15.95	-5.42	3.84	7.31
Operating ability	Average Collection Turnover (Times)	3.46	3.34	2.84	2.63	2.83
	Average days of collection	105	109	128	139	129
	Average Inventory Turnover (Times)	13.03	12.72	9.62	8.73	9.76
	Average Payables Turnover (Times)	3.01	3.16	2.73	2.81	2.89
	Average days of sales	28	29	38	42	37
	Property, Plant and Equipment Turnover (Times)	2.58	2.72	2.20	1.93	2.05
	Total Assets Turnover (Times)	0.88	0.83	0.65	0.60	0.60
Profitability	Return on Total Assets (%)	7.76	7.21	-2.49	2.52	3.75
	Return on Equity (%)	18.65	15.94	-7.45	6.01	10.39
	Pre-tax Income to Paid-in Capital Ratio (%)	38.54	41.55	-18.96	11.95	25.12
	Net Margin (%)	8.38	8.14	-4.55	3.26	5.33
	Earnings Per Share (NT$)	3.13	3.54	-1.62	1.20	2.05
Cash flows	Cash Flow Ratio (%)	—	22.05	—	7.72	17.77
	Cash Flow Adequacy Ratio (%)	68.56	70.38	29.89	25.72	29.18
	Cash Flow Reinvestment Ratio	-13.21	10.13	-15.38	7.27	17.98
Leverage	Operating leverage	1.15	1.13	1.70	1.18	1.07
	Financial leverage	1.09	1.07	1.26	1.21	1.12

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

A. Solvency (increase in quick ratio): the variance is mainly due to the cash capital increase in 2019.

B. Solvency (increase in interest coverage folds): due to revenue growth and control of operating costs and expenses in 2019.

C. Profitability (return on assets, return on equity, ratio to paid-in capital - net income before tax, net income ratio and increase in earnings per share): due to revenue growth and control of operating costs and expenses in 2019.

D. Cash flow (increase in cash flow ratio and cash reinvestment ratio): The improving overall operating conditions in 2019 resulted in net cash flow from operating activities shifting from an outflow from the previous year to an inflow.

Note 1: The above financial statements have been audited or reviewed by an independent accountant during 2015~2019.

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

A. Financial structure:

a. Debt to asset ratio = Total Liabilities / Total Assets

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

B. Liquidity:

a. Current Ratio = Current Assets / Current Liabilities

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

c. Time interest earned = net income before income tax and interest expense / current interest expense.

C. Operating ability:

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

b. Average Collection Days = 365 / Average Collection Turnover

c. Inventory turnover ratio = cost of goods sold / average amount of inventory.

d. Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)

e. Average Inventory Turnover Days = 365 / Average Inventory Turnover

f. Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

g. Fixed assets turnover ratio = net sales / total average fixed assets.

D. Profitability:

a. Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets

b. Return on Equity = Net Income / Average Equity

c. Net profit margin = after-tax profit / net operating income.

d. Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

E. Cash flows:

a. Cash flow ratio = new cash flows from operating activities / current liabilities.

b. Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

c. Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital).

F. Leverage:

a. Operating leverage = (net operating revenue — variable operating cost and expenses) / operating profit.

b. Financial leverage = operating profit / (operating profit — interest expense).

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

Dyaco International Inc.

Audit Committee's Report

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

The Board of Directors has prepared and submitted the 2019 Consoliated Financial Statement (Include Financial Statement), business report, and earnings distribution proposal. The Consoliated financial statements (Include Financial Statement) were audited by Deloitte & Touche Taiwan and has issued a review report. These have been reviewed by the Audit Committee and determined to be correct and accurate. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Dyaco International Inc

Audit Committee convener: Hsieh, Chang-Hung

March 27, 2020

6.4 Financial Report in the most recent year, including independent auditors' audit report, balance sheet, statement of comprehensive income, statement of change in equity, statement of cash flow, and notes, or table: Please refer to page 145.

6.5 Parent Financial Report in the most recent year Please refer to the below.

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

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

7.1 Financial position

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

7.1.1 Comparative analysis of financial status:

Unit：NT$1,000

Item \ Year	2018	2019	Differnce	
			Amount	%
Current Assets	3,207,449	3,550,149	342,700	10.68%
Property, plant and equipment	2,824,366	2,656,050	(168,316)	(5.96%)
Intangible Assets	464,504	416,321	(48,183)	(10.37%)
Other Non-Current Assests	528,989	672,781	143,792	27.18%
Total Assets	7,025,308	7,295,301	269,993	3.84%
Current Liabilities	3,854,329	3,822,171	(32,158)	(0.83%)
Non-Current Liabilities	1,092,458	1,228,813	136,355	12.48%
Total Liabilities	4,946,787	5,050,984	104,197	2.11%
Ordinary Shares	929,502	961,009	31,507	3.39%
Capital Surplus	738,397	758,304	19,907	2.70%
Retained Earnings	328,209	452,985	124,776	38.02%
Other Equity	(79,123)	(105,813)	(26,690)	33.73%
Treasury Shares	(172,340)	(172,340)	-	- %
Non-Controlling Interests	333,876	350,172	16,296	4.88%
Total Equity	2,078,521	2,244,317	165,796	7.98%

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)

A. The increase in other assets was mainly due to the reclassification of real estate, plants and equipment used for rent-earning purposes to investment property.

B. The increase in retained earnings was due to earnings growth in 2019.

C. The increase in other equity was due to a variance in gains/losses on exchange differences on translation of foreign financial statements as a result of exchange rate effects.

7.2 Financial performance

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

7.2.1 Comparative Analysis of Financial Performance

Unit: NT$1,000

Item \ Year	2018	2019	Increase (Decrease) Amount	Difference (%)
Net Operating Revenue	5,557,150	5,850,528	293,378	5.28%
Operating Costs	4,029,751	4,134,129	104,378	2.59%
Gross Profit	1,527,339	1,716,399	189,060	12.38%
Operating Expenses	1,539,755	1,377,363	-162,392	-10.55%
Other Operating Income and Expenses	97,446	-11,331	-108,777	-111.63%
Profit from Operations	85,090	327,705	242,615	285.13%
Non-Operating Income and Expenses	61,571	-49,061	-110,632	-179.68%
Profit before Income Tax	146,661	278,644	131,983	89.99%
Income Tax Expense	19,205	58,549	39,344	204.86%
Net Profit	127,456	220,095	92,639	72.68%
Other Comprehensive Loss	(29,252)	(43,447)	-14,195	48.53%
Total Comprehensive Income	98,204	176,648	78,444	79.88%

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

A. The difference in the net amount of other revenues and gains and expenses and losses was mainly due to a gain of NT$103 million from the disposition of land and plants in 2018.

B. Non-operating income and expenses were impacted by the continued weakening of the U.S. dollar in the fourth quarter of 2019, which resulted in an exchange loss and non-operating expenses being incurred in the current period, causing a variance.

C. The increase in other comprehensive loss for this period was due to a variance in gains/losses on exchange differences on translation of foreign financial statements as a result of exchange rate effects.

D. The increase in net operating profit, net income before tax, income tax expense, net income for the period and total consolidated income for the period was mainly due to the increase in sales in North America in 2019 and the reduction in costs and expenses, which resulted in a growth in overall operating results compared to the previous year.

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

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

7.3 Cash flows

7.3.1 Analysis of liquidity for the last two years

Items \ Year	2018	2019	Difference
Cash Flow Ratio (%)	-1.16	11.63	1102.59%
Cash Flow Adequacy Ratio (%)	45.32	44.17	(2.54%)
Cash Flow Reinvestment Ratio(%)	-2.82	11.94	523.40%

Description of changes in cash flows:

The increase in cash flow ratio and cash reinvestment ratio was due to the improving overall operating conditions in 2019 resulting in net cash flow from operating activities shifting from an outflow from the previous year to an inflow.

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

Unit: NT$1,000

Beginning Cash Balance (1)	Net cash in inflow from operating activities (2)	Net cash in inflow from investing activitie (3)	Net cash in inflow from financing activitie (4)	Cash surplus (insufficiency) (1)+(2)+(3)+(4)	Remedial Measures for cash deficit	
					Investment plan	Financial plan
826,213	413,089	(1,213,485)	475,679	501,496	-	-

The Company's 2020 operating plans will continue to push the Company's profitability upward, with a net cash inflow from operating activities estimated at NT$413,089 thousand, a net cash outflow of NT$1,213,485 thousand from investing activities such as the acquisition of subsidiaries, equipment and intangible assets, and a net cash inflow of NT$475,679 thousand from financing activities such as cash capital increases, cash dividends issued and bank loans. The Company had no significant capital expenditures for 2019 and did not anticipate a cash shortfall as operating activities grew and improved profitability.

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

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

7.5.1 Investment policy in the past year

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

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

FY 2019；Unit：NT$1,000

Reinvestment Company	Main Business	Profit (Loss) for the Year 2019	Main Reasons for Profit or Loss	Imporvement Plan	Investment Plan
Dyaco International Holding Limited	Investment holding	111,336	－	－	None
Fuel-Spirit International Inc.	Investment holding and trading business	86,569	－	－	None
Dyaco Eurpoe GmbH	Investment holding and sales of fitness equipment	(96,879)	Recognized as a loss on reinvestment and is still in the business integration stage, operations have not yet reached scale.	This shall be improved when the local business development is stable and the scale of operation becomes apparent.	Incremental capital increases in accordance with capital requirements
CARDIOfitness GmbH & CO. KG	Sales of fitness equipment	(67,695)	Sales market is competitive and operations have not yet reached scale.	This shall be improved with adjustments to the business developmeny strategy and after the scale of operation becomes apparent.	Incremental capital increases in accordance with capital requirements
CARDIOfitness Verwaltungs GmbH	Investment	(28)	－	－	None
Dyaco UK Ltd.	Sales of fitness equipment	(63,961)	Still in the business integration stage, operations have not yet reached scale.	This shall be improved when the local business development is stable and the scale of operation becomes apparent.	Incremental capital increases in accordance with capital requirements
Spirit Manufacturing Inc.	Sales of fitness equipment	7,345	－	－	None
Spirit Direct	Sales of shopping channels' products	(19,384)	New products and sales plans have not yet started.	Continue to develop new customers and develop new products.	Incremental capital increases in accordance with capital requirements
Dyaco Commercial & Medical North America, LLC.	Sales of fitness equipment	(54,475)	still in the business integration stage, sales plan has not yet officially begun.	Continuous improvement of operations as the sales plan begins.	Incremental capital increases in accordance with capital requirements
Dyaco Canada Inc.	Sales and services of fitness equipment	4,164	Revenues have reached economic scale and the business is therefore profitable.	－	None

Reinvestment Company	Main Business	Profit (Loss) for the Year 2019	Main Reasons for Profit or Loss	Imporvement Plan	Investment Plan
Dyaco Japan Co., Ltd	Sales of fitness equipment	(7,382)	Competition in the sales market affects the Company's profitability, while the benefits of developing new products and brands have not yet been realized.	With the implementation of various new sales plans and the saving of costs, we expect that the benefits of new products and brands will gradually become apparent, which is expected to improve profitability.	Incremental capital increases in accordance with capital requirements
Dongguan Dayu Sports Equipment Co., Ltd. (Note)	Sales and manufactur of fitness equipment	(3,334)	—	—	None
Dyaco (Shanghai) Trading Co., LTD.	Sales of fitness equipment	(10,103)	Competition lin the sales market affects the Company's profitability, while the benefits of developing new products and brands have not yet been realized.	With the implementation of various new sales plans and the saving of costs, we expect that the benefits of new products and brands will gradually become apparent, which is expected to improve profitability.	None
Dyaco Health Technology (Beijing) Co., Ltd.	Health management consultation	(3,392)	Still in the start-up phase and operations have not yet reached scale.	Adjustment to business development strategies to improve operational conditions.	
Shelton Corporation (Jiaxing)., LTD	Manufacture and sale of outdoor furniture	91,708	—	—	None
Wing Long Co., Ltd.	Sales of alcoholic drinks	(3,768)	Still in the start-up phase and operations have not yet reached scale.	Increase sales, develop new customers and save expenditures.	Incremental capital increases in accordance with capital requirements
Daan Health Management Consulting Co., Ltd.	Medical equipment	298	—	—	None

Note: Dongguan Dayu Sports Equipment Co., Ltd., was liquidated and cancelled in November 2019.

7.6 Risk analysis and assesment

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

7.6.1.1 Changes in interest rates:

Unit：NT$1,000; %

Year / Item	2018	2019
Interest Revenue (Expense)	(47,317)	(49,617)
Profits (Loss) before Income Tax	146,661	278,644
Interest rate on the Company's profits (Loss) (%)	(32.26%)	(17.81%)

The Company's interest expense is incurred as a result of bank loans in the operating activities. The net interest income and expense for 2018 and 2019 were NT$47,317 thousand and NT$49,617 thousand, respectively, which constituted for 32.26% and 17.81% of the Company's net (loss) income before tax. Changes in interest rates have an impact on the Company's profitability to some extent. The Company's interest expense increased in 2019 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; %

Year / Item	2018	2019
Exchange Gain (Loss)	61,732	(22,912)
Profits (Loss) before Income Tax	146,661	278,644
Exchange rate on the Company's profits (Loss) (%)	42.09%	(8.22%)

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

A. The Company's financial personnel maintain close contact with banks, collect information on exchange rates, seek favorable selling points with reference to bank quotes, and conduct appropriate foreign exchange operations to avoid losses due to exchange rate fluctuations.

B. When offering prices to customers, business units should take into account the trend of exchange rates and offer more stable prices so as to avoid exchange rate fluctuations from eroding the Company's profit.

7.6.1.3 Changes in the inflation rate

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

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

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

B. The Company's loaning of funds, endorsements/guarantees are processed in accordance with its "Procedures Governing Loaning of Funds and Making of Endorsements/Guarantees" and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."

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

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

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

A. Expediting the entry into medical rehabilitation and health aids products.

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

C. Expanding the product appearance designer lineup and increasing the business sales options.

7.6.2.2 In the future, it is expected that the R&D expenses committed will be adjusted according to the product development schedules and plans and the operational conditions, and will account for approximately 1.5% to 2.5% of the total revenue in 2020.

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

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

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

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

7.6.4.2 Information security risk assessment

A. Information security risk management organizational structure

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

B. Information security management mechanism and policy

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

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

Information Security Risk Management Policy		
Information security governance	• 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	• 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	• 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.

