

Dyaco International Inc. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Dyaco International Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018, and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chao-Mei Chen and Chien-Hsin Hsieh.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2019

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 (In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 690,787	10	\$ 595,597	9	\$ 457,991	7
Financial assets at fair value through profit or loss (Note 7)	-	-	24,059	-	24,849	-
Notes receivable (Notes 9 and 27)	1,398	-	3,986	-	2,486	-
Accounts receivable (Notes 9 and 27)	775,953	11	926,566	13	750,527	12
Other receivables (Note 9)	31,847	-	21,188	-	16,874	-
Current tax assets (Note 4)	7,193	-	30,748	1	28,262	1
Inventories (Notes 10 and 36)	1,237,254	18	1,220,422	17	1,236,775	19
Prepayments (Notes 11, 19 and 36)	94,304	1	108,170	2	128,380	2
Other financial assets (Notes 12 and 36)	332,069	5	252,286	4	250,725	4
Other current assets	<u>27,384</u>	<u>-</u>	<u>24,427</u>	<u>-</u>	<u>24,685</u>	<u>-</u>
Total current assets	<u>3,198,189</u>	<u>45</u>	<u>3,207,449</u>	<u>46</u>	<u>2,921,554</u>	<u>45</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 8)	41,231	1	28,697	1	29,471	-
Property, plant and equipment (Notes 14 and 36)	2,702,547	39	2,824,366	40	2,577,024	40
Right-of-use assets (Notes 3, 4, 15 and 36)	379,078	5	-	-	-	-
Investment properties (Note 16)	60,926	1	12,494	-	-	-
Goodwill (Note 17)	193,647	3	196,045	3	197,315	3
Other intangible assets (Note 18)	255,282	4	268,459	4	306,661	5
Deferred income tax assets (Note 4)	170,809	2	144,652	2	161,028	2
Prepayments for plant and equipment	7,432	-	33,657	-	4,858	-
Refundable deposits	8,397	-	5,851	-	5,135	-
Prepayments for leases (Notes 19 and 36)	-	-	302,088	4	303,285	5
Other non-current assets	<u>927</u>	<u>-</u>	<u>1,550</u>	<u>-</u>	<u>1,972</u>	<u>-</u>
Total non-current assets	<u>3,820,276</u>	<u>55</u>	<u>3,817,859</u>	<u>54</u>	<u>3,586,749</u>	<u>55</u>
TOTAL	<u>\$ 7,018,465</u>	<u>100</u>	<u>\$ 7,025,308</u>	<u>100</u>	<u>\$ 6,508,303</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 20 and 36)	\$ 1,424,000	20	\$ 1,655,030	24	\$ 1,606,296	25
Financial liabilities at fair value through profit or loss (Note 7)	6,174	-	3,406	-	6,166	-
Notes payable (Note 22)	275,554	4	465,861	7	398,136	6
Accounts payable (Note 22)	733,570	10	739,587	11	627,302	10
Other payables (Note 23)	254,195	4	263,121	4	215,506	3
Current income tax liabilities (Note 4)	41,659	1	26,210	-	6,750	-
Provisions (Note 24)	16,155	-	13,806	-	34,153	-
Lease liabilities (Notes 3, 4 and 15)	26,140	-	-	-	-	-
Contract liabilities (Note 27)	13,067	-	9,320	-	15,997	-
Current portion of bonds payable (Note 21)	590,932	8	586,609	8	584,686	9
Current portion of long-term borrowings (Notes 20 and 36)	112,549	2	59,314	1	64,943	1
Other current liabilities	<u>49,177</u>	<u>1</u>	<u>32,065</u>	<u>-</u>	<u>35,433</u>	<u>1</u>
Total current liabilities	<u>3,543,172</u>	<u>50</u>	<u>3,854,329</u>	<u>55</u>	<u>3,595,368</u>	<u>55</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 20 and 36)	815,042	11	656,389	9	495,634	8
Deferred tax liabilities (Note 4)	229,033	3	226,142	3	224,800	4
Lease liabilities (Notes 3, 4 and 15)	57,280	1	-	-	-	-
Long-term payable (Note 23)	180,615	3	186,666	3	221,185	3
Net defined benefit liabilities (Note 4)	20,630	-	20,245	-	22,036	-
Guarantee deposits received	<u>2,836</u>	<u>-</u>	<u>3,016</u>	<u>-</u>	<u>56</u>	<u>-</u>
Total non-current liabilities	<u>1,305,436</u>	<u>18</u>	<u>1,092,458</u>	<u>15</u>	<u>963,711</u>	<u>15</u>
Total liabilities	<u>4,848,608</u>	<u>68</u>	<u>4,946,787</u>	<u>70</u>	<u>4,559,079</u>	<u>70</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION						
Share capital						
Ordinary shares	960,635	14	929,502	13	929,502	14
Advance share capital	<u>374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital	<u>961,009</u>	<u>14</u>	<u>929,502</u>	<u>13</u>	<u>929,502</u>	<u>14</u>
Capital surplus	<u>751,509</u>	<u>11</u>	<u>738,397</u>	<u>10</u>	<u>734,327</u>	<u>11</u>
Retained earnings						
Legal reserve	133,886	2	123,174	2	123,174	2
Special reserve	79,123	1	59,258	1	59,258	1
Unappropriated earnings	<u>163,472</u>	<u>2</u>	<u>145,777</u>	<u>2</u>	<u>44,940</u>	<u>1</u>
Total retained earnings	<u>376,481</u>	<u>5</u>	<u>328,209</u>	<u>5</u>	<u>227,372</u>	<u>4</u>
Other equity	<u>(92,303)</u>	<u>(1)</u>	<u>(79,123)</u>	<u>(1)</u>	<u>(77,216)</u>	<u>(1)</u>
Treasury shares	<u>(172,340)</u>	<u>(2)</u>	<u>(172,340)</u>	<u>(2)</u>	<u>(172,340)</u>	<u>(3)</u>
Total equity attributable to owners of the Corporation	1,824,356	27	1,744,645	25	1,641,645	25
NON-CONTROLLING INTERESTS	<u>345,501</u>	<u>5</u>	<u>333,876</u>	<u>5</u>	<u>307,579</u>	<u>5</u>
Total equity	<u>2,169,857</u>	<u>32</u>	<u>2,078,521</u>	<u>30</u>	<u>1,949,224</u>	<u>30</u>
TOTAL	<u>\$ 7,018,465</u>	<u>100</u>	<u>\$ 7,025,308</u>	<u>100</u>	<u>\$ 6,508,303</u>	<u>100</u>