C. Information security incidents

As of the date of publication of the annual report, the Information Department ‘s Information Security Section in January 2019 discovered that the Company's mailboxes were attacked by a large number of phishing emails, and thus blocked the letter and related domains, and provided related disposal instruction on phishing tactics to enhance employees' information security awareness. Also, we conducted in 2019 information security education for each department that received fraudulent emails, and trained employees to identify scam emails and use sandbox filtering to identify fraudulent behavior modules to effectively block and avoid company losses. The Information Department’s Information Security Section has the following specific actions in disaster prevention:

a. In March 2019, activated the Company’s external mailbox (domain: dyaco.com) multiple authentication mechanism to enhance the security of its mailboxes and its personnel's awareness of the responsibility for the custody of personal mailboxes.
b. In September 2019, upgraded the password strength of internal mailboxes (domain: dyaco.com.tw), and cleaned up long-unused accounts to prevent account theft and spamming, among other information security incidents.
c. In October 2019, renewed the Company's anti-virus software license to enhance information security.
d. In 2020, plan to update the firewall, network switch and other related cybersecurity equipment in the Taipei headquarters to enhance its information security protection and network optimization experience.
e. In 2020, discontinue ZOOM video software and change to use Teams as remote conferencing software to maintain information security.

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

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

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

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

With a high market share of mid-range home fitness equipment, Sole Fitness has won numerous awards on major consumer review sites both nationally and internationally for its high-quality products and excellent service. Sales of SOLE in North America and global brand sales are important to the Company and the Company is the sole supplier to Sole

Fitness, the business relations between the two are inextricably linked. Given the group's long and stable history, there are no significant risks associated with the planned acquisition of Sole Fitness to maximize synergies.

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

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

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

7.6.8.1 Purchasing

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

7.6.8.2 Sales

North America is a major market in the global fitness equipment industry, accounting for more than one-half of the global output value. In addition to its own brand sales, the Company has long been working well with a brand sales company in North America, and the complementary results have been growing year after year, so that this customer accounts for about 20% of the Company's revenue. In view of this, the Company has taken relevant measures to reduce the risk of concentration of sales:

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

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

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

D. Proactively promote private brands and launch a variety of private brands to capture overseas business opportunities. There are now international distributorships for the world's best-selling private brand Spirit, emerging brands Fuel and Xterra, as well as top fitness equipment brand SOLE.

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

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

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

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

7.6.11 Litigious and non-litigious matters

7.6.11.1 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 prospectus publication date, the prospectus shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case: None.

7.6.11.2 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 a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent 2 fiscal years or during the current fiscal year up to the prospectus publication date, the prospectus shall disclose the information: None.

7.6.12 Other major risks and response measures: None.

7.7 Other important matters: None.

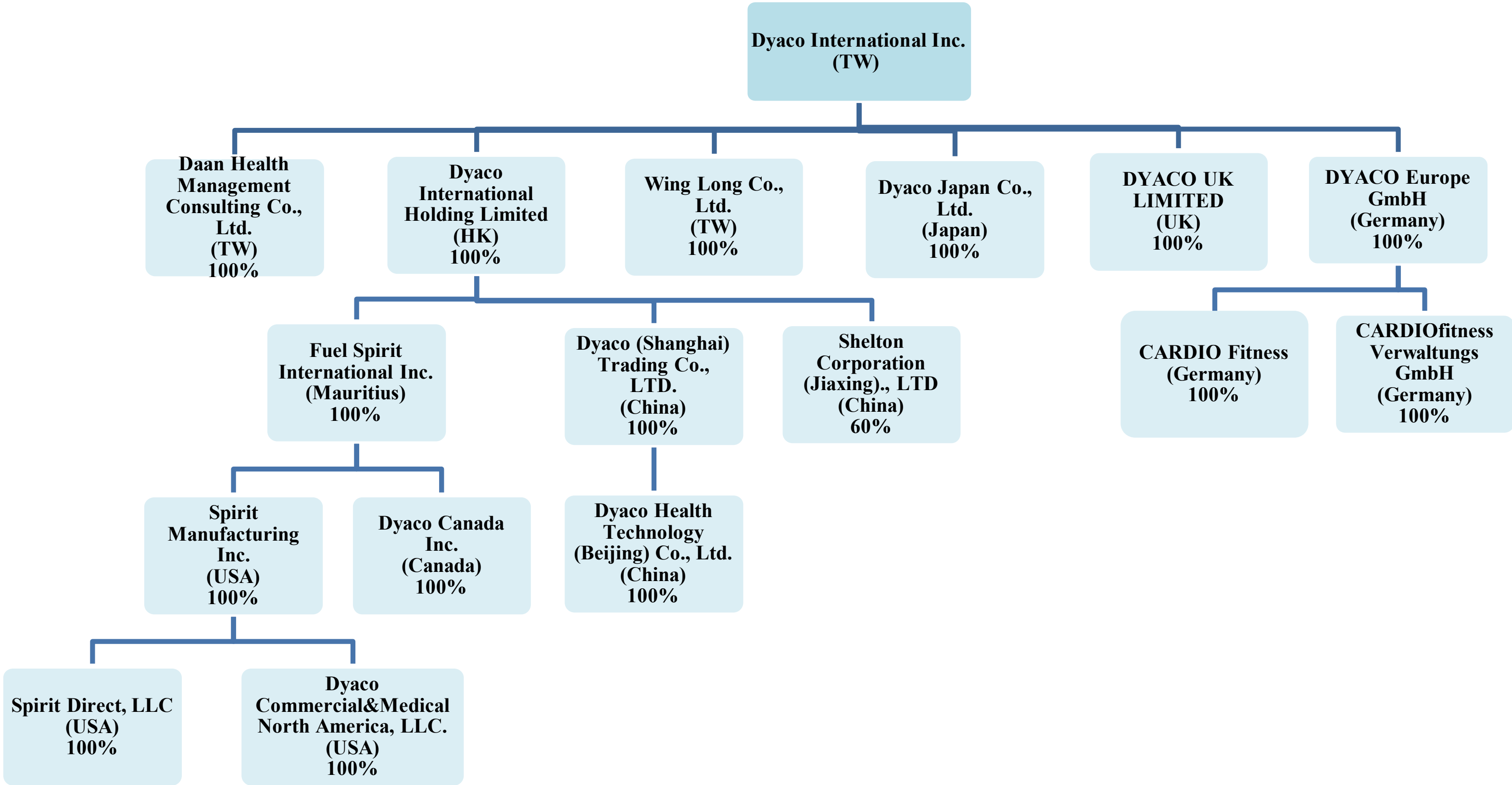
VIII. Special notes

8.1 Profiles of affiliates enterprises

8.1.1 Operating Report of affiliates enterprises

8.1.1.1 Organization chart of affiliated enterprises:

December 31, 2019



8.1.1.2 Information on affiliated enterprises:

Name of enterprises	Date of Establishment	Address	Paid-in Capital	Main business and products
Dyaco International Holding Limited	2007.10.18	FLAT B,6/F., TEDA BUILDING, 87 WING LOK STREET, SHEUNG WAN,HONG KONG	HKD 290,634,268	Investment
Fuel-Spirit International Inc.	2007.01.25	4th Floor, Amod Building,19 Poudriere Street, Port Louis, Mauritius	USD 12,400,000	Investment and Trading of Fitness Equipments
Dyaco Europe GmbH	2014.06.26	Technologiepark Bergisch Gladbach Haus 56,Friedrich-Ebert-Straße 75,51429 Bergisch Gladbach	EUR 500,000	Trading of Fitness Equipments
CARDIO Fitness GmbH &CO. KG	2002.11.14	Industriestr. 154, 50996 Köln, Germany	EUR 41,000	Trading of Fitness Equipments
CARDIO Fitness Verwaltungs GmbH	2009.11.11	Industriestr. 154, 50996 Köln, Germany	EUR 25,000	Investment
Dyaco UK, Ltd.	2018.03.05	46 Wachetts Drive Camberley U.K. GU 15 2PQ	GBP 100	Trading of Fitness Equipments
Spirit Manufacturing Inc.	2008.01.01	3000 Nestle Rd. Jonesboro, AR., U.S.A.	USD 41,687.5	Trading of Fitness Equipments
Spirit Direct LLC.	2013.01.29	22900 VENTURA BLVD STE 255 WOODLAND HILLS CA 91364	USD 420,000	Trading of Fitness Equipments
Dyaco Commercial & Medical North America, LLC.	2018.03.14	3000 Nestle Rd. Jonesboro, AR., U.S.A.	USD 200,000	Trading of Fitness Equipments
Dyaco Canada Inc.	2013.07.01	5955 Don Murie Street Niagara Falls, Ontario L2G 0A9	CAD 1,000	Trading of Fitness Equipments
Dyaco Japan Co., Ltd.	2012.09.18	2-17-17 Ryōgoku, Sumida City, Tokyo	JPY 51,000,000	Trading of Fitness Equipments
Dyaco (Shanghai) Trading Co., LTD.	2010.07.28	Room 210, No. 350, Hengren Road, Yangpu District, Shanghai City	USD 1,000,000	Trading of Fitness Equipments
Dyaco Health Technology (Beijing) Co., Ltd.	2010.07.28	Room 718, 7F, No. 80, Dajie, In Guangqu Door, Dongcheng District, Beijing City	RMB 3,500,000	Trading of Fitness Equipments
Shelton Corporation (Jiaxing)., LTD	2002.11.14	No. 1058, Changsheng East Road, Jingji Technology Development Area, Jiaxing City, Zhejiang Province	USD 18,800,000	Trading and Manufacturing of the Outdoor funiture and Fitness Equipment s
Wing Long Co., Ltd.	2018.06.27	12F., No.111, Songjiang Rd., Taipei City	NTD 15,000,000	Trading of Wine
Daan Health Management Consulting Co., Ltd.	2015.12.18	12F., No.111, Songjiang Rd., Taipei City	NTD 10,000,000	Health Management Consulting and leasing of Rehabilitation Equipments

8.1.1.3 Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation: Not applicable.

8.1.1.4 Industries covered by the operations of all affiliate:

Industries covered by the operations of the overall affiliates: with the exception of Dyaco International Holding Limited, which is primarily engaged in investment holding, the operations of the overall affiliates mainly encompass the fitness equipment industry; the Company is engaged in research and development, manufacturing and sales; and the remaining affiliates are primarily involved in sales in various markets. Moreover, the Company in 2017 acquired a 60% equity interest in Shelton Corporation Jiaxing Ltd., which is partially engaged in outdoor furniture manufacturing.

8.1.1.5 Information of Directors, Supervisors, and Presidents of affiliates:

Name of enterprise	Title	Name or Representive	Share held	
			Number of shares	Shareholding percentage
Dyaco International Holding Limited	Director	Lin, Ing-Gin	Dyaco holds 306,015,600 shares	100%
Fuel-Spirit International Inc.	Director	Lin, Ing-Gin	Dyaco Holding holds 12,400,000 shares	100%
Dyaco Europe GmbH	Representive	Ting, Ping-I	Dyaco investment EUR 10,100 thousand dollars	100%
CARDIO Fitness GmbH &CO. KG	Representive	Ting, Ping-I	CARDIO Fitness GmbH &CO. KG investment EUR 7,325 thousand dollars	100%
CARDIO Fitness Verwaltungs GmbH	Representive	Ting, Ping-I	CARDIO Fitness GmbH &CO. KG investment EUR 29 thousand dollars	100%
Dyaco UK, Ltd.	Director	Lin, Ing-Gin	Dyaco holds 100 shares	100%
Spirit Manufacturing Inc.	President	Chen, Ting-Chung	Fuel Spirit holds 1,667.5 shares	100%
Spirit Direct LLC	Representive	John Gibbs	Spirit investment USD 2,000 thousand dollars	100%
Dyaco Commercial & Medical North America, LLC.	Representive	Ting, Ping-I	Spirit investment USD 200 thousand dollars	100%
Dyaco Canada Inc.	Chairman	Brian Patterson	Fuel Spirit holds 1,000 shares	100%
	Director	Lin, Ing-Gin		
Dyaco Japan Co., Ltd.	Representive	Shimizu Manabu	Dyaco holds 1,020 shares	100%
Dyaco (Shanghai) Trading Co., LTD.	Chairman	Chen, Hsien-Ming	Dyaco Holding investment USD 3,000 thousand dollars	100%
	Director	Wang, Shun-Chien		
	Director	Lin, Ing-Gin		
	Supervisor	Wu, Mei-Hua		
Dyaco Health Technology (Beijing) Co., Ltd.	Representive	Huang, Kuo-I	Dyaco (Shanghai) investment RMB 3,500 thousand dollars	100%
Shelton Corporation (Jiaxing)., LTD	Representive	Chen, Ming-Nan	Dyaco Holding investment USD 21,830 thousand dollars	60%
Wing Long Co., Ltd.	Chairman	Lin, Ing-Gin	Dyaco holds 1,500,000 shares	100%
	Director	Wu, Mei-Hua		
	Director	Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		
Daan Health Management Consulting Co., Ltd.	Chairman	Wu, Mei-Hua	Dyaco holds 1,000,000 shares	100%
	Director	Lin, Shih-Chieh		
	Director	Chen, Hsien-Ming		
	Supervisor	Chiu, Yuan-Sheng		

8.1.1.6 Affiliated enterprises' operational review

Name of enterprise	Capital	Total Assets	Total Liabilites	Net Worth	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings Per Share
Dyaco Holding Limited	HKD 290,634,268	HKD 368,530,669	HKD 343,983	HKD 368,186,686	HKD -	HKD 1,547,765	HKD 28,221,991	HKD 0.10
Fuel-Spirit International Inc.	USD 12,400,000	USD 21,623,956	USD 2,958,360	USD 18,665,596	USD 9,725,410	USD 2,472,511	USD 2,800,500	N/A
Dyaco Europe GmbH	EUR 500,000	EUR 4,234,894	EUR 2,274,388	EUR 1,960,506	EUR 1,040,875	EUR (861,038)	EUR (2,799,216)	N/A
CARDIO Fitness GmbH &CO. KG	EUR 41,000	EUR 4,114,538	EUR 4,003,066	EUR 111,472	EUR 7,362,112	EUR (2,010,567)	EUR (1,955,938)	N/A
CARDIO Fitness Verwaltungs GmbH	EUR 25,000	EUR 29,626	EUR 1,000	EUR 29,626	EUR 1,500	EUR (815)	EUR (807)	N/A
Dyaco UK, Ltd.	GBP 1,850,000	GBP 3,224,096	GBP 3,958,578	GBP (734,482)	GBP 2,820,692	GBP (1,818,496)	GBP (1,620,500)	N/A
Spirit Manufacturing Inc.	USD 41,688	USD 40,054,716	USD 30,730,136	USD 9,324,580	USD 91,425,309	USD 2,567,127	USD 237,623	USD 142.50
Spirit Direct LLC	USD 2,000,000	USD 202,055	USD 1,231,146	USD (1,029,091)	USD 308,215	USD (627,553)	USD (627,075)	N/A
Dyaco Commercial & Medical North America, LLC.	USD 200,000	USD 2,428,666	USD 3,314,599	USD (885,933)	USD -	USD (1,721,633)	USD (1,762,272)	N/A
Dyaco Canada Inc.	CAD 1,000	CAD 11,805,845	CAD 5,686,059	CAD 6,119,786	CAD 19,011,176	CAD 282,888	CAD 178,718	CAD 178.72
Dyaco Japan Co., Ltd.	JPY 99,000,000	JPY 110,597,260	JPY 99,454,059	JPY 11,143,201	JPY 144,016,782	JPY (27,037,865)	JPY (26,020,568)	JPY (25,510.36)
Dongguan Dayu Sports Equipment Co., Ltd.(Note)	HKD -	RMB -	RMB -	RMB -	RMB 1,983	RMB (545,625)	RMB (745,549)	N/A
Dyaco (Shanghai) Trading Co., LTD.	RMB 19,307,950	RMB 80,141,252	RMB 40,935,201	RMB 39,206,051	RMB 76,766,920	RMB (3,191,779)	RMB (2,259,179)	N/A
Dyaco Health Technology (Beijing) Co., Ltd.	RMB 3,500,000	RMB 1,888,904	RMB 607,336	RMB 1,281,568	RMB -	RMB (758,728)	RMB (758,570)	N/A
Shelton Corporation (Jiaxing)., LTD	USD 18,800,000	RMB 331,136,115	RMB 205,193,950	RMB 125,942,165	RMB 441,368,019	RMB 24,041,262	RMB 20,507,227	N/A
Wing Long Co., Ltd.	NTD 15,000,000	NTD 17,085,270	NTD 6,355,505	NTD 10,729,765	NTD 7,132,328	NTD (4,697,829)	NTD (3,768,037)	NTD (2.51)
Daan Health Management Consulting Co., Ltd.	NTD 10,000,000	NTD 15,073,255	NTD 4,185,464	NTD 10,887,791	NTD 4,662,860	NTD 344,760	NTD 298,230	NTD 0.30

Note: Dongguan Dayu Sports Equipment Co., Ltd., was liquidated and cancelled in November 2019.

8.1.2 Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement：Please refer to page 145.

8.1.3 Affiliation report: Not applicable.

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

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

8.4 Other supplemental information: None.

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

Dyaco International Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Loss on Inventory Obsolescence

The carrying amount of inventories held by Group was $1,202,977 thousand as of December 31, 2019, which represented 17% of the consolidated total assets. The amount of inventories is significant and the valuation of inventories involves significant accounting judgments and estimates made by management, especially when estimating losses from obsolete finished goods and merchandise. Therefore, the estimations of obsolescence loss from finished goods and merchandise was considered to be a key audit matter. For accounting policies on inventory and the related significant accounting judgments and estimates, refer to Notes 4-7. and 5-1.

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

Impairment of Goodwill

According to IAS 36 “Impairment of Assets”, goodwill arising from the acquisition of a business is subject to an annual impairment test, by comparing its carrying amount (including attributable goodwill) with its recoverable amount. As of December 31, 2019, the carrying amount of goodwill held by Group was $182,483 thousand, which represented 3% of the total assets in the consolidated balance sheets. The 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 testing of goodwill was considered to be a key audit matter. For accounting policies on impairment of goodwill and the related significant accounting judgments and estimates, refer to Notes 4-10. and 5-2. The cash-generating unit of goodwill arising from business combination and basic assumptions of estimated recoverable amount have been disclosed in Note 17, including the projected future cash flows and discount rates (weighted average cost of capital).

We assessed the of 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 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 budgetd amounts with actual operating results of the Group in 2019 when considering the assessment of reliability prediction for 2019 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 as the Group 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, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 audit resulting in this independent auditors' report are Chao-Mei Chen and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 6)	$ 826,213	11	$ 595,597	9
Financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	24,059	-
Notes receivable (Notes 4, 9 and 27)	1,501	-	3,986	-
Accounts receivable (Notes 4, 9 and 27)	1,009,492	14	926,566	13
Other receivables (Notes 4 and 9)	44,531	1	21,188	-
Current tax assets (Notes 4 and 29)	1,282	-	30,748	1
Inventories (Notes 4, 5, 10 and 36)	1,202,977	17	1,220,422	17
Prepayments (Notes 11, 19 and 36)	103,677	1	108,170	2
Other financial assets (Notes 4, 12 and 36)	328,357	5	252,286	4
Other current assets	32,119	-	24,427	-
Total current assets	3,550,149	49	3,207,449	46
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 8)	42,984	1	28,697	-
Property, plant and equipment (Notes 4, 14 and 36)	2,656,050	36	2,824,366	40
Right-of-use assets (Notes 3, 4, 15 and 36)	372,771	5	-	-
Investment properties (Notes 4 and 16)	59,762	1	12,494	-
Goodwill (Notes 4, 5 and 17)	182,483	3	196,045	3
Other intangible assets (Notes 4 and 18)	233,838	3	268,459	4
Deferred income tax assets (Notes 4 and 29)	181,176	2	144,652	2
Prepayments for plant and equipment	4,694	-	33,657	1
Refundable deposits	10,742	-	5,851	-
Prepayments for leases (Notes 3, 19 and 36)	-	-	302,088	4
Other non-current assets	652	-	1,550	-
Total non-current assets	3,745,152	51	3,817,859	54
TOTAL	$ 7,295,301	100	$ 7,025,308	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 20 and 36)	$ 1,513,300	21	$ 1,655,030	24
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	3,043	-	3,406	-
Notes payable (Note 22)	308,558	4	465,861	7
Accounts payable (Note 22)	780,661	11	739,587	11
Other payables (Note 23)	324,232	4	263,121	4
Current income tax liabilities (Notes 4 and 29)	56,348	1	26,210	-
Provisions (Notes 4 and 24)	15,835	-	13,806	-
Lease liabilities (Notes 3, 4 and 15)	24,173	-	-	-
Contract liabilities (Notes 3 and 27)	7,901	-	9,320	-
Current portion of bonds payable (Notes 4 and 21)	592,874	8	586,609	8
Current portion of long-term borrowings (Notes 20 and 36)	112,124	2	59,314	1
Other current liabilities (Note 26)	83,122	1	32,065	-
Total current liabilities	3,822,171	52	3,854,329	55
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 20 and 36)	785,594	11	656,389	9
Deferred tax liabilities (Notes 4 and 29)	226,487	3	226,142	3
Lease liabilities (Notes 3, 4 and 15)	58,188	1	-	-
Long-term payables (Note 23)	136,310	2	186,666	3
Net defined benefit liabilities (Note 25)	19,563	-	20,245	-
Guarantee deposits received	2,671	-	3,016	-
Total non-current liabilities	1,228,813	17	1,092,458	15
Total liabilities	5,050,984	69	4,946,787	70
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26)				
Ordinary shares	961,009	13	929,502	13
Capital surplus	758,304	10	738,397	10
Retained earnings				
Legal reserve	133,886	2	123,174	2
Special reserve	79,123	1	59,258	1
Unappropriated earnings	239,976	3	145,777	2
Total retained earnings	452,985	6	328,209	5
Other equity	(105,813)	(1)	(79,123)	(1)
Treasury shares	(172,340)	(2)	(172,340)	(2)
Total equity attributable to owners of the Corporation	1,894,145	26	1,744,645	25
NON-CONTROLLING INTERESTS	350,172	5	333,876	5
Total equity	2,244,317	31	2,078,521	30
TOTAL	$ 7,295,301	100	$ 7,025,308	100

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 4 and 27)	$ 5,925,017	101	$ 5,656,535	102
LESS: SALES RETURNS	19,664	-	26,391	1
SALES DISCOUNTS AND ALLOWANCES	54,825	1	72,994	1
NET OPERATING REVENUE	5,850,528	100	5,557,150	100
OPERATING COSTS (Notes 10 and 28)				
Cost of sales	4,134,129	71	4,029,751	73
GROSS PROFIT	1,716,399	29	1,527,399	27
OPERATING EXPENSES (Notes 28 and 35)				
Selling and marketing	631,751	11	751,944	14
General and administrative	643,738	11	671,206	12
Research and development	101,217	1	109,576	2
Expected credit loss	657	-	7,029	-
Total operating expenses	1,377,363	23	1,539,755	28
OTHER OPERATING INCOME AND EXPENSES (Note 28)	(11,331)	-	97,446	2
PROFIT FROM OPERATIONS	327,705	6	85,090	1
NON-OPERATING INCOME AND EXPENSES				
Interest income	9,807	-	7,030	-
Rental income	16,981	-	13,533	-
Other income	21,747	-	13,978	-
Foreign exchange gain or loss, net (Note 28)	(22,912)	-	61,732	1
Gain or loss on valuation of financial instruments	363	-	21,479	1
Other expenses	(454)	-	(1,834)	-
Loss on disposal of subsidiaries (Note 13)	(15,169)	-	-	-
Interest expense	(59,424)	(1)	(54,347)	(1)
Total non-operating income and expenses	(49,061)	(1)	61,571	1
PROFIT BEFORE INCOME TAX	278,644	5	146,661	2
INCOME TAX EXPENSE (Notes 4 and 29)	58,549	1	19,205	-
NET PROFIT	220,095	4	127,456	2

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan	$ 516	-	$ 1,341	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,899	-	(1,033)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	(103)	-	(79)	-
	2,312	-	229	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(45,759)	(1)	(29,481)	-
Other comprehensive loss for the period, net of income tax	(43,447)	(1)	(29,252)	-
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 176,648	3	$ 98,204	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 189,001	3	$ 107,123	2
Non-controlling interests	31,094	1	20,333	-
	$ 220,095	4	$ 127,456	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 160,352	3	$ 87,865	2
Non-controlling interests	16,296	-	10,339	-
	$ 176,648	3	$ 98,204	2
EARNINGS PER SHARE (Note 30)				
Basic	$ 2.05		$ 1.16	
Diluted	$ 1.82		$ 1.06	

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Equity Attributable to Owners of the Corporation (Notes 26)												
	Share Capital			Retained Earnings				Other Equity					
	Number of Shares (In Thousands)	Shares Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests (Notes 13 and 26)	Total Equity
BALANCE AT JANUARY 1, 2018	92,950	$ 929,502	$ 722,117	$ 123,174	$ 37,167	$ 103,958	$ 264,299	$ (59,258)	$ 655	$ (54,860)	$ 1,802,455	$ 323,537	$ 2,125,992
Issuance of ordinary shares under employee share options (Note 31)	-	-	14,652	-	-	-	-	-	-	-	14,652	-	14,652
Changes in capital surplus from investments using the equity method	-	-	1,628	-	-	-	-	-	-	-	1,628	-	1,628
Appropriation of prior year's earnings													
Special reserve	-	-	-	-	22,091	(22,091)	-	-	-	-	-	-	-
Cash dividends to shareholder - NT$0.5 per share	-	-	-	-	-	(44,475)	(44,475)	-	-	-	(44,475)	-	(44,475)
	-	-	-	-	22,091	(66,566)	(44,475)	-	-	-	(44,475)	-	(44,475)
Net profit for the year ended December 31, 2018	-	-	-	-	-	107,123	107,123	-	-	-	107,123	20,333	127,456
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	-	1,262	1,262	(19,487)	(1,033)	-	(19,258)	(9,994)	(29,252)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	108,385	108,385	(19,487)	(1,033)	-	87,865	10,339	98,204
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	(117,480)	(117,480)	-	(117,480)
BALANCE AT DECEMBER 31, 2018	92,950	929,502	738,397	123,174	59,258	145,777	328,209	(78,745)	(378)	(172,340)	1,744,645	333,876	2,078,521
Issuance of ordinary shares under employee share options (Note 31)	-	-	17,200	-	-	-	-	-	-	-	17,200	-	17,200
Changes in capital surplus from investments using the equity method	-	-	1,600	-	-	-	-	-	-	-	1,600	-	1,600
Appropriation of prior year's earnings													
Legal reserve	-	-	-	10,712	-	(10,712)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	19,865	(19,865)	-	-	-	-	-	-	-
Cash dividends to shareholder - NT$0.35 per share	-	-	-	-	-	(31,133)	(31,133)	-	-	-	(31,133)	-	(31,133)
Share dividends to shareholder - NT$0.35 per share	3,113	31,133	-	-	-	(31,133)	(31,133)	-	-	-	-	-	-
	3,113	31,133	-	10,712	19,865	(92,843)	(62,266)	-	-	-	(31,133)	-	(31,133)
Convertible bonds converted (Note 21)	37	374	1,107	-	-	-	-	-	-	-	1,481	-	1,481
Net profit for the year ended December 31, 2019	-	-	-	-	-	189,001	189,001	-	-	-	189,001	31,094	220,095
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	-	413	413	(30,961)	1,899	-	(28,649)	(14,798)	(43,447)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	189,414	189,414	(30,961)	1,899	-	160,352	16,296	176,648
Disposal of investments in equity instruments designated as at fair value through other comprehensive income from subsidiaries (Note 8)	-	-	-	-	-	(2,372)	(2,372)	-	2,372	-	-	-	-
BALANCE AT DECEMBER 31, 2019	96,100	$ 961,009	$ 758,304	$ 133,886	$ 79,123	$ 239,976	$ 452,985	$ (109,706)	$ 3,893	$ (172,340)	$ 1,894,145	$ 350,172	$ 2,244,317

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 278,644	$ 146,661
Adjustments for:		
Depreciation expense	188,246	159,889
Amortization expense	92,592	82,389
Expected credit loss recognized	657	7,029
Interest expense	59,424	54,347
Interest income	(9,807)	(7,030)
Compensation costs of employee share options	18,800	16,280
Loss/(gain) on disposal of property, plant and equipment	2,505	(97,446)
Loss on disposal of intangible assets	293	-
Loss on inventories valuation and obsolescence	13,129	36,344
Impairment loss on non financial assets	8,826	-
Unrealized (gain)/loss on foreign currency exchange	14,373	(49,726)
Net gain on fair value changes of financial instrument at fair value through profit or loss	(363)	(21,479)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,059	(15,645)
Notes receivable	2,485	(856)
Accounts receivable	(99,988)	(149,408)
Other receivables	(23,343)	13,157
Inventories	19,531	(53,369)
Prepayments	(5,618)	21,988
Other current assets	(11,621)	17,181
Contract liabilities	(1,419)	9,385
Notes payable	(157,303)	(49,334)
Accounts payable	29,543	(7,284)
Provisions	2,116	(15,418)
Other payables	24,286	(58,579)
Other current liabilities	18,441	(21,102)
Net defined benefit liabilities	(166)	(195)
Cash generated from operations	488,322	17,779
Interest received	9,807	7,030
Interest paid	(51,155)	(45,908)
Income tax paid	(35,227)	(23,635)
Net cash generated from (used in) operating activities	411,747	(44,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(35,085)	(25,080)
Proceeds from sale of financial assets at fair value through profit or loss	22,265	-
Payments for property, plant and equipment (Note 32)	(60,861)	(397,683)

(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Proceeds from disposal of property, plant and equipment	$ 443	$ 222,287
Decrease (increase) in refundable deposits	(962)	1,413
Decrease (increase) in other financial assets	(76,071)	71,901
Payments for intangible assets (Note 32)	(55,395)	(48,864)
Decrease in other non-current assets	898	1,464
Net cash used in investing activities	(204,768)	(174,562)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	5,270,988	6,860,688
Repayments of short-term borrowings	(5,404,381)	(6,519,730)
Proceeds from long-term borrowings	470,000	180,000
Repayments of long-term borrowings	(288,725)	(157,675)
Proceeds from (refund of) guarantee deposits received	(376)	2,946
Repayment of the principal portion of lease liabilities	(21,310)	-
Cash dividends	(31,133)	(44,475)
Proceeds from issuance of ordinary shares (Note 26)	32,616	-
Payments for buy-back of ordinary shares (Note 32)	-	(131,904)
Net cash generated from financing activities	27,679	189,850
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(4,042)	11,641
NET INCREASE (DECREASE) IN CASH	230,616	(17,805)
CASH, BEGINNING OF THE YEAR	595,597	613,402
CASH, END OF THE YEAR	$ 826,213	$ 595,597

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") was established in 1990. 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.