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Note 27)	\$ 1,298,521	101	\$ 1,317,896	101	\$ 4,232,421	101	\$ 4,031,775	102
LESS: SALES RETURNS	4,057	-	6,797	-	15,463	-	21,944	1
SALES DISCOUNTS AND ALLOWANCES	<u>8,959</u>	<u>1</u>	<u>11,683</u>	<u>1</u>	<u>44,987</u>	<u>1</u>	<u>50,932</u>	<u>1</u>
NET OPERATING REVENUE	1,285,505	100	1,299,416	100	4,171,971	100	3,958,899	100
OPERATING COSTS (Notes 10 and 28)								
Cost of sales	<u>871,033</u>	<u>68</u>	<u>902,001</u>	<u>70</u>	<u>2,970,236</u>	<u>71</u>	<u>2,979,065</u>	<u>75</u>
GROSS PROFIT	<u>414,472</u>	<u>32</u>	<u>397,415</u>	<u>30</u>	<u>1,201,735</u>	<u>29</u>	<u>979,834</u>	<u>25</u>
OPERATING EXPENSES (Notes 28 and 35)								
Selling and marketing	147,243	11	125,392	10	511,229	12	511,627	13
General and administrative	144,365	11	189,091	14	447,473	10	509,730	13
Research and development	22,319	2	26,228	2	74,008	2	86,003	2
Expected credit loss	<u>2,698</u>	<u>-</u>	<u>(1,146)</u>	<u>-</u>	<u>6,917</u>	<u>-</u>	<u>29,959</u>	<u>1</u>
Total operating expenses	<u>316,625</u>	<u>24</u>	<u>339,565</u>	<u>26</u>	<u>1,039,627</u>	<u>24</u>	<u>1,137,319</u>	<u>29</u>
OTHER OPERATING INCOME AND EXPENSES (Note 28)	<u>(398)</u>	<u>-</u>	<u>(5,353)</u>	<u>-</u>	<u>(599)</u>	<u>-</u>	<u>97,218</u>	<u>3</u>
PROFIT (LOSS) FROM OPERATIONS	<u>97,449</u>	<u>8</u>	<u>52,497</u>	<u>4</u>	<u>161,509</u>	<u>5</u>	<u>(60,267)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	3,392	-	2,092	-	7,155	-	4,211	-
Rental income	3,233	-	3,469	-	11,435	-	7,807	-
Other income	4,150	-	712	-	14,519	-	3,599	-
Foreign exchange gain, net (Note 28)	3,140	-	16,946	2	28,694	1	49,394	1
Other expenses	(1,297)	-	(1,032)	-	(2,864)	-	(1,362)	-
Gain or loss on valuation of financial instruments	(6,174)	-	(4,102)	-	(2,754)	-	19,509	1
Interest expense (Note 28)	<u>(13,654)</u>	<u>(1)</u>	<u>(12,253)</u>	<u>(1)</u>	<u>(43,822)</u>	<u>(1)</u>	<u>(38,803)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(7,210)</u>	<u>(1)</u>	<u>5,832</u>	<u>1</u>	<u>12,363</u>	<u>-</u>	<u>44,355</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	90,239	7	58,329	5	173,872	5	(15,912)	-
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 29)	<u>22,087</u>	<u>2</u>	<u>11,836</u>	<u>1</u>	<u>37,067</u>	<u>1</u>	<u>(19,494)</u>	<u>-</u>
NET PROFIT	<u>68,152</u>	<u>5</u>	<u>46,493</u>	<u>4</u>	<u>136,805</u>	<u>4</u>	<u>3,582</u>	<u>-</u>

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DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	\$ -	-	\$ -	-	\$ -	-	\$ 189	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(55,324)	(4)	(39,470)	(3)	(27,822)	(1)	(30,794)	(1)
Other comprehensive income (loss) for the period, net of income tax	(55,324)	(4)	(39,470)	(3)	(27,822)	(1)	(30,605)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 12,828	1	\$ 7,023	1	\$ 108,983	3	\$ (27,023)	(1)
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 67,398	5	\$ 47,519	4	\$ 112,910	3	\$ 7,359	-
Non-controlling interests	754	-	(1,026)	-	23,895	1	(3,777)	-
	\$ 68,152	5	\$ 46,493	4	\$ 136,805	4	\$ 3,582	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 27,599	2	\$ 21,446	2	\$ 97,358	3	\$ (11,065)	-
Non-controlling interests	(14,771)	(1)	(14,423)	(1)	11,625	-	(15,958)	(1)
	\$ 12,828	1	\$ 7,023	1	\$ 108,983	3	\$ (27,023)	(1)
EARNINGS PER SHARE (Note 30)								
Basic	\$ 0.73		\$ 0.52		\$ 1.23		\$ 0.08	
Diluted	\$ 0.64		\$ 0.44		\$ 1.10		\$ 0.08	