On November 10, 2017, the Corporation's board of directors approved the merger with Yongan Sports Technology Co., Ltd., which was 100% owned by the Corporation, pursuant to the Business Mergers and Acquisitions Act. The record date of the merger was January 1, 2018. Yongan Sports Technology Co., Ltd. was mainly engaged in the manufacturing and sale of sports equipment. The Corporation, as the surviving entity, assumed Yongan Sports Technology Co., Ltd.'s legal rights and obligations.

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 27, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

      Definition of a lease

      The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

On the initial application of IFRS 16, the Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.5%. The amounts of (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 were as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 91,044
Less: Recognition exemption for short-term leases	(16,799)
Less: Recognition exemption for leases of low-value assets	(414)
Undiscounted amounts on January 1, 2019	$ 73,831
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 68,970
Lease liabilities recognized on January 1, 2019	$ 68,970

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Effects on assets, liabilities and equity			
Right-of-use assets	$ -	$ 381,169	$ 381,169
Prepayments	10,111	(10,111)	-
Prepayments for leases - non-current	302,088	(302,088)	-
Total effect on assets		$ 68,970	
Lease liabilities - current	-	$ 17,427	17,427
Lease liabilities - non-current	-	51,543	51,543
Total effect on liabilities		$ 68,970	

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

Basis of Consolidation

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

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

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

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

See Note 13, Tables 6 and 7 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

Business Combinations

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

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

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

Foreign Currencies

In preparing the financial statements of each individual group entity, 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).

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.

Property, Plant and Equipment

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

Freehold land is not depreciated.

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

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

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

Investment Properties

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

Depreciation is recognized using the straight-line method.

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

Goodwill

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

When the carrying amount of tangible or intangible assets (including property, plant and equipment, right-of-use assets, investment properties, and other identified intangible assets) exceeds its recoverable amount, the excess is recognized as an impairment loss. A reversal of the impairment loss is recognized if there is a subsequent recovery in the value of the asset. However, the carrying amount after reversal cannot exceed the original cost less accumulated depreciation or amortization.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

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.

2) Impairment of financial assets

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

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

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

3) Derecognition of financial assets

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

b. Financial liabilities

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

c. Derivative financial instruments

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

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 unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

d. Convertible bonds

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

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

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

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

Provisions

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

Revenue Recognition

a. Revenue from the sale of goods

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

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

b. Revenue from the rendering of services

Revenue is recognized when services are rendered.

Leasing

2019

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are 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. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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.

a. The Group as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Group as lessee

   Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) 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 (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Share-based Payment Arrangements

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects 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	
	2019	**2018**
Cash on hand	$ 783	$ 886
Checking accounts and demand deposits	825,430	594,711
	$ 826,213	$ 595,597

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

	December 31	
	2019	**2018**
Demand deposits	0.001%-0.5%	0.001%-0.5%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Cross-currency swap contracts	$ -	$ 24,012
Foreign exchange forward contracts	-	47
	$ -	$ 24,059

(Continued)

	December 31	
	2019	2018
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Cross-currency swap contracts	$ 2,072	$ -
Foreign exchange forward contracts	971	-
Convertible options (Note 21)	-	3,406
	$ 3,043	$ 3,406

(Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Cross-currency swap contracts	NTD/USD	2020.10.29-2020.11.06	NTD150,212/USD5,000
Foreign exchange forward contracts	USD/RMB	2020.01.06-2020.02.11	USD2,900/RMB20,073
Foreign exchange forward contracts	RMB/USD	2020.02.06-2020.08.06	RMB15,273/USD1,000
December 31, 2018			
Cross-currency swap contracts	NTD/USD	2019.01.04-2019.12.07	NTD602,274/USD20,480
Foreign exchange forward contracts	USD/NTD	2019.01.04	USD1,000/NTD30,760

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Non-current		
Foreign investments		
Unlisted shares		
Gomore Inc.	$ 31,860	$ -
Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	5,057	-
Beijing Zhongtai Tianhe Health Technology Co., Ltd.	-	20,124
Bigger Fit Technology (Beijing) Co., Ltd.	6,067	6,432
Beijing Sanshi Hospital Management Co., Ltd.	-	2,141
	$ 42,984	$ 28,697

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

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

The Group sold the shares of Beijing Zhongtai Tianhe Health Technology Co., Ltd. to others at the cost of original investment amount. As of December 31, 2019, proceeds from sale of financial assets at fair value through other comprehensive income of RMB4,500 thousand (around NT$19,575 thousand) was not recovered and recognized as other receivables.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 1,501	$ 3,986
Less: Allowance for impairment loss	-	-
	$ 1,501	$ 3,986
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 1,144,531	$ 1,064,826
Less: Allowance for impairment loss	135,039	138,260
	$ 1,009,492	$ 926,566
Other receivables		
Tax refund receivables	$ 14,408	$ 17,797
Others	30,123	3,391
	$ 44,531	$ 21,188

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.

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

	2019	2018
Beginning balance	$ -	$ 6
Less: Net remeasurement of loss allowance	-	(6)
Ending balance	$ -	$ -

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 accounts receivable at an amount equal to lifetime ECLs under IFRS 9. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. The Group distinguished customer segments based on operating area of subsidiaries, and 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, 2019

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-5.64%	0%-17.77%	0%-38.58%	0%-44.70%	0%-100%	100%	0%-100%
Gross carrying amount	$ 925,112	$ 58,715	$ 11,261	$ 16,449	$ 5,861	$ 127,133	$ 1,144,531
Loss allowance (Lifetime ECLs)	(1,514)	(2,006)	(246)	(1,094)	(3,046)	(127,133)	(135,039)
Amortized cost	$ 923,598	$ 56,709	$ 11,015	$ 15,355	$ 2,815	$ -	$ 1,009,492

December 31, 2018

	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%-8.82%	0%-39.61%	0%-67.36%	0%-75.05%	0%-100%	0%-100%	0%-100%
Gross carrying amount	$ 787,975	$ 131,067	$ 14,241	$ 4,435	$ 2,807	$ 124,301	$ 1,064,826
Loss allowance (Lifetime ECLs)	(4,161)	(3,031)	(2,564)	(2,078)	(2,125)	(124,301)	(138,260)
Amortized cost	$ 783,814	$ 128,036	$ 11,677	$ 2,357	$ 682	$ -	$ 926,566

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, 2019, accounts receivable from New Level UK Ltd. amounted to $107,939 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 loss allowance of $107,939 thousand.

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

	2019	2018
Beginning balance	$ 138,260	$ 145,834
Add: Net remeasurement of loss allowance	657	7,035
Less: Amounts written off	(2,452)	(15,543)
Foreign exchange gains and losses	(1,426)	934
Ending balance	$ 135,039	$ 138,260

c. Other receivables

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

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

The Group considers the current financial condition of debtors in order to measure twelve-month expected credit losses or lifetime expected credit losses. As of December 31, 2019, the ratio of allowance for impairment loss of other receivables was 0%.

10. INVENTORIES

	December 31	
	2019	2018
Raw materials	$ 105,741	$ 171,077
Work in progress	198,177	207,427
Finished goods	636,997	674,060
Merchandise	262,062	167,858
	$ 1,202,977	$ 1,220,422

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 was $4,134,129 thousand, including warranties of $67,313 thousand and inventory write-downs of $13,129 thousand; and the cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 was $4,029,751 thousand, including warranties of $46,722 thousand and inventory write-downs of $36,344 thousand.

The inventories pledged as collateral for bank borrowings are set out in Note 36.

11. PREPAYMENTS

	December 31	
	2019	2018
Prepaid expenses	$ 38,702	$ 45,195
Tax overpayment retained for offsetting future tax payable	24,022	25,907
Prepayments for goods	16,868	17,769
Prepayments for leases (Note 19)	-	8,842
Others	24,085	10,457
	$ 103,677	$ 108,170

12. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Restricted deposits	$ 328,357	$ 252,286

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

	December 31	
	2019	2018
Restricted deposits	0.01%-1.94%	2.10%

b. The other financial assets pledged as collateral are set out in Note 36.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			Proportion of Ownership (%)		
			December 31		
Investor	Investee	Nature of Activities	2019	2018	Remark
Dyaco International Inc.	Dyaco International Holding Limited	Investment	100	100	1)
	Dyaco Europe GmbH	Import, export and selling	100	100	2)
	Daan Health Management Consulting Co., Ltd.	Rental of medical equipment	100	100	-
	Dyaco Japan Co., Ltd.	Import, export and selling	100	100	-
	Wing Long Co., Ltd.	Import, export and selling	100	100	3)
	Dyaco UK Ltd.	Import, export and selling	100	100	4)
Dyaco Europe GmbH	CARDIOfitness GmbH & Co. KG	Import, export and selling	100	100	-
	Cardiofitness Verwaltungs GmbH	Investment	100	100	-
Dyaco International Holding Limited	Fuel-Spirit International Inc.	Import, export and selling	100	100	-
	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	100	100	-
	Dongguan Dayu Sports Equipment Co., Ltd.	Manufacturing and selling	-	100	1)
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	60	60	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	Remark
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	100	100	-
Fuel-Spirit International Inc.	Spirit Manufacturing Inc.	Import, export and selling	100	100	-
	Dyaco Canada Inc.	Import, export and selling	100	100	-
Spirit Manufacturing Inc.	Spirit Direct, LLC.	Import, export and selling	100	100	-
	Dyaco Commercial & Medical North America, LLC.	Import, export and selling	100	100	-

(Concluded)

Remarks:

1) Dongguan Dayu Sports Equipment Co., Ltd. completed liquidation and cancellation, then refunded cash dividends of $58,388 thousand back to Dyaco International Holding Limited. The Group recognized losses on disposal of investment of $15,169 thousand which was the difference between the refunded cash dividends and the carrying amounts. Besides, Dyaco International Holding Limited announced a capital reduction in November 2019 and refunded cash dividends of $58,388 thousand back to the Group.

2) The Group acquired interests in its subsidiary Dyaco Europe GmbH for EUR200 thousand (around NT$7,007 thousand) and EUR50 thousand (around NT$1,723 thousand) in July and August 2019, respectively.

3) The Group acquired interests in subsidiary Wing Long Co., Ltd. for $5,000 thousand in May and September 2019.

4) The Group acquired interests in subsidiary Dyaco UK Ltd. for GBP240 thousand (around NT$9,421 thousand), GBP250 thousand (around NT$10,067 thousand), GBP100 thousand (around NT$3,916 thousand) and GBP150 thousand (around NT$6,010 thousand) in January, April, November and December 2019, respectively.

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 2019	2018
Shelton Corporation (Jiaxing), Ltd.	China	40%	40%

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

Name of Subsidiary	Profit (Loss) Allocated to Profit (Loss) Allocated to Non-controlling Interests 2019	2018	Accumulated Non-controlling Interests December 31 2019	2018
Shelton Corporation (Jiaxing), Ltd.	$ 31,094	$ 20,333	$ 350,172	$ 333,876

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

	December 31	
	2019	2018
Current assets	$ 1,031,195	$ 991,235
Non-current assets	1,021,019	1,099,232
Current liabilities	(881,457)	(947,000)
Non-current liabilities	(144,086)	(154,706)
Equity	$ 1,026,671	$ 988,761
Equity attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	$ 676,499	$ 654,885
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	350,172	333,876
	$ 1,026,671	$ 988,761

	2019	2018
Revenue	$ 1,973,798	$ 1,441,663
Net profit from continuing operations (remark)	$ 77,736	$ 50,832
Other comprehensive loss for the period	(36,996)	(24,985)
Total comprehensive income for the period	$ 40,740	$ 25,848
Profit attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	$ 46,642	$ 30,499
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	31,094	20,333
	$ 77,736	$ 50,832
Total comprehensive income attributable to:		
Owners of Shelton Corporation (Jiaxing), Ltd.	$ 24,444	$ 15,509
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	16,296	10,339
	$ 40,740	$ 25,848
Net cash inflow (outflow) from:		
Operating activities	$ 81,783	$ (34,270)
Investing activities	(57,660)	(94,184)
Financing activities	(52,266)	141,783
Net cash inflow	$ (28,143)	$ 13,329

Remark: Net profit was $91,708 thousand less amortization of $13,972 thousand for the year ended December 31, 2019. Net profit was $65,078 thousand less amortization of $14,247 thousand for the year ended December 31, 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
Cost								
Balance at January 1, 2018	$ 857,463	$ 1,912,190	$ 637,969	$ 42,857	$ 73,077	$ 27,045	$ 105,124	$ 3,655,725
Additions	225,902	42,292	99,717	5,380	8,084	3,105	60	384,540
Reclassification	-	78,988	1,793	57	(1,913)	(869)	(106,306)	(28,250)
Disposals	(90,000)	(21,959)	(57,753)	(3,814)	(10,926)	(2,693)	(248)	(187,393)
Effects of foreign currency exchange differences	464	(13,216)	(4,033)	(115)	(464)	(208)	1,370	(16,202)
Balance at December 31, 2018	993,829	1,998,295	677,693	44,365	67,858	26,380	-	3,808,420
Accumulated depreciation								
Balance at January 1, 2018	-	426,058	399,467	27,092	52,181	7,085	-	911,883
Depreciation expenses	-	71,100	71,006	5,016	7,793	3,738	-	158,653
Reclassification	-	(14,307)	652	11	(1,542)	(363)	-	(15,549)
Disposals	-	(4,516)	(43,184)	(2,920)	(9,369)	(2,563)	-	(62,552)
Effects of foreign currency exchange differences	-	(5,714)	(2,286)	(62)	(286)	(33)	-	(8,381)
Balance at December 31, 2018	-	472,621	425,655	29,137	48,777	7,864	-	984,054
Carrying amounts at December 31, 2018	$ 993,829	$ 1,525,674	$ 252,038	$ 15,228	$ 19,081	$ 18,516	$ -	$ 2,824,366
Cost								
Balance at January 1, 2019	$ 993,829	$ 1,998,295	$ 677,693	$ 44,365	$ 67,858	$ 26,380	$ -	$ 3,808,420
Additions	-	4,596	52,422	2,371	8,245	2,189	-	69,823
Reclassification (remark)	-	(53,573)	-	-	-	-	-	(53,573)
Disposals	-	-	(29,401)	(2,445)	(3,964)	(6,162)	-	(41,972)
Effects of foreign currency exchange differences	(357)	(37,732)	(10,260)	(523)	(100)	(883)	-	(49,855)
Balance at December 31, 2019	993,472	1,911,586	690,454	43,768	72,039	21,524	-	3,732,843
Accumulated depreciation								
Balance at January 1, 2019	-	472,621	425,655	29,137	48,777	7,864	-	984,054
Depreciation expenses	-	70,244	67,544	4,982	8,267	3,489	-	154,526
Reclassification (remark)	-	(1,801)	-	-	-	-	-	(1,801)
Disposals	-	-	(28,831)	(1,966)	(3,390)	(4,837)	-	(39,024)
Effects of foreign currency exchange differences	-	(13,614)	(6,307)	(330)	(511)	(200)	-	(20,962)
Balance at December 31, 2019	-	527,450	458,061	31,823	53,143	6,316	-	1,076,793
Carrying amounts at December 31, 2019	$ 993,472	$ 1,384,136	$ 232,393	$ 11,945	$ 18,896	$ 15,208	$ -	$ 2,656,050

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	5-11 years
Office equipment	2-10 years
Leasehold improvements	2-5 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 36.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 291,149
Buildings	71,656
Transportation equipment	9,812
Office equipment	154
	$ 372,771

	2019
Additions for right-of-use assets	$ 36,410
Depreciation charge for right-of-use assets	
Land	$ 8,486
Buildings	18,524
Transportation equipment	3,584
Office equipment	78
	$ 30,672

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 24,173
Non-current	$ 58,188

Ranges of discount rates for lease liabilities were as follows:

	December 31, 2019
Buildings	1.56%-4.75%
Transportation equipment	1.65%-3.41%
Office equipment	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 3 to 13 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

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

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

d. Other information

2019

	2019
Expenses relating to short-term leases	$ 15,046
Expenses relating to low-value asset leases	$ 240
Total cash outflow for leases	$ (36,596)

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

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 34,769
Later than 1 year and not later than 5 years	56,275
	$ 91,044

16. INVESTMENT PROPERTIES

	Completed Investment Properties
Cost	
Balance at January 1, 2018	$ -
Reclassification	27,466
Effects of foreign currency exchange differences	(531)
Balance at December 31, 2018	26,935
Accumulated depreciation	
Balance at January 1, 2018	-
Reclassification	14,726
Depreciation expenses	1,236
Effects of foreign currency exchange differences	(1,521)
Balance at December 31, 2018	14,441
Carrying amount at December 31, 2018	$ 12,494

(Continued)

	Completed Investment Properties
Cost	
Balance at January 1, 2019	$ 26,935
Reclassification	53,573
Effects of foreign currency exchange differences	(2,076)
Balance at December 31, 2019	78,432
Accumulated depreciation	
Balance at January 1, 2019	14,441
Reclassification	1,801
Depreciation expenses	3,048
Effects of foreign currency exchange differences	(620)
Balance at December 31, 2019	18,670
Carrying amount at December 31, 2019	$ 59,762

(Concluded)

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 as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 16,457
Year 2	11,943
Year 3	4,365
Year 4	683
Year 5	3,698
	$ 37,146

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 8,953
Later than 1 year and not later than 5 years	21,242
	$ 30,195

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

The Group reclassified property, plant and equipment which are leased out for rental revenue to investment property. The fair value of investment property located in Zhongshan District, Taipei City was $32,507 thousand. The determination of fair value was not performed by independent qualified professional valuers. The management of the Group used the market-based evidence of transaction price of property, plant and equipment in determining the fair value. Another investment property was reclassified from property, plant and equipment based on the purpose of use in the fourth quarter of 2018. Management was unable to reliably measure the fair value of the investment property located in 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.

17. GOODWILL

	2019	2018
Cost		
Balance at January 1	$ 196,045	$ 200,988
Effect of foreign currency exchange differences	(4,996)	(4,943)
Balance at December 31	$ 191,049	$ 196,045
Accumulated impairment losses		
Balance at January 1	$ -	$ -
Impairment losses recognized	8,826	-
Effect of foreign currency exchange differences	(260)	-
Balance at December 31	$ 8,566	$ -
Carrying amounts at December 31	$ 182,483	$ 196,045

Assessment of Goodwill Impairment for 2019

The book value of investment in subsidiary on December 31, 2019 and 2018 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, and Dyaco Canada Inc.

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

On December 31, 2019 and 2018, the Group’s management assessed the recoverable amount by value in use of asset’s cash-generating unit, and considered financial budget in the future as reference of cash flows. The key assumptions which affected an assessment of the Group’s recoverable amount and the methods to determine assumed key values are described as follows:

a. Increased rate of main business revenue:

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

b. Expected gross profit margin:

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

c. Discount rates

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

	December 31	
	2019	**2018**
Group A	7.3%	7.9%
Group B	8.5%	7.5%

The Corporation evaluated Group A in 2019, its recoverable amount was still higher than the related carrying amount, and thus no impairment loss was recognized. For Group B, the recoverable amount was lower than the related carrying amount, and recognized a goodwill impairment loss of $8,826 thousand.

The Corporation did not recognize goodwill impairment loss in 2018.

18. OTHER INTANGIBLE ASSETS

	Computer Software	**Patents**	**Customer Relationship**	**Existing Technologies**	**Royalty**	**Total**
Cost						
Balance at January 1, 2018	$ 55,293	$ 87,024	$ 76,138	$ 80,045	$ -	$ 298,500
Additions	10,339	-	-	-	251,005	261,344
Effects of foreign currency exchange differences	285	(1,380)	(3,629)	(1,474)	-	(6,198)
Balance at December 31, 2018	65,917	85,644	72,509	78,571	251,005	553,646
Accumulated amortization						
Balance at January 1, 2018	39,781	38,853	57,122	72,809	-	208,565
Amortization expenses	6,891	8,124	13,147	7,228	46,999	82,389
Effect of foreign currency exchange differences	(136)	(1,318)	(3,117)	(1,466)	270	(5,767)
Balance at December 31, 2018	46,536	45,659	67,152	78,571	47,269	285,187
Carrying amounts at December 31, 2018	$ 19,381	$ 39,985	$ 5,357	$ -	$ 203,736	$ 268,459
Cost						
Balance at January 1, 2019	$ 65,917	$ 85,644	$ 72,509	$ 78,571	$ 251,005	$ 553,646
Additions	16,988	-	-	-	44,439	61,427
Disposals	(1,420)	-	-	-	-	(1,420)
Effects of foreign currency exchange differences	(224)	(1,979)	1,316	(2,647)	(3,444)	(6,978)
Balance at December 31, 2019	81,261	83,665	73,825	75,924	292,000	606,675

(Continued)

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Total
Accumulated amortization						
Balance at January 1, 2019	$ 46,536	$ 45,659	$ 67,152	$ 78,571	$ 47,269	$ 285,187
Amortization expenses	9,538	7,942	5,528	-	69,584	92,592
Disposals	(1,127)	-	-	-	-	(1,127)
Effect of foreign currency exchange differences	(44)	(803)	1,145	(2,647)	(1,466)	(3,815)
Balance at December 31, 2019	54,903	52,798	73,825	75,924	115,387	372,837
Carrying amounts at December 31, 2019	$ 26,358	$ 30,867	$ -	$ -	$ 176,613	$ 233,838

(Concluded)

The Group signed royalty agreements for a duration of authorization from January 1, 2018 to December 31, 2023 with several foreign well-known sports brands to manufacture and sell products for a total of 3-6 years. The discounted cost was recognized as royalty in intangible assets at the beginning of authorization period, and the related liability was recognized as long-term payable as well as current portion of long-term payable. The interest expenses were calculated by the effective interest method.

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

Computer software	1-10 years
Patents	5-15 years
Customer relationship	7 years
Existing technologies	3-5 years
Royalty	2-6 years

19. PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Land use rights		
Current (included in prepayments)	$ -	$ 8,842
Non-current	-	302,088
	$ -	$ 310,930

The land use rights used by the Group are depreciated over 50 years.

Land use rights pledged as collateral for bank borrowings are set out in Note 36.

20. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings	$ 568,100	$ 600,000
Secured borrowings	945,200	1,055,030
	$ 1,513,300	$ 1,655,030
Range of interest rates		
Unsecured borrowings	1.34%-1.50%	1.35%-1.87%
Secured borrowings	1.18%-4.87%	1.11%-5.00%

b. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Mega Bank	$ 277,700	$ 40,800
Taishin Bank	202,500	-
Taiwan Cooperative Bank	180,000	180,000
Bank SinoPac	155,753	178,480
Bank of Montreal	42,795	43,808
Chang Hua Bank	37,937	48,610
Kölner Bank	1,033	2,905
JihSun Bank	-	209,500
Yuanta Bank	-	11,600
	897,718	715,703
Less: Current portions	112,124	59,314
	$ 785,594	$ 656,389

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, 2019 and 2018, the borrowings were $30,600 thousand and $40,800 thousand, respectively, at the annual borrowing interest rate was 1.65%. 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, 2019 the amount of borrowings was $247,100 thousand, at the annual borrowing interest rate was 1.65%.

2) Secured borrowings from Taishin Bank: In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2019 the amount of borrowings was $162,000 thousand, at annual interest rate of 1.45%. 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, 2019, the amount of borrowings was $40,500 thousand, at annual interest rate of 1.45%.

3) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of December 31, 2019, the amount of borrowings was $180,000 thousand, at annual interest rate of 1.48%.

4) Secured borrowings from Bank SinoPac: In 2009, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2019 and 2018, the borrowings were $43,077 thousand and $53,077 thousand, respectively, at annual interest rate of 1.71%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of December 31, 2019 and 2018, the borrowings were $100,081 thousand and $109,248 thousand, respectively, at annual interest rate of 1.51%. 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, 2019 and 2018, the borrowings were $12,595 thousand and $16,155 thousand, respectively, at annual interest rate of 1.60%.

5) Secured borrowings from Bank of Montreal: In 2016, Dyaco Canada Inc. signed a contract for borrowings, under which the principal and interest are repayable monthly from May 2016 to April 2023. As of December 31, 2019 and 2018, the annual borrowing interest rate was 4.07%.

6) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of December 31, 2019 and 2018, the annual borrowing interest rate was 2.06%.

7) Secured borrowings from Kölner Bank: CARDIOfitness GmbH & Co. KG signed a contract for borrowings, under which the principal and interest are repayable monthly from February 2016 to July 2020. As of December 31, 2019 and 2018, the annual borrowing interest rate was 2.50%.

8) Secured borrowings from JihSun Bank: In September 2017, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2032. As of December 31, 2018, the amount of borrowings was $170,500. The borrowings were fully repaid in June 2019, as of December 2018 at annual interest rate of 1.58%. In December 2017, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to December 2022. As of December 31, 2018, the amount of borrowings was $39,000 thousand, the borrowing was fully repaid in June 2019, as of December 31, 2018 at annual interest rate of 1.58%.

9) Secured borrowings from Yuanta Bank: In February 2011, the Corporation signed a contract for borrowings, under which the principal and interest are repayable to August 2028. As of December 31, 2018, the annual borrowing interest rate was 1.77%. The borrowings were fully repaid in May 2019.

21. BONDS PAYABLE

	December 31	
	2019	2018
Secured domestic convertible bonds	$ 592,874	$ 586,609
Less: Current portions	(592,874)	(586,609)
	$ -	$ -

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

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

According to restrictions for first-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from December 21, 2017 to August 11 2020, if the closing price of 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 September 20, 2019. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 30-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0025% of face value.

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

As of December 31, 2019, the amount of convertible bonds of NT$1,500 thousand was reclassified to advance share capital at NT$374 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT$40 thousand and NT$19 thousand, respectively. The capital surplus - options of NT$1,147 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of $8,943 thousand)	$ 594,057
Equity component (less transaction costs allocated to the equity component of $238 thousand)	(15,802)
Financial liabilities held for trading - selling options	(1,426)
Liability component at the date of issue	576,829
Interest charged at an effective interest rate of 1.31%	9,780
Liability component at December 31, 2018	586,609
Interest charged at an effective interest rate of 1.31%	7,746
Convertible bonds converted into ordinary shares	(1,481)
Liability component at December 31, 2019	$ 592,874

Financial liabilities held for trading - selling options are measured at FVTPL. Gain on changes in fair value of financial liabilities held for trading - selling options was $3,406 thousand for the year ended December 31, 2019. Loss on changes in fair value of financial liabilities held for trading - selling options was $2,580 thousand for the year ended December 31, 2018. The fair value of the financial liabilities is set out in Note 7.