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation (Notes 26)								Other Equity			Non-controlling Interests (Notes 13 and 26)	Total Equity	
	Share Capital				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
	Number of Shares (In Thousands)	Shares Capital	Advance Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings						
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)	-	-	-	12,210	-	-	-	-	-	-	-	12,210	-	12,210
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 loss for the nine months ended September 30, 2018	-	-	-	-	-	-	7,359	7,359	-	-	-	7,359	(3,777)	3,582
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	189	189	(18,613)	-	-	(18,424)	(12,181)	(30,605)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	-	7,548	7,548	(18,613)	-	-	(11,065)	(15,958)	(27,023)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(117,480)	(117,480)	-	(117,480)
BALANCE AT SEPTEMBER 30, 2018	92,950	\$ 929,502	\$ -	\$ 734,327	\$ 123,174	\$ 59,258	\$ 44,940	\$ 227,372	\$ (77,871)	\$ 655	\$ (172,340)	\$ 1,641,645	\$ 307,579	\$ 1,949,224
BALANCE AT JANUARY 1, 2019	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)	-	-	-	10,805	-	-	-	-	-	-	-	10,805	-	10,805
Changes in capital surplus from investments using the equity method	-	-	-	1,200	-	-	-	-	-	-	-	1,200	-	1,200
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)	-	-	374	1,107	-	-	-	-	-	-	-	1,481	-	1,481
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	112,910	112,910	-	-	-	112,910	23,895	136,805
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	(15,552)	-	-	(15,552)	(12,270)	(27,822)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	112,910	112,910	(15,552)	-	-	97,358	11,625	108,983
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 SEPTEMBER 30, 2019	96,063	\$ 960,635	\$ 374	\$ 751,509	\$ 133,886	\$ 79,123	\$ 163,472	\$ 376,481	\$ (94,297)	\$ 1,994	\$ (172,340)	\$ 1,824,356	\$ 345,501	\$ 2,169,857

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	\$ 173,872	\$ (15,912)
Adjustments for:		
Depreciation expense	138,704	115,241
Amortization expense	70,700	70,084
Expected credit loss recognized	6,917	29,959
Interest expense	43,822	38,803
Interest income	(7,155)	(4,211)
Compensation costs of employee share options	12,005	12,210
(Gain)/loss on disposal of property, plant and equipment	599	(97,218)
Loss on disposal of intangible assets	12	-
Loss on inventories valuation and obsolescence	14,871	30,171
Unrealized (gain)/loss on foreign currency exchange	(43,099)	866
Net gain on fair value changes of financial instrument at fair value through profit or loss	2,768	(19,509)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,059	-
Notes receivable	2,588	644
Accounts receivable	151,870	(35,285)
Other receivables	(6,669)	17,287
Inventories	(8,898)	(84,103)
Prepayments	3,755	(10,316)
Other current assets	(7,145)	(526)
Financial liabilities held for trading	-	(15,645)
Contract liabilities	3,747	6,326
Notes payable	(190,307)	(117,059)
Accounts payable	(10,770)	(119,059)
Other payables	(36,754)	(81,361)
Other current liabilities	17,112	(7,884)
Provisions	2,158	6,641
Net defined benefit liabilities	385	254
Cash generated from (used in) operations	359,147	(279,602)
Interest received	3,165	4,211
Interest paid	(37,603)	(33,075)
Income tax paid	(21,329)	(22,535)
Net cash generated from (used in) operating activities	303,380	(331,001)
		(Continued)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (35,168)	\$ (25,653)
Disposal of financial assets at fair value through other comprehensive income	22,544	-
Payments for property, plant and equipment (Note 32)	(49,448)	(82,895)
Payments for intangible assets (Note 32)	(16,356)	(21,569)
Proceeds from disposal of property, plant and equipment	686	216,766
Decrease in refundable deposits	1,642	2,055
Decrease (increase) in other financial assets	(79,783)	73,462
Decrease (increase) in other non-current assets	<u>623</u>	<u>(1,651)</u>
Net cash generated from (used in) investing activities	<u>(155,260)</u>	<u>160,515</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	3,438,595	4,339,817
Repayments of short-term borrowings	(3,655,505)	(4,055,573)
Proceeds from long-term borrowings	470,000	-
Repayments of long-term borrowings	(259,746)	(128,711)
Repayment of the principal portion of lease liabilities	(18,156)	-
Cash dividends	(31,133)	(44,475)
Proceeds from (refund of) guarantee deposits received	(203)	30
Payments for buy-back of ordinary shares (Note 32)	<u>-</u>	<u>(131,904)</u>
Net cash used in financing activities	<u>(56,148)</u>	<u>(20,816)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>3,218</u>	<u>35,891</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,190	(155,411)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>595,597</u>	<u>613,402</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 690,787</u>	<u>\$ 457,991</u>

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 stock shares have been listed on the Taiwan Stock Exchange since September 20, 2016.

On November 10, 2017, Corporation’s board of directors approved the Corporation to merge Yongan Sports Technology Co., Ltd., 100% owned by Corporation, according to the Enterprises 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 corporation, 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 FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on November 12, 2019.

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 elects 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 is 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 is 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	<u>(414)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 73,831</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 68,970</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 68,970</u>

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
<u>Effects on assets, liabilities and equity</u>			
Right-of-use assets	\$ -	\$ 381,169	\$ 381,169
Prepayments	10,111	(10,111)	-
Prepayments for leases - non-current	302,088	<u>(302,088)</u>	-
Total effect on assets		<u>\$ 68,970</u>	
Lease liabilities - current	-	\$ 17,427	17,427
Lease liabilities - non-current	-	<u>51,543</u>	51,543
Total effect on liabilities		<u>\$ 68,970</u>	

- b. The IFRSs endorsed by the Financial Supervisory Commission (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 IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

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 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 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.

- 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 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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

Note: Unless stated otherwise, the above New IFRSs are effective for annual 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

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

d. Other significant accounting policies

Please see the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2018 except for the information below.

1) Leases

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.

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 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 on 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 future lease payments resulting from a change in the lease period, 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

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.

2) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The accounting judgments and key sources of estimation uncertainty of these consolidated financial statements are the same as the consolidated financial statements for the year ended December 31, 2018.