22. NOTES PAYABLE AND ACCOUNTS PAYABLE

a. Notes payable

The Group issues notes payable for payment and business expenditure.

b. Accounts payable

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

23. OTHER PAYABLE AND LONG-TERM PAYABLE

	December 31 2019	December 31 2018
Current		
Payables for salaries and bonuses	$ 69,177	$ 67,393
Payables for royalties (Note 18)	78,717	46,734
Payables for employee benefits	43,560	48,906
Payables for value added taxes	15,816	20,567
Payables for freight	15,775	8,081
Payables for labor costs	13,844	4,392
Payables for annual leave	13,008	13,651
Payables for insurance	9,087	9,651
Payables for commissions	4,994	8,360
Payables for purchases of equipment	4,641	322
Payables for employees' compensation	2,451	1,122
Payables for remuneration of directors	1,225	-
Others	51,937	33,942
	$ 324,232	$ 263,121
Non-current		
Payables for royalties (Note 18)	$ 136,310	$ 186,666

24. PROVISIONS

	December 31 2019	December 31 2018
Warranties	$ 15,835	$ 13,806

	Warranties
Balance at January 1, 2018	$ 29,047
Amount used	(62,140)
Additional provisions recognized	46,722
Effect of foreign currency exchange differences	177
Balance at December 31, 2018	$ 13,806
Balance at January 1, 2019	$ 13,806
Amount used	(65,197)
Additional provisions recognized	67,313
Effect of foreign currency exchange differences	(87)
Balance at December 31, 2019	$ 15,835

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. However, the pension funded by the Corporation in accordance with the Labor Standards Law was sufficient. Before the end of each year, the Group 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 Group 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 Group 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	
	2019	**2018**
Present value of defined benefit obligation	$ 29,207	$ 29,124
Fair value of plan assets	(9,644)	(8,879)
Deficit	19,563	20,245
Net defined benefit liabilities	$ 19,563	$ 20,245

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	$ 29,968	$ (8,186)	$ 21,782
Recognized in profit or loss			
Past service cost	(97)	-	(97)
Net interest expenses (income)	371	(102)	269
	274	(102)	172
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(223)	(223)
Actuarial loss - changes in financial assumptions	824	-	824
Actuarial gain - changes in demographic assumptions	6	-	6
Actuarial loss - experience adjustments	(1,948)	-	(1,948)
Recognized in other comprehensive income	(1,118)	(223)	(1,341)
Contributions from employer	-	(368)	(368)
Balance at December 31, 2018	$ 29,124	$ (8,879)	$ 20,245
Balance at January 1, 2019	$ 29,124	$ (8,879)	$ 20,245
Recognized in profit or loss			
Net interest expenses (income)	290	(88)	202
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(309)	(309)
Actuarial loss - changes in financial assumptions	767	-	767
Actuarial gain - changes in demographic assumptions	(9)	-	(9)
Actuarial loss - experience adjustments	(965)	-	(965)
Recognized in other comprehensive income	(207)	(309)	(516)
Contributions from employer	-	(368)	(368)
Balance at December 31, 2019	$ 29,207	$ (9,644)	$ 19,563

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	
	2019	2018
Operating costs	$ 59	$ 50
Selling and marketing expenses	16	14
General and administrative expenses	68	59
Research and development expenses	59	49
	$ 202	$ 172

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	**2018**
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (767)	$ (822)
0.25% decrease	$ 798	$ 857
Expected rate(s) of salary increase		
0.25% increase	$ 786	$ 847
0.25% decrease	$ (759)	$ (816)

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	
	2019	**2018**
Expected contributions to the plans for the next year	$ 367	$ 367
Average duration of the defined benefit obligation	10 years	11 years

26. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	150,000	100,000
Share capital authorized	$ 1,500,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	96,100	92,950
Ordinary shares issued	$ 961,009	$ 929,502

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

The unappropriated earning of $31,133 thousand to increase issued share dividends was approved in the shareholder’s meeting on May 30, 2019, ex-dividend date on August 6, 2019, and had completed the relevant change registration.

The Corporation’s board of directors resolved to increase cash capital on September 17, 2019 through issuance of 19,000,000 shares, which was approved by the Financial Supervisory Commission on October 28, 2019 in accordance with Rule No. 1080333602. The issued price is $39 and paid-up capital is $741,000 thousand. As of December 31, 2019, the Group had received $32,616 thousand (balance of other current liability) and the remaining on January 13, 2020.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 704,409	$ 704,409
Conversion of bonds	1,147	-
May only be used to offset a deficit		
Conversion of employee share options	1,460	1,460
May not be used for any purpose		
Conversion of bonds	15,762	15,802
Employee share options	32,298	15,098
Employee share options in subsidiaries	3,228	1,628
	$ 758,304	$ 738,397

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).

c. Retained earnings and dividend policy

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

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

The 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.

The distribution of earnings recognized in the current year should be resolved in the shareholders' meeting in the following year.

According to Article 237 of the Company Act, the Corporation, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. When the amount of such legal reserve has equaled the total paid-in capital, the allocation to legal reserve will be stopped. Legal reserve may be used to offset deficit. 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 2018 and 2017 that were approved in the shareholders' meeting on May 30, 2019 and May 30, 2018, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 10,712	$ -		
Special reserve	19,865	22,091		
Cash dividends	31,133	44,475	$ 0.35	$ 0.5
Share dividends	31,133	-	0.35	-

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 27, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 18,941	
Special reserve	26,689	
Cash dividends	124,321	$1.15

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on May 28, 2020.

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 gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (378)	$ 655
Recognized for the year		
Unrealized gain (loss) on equity instruments	1,899	(1,033)
Cumulative unrealized gain (loss) on equity instruments transferred to retained earnings upon disposal	2,372	-
Balance at December 31	$ 3,893	$ (378)

e. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2019	4,000
Increase during the year	-
Number of shares at December 31, 2019	4,000
Number of shares at January 1, 2018	1,251
Increase during the year	2,749
Number of shares at December 31, 2018	4,000

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

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 333,876	$ 323,537
Profit for the period attributable to non-controlling interests	31,094	20,333
Exchange differences on translating the financial statements of foreign entities	(14,798)	(9,994)
Balance at December 31	$ 350,172	$ 333,876

27. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	$ 5,834,894	$ 5,531,372
Other revenue	15,634	25,778
	$ 5,850,528	$ 5,557,150

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable (Note 9)	$ 1,501	$ 3,986	$ 3,124
Accounts receivable (Note 9)	$ 1,009,492	$ 926,566	$ 788,687
Contract liabilities			
Sale of goods	$ 7,901	$ 9,320	$ 9,671

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:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	$ 9,320	$ 9,671

b. Disaggregation of revenue

Refer to Note 40 for information about the disaggregation of revenue.

c. Partially completed contracts

	For the Year Ended December 31	
	2019	2018
Sale of goods		
From January 2019 to June 2019	$ -	$ 8,625
From July 2019 to December 2019	-	695
From January 2020 to June 2020	5,101	-
From July 2020 to December 2020	2,800	-
	$ 7,901	$ 9,320

28. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 154,526	$ 158,653
Intangible assets	92,592	82,389
Right-of-use assets	30,672	-
Investment properties	3,048	1,236
	$ 280,838	$ 242,278
An analysis of depreciation by function		
Operating costs	$ 115,648	$ 95,588
Operating expenses	69,550	63,065
Other operating income and expenses	3,048	1,236
	$ 188,246	$ 159,889
An analysis of amortization by function		
Operating costs	$ -	$ 7,228
Operating expenses	92,592	75,161
	$ 92,592	$ 82,389

b. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ (2,505)	$ 97,446
Impairment losses on goodwill	(8,826)	-
	$ (11,331)	$ 97,446

c. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 25)		
Defined contribution plan	$ 29,141	$ 30,010
Defined benefit plans	202	172
	29,343	30,182
Employees' compensation	879,681	848,657
Labor and national health insurance expenses	58,438	67,387
Other employee benefits	25,435	19,899
	963,554	935,943
Total employee benefits expense	$ 992,897	$ 966,125
An analysis of employee benefits expense by function		
Operating costs	$ 365,359	$ 404,666
Operating expenses	627,538	561,459
	$ 992,897	$ 966,125

d. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2019 and 2018 which had been approved by the Corporation's board of directors on March 27, 2020 and March 28, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.0%	1.0%
Remuneration of directors	0.5%	-

Amount

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 2,451	$ 1,122
Remuneration of directors	1,225	-

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

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 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	
	2019	2018
Foreign exchange gains	$ 181,981	$ 116,944
Foreign exchange losses	(204,893)	(55,212)
Net gains (losses)	$ (22,912)	$ 61,732

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	
	2019	2018
Current tax		
In respect of the current year	$ 87,869	$ 36,058
Income tax on unappropriated earnings	-	28
Adjustments for prior periods	2,245	10,765
Land value increment tax	-	504
	90,114	47,355
Deferred tax		
In respect of the current year	-	(479)
Adjustments to deferred tax attributable to changes in tax rates and laws	(31,565)	(27,671)
	(31,565)	(28,150)
Income tax expense recognized in profit or loss	$ 58,549	$ 19,205

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 278,644	$ 146,661
Income tax expense calculated at the statutory rate (20%)	$ 55,729	$ 29,332
Non-taxable income	(6,426)	(27,527)
Deferred tax effect of earnings of subsidiaries	4,590	(5,547)
Income tax on unappropriated earnings	-	28
Unrealized loss carryforwards	490	4,199
Unrealized deductible temporary differences	(4,231)	773
Effect of different tax rate of group entities operating in other jurisdictions	6,007	6,297
Land value increment tax	-	504
Adjustments for prior years' tax	2,245	10,765
Adjustments for deferred tax between the Group's transaction	145	860
Effect of tax rate changes	-	(479)
Income tax expense recognized in profit or loss	$ 58,549	$ 19,205

The Income Tax Act in the Republic of China ("ROC") was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 189
In respect of the current year		
Remeasurement on defined benefit plan	(103)	(268)
Total income tax recognized in other comprehensive income	$ (103)	$ (79)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 1,282	$ 30,748
Current tax liabilities		
Income tax payable	$ 56,348	$ 26,210

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, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Deferred revenue	$ 25,613	$ (7,442)	$ -	$ 18,171
Investment loss recognized under the equity method	51,751	34,460	-	86,211
Write-down of inventories	29,398	1,204	-	30,602
Employee benefits	7,713	(287)	-	7,426
Allowance for impairment loss	18,110	772	-	18,882
Provisions	3,542	559	-	4,101
Defined benefit obligations	4,086	(39)	(103)	3,944
Payables for annual leave	2,903	(294)	-	2,609

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Unrealized foreign exchange loss, net	$ 1,410	$ 5,918	$ -	$ 7,328
Property, plant and equipment	-	834	-	834
	144,526	35,685	(103)	180,108
Tax losses	126	942	-	1,068
	$ 144,652	$ 36,627	$ (103)	$ 181,176
Deferred tax liabilities				
Temporary differences				
Property, plant and equipment	$ 152,524	$ (10,340)	$ -	$ 142,184
Investment gain recognized under the equity method	50,568	22,469	-	73,037
Intangible assets	12,050	(4,116)	-	7,934
Timing difference in Sales	4,831	(1,815)	-	3,016
Unrealized foreign exchange gain, net	1,873	(1,697)	-	176
Unrealized financial instrument gain, net	4,296	(4,156)	-	140
	$ 226,142	$ 345	$ -	$ 226,487

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Deferred revenue	$ 30,064	$ (4,451)	$ -	$ 25,613
Investment loss recognized under the equity method	21,652	30,099	-	51,751
Write-down of inventories	23,131	6,267	-	29,398
Employee benefits	10,765	(3,052)	-	7,713
Allowance for impairment loss	15,245	2,865	-	18,110
Provisions	9,009	(5,467)	-	3,542
Defined benefit obligations	3,717	448	(79)	4,086
Unrealized financial instrument loss, net	2,558	(2,558)	-	-
Payables for annual leave	2,209	694	-	2,903

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Unrealized foreign exchange loss, net	$ 2,053	$ (643)	$ -	$ 1,410
Others	360	(360)	-	-
	120,763	23,842	(79)	144,526
Tax losses	5,488	(5,362)	-	126
	$ 126,251	$ 18,480	$ (79)	$ 144,652
Deferred tax liabilities				
Temporary differences				
Property, plant and equipment	$ 160,518	$ (7,994)	$ -	$ 152,524
Investment gain recognized under the equity method	46,707	3,861	-	50,568
Intangible assets	20,043	(7,993)	-	12,050
Timing difference in Sales	9,946	(5,115)	-	4,831
Unrealized foreign exchange gain, net	2,125	(252)	-	1,873
Unrealized financial instrument gain, net	-	4,296	-	4,296
	$ 239,339	$ (13,197)	$ -	$ 226,142

(Concluded)

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2019	December 31 2018
Loss carryforwards		
Expiry in 2023	$ -	$ 2,798
No estimated useful life	-	27,776
	$ -	$ 30,574

f. Income tax assessments

The income tax returns through 2017 have been assessed by the tax authorities.

30. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 6, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.20	$ 1.16
Diluted earnings per share	$ 1.09	$ 1.06

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

Net profit for the period is as follows:

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Corporation	$ 189,001	$ 107,123
Earnings used in the computation of basic earnings per share	$ 189,001	$ 107,123
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	6,197	6,120
Earnings used in the computation of diluted earnings per share	$ 195,198	$ 113,243

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	92,069	89,133
Effect of potentially dilutive ordinary shares		
Employees’ compensation or bonuses issued to employees	65	33
Convertible bonds	14,963	14,963
Employee share options*	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	107,097	104,129

* The employee share options for the years ended December 31, 2019 and 2018 were not used in the computation of diluted earnings per share due to anti-dilutive effect.

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

31. SHARE-BASED PAYMENT ARRANGEMENTS

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.

a. The options are exercisable at fifty percent after the second anniversary from the grant date.
b. The options are exercisable at seventy five percent after the third anniversary from the grant date.
c. 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			
	2019		2018	
Employee Share Options	**Number of Options (In Thousands of Units)**	**Weighted-average Exercise Price ($)**	**Number of Options (In Thousands of Units)**	**Weighted-average Exercise Price ($)**
Balance at January 1	4,000	$ 42.95	4,000	$ 42.95
Options granted	-		-	
Options exercised	-		-	
Balance at December 31	4,000		4,000	
Options exercisable, end of period	-		-	
Weighted-average fair value of options granted ($)	$ 10.42		$ 10.42	

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

	December 31	
	2019	2018
Range of exercise price ($)	$ 41.60	$ 42.95
Weighted-average remaining contractual life (in years)	4 years	5 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.

Compensation costs recognized by the Group were $18,800 thousand and $16,280 thousand for the years ended December 31, 2019 and 2018, respectively.

32. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2019 and 2018, the Corporation entered into the following partial cash transactions:

a. From cash investing activities

	For the Year Ended December 31	
	2019	2018
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	$ 69,823	$ 384,540
Changes in prepayments for purchases of plant and equipment	(4,643)	11,071
Changes in payables for purchase of equipment	(4,319)	2,072
Cash paid	$ 60,861	$ 397,683
Partial cash paid for treasury shares		
Purchase of treasury shares	$ -	$ 117,480
Changes in payables for purchases of treasury shares	-	14,424
Cash paid	$ -	$ 131,904
Partial cash paid for other intangible assets		
Purchase of other intangible assets	$ 61,427	$ 261,344
Changes in payables for royalties	18,373	(233,400)
Changes in prepayments for purchases of plant and equipment	(24,405)	20,920
Cash paid	$ 55,395	$ 48,864

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	Non-cash Changes	Interests	Exchange Rate Impact	Closing Balance
Short-term borrowings	$ 1,655,030	$ (133,393)	$ -	$ -	$ (8,337)	$ 1,513,300
Bonds payable	586,609	-	-	6,265	-	592,874
Long-term borrowings	715,703	181,275	-	-	740	897,718
Guarantee deposits received	3,016	(376)	-	-	31	2,671
Lease liabilities (Note 3)	68,970	(21,310)	36,410	1,573	(3,282)	82,361
	$ 3,029,328	$ 26,196	$ 36,410	$ 7,838	$ (10,848)	$ 3,088,924

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes: Exchange Rate Impact	Closing Balance
Short-term borrowings	$ 1,320,535	$ 340,958	$ (6,463)	$ 1,655,030
Long-term borrowing	691,976	22,325	1,402	715,703
Guarantee deposits received	26	2,946	44	3,016
	$ 2,012,537	$ 366,229	$ (5,017)	$ 2,373,749

33. 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.

34. 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, 2019

	Carrying Amount	Fair Value: Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities at amortized cost					
Convertible bonds	$ 592,874	$ -	$ 597,180	$ -	$ 597,180

December 31, 2018

	Carrying Amount	Fair Value: Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities at amortized cost					
Convertible bonds	$ 586,609	$ -	$ 592,140	$ -	$ 592,140

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, 2019

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

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets				
Swap contracts	$ -	$ 24,012	$ -	$ 24,012
Foreign exchange forward contracts	-	47	-	47
	$ -	$ 24,059	$ -	$ 24,059
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	$ -	$ -	$ 28,697	$ 28,697
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Put options of convertible bonds	$ -	$ 3,406	$ -	$ 3,406

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, 2019

	Financial Assets at FVTOCI
Financial assets	
Balance at January 1, 2019	$ 28,697
Purchases	35,085
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	1,899
settlements	(22,265)
Effects of foreign currency exchange differences	(432)
Balance at December 31, 2019	$ 42,984

For the year ended December 31, 2018

	Financial Assets at FVTOCI
Financial assets	
Balance at January 1, 2018	$ 5,220
Purchases	25,080
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(1,033)
Effects of foreign currency exchange differences	(570)
Balance at December 31, 2018	$ 28,697

3) Valuation techniques and assumptions applied for fair value measurement

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

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

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ -	$ 24,059
Financial assets at amortized cost (Note 1)	2,195,687	1,781,826
Financial assets at FVTOCI - equity instruments	42,984	28,697
Financial liabilities		
FVTPL		
Held for trading	3,043	3,406
Amortized cost (Note 2)	4,399,328	4,451,287

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

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, bonds payable, long-term borrowings (including current portion), other non-current liabilities, and partial other payables.

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 38.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollars, Renminbi, Euros 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		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 77,066	$ (55,267)	$ 7,047	$ (9,407)

	EUR Impact		**GBP Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 4,969	$ 152	$ 7,017	$ (4,050)

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	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 328,353	$ 252,281
Financial liabilities	2,027,393	2,301,060
Cash flow interest rate risk		
Financial assets	716,565	418,594
Financial liabilities	1,273,890	889,682

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $1,393 thousand and $1,178 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

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

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

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 48.06% and 48.21% of total accounts receivable as of December 31, 2019 and 2018, 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, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of $1,213,525 thousand and $1,023,941 thousand, respectively.

As of December 31, 2019, the current liabilities exceeded current assets by $272,022 thousand, which resulted in the liquidity ratio less than 1. The Group has maintained sound bank credit standing and assets have been pledged as collateral for bank loans. There were no reduction in bank loan facilities during the terms and no frequent change of the leading banks. The Group has available unutilized short-term bank loan facilities of $1,213,525 thousand. The board of directors resolved to grant the Chairman full power to sign contracts extending facilities and sign renewal contracts.

The Group issued domestic convertible bonds at the first time, which are fully secured by Bank SinoPac. The Group had acquired Bank SinoPac's notification of terms and conditions and deadline for signing contract that the original amount guaranteed would be converted to provide the financing amount as the source of sinking fund for the Group when the convertible bonds expired.

Additionally, the Group improved the financial structure in order to repay the bank loan. The board of directors approved the capital increase by cash through issuing 19,000,000 shares of common stock, for the relevant descriptions, refer to Note 26. Therefore, the Group does not have liquidity risk by defaulting on contractual obligations.

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, 2019

	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		$ 224,366	$ 847,146	$ 108,790	$ -	$ 107
Variable interest rate liabilities	1.45%-1.79%	369,105	18,239	142,909	443,037	333,254
Fixed interest rate liabilities	1.31%-4.872%	420,302	249,891	1,090,317	183,883	-
Lease liabilities	1.31%-4.872%	1,964	3,853	16,516	37,943	11,513
		$ 1,015,737	$ 1,119,129	$ 1,358,532	$ 664,863	$ 344,874

December 31, 2018

	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	-	$ 297,591	$ 838,834	$ 119,860	$ 1,114	$ 111
Variable interest rate liabilities	1.51%-2.06%	14,637	139,290	122,968	259,176	375,602
Fixed interest rate liabilities	1.11%-5.00%	162,656	666,957	1,260,105	239,393	-
		$ 474,884	$ 1,645,081	$ 1,502,933	$ 499,683	$ 375,713

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, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Swap contracts	$ -	$ -	$ 3,686	$ -	$ -
Foreign exchange forward contracts	356	136	-	-	-
	$ 356	$ 136	$ 3,686	$ -	$ -

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Swap contracts	$ 8,957	$ 6,301	$ (81)	$ -	$ -
Foreign exchange forward contracts	(611)	-	-	-	-
	$ 8,346	$ 6,301	$ (81)	$ -	$ -

35. 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. Besides information disclosed elsewhere in the other notes, transactions between the Group and other related parties are as follows:

a. Related parties and relationships

Related Party	Relationship with the Group
Other related parties	
Taipei Dyaco Charitable Foundation	Same director with the parent

b. Operating expense-donation

	For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**
Other related parties		
Taipei Dyaco Charitable Foundation	$ -	$ 1,000

c. The details of the compensation of key management personnel for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 67,168	$ 64,013
Post-employment benefits	991	1,052
	$ 68,159	$ 65,065

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

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2019	**2018**
Property, plant and equipment	$ 1,797,781	$ 1,850,068
Right-of-use assets	291,149	-
Prepayment of rent	-	310,930
Pledge deposits - current	328,357	252,286
Inventories	56,217	62,920
	$ 2,473,504	$ 2,476,204

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except for those separately disclosed in other notes, the Group had the following significant events after the reporting period:

a. On January 2, 2020, the board of directors approved the resolution to purchase 100% equity of Fitness Equipment Services, LLC (Sole Fitness).Total monetary amount of the transaction was US$28,000,000 and plus the net asset value on the closing date.

b. On February 21, 2020, the Corporation made an announcement of share repurchases which was resolved by the board of directors. There were 3,000,000 shares to be repurchased at NT$30-NT$50 per share from February 24, 2020 to April 23, 2020, and at the price below the lower price limit. As of March 20, 2020, the shares had been repurchased by the Corporation.

c. On March 20, 2020, the Group made an announcement of share repurchases which was resolved by the board of directors. There were 4,500,000 shares to be repurchased at NT$24-NT$45 per share from March 20, 2020 to May 19, 2020, and at the price below the lower price limit.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 55,215	29.98	(USD:NTD)	$ 1,655,340
USD	7,086	6.964	(USD:RMB)	212,452
USD	560	1.304	(USD:CAD)	16,787
RMB	32,852	4.305	(RMB:NTD)	141,428
RMB	15	0.1436	(RMB:USD)	65
EUR	2,885	33.59	(EUR:NTD)	96,916
EUR	2	1.1204	(EUR:USD)	82
EUR	99	0.8534	(EUR:GBP)	3,322
GBP	3,566	39.36	(GBP:NTD)	140,349
Non-monetary items				
USD	18,666	7.789	(USD:HKD)	559,595
JPY	1,060	0.276	(JPY:NTD)	292
HKD	354,670	3.849	(HKD:NTD)	1,365,125
RMB	196,349	1.1185	(RMB:HKD)	845,281
CAD	8,216	0.7668	(CAD:USD)	188,869
EUR	1,686	33.59	(EUR:NTD)	56,640

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial liabilities				
Monetary items				
USD	$ 105,491	29.98	(USD:NTD)	$ 3,162,629
USD	2,157	1.304	(USD:CAD)	64,673
USD	870	108.6232	(USD:JPY)	26,092
USD	30	0.8925	(USD:EUR)	901
USD	724	6.964	(USD:RMB)	21,704
RMB	127	4.305	(RMB:NTD)	545
EUR	28	0.1436	(EUR:USD)	941
Non-monetary items				
GBP	1,025	39.36	(GBP:NTD)	40,360

(Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 35,856	30.7150	(USD:NTD)	$ 1,101,310
USD	19,713	6.8683	(USD:RMB)	605,518
USD	842	1.3603	(USD:CAD)	25,854
EUR	318	35.2000	(EUR:NTD)	11,209
RMB	42,141	4.4720	(RMB:NTD)	188,454
RMB	19	0.1456	(RMB:USD)	83
GBP	2,083	38.8800	(GBP:NTD)	81,003
Non-monetary items				
USD	15,543	7.8335	(USD:HKD)	477,416
JPY	27,207	0.2782	(JPY:NTD)	7,569
HKD	334,004	3.9210	(HKD:NTD)	1,309,629
RMB	212,322	1.1405	(RMB:HKD)	949,506
CAD	8,212	0.7351	(CAD:USD)	185,430
EUR	4,384	35.2000	(EUR:NTD)	154,318
Financial liabilities				
Monetary items				
USD	10,687	30.7150	(USD:NTD)	328,257
USD	2,568	1.3603	(USD:CAD)	78,869
USD	326	110.4620	(USD:JPY)	10,007
USD	513	0.8726	(USD:EUR)	15,749
USD	5,331	6.8683	(USD:RMB)	163,738
EUR	361	35.2000	(EUR:NTD)	12,713
RMB	88	4.4720	(RMB:NTD)	393
EUR	28	0.1456	(EUR:USD)	986
EUR	16	0.9053	(EUR:GBP)	558
Non-monetary items				
GBP	385	38.8800	(GBP:NTD)	14,966

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange (losses) gains were $22,912 thousand and $61,732 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.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

   1) Financing provided to others: Table 1

   2) Endorsements/guarantees provided: Table 2

   3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3

   4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

   5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

   6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

   7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4

   8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5

   9) Trading in derivative instruments: Notes 7 and 34

   10) Information on investees (excluding investees in mainland China): Table 6

b. Information on investments in mainland China

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7

   2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

      a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8

      b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8

      c) The amount of property transactions and the amount of the resultant gains or losses: None

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None

c. Intercompany relationships and significant intercompany transactions: Table 9

40. 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 December 31, 2019					
Revenues from external customers	$ 1,988,785	$ 3,480,200	$ 381,543	$ -	$ 5,850,528
Intersegment revenues	2,649,146	-	-	(2,649,146)	-
Consolidated revenues	$ 4,637,931	$ 3,480,200	$ 381,543	$ (2,649,146)	$ 5,850,528
Segment income (loss)	$ 388,993	$ 89,675	$ (164,917)	$ (35,137)	$ 278,614
For the year ended December 31, 2018					
Revenues from external customers	$ 2,124,694	$ 3,065,860	$ 366,596	$ -	$ 5,557,150
Intersegment revenues	2,253,263	-	-	(2,253,263)	-
Consolidated revenues	$ 4,377,957	$ 3,065,860	$ 366,596	$ (2,253,263)	$ 5,557,150
Segment income (loss)	$ 257,090	$ 6,166	$ (127,341)	$ 10,746	$ 146,661

b. Segment assets and liabilities

	December 31	
	2019	2018
Segment assets		
Asia	$ 5,227,445	$ 4,943,364
Americas	1,692,024	1,739,815
Europe	375,832	342,129
Total segment assets	$ 7,295,301	$ 7,025,308

(Continued)

	December 31	
	2019	2018
Segment liabilities		
Asia	$ 3,579,668	$ 3,506,680
Americas	1,132,429	1,262,398
Europe	338,887	177,709
Total segment liabilities	$ 5,050,984	$ 4,946,787

(Concluded)

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	
	2019	2018
Treadmill	$ 2,530,716	$ 2,236,658
Elliptical trainer	1,091,179	1,150,197
Furniture	742,865	879,877
Vehicles	780,277	612,008
Others	705,491	678,410
	$ 5,850,528	$ 5,557,150

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 are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2019	2018
America	$ 4,055,986	$ 3,799,384
Europe	860,519	798,535
Mainland China	343,057	411,183
Taiwan	176,289	98,044
Others	414,677	450,004
	$ 5,850,528	$ 5,557,150

	Non-current Assets	
	December 31	
	2019	2018
America	$ 496,167	$ 534,022
Mainland China	1,030,364	1,087,488
Taiwan	1,860,374	1,928,341
Europe	132,763	94,659
	$ 3,519,668	$ 3,644,510

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	
	2019	2018
Customer A from Americas	$ 1,376,969	$ 1,128,554

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	Dyaco International Inc.	Dyaco Japan Co., Ltd.	Other receivables from related parties	Yes	$ 12,850 (JPY 46,559 thousand)	$ 12,450 (JPY 45,108 thousand)	$ 12,450 (JPY 45,108 thousand)	-	Business transaction	$ 80,037	-	$ -	-	$ -	$ 80,037 (Note 2)	$ 757,658 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	34,532 (EUR 1,028 thousand)	34,532 (EUR 1,028 thousand)	34,532 (EUR 1,028 thousand)	-	Business transaction	104,581	-	-	-	-	104,581 (Note 2)	757,658 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	20,154 (EUR 600 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	378,829 (Note 1)	757,658 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	113,005 (GBP 2,871 thousand)	113,005 (GBP 2,871 thousand)	113,005 (GBP 2,871 thousand)	-	Business transaction	150,295	-	-	-	-	150,295 (Note 2)	757,658 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	26,617 (US$ 888 thousand)	- (Note 7)	-	-	Business transaction	29,840	-	-	-	-	29,840 (Note 2)	757,658 (Note 4)	
1	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	9,069 (EUR 270 thousand)	9,069 (EUR 270 thousand)	9,069 (EUR 270 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	65,853 (Note 3)	26,341 (Note 3)	

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

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

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

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

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

Note 6: The ending balance was due as of December 31, 2019.