6. CASH

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 1,239	\$ 886	\$ 1,541
Checking accounts and demand deposits	<u>689,548</u>	<u>594,711</u>	<u>456,450</u>
	<u>\$ 690,787</u>	<u>\$ 595,597</u>	<u>\$ 457,991</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Demand deposits	0.001%-0.38%	0.001%-0.5%	0.001%-0.43%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Cross-currency swap contracts	\$ -	\$ 24,012	\$ 24,849
Foreign exchange forward contracts	<u>-</u>	<u>47</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 24,059</u>	<u>\$ 24,849</u>
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Cross-currency swap contracts	\$ 6,174	\$ -	\$ -
Convertible options (Note 21)	<u>-</u>	<u>3,406</u>	<u>6,166</u>
	<u>\$ 6,174</u>	<u>\$ 3,406</u>	<u>\$ 6,166</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2019</u>			
Cross-currency swap contracts	USD/RMB	2019.10.08-2020.02.05	USD6,400/RMB45,748
<u>December 31, 2018</u>			
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
<u>September 30, 2018</u>			
Cross-currency swap contracts	NTD/USD	2018.10.05-2019.04.09	NTD780,354/USD26,580

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Foreign investments			
Unlisted shares			
Gomore Inc.	\$ 31,060	\$ -	\$ -
Bigger Fit Technology (Beijing) Co., Ltd.	6,256	6,432	5,073
Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	3,915	-	-
Beijing Zhongtai Tianhe Health Technology Co., Ltd.	-	20,124	19,962
Beijing Sanshi Hospital Management Co., Ltd.	-	2,141	4,436
	<u>\$ 41,231</u>	<u>\$ 28,697</u>	<u>\$ 29,471</u>

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

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

The Group sold the shares of Beijing Zhongtai Tianhe Health Technology Co., Ltd. to others at the cost of original investment amount. As of September 30, 2019 proceeds from sale of financial assets at fair value through other comprehensive income RMB450 thousand (around NT\$19,575 thousand) was not recovered and recognized as other receivable.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,398	\$ 3,986	\$ 2,486
Less: Allowance for impairment loss	-	-	-
	<u>\$ 1,398</u>	<u>\$ 3,986</u>	<u>\$ 2,486</u>

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
At amortized cost			
Gross carrying amount	\$ 920,390	\$ 1,064,826	\$ 911,790
Less: Allowance for impairment loss	<u>144,437</u>	<u>138,260</u>	<u>161,263</u>
	<u>\$ 775,953</u>	<u>\$ 926,566</u>	<u>\$ 750,527</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 5,187	\$ 17,797	\$ 12,280
Others	<u>26,660</u>	<u>3,391</u>	<u>4,594</u>
	<u>\$ 31,847</u>	<u>\$ 21,188</u>	<u>\$ 16,874</u>
			(Concluded)

a. Notes receivable

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

	For the Nine Months Ended September 30, 2019	For the Year Ended December 31, 2018	For the Nine Months Ended September 30, 2018
Beginning balance	\$ -	\$ 6	\$ 6
Less: Net remeasurement of loss allowance	<u>-</u>	<u>(6)</u>	<u>(6)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

September 30, 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%-8.82%	0%-39.61%	0%-67.36%	0%-75.05%	0%-100%	0%-100%	0%-100%
Gross carrying amount	\$ 625,130	\$ 90,735	\$ 64,759	\$ 3,487	\$ 10,374	\$ 125,905	\$ 920,390
Loss allowance (Lifetime ECLs)	<u>(2,990)</u>	<u>(6,354)</u>	<u>(3,781)</u>	<u>(1,090)</u>	<u>(4,317)</u>	<u>(125,905)</u>	<u>(144,437)</u>
Amortized cost	<u>\$ 622,140</u>	<u>\$ 84,381</u>	<u>\$ 60,978</u>	<u>\$ 2,397</u>	<u>\$ 6,057</u>	<u>\$ -</u>	<u>\$ 775,953</u>

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)	<u>(4,161)</u>	<u>(3,031)</u>	<u>(2,564)</u>	<u>(2,078)</u>	<u>(2,125)</u>	<u>(124,301)</u>	<u>(138,260)</u>
Amortized cost	<u>\$ 783,814</u>	<u>\$ 128,036</u>	<u>\$ 11,677</u>	<u>\$ 2,357</u>	<u>\$ 682</u>	<u>\$ -</u>	<u>\$ 926,566</u>

September 30, 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%-3.13%	0%-20.49%	0%-38.13%	0%-60.2%	0%-100%	100%	0%-100%
Gross carrying amount	\$ 581,013	\$ 147,890	\$ 17,862	\$ 37,018	\$ 6,804	\$ 121,203	\$ 911,790
Loss allowance (Lifetime ECLs)	<u>(6,677)</u>	<u>(10,250)</u>	<u>(4,550)</u>	<u>(13,951)</u>	<u>(4,632)</u>	<u>(121,203)</u>	<u>(161,263)</u>
Amortized cost	<u>\$ 574,336</u>	<u>\$ 137,640</u>	<u>\$ 13,312</u>	<u>\$ 23,067</u>	<u>\$ 2,172</u>	<u>\$ -</u>	<u>\$ 750,527</u>

The Group's customer New Level UK Ltd was in severe financial difficulty and went into administration on February 26, 2018. As of September 30, 2019, accounts receivable from New Level UK Ltd was \$108,956 thousand (NT\$79,163 thousand and US\$960 thousand). Due to the uncertainty of recoverable accounts receivable according to legal proceedings, the Group recognized loss allowance of \$108,956 thousand.

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

	Nine Months Ended September 30	
	2019	2018
Beginning balance	\$ 138,260	\$ 145,834
Add: Net remeasurement of loss allowance	6,917	29,965
Less: Amounts written off	(447)	(14,621)
Foreign exchange gains and losses	<u>(293)</u>	<u>85</u>
Ending balance	<u>\$ 144,437</u>	<u>\$ 161,263</u>

10. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	\$ 168,063	\$ 171,077	\$ 223,424
Work in progress	217,889	207,427	115,925
Finished goods	569,633	674,060	740,781
Merchandise	<u>281,669</u>	<u>167,858</u>	<u>156,645</u>
	<u>\$ 1,237,254</u>	<u>\$ 1,220,422</u>	<u>\$ 1,236,775</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2019 was \$871,033 thousand, including warranties of \$14,860 thousand; and the cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2019 was \$2,970,236 thousand, including warranties of \$52,166 thousand and inventory write-downs of \$14,871 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2018 was \$902,001 thousand, including warranties of \$7,345 thousand and inventory write-downs of \$11,203 thousand; and the cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2018 was \$2,979,065 thousand, including warranties of \$51,131 thousand and inventory write-downs of \$30,171 thousand.

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

11. PREPAYMENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Prepaid expenses	\$ 34,163	\$ 45,195	\$ 53,978
Tax overpayment retained for offsetting future tax payable	25,036	25,907	37,651
Prepayments for goods	18,510	17,769	21,427
Prepayments for leases (Note 19)	-	8,842	8,948
Others	<u>16,595</u>	<u>10,457</u>	<u>6,376</u>
	<u>\$ 94,304</u>	<u>\$ 108,170</u>	<u>\$ 128,380</u>

12. OTHER FINANCIAL ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Restricted deposits	\$ 332,069	\$ 252,286	\$ 250,725

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

	September 30, 2019	December 31, 2018	September 30, 2018
Restricted deposits	0.22%-2.55%	0.01%-2.10%	0.16%-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

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2019	December 31, 2018	September 30, 2018	
Dyaco International Inc.	Dyaco International Holding Limited	Investment	100	100	100	-
	Dyaco Europe GmbH	Import, export and selling	100	100	100	1)
	Daan Health Management Consulting Co., Ltd.	Rental of medical equipment	100	100	100	-
	Dyaco Japan Co., Ltd.	Import, export and selling	100	100	100	-
Dyaco Europe GmbH	Wing Long Co., Ltd.	Import, export and selling	100	100	100	2)
	Dyaco UK Ltd.	Import, export and selling	100	100	100	3)
	CARDIOfitness GmbH & Co. KG	Import, export and selling	100	100	100	-
	Cardiofitness Verwaltungs GmbH	Investment	100	100	100	-
Dyaco International Holding Limited	Fuel-Spirit International Inc.	Import, export and selling	100	100	100	-
	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	100	100	100	-
	Dongguan Dayu Sports Equipment Co., Ltd.	Manufacturing and selling	100	100	100	-
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	60	60	60	-
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	100	100	100	-
	Spirit Manufacturing Inc.	Import, export and selling	100	100	100	-
Fuel-Spirit International Inc.	Dyaco Canada Inc.	Import, export and selling	100	100	100	-
	Spirit Direct, LLC.	Import, export and selling	100	100	100	-
Spirit Manufacturing Inc.	Dyaco Commercial & Medical North America, LLC.	Import, export and selling	100	100	100	-

Remarks:

- 1) The Group acquired interests in 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.
- 2) The Group acquired interests in subsidiary Wing Long Co., Ltd. for \$5,000 thousand in May and September 2019.
- 3) The Group acquired interests in subsidiary Dyaco UK Ltd. for GBP240 thousand (around NT\$9,421 thousand) and GBP250 thousand (around NT\$10,067 thousand) in January and April 2019.

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		
		September 30, 2019	December 31, 2018	September 30, 2018
Shelton Corporation (Jiaxing), Ltd.	China	40%	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 Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended September 30		For the Nine Months Ended September 30		September 30,	December 31,	September 30,
	2019	2018	2019	2018	2019	2018	2018
Shelton Corporation (Jiaxing), Ltd.	\$ 754	\$ (1,026)	\$ 23,895	\$ (3,777)	\$ 345,501	\$ 333,876	\$ 307,579

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

	September 30, 2019	December 31, 2018	September 30, 2018	
Current assets	\$ 888,619	\$ 991,235	\$ 596,978	
Non-current assets	1,039,982	1,099,232	1,087,717	
Current liabilities	(762,454)	(947,000)	(610,175)	
Non-current liabilities	<u>(146,871)</u>	<u>(154,706)</u>	<u>(152,286)</u>	
Equity	<u>\$ 1,019,276</u>	<u>\$ 988,761</u>	<u>\$ 922,234</u>	
Equity attributable to:				
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 673,775	\$ 654,885	\$ 614,655	
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>345,501</u>	<u>333,876</u>	<u>307,579</u>	
	<u>\$ 1,019,276</u>	<u>\$ 988,761</u>	<u>\$ 922,234</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue	<u>\$ 391,881</u>	<u>\$ 249,194</u>	<u>\$ 1,434,307</u>	<u>\$ 924,607</u>
Net profit (loss) from continuing operations (Remark)	\$ 1,883	\$ (2,563)	\$ 59,737	\$ (9,442)
Other comprehensive income (loss) for the period	<u>(38,811)</u>	<u>(33,494)</u>	<u>(30,675)</u>	<u>(30,453)</u>
Total comprehensive income (loss) for the period	<u>\$ (36,928)</u>	<u>\$ (36,057)</u>	<u>\$ 29,062</u>	<u>\$ (39,895)</u>
Profit (loss) attributable to:				
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 1,129	\$ (1,537)	\$ 35,842	\$ (5,665)
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>754</u>	<u>(1,026)</u>	<u>23,895</u>	<u>(3,777)</u>
	<u>\$ 1,883</u>	<u>\$ (2,563)</u>	<u>\$ 59,737</u>	<u>\$ (9,442)</u>
				(Continued)

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Total comprehensive income (loss) attributable to:				
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ (22,157)	\$ (21,634)	\$ 17,437	\$ (23,937)
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>(14,771)</u>	<u>(14,423)</u>	<u>11,625</u>	<u>(15,958)</u>
	<u>\$ (36,928)</u>	<u>\$ (36,057)</u>	<u>\$ 29,062</u>	<u>\$ (39,895)</u>