Note 7: The ending balance had been repaid as of December 31, 2019.

Note 8: Eliminated from the consolidated financial statements.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship											
0	Dyaco International Inc.	Fuel-Spirit International Inc.	Indirectly held subsidiary	$ 947,073	$ 86,942 (US$ 2,900 thousand)	$ -	$ -	$ -	-	$ 947,073	Y	-	-	
		Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	189,415	59,960 (US$ 2,000 thousand)	29,980 (US$ 1,000 thousand)	-	-	1.58	189,415	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	947,073	1,181 (GBP 30 thousand)	1,181 (GBP 30 thousand)	455 (GBP 12 thousand)	-	0.06	947,073	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: Shelton Corporation (Jiaxing), Ltd. has obtained short-term financing from financial institution, and Dyaco International Inc. provided endorsement/guarantee.

Note 4: “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.

<u>**TABLE 3**</u>

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Thousands of Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Dyaco International Inc.	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	$ 31,860 (US$ 1,000 thousand)	10	$ 31,860 (US$ 1,000 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	6,066 (RMB 1,409 thousand)	5	6,066 (RMB 1,409 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	5,058 (RMB 1,175 thousand)	9	5,058 (RMB 1,175 thousand)	Note 1

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

Note 2: For the information on investments in subsidiaries, refer to Tables 6 and 7.

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, 2019
(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 2)	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% to Total (Note 1)	
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Sales	$ 2,143,587	60	Flexible	Based on mutual agreement	Flexible	$ 798,518	69	
	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	Purchase	996,543	43	Flexible	Based on mutual agreement	Flexible	452,956	47	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	200,489	6	Flexible	Based on mutual agreement	Flexible	116,024	10	
	Dayaco Canada Inc.	Indirectly held subsidiary	Sales	179,145	5	Flexible	Based on mutual agreement	Flexible	44,677	4	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	180,104	100	Flexible	Based on mutual agreement	Flexible	58,205	78	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	2,143,587	100	Flexible	Based on mutual agreement	Flexible	798,518	89	
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	996,543	50	Flexible	Based on mutual agreement	Flexible	452,956	62	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	200,489	75	Flexible	Based on mutual agreement	Flexible	116,024	81	
Dayaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	179,145	62	Flexible	Based on mutual agreement	Flexible	44,677	70	
Shelton Corporation (Jiaxing), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	180,104	22	Flexible	Based on mutual agreement	Flexible	58,205	3	

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

Note 2: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(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)		Amount	Actions Taken		
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	$ 798,518	2.38	$ -	-	$ 326,075	$ -
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	116,024	1.48	-	-	-	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	452,956	2.30	-	-	269,685	-

Note: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount (Note 1)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	$ 1,128,018	$ 1,247,518	290,634,268	100	$ 1,365,125	$ 111,336	$ 111,810 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	349,431	-	100	56,640	(96,879)	(96,879)
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	10,888	298	298
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	292	(7,382)	(7,382)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	15,000	5,000	1,500,000	100	10,730	(3,768)	(3,768)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	51,160	-	100	(40,360)	(63,961)	(63,961)
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	55,739 (EUR 1,659 thousand)	(67,695) (EUR -1,960 thousand)	(72,477) (EUR -2,094 thousand) (Note 3)
	Cardiofitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	962 (EUR 29 thousand)	(28) (EUR -1)	(28) (EUR -1)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	379,727 (US$ 12,400 thousand)	379,727 (US$ 12,400 thousand)	12,400,000	100	559,595 (HK$ 145,387 thousand)	86,569 (HK$ 21,944 thousand)	86,569 (HK$ 21,944 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	265,734 (US$ 8,890 thousand)	265,734 (US$ 8,890 thousand)	1,667.50	100	279,551 (US$ 9,325 thousand)	7,345 (US$ 238 thousand)	7,345 (US$ 238 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US$ 9,058 thousand)	271,752 (US$ 9,058 thousand)	1,000	100	188,869 (US$ 6,300 thousand)	4,164 (US$ 135 thousand)	(210) (US$ -7 thousand) (Note 4)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US$ 2,000 thousand)	62,118 (US$ 2,000 thousand)	-	100	(30,852) (US$ -1,029 thousand)	(19,384) (US$ -627 thousand)	(19,384) (US$ -627 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US$ 200 thousand)	6,092 (US$ 200 thousand)	-	100	(26,560) (US$ -886 thousand)	(54,475) (US$ -1,762 thousand)	(54,475) (US$ -1,762 thousand)

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

Note 2: Including share of profit of $111,336 thousand and realized profits of $474 thousand from upstream intercompany transactions.

Note 3: Including share of loss of $67,695 thousand minus amortization of investment premium of $4,782 thousand.

Note 4: Including share of profit of $4,164 thousand minus amortization of investment premium of $4,374 thousand.

Note 5: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
						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)	$ (10,103) (HK$ -2,561 thousand)	100	$ (10,103) (HK$ -2,561 thousand)	$ 168,782 (HK$ 43,580 thousand)	$ -
	Dongguan Dayu Sports Equipment Co., Ltd.	Manufacturing and selling	21,137 (HK$ 5,500 thousand)	Through an investment company registered in a third region (Note 1)	119,912 (US$ 4,000 thousand)	-	58,388	-	(3,334) (HK$ -845 thousand)	100	2,142 (HK$ 543 thousand) (Note 3)	-	-
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	659,471 (US$ 21,830 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US$ 21,830 thousand)	-	-	659,471 (US$ 21,830 thousand)	91,708 (HK$ 23,247 thousand)	60	45,400 (HK$ 11,508 thousand) (Note 4)	676,499 (HK$ 175,759 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(3,392) (RMB -759 thousand)	100	(3,392) (RMB -759 thousand)	5,402 (RMB 1,282 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	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 share of loss of $3,334 thousand minus amortization of investment premium of $24 thousand and unrealized profits on disposal of property, plant, and equipment of $5,500 thousand from side stream intercompany transactions.

Note 4: Including 60% share of profit of $55,025 thousand minus amortization of investment premium of $8,383 thousand and unrealized profits of $1,242 thousand from side stream intercompany transactions.

Note 5: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

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

Note 7: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Sales	$ 200,489	6	Flexible	Based on mutual agreement	$ 116,024	10	$ 12,508	
		Shelton Corporation (Jiaxing), Ltd.	Purchase	966,543	43	Flexible	Based on mutual agreement	452,956	47	45,576	

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

Note 2: Eliminated from the consolidated financial statements.

TABLE 9

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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)	
2019	0	Dyaco International Inc.	Spirit Direct, LLC.	a	Investments accounted for using the equity method	$ 643	-	-
					Other operating revenue	44	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	16,995	-	-
					Other payables from related parties	16	-	-
			Dyaco Japan Co., Ltd.	a	Sales	23,383	-	-
					Other operating revenue	602	-	-
					Accounts receivable from related parties	13,642	-	-
					Other receivables from related parties	12,450	-	-
					Investments accounted for using the equity method	2,783	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Sales	200,152	-	3
					Other operation revenue	338	-	-
					Accounts receivable from related parties	116,024	-	2
					Investments accounted for using the equity method	12,508	-	-
			Spirit Manufacturing Inc.	a	Sales	2,121,906	-	36
					Other operating revenue	21,681	-	-
					Other operating income	60,621		1
					Accounts receivable from related parties	798,518	-	11
					Investments accounted for using the equity method	28,986	-	-
			Dyaco Canada Inc.	a	Sales	178,978	-	3
					Other operating revenue	167	-	-
					Accounts receivable from related parties	44,677	-	1
					Investments accounted for using the equity method	10,638	-	-
			Dyaco Europe GmbH	a	Sales	57,375	-	1
					Other operating revenue	103	-	-
					Accounts receivable from related parties	32,200	-	-
					Other receivables from related parties	34,532	-	-
					Investments accounted for using the equity method	9,265	-	-
			Daan Health Management Consulting Co., Ltd.	a	Rental revenue	24	-	-
			Wing Long Co., Ltd.	a	Accounts receivable from related parties	2,957	-	-
					Accounts payable from related parties	618	-	-
					Sales	720	-	-
					Other expenses	606	-	-
			Dyaco UK Ltd.	a	Sales	64,777	-	1
					Other operating revenue	555	-	-
					Accounts receivable from related parties	29,100	-	-
					Other receivables from related parties	113,003	-	2
					Investments accounted for using the equity method	11,936	-	-

(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)	
			Shelton Corporation (Jiaxing), Ltd.	a	Cost of goods sold	$ 996,543	-	17
					Accounts payable to related parties	452,957	-	6
					Accounts receivable from related parties	141	-	-
					Inventories	449	-	-
			CARDIOfitness GmbH & Co.KG	a	Sales	23,455	-	-
					Accounts receivable from related parties	23,485	-	-
			Dyaco Commercial & Medical North America, LLC.	a	Accounts receivable from related parties	827	-	-
	1	Spirit Direct, LLC.	Dyaco International Inc.	b	Inventories	643	-	-
					Cost of goods sold	44	-	-
			Spirit Manufacturing Inc.	c	Accounts payable to related parties	70	-	-
					Other payables to related parties	35,676	-	-
	2	Fuel-Spirit International Inc.	Dyaco International Inc.	b	Accounts payable to related parties	16,979	-	-
			Dyaco Canada Inc.	c	Other operating revenue	8,636	-	-
					Accounts receivable from related parties	2,465	-	-
			Spirit Manufacturing Inc.	c	Other operating revenue	77,280	-	1
					Accounts receivable from related parties	92,938	-	1
			Shelton Corporation (Jiaxing), Ltd.	c	Accounts payable to related parties	58,205	-	1
					Cost of goods sold	180,104	-	3
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	23,824	-	-
					Other expenses	161	-	-
					Accounts payable to related parties	25,839	-	-
					Other payables to related parties	253	-	-
					Inventories	2,783	-	-
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	200,490	-	3
					Accounts payable to related parties	116,024	-	2
					Inventories	12,508	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	52,332	-	-
					Accounts payable to related parties	21,105	-	1
					Inventories	762	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	2,613	-	-
					Other receivables from related parties	2	-	-
	5	Spirit Manufacturing Inc.	Dyaco International Inc.	b	Cost of goods sold	2,143,587	-	37
					Other expenses	60,621	-	1
					Accounts payable to related parties	798,518	-	11
					Inventories	28,986	-	-
			Fuel-Spirit International Inc.	c	Other expenses	77,280	-	1
					Accounts payable to related parties	92,938	-	1
			Dyaco Canada Inc.	c	Sales	11,816	-	-
					Accounts receivable from related parties	391	-	-

(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)	
			Spirit Direct, LLC.	c	Accounts receivable from related parties	$ 70	-	-
					Other receivables from related parties	35,676	-	-
			Dyaco Commercial & Medical North America, LLC.	c	Accounts receivable from related parties	6,141	-	-
					Other receivables from related parties	7,051	-	-
					Sales	1,014	-	-
					Other revenue	312	-	-
	6	Dyaco Canada Inc.	Dyaco International Inc.	b	Cost of goods sold	179,145	-	3
					Accounts payable to related parties	44,677	-	1
					Inventories	10,638	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	11,816	-	-
					Accounts payable to related parties	391	-	-
			Fuel-Spirit International Inc.	c	Other expenses	8,636	-	-
					Other payables to related parties	2,465	-	-
	7	Dyaco Europe GmbH	Dyaco International Inc.	b	Cost of goods sold	57,478	-	1
					Accounts payable to related parties	66,732	-	1
					Inventories	9,265	-	-
			CARDIOfitness GmbH & Co. KG	c	Sales	20,671	-	-
					Other receivables from related parties	9,084	-	-
					Accounts receivable from related parties	26,382	-	-
					Accounts payable to related parties	107	-	-
			Dyaco UK Ltd.	c	Accounts payable to related parties	2,112	-	-
					Other revenue	1,839	-	-
	8	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	24	-	-
	9	CARDIOfitness GmbH & Co. KG	Dyaco International Inc.	b	Cost of goods sold	23,455	-	-
					Accounts payable to related parties	23,485	-	-
			Dyaco Europe GmbH	c	Cost of goods sold	20,671	-	-
					Other accounts payable to related parties	9,084	-	-
					Accounts payable to related parties	26,382	-	-
					Accounts receivable from related parties	107	-	-
	10	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties	2,957	-	-
					Accounts receivable from related parties	618		
					Cost of goods sold	720	-	-
					Sales	606	-	-
	11	Dyaco UK Ltd.	Dyaco International Inc.	b	Cost of goods sold	57,651	-	1
					Other expenses	7,681	-	-
					Accounts payable to related parties	142,103	-	2
					Inventories	11,936	-	-
			Dyaco Europe GmbH	c	Cost of goods sold	2,112	-	-
					Other expenses	1,839	-	-

(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)		
	12	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	b	Sales	$ 996,543	-		17
					Accounts receivable from related parties	452,957	-		6
					Accounts payable to related parties	141	-		-
					Cost of goods sold	449	-		-
			Fuel-Spirit International Inc.	c	Sales	180,104	-		3
					Accounts receivable from related parties	58,205	-		1
			Dyaco (Shanghai) Trading Co., Ltd.	c	Sales	52,332	-		1
					Accounts receivable from related parties	21,105	-		-
					Cost of goods sold	762	-		-
	13	Dyaco Commercial & Medical North America, LLC.	Dyaco International Inc.	b	Accounts payable to related parties	827	-		-
			Spirit Manufacturing Inc.	c	Accounts payable to related parties	6,141	-		-
					Other payables to related parties	7,051	-		-
					Other expenses	1,326	-		-
	14	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Accounts payable to related parties	2,497	-		-
					Other payables to related parties	118	-		-

Note 1: Companies are numbered as follows:

a. The parent is numbered as "0."
b. Subsidiaries are numbered from "1" onward.

Note 2: The flow of transactions is as follows:

a. From the parent to the subsidiary.
b. From the subsidiary to the parent.
c. From the subsidiary to the subsidiary.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

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Dyaco International Inc.