(Concluded)

	For the Nine Months Ended September 30	
	2019	2018
Net cash inflow/(outflow) from:		
Operating activities	\$ 155,985	\$ 11,272
Investing activities	(51,535)	(67,756)
Financing activities	<u>(52,676)</u>	<u>35,244</u>
Net cash inflow	<u>\$ 51,774</u>	<u>\$ (21,240)</u>

Remark: Net profit was \$70,328 thousand less amortization of \$10,591 thousand for the nine months ended September 30, 2019. Net profit was \$1,323 thousand less amortization of \$10,765 thousand for the nine months ended September 30, 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 993,829	\$ 1,998,295	\$ 677,693	\$ 44,365	\$ 67,858	\$ 26,380	\$ -	\$ 3,808,420
Additions	-	595	45,460	1,680	7,634	862	-	56,231
Reclassification (remark)	-	(53,881)	-	-	-	-	-	(53,881)
Disposals	-	-	(28,852)	(1,115)	(3,504)	(4,092)	-	(37,563)
Effects of foreign currency exchange differences	159	(15,861)	(6,990)	(285)	504	(719)	-	(23,192)
Balance at September 30, 2019	<u>993,988</u>	<u>1,929,148</u>	<u>687,311</u>	<u>44,645</u>	<u>72,492</u>	<u>22,431</u>	<u>-</u>	<u>3,750,015</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	-	472,621	425,655	29,137	48,777	7,864	-	984,054
Depreciation expenses	-	51,815	50,620	3,855	5,947	2,149	-	114,386
Reclassification (remark)	-	(1,801)	-	-	-	-	-	(1,801)
Disposals	-	-	(28,308)	(822)	(3,057)	(4,091)	-	(36,278)
Effects of foreign currency exchange differences	-	(8,523)	(4,015)	(197)	(9)	(149)	-	(12,893)
Balance at September 30, 2019	<u>-</u>	<u>514,112</u>	<u>443,952</u>	<u>31,973</u>	<u>51,658</u>	<u>5,773</u>	<u>-</u>	<u>1,047,468</u>
Carrying amounts at September 30, 2019	<u>\$ 993,988</u>	<u>\$ 1,415,036</u>	<u>\$ 243,359</u>	<u>\$ 12,672</u>	<u>\$ 20,834</u>	<u>\$ 16,658</u>	<u>\$ -</u>	<u>\$ 2,702,547</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 857,463	\$ 1,912,190	\$ 637,969	\$ 42,857	\$ 73,077	\$ 27,045	\$ 105,124	\$ 3,655,725
Additions	-	2,402	63,576	2,786	4,749	2,990	806	77,309
Reclassification	-	106,839	4,362	57	(1,289)	(869)	(105,422)	3,678
Disposals	(90,000)	(21,959)	(51,194)	(2,895)	(3,156)	(2,693)	-	(171,897)
Effects of foreign currency exchange differences	372	(18,972)	(5,575)	(170)	(395)	(61)	518	(24,283)
Balance at September 30, 2018	<u>767,835</u>	<u>1,980,500</u>	<u>649,138</u>	<u>42,635</u>	<u>72,986</u>	<u>26,412</u>	<u>1,026</u>	<u>3,540,532</u>

(Continued)

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Property under Construction	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 426,058	\$ 399,467	\$ 27,092	\$ 52,181	\$ 7,085	\$ -	\$ 911,883
Depreciation expenses	-	52,830	49,798	3,777	6,021	2,815	-	115,241
Reclassification	-	838	1,246	20	(697)	(363)	-	1,044
Disposals	-	(4,516)	(40,419)	(2,311)	(2,540)	(2,563)	-	(52,349)
Effects of foreign currency exchange differences	-	(8,376)	(3,425)	(94)	(404)	(12)	-	(12,311)
Balance at September 30, 2018	-	466,834	406,667	28,484	54,561	6,962	-	963,508
Carrying amounts at September 30, 2018	\$ 767,835	\$ 1,513,666	\$ 242,471	\$ 14,151	\$ 18,425	\$ 19,450	\$ 1,026	\$ 2,577,024

(Concluded)

Remark: Reclassification to investment properties.

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

Buildings	
Main buildings	15-50 years
Decoration	2-49 years
Machinery equipment	1-11 years
Transportation equipment	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

**September 30,
2019**

Carrying amounts

Land	\$ 296,256
Buildings	78,011
Transportation equipment	4,635
Office equipment	176
	<u>\$ 379,078</u>

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions for right-of-use assets		<u>\$ 30,508</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,107	\$ 6,433
Buildings	5,045	12,990
Transportation equipment	862	2,559
Office equipment	<u>19</u>	<u>58</u>
	<u>\$ 8,033</u>	<u>\$ 22,040</u>

b. Lease liabilities - 2019

	September 30, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 26,140</u>
Non-current	<u>\$ 57,280</u>

Ranges of discount rates for lease liabilities were as follows:

	September 30, 2019
Buildings	1.56%-4.75%
Transportation equipment	2.5%-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

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	\$ 4,006	\$ 13,012
Expenses relating to low-value asset leases	\$ 60	\$ 180
Total cash outflow for leases		\$ (31,348)

The Group leases certain buildings and transportation equipment which qualify as short-term leases and certain office equipment which qualifies 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	September 30, 2018
Not later than 1 year	\$ 34,769	\$ 37,756
Later than 1 year and not later than 5 years	<u>56,275</u>	<u>54,413</u>
	<u>\$ 91,044</u>	<u>\$ 92,169</u>

16. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 26,935
Reclassification	53,881
Effects of foreign currency exchange differences	<u>(1,825)</u>
Balance at September 30, 2019	<u>78,991</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	14,441
Reclassification	1,801
Depreciation expenses	2,278
Effects of foreign currency exchange differences	<u>(455)</u>
Balance at September 30, 2019	<u>18,065</u>
Carrying amount at September 30, 2019	<u>\$ 60,926</u>

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of September 30, 2019 was as follows:

	September 30, 2019
Year 1	\$ 14,851
Year 2	13,566
Year 3	6,367
Year 4	690
Year 5	<u>690</u>
	<u>\$ 36,164</u>

The future minimum lease payments of non-cancellable operating lease commitments as of December 31 and September 30, 2018 were as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	\$ 8,953	\$ 12,450
Later than 1 year and not later than 5 years	<u>21,242</u>	<u>30,494</u>
	<u>\$ 30,195</u>	<u>\$ 42,944</u>

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

The Group reclassified property, plant and equipment which are leased out for rental revenue to investment property. The fair value of investment property located in Zhongshan District, Taipei City was \$30,451 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 Jiaying City, Zhejiang Province, China, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. GOODWILL

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 196,045	\$ 200,988
Effect of foreign currency exchange differences	<u>(2,398)</u>	<u>(3,673)</u>
Balance at September 30	<u>\$ 193,647</u>	<u>\$ 197,315</u>

18. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 65,917	\$ 85,644	\$ 72,509	\$ 78,571	\$ 251,005	\$ 553,646
Additions	12,712	-	-	-	44,643	57,355
Disposals	(950)	-	-	-	-	(950)
Effects of foreign currency exchange differences	<u>51</u>	<u>(512)</u>	<u>2,826</u>	<u>(1,934)</u>	<u>910</u>	<u>1,341</u>
Balance at September 30, 2019	<u>77,730</u>	<u>85,132</u>	<u>75,335</u>	<u>76,637</u>	<u>296,558</u>	<u>611,392</u>
<u>Accumulated amortization</u>						
Balance at January 1, 2019	46,536	45,659	67,152	78,571	47,269	285,187
Amortization expenses	6,836	6,004	5,545	-	52,315	70,700
Disposals	(938)	-	-	-	-	(938)
Effect of foreign currency exchange differences	<u>166</u>	<u>149</u>	<u>2,638</u>	<u>(1,934)</u>	<u>142</u>	<u>1,161</u>
Balance at September 30, 2019	<u>52,600</u>	<u>51,812</u>	<u>75,335</u>	<u>76,637</u>	<u>99,726</u>	<u>356,110</u>
Carrying amounts at September 30, 2019	<u>\$ 25,130</u>	<u>\$ 33,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,832</u>	<u>\$ 255,282</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 55,293	\$ 87,024	\$ 76,138	\$ 80,045	\$ -	\$ 298,500
Additions	8,319	-	-	-	278,677	286,996
Effects of foreign currency exchange differences	<u>369</u>	<u>(81)</u>	<u>(803)</u>	<u>(2,045)</u>	<u>-</u>	<u>(2,560)</u>
Balance at September 30, 2018	<u>63,981</u>	<u>86,943</u>	<u>75,335</u>	<u>78,000</u>	<u>278,677</u>	<u>582,936</u>
<u>Accumulated amortization</u>						
Balance at January 1, 2018	39,781	38,853	57,122	72,809	-	208,565
Amortization expenses	4,831	6,108	9,784	7,282	42,079	70,084
Effect of foreign currency exchange differences	<u>100</u>	<u>(228)</u>	<u>(514)</u>	<u>(2,091)</u>	<u>359</u>	<u>(2,374)</u>
Balance at September 30, 2018	<u>44,712</u>	<u>44,733</u>	<u>66,392</u>	<u>78,000</u>	<u>42,438</u>	<u>276,275</u>
Carrying amounts at September 30, 2018	<u>\$ 19,269</u>	<u>\$ 42,210</u>	<u>\$ 8,943</u>	<u>\$ -</u>	<u>\$ 236,239</u>	<u>\$ 306,661</u>

The Group signed royalty agreements with duration of authorization from January 1, 2018 to December 31, 2023 with several foreign well-known sports brands for manufacturing and selling products 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

	September 30, 2019	December 31, 2018	September 30, 2018
Land use rights			
Current (included in prepayments)	\$ -	\$ 8,842	\$ 8,948
Non-current	<u>-</u>	<u>302,088</u>	<u>303,285</u>
	<u>\$ -</u>	<u>\$ 310,930</u>	<u>\$ 312,233</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured borrowings	\$ 491,100	\$ 600,000	\$ 610,000
Secured borrowings	<u>932,900</u>	<u>1,055,030</u>	<u>996,296</u>
	<u>\$ 1,424,000</u>	<u>\$ 1,655,030</u>	<u>\$ 1,606,296</u>
Range of interest rates			
Unsecured borrowings	1.35%-1.77%	1.35%-1.87%	1.17%-1.75%
Secured borrowings	1.34%-4.87%	1.11%-5.00%	1.11%-5.00%

b. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Secured borrowings</u>			
Mega Bank	\$ 293,150	\$ 40,800	\$ 43,350
Taishin Bank	206,250	-	-
Taiwan Cooperative Bank	180,000	180,000	-
Bank SinoPac	161,943	178,480	183,901
Bank of Montreal	44,138	43,808	45,966
Chang Hua Bank	40,623	48,610	51,248
Kölner Bank	1,487	2,905	3,379
Yuanta Bank	-	11,600	11,900
JihSun Bank	<u>-</u>	<u>209,500</u>	<u>212,500</u>
	927,591	715,703	552,244
<u>Unsecured borrowings</u>			
Chang Hua Bank	<u>-</u>	<u>-</u>	<u>8,333</u>
	927,591	715,703	560,577
Less: Current portions	<u>112,549</u>	<u>59,314</u>	<u>64,943</u>
	<u>\$ 815,042</u>	<u>\$ 656,389</u>	<u>\$ 495,634</u>

- 1) 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 September 30, 2019 the borrowing were \$163,500 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 September 30, 2019, the borrowing were \$42,750 thousand, at annual interest rate of 1.45%.
- 2) Secured borrowings from Taiwan Cooperative Bank: In November 2018, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2020 to November 2038 after two years of interest payments. As of September 30, 2019, and December 31, 2018, the borrowings were both \$180,000 thousand at annual interest rate of 1.48%.
- 3) 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 September 30, 2019, December 31, 2018 and September 30, 2018, the borrowings were \$46,154 thousand, \$53,077 thousand and \$55,385 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 September 30, 2019, December 31, 2018 and September 30, 2018, the borrowings were \$102,372 thousand, \$109,248 thousand and \$111,540 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 September 30, 2019, December 31, 2018 and September 30, 2018, the borrowings were \$13,417 thousand, \$16,155 thousand and \$16,976 thousand, respectively, at annual interest rate of 1.60%.
- 4) 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 September 30, 2019, December 31, 2018 and September 30, 2018, the annual borrowing interest rate was 4.07%.
- 5) Secured borrowings from Chang Hua Bank: In May 2008, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to May 2023. As of September 30, 2019, December 31, 2018 and September 30, 2018, the annual borrowings interest rates were 2.06%.
- 6) 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 September 30, 2019, December 31, 2018 and September 30, 2018, 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 September 30, 2019 the annual borrowing interest rate was 1.65%.
- 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 September 30, 2019, December 31, 2018 and September 30, 2018, the annual borrowing interest rate was 2.50%.
- 8) 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 and September 30, 2018, the annual borrowing interest rate was 1.77%. The borrowings was fully repaid in May 2019.

- 9) 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 and September 30, 2018, the borrowings were \$170,500 thousand and \$172,000 thousand, respectively. The borrowings was fully repaid in June 2019, as of December 2018 and September 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 and September 30, 2018, the borrowings were \$39,000 thousand and \$40,500 thousand, respectively, the borrowings was fully repaid in June 2019, as of December 31, 2018 and September 30, 2018 at annual interest rate of 1.58%.
- 10) Unsecured borrowings from Chang Hua Bank: In November 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to November 2018. The borrowing was fully repaid in November 2018. As of September 30, 2018, the annual borrowing interest rate was 2.06%.

21. BONDS PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Secured domestic convertible bonds	\$ 590,932	\$ 586,609	\$ 584,686
Less: Current portions	<u>(590,932)</u>	<u>(586,609)</u>	<u>(584,686)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 of September 20, 2020, totaling \$603,000 thousand. Bank SinoPac is bank guarantee for the convertible bonds.

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 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 needs to make 30-day prior written notice to inform the stock agency of the Corporation of the sale. 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 September 30, 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 decrease in the amounts of NT\$40 thousand and NT\$19 thousand, respectively. The capital surplus - options 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	<u>(1,426)</u>
Liability component at the date of issue	576,829
Interest charged at an effective interest rate of 1.31%	<u>7,857</u>
Liability component at September 30, 2018	<u>\$ 584,686</u>
Liability component at January 1, 2019	\$ 586,609
Interest charged at an effective interest rate of 1.31%	5,804
Convertible bonds converted into ordinary shares	<u>(1,481)</u>
Liability component at September 30, 2019	<u>\$ 590,932</u>

Financial liabilities held for trading - selling options are measured at FVTPL. Gain on changes in fair value of financial liabilities held for trading - selling options was \$3,406 thousand for the nine months ended September 30, 2019. Gain on changes in fair value of financial liabilities held for trading - selling options was \$5,340 thousand for the nine months ended September 30, 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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Payables for royalties (Note 18)	\$ 69,438	\$ 46,734	\$ 26,699
Payables for salaries and bonuses	50,965	67,393	56,846
Payables for employee benefits	35,804	48,906	34,949
Payables for freight	16,058	8,081	8,490
Payables for value added taxes	15,039	20,567	28,298
Payables for insurance	12,007	9,651	11,555
Payables for labor costs	10,309	4,392	4,938
Payables for annual leave	8,896	13,651	10,051
Payables for commissions	5,124	8,360	5,911
Payables for purchases of equipment	5,031	322	-
Payables for employees' compensation	2,577	1,122	-
Others	<u>22,947</u>	<u>33,942</u>	<u>27,769</u>
	<u>\$ 254,195</u>	<u>\$ 263,121</u>	<u>\$ 215,506</u>

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Payables for royalties (Note 18)	<u>\$ 180,615</u>	<u>\$ 186,666</u>	<u>\$ 221,185</u> (Concluded)

24. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Warranties	<u>\$ 16,155</u>	<u>\$ 13,806</u>	<u>\$ 34,153</u>
			Warranties
Balance at January 1, 2019			\$ 13,806
Amount used			(50,008)
Additional provisions recognized			52,166
Effect of foreign currency exchange differences			<u>191</u>
Balance at September 30, 2019			<u>\$ 16,155</u>
Balance at January 1, 2018			\$ 29,047
Amount used			(44,490)
Additional provisions recognized			51,131
Effect of foreign currency exchange differences			<u>(1,535)</u>
Balance at September 30, 2018			<u>\$ 34,153</u>

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 Group calculated the pension obligations of the defined benefit plans for the nine months ended September 30, 2019 and 2018 by using the pension rate based on actuarial valuations as of December 31, 2018 and 2017, respectively. An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating costs	\$ 27	\$ 27	\$ 79	\$ 79
Operating expenses	<u>65</u>	<u>65</u>	<u>196</u>	<u>196</u>
	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ 275</u>	<u>\$ 275</u>

26. EQUITY

a. Share capital

Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	<u>150,000</u>	<u>100,000</u>	<u>100,000</u>
Share capital authorized	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>96,063</u>	<u>92,950</u>	<u>92,950</u>
Ordinary shares issued	<u>\$ 960,635</u>	<u>\$ 929,502</u>	<u>\$ 929,502</u>

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

The unappropriated of earnings \$31,133 thousand increased issued share dividends that was approved in the shareholder's meeting on May 30, 2019, ex-dividend date on August 6, 2019, and have completed the relevant change registration.

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 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	\$ 704,409
Conversion of bonds	1,147	-	-
			(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
<u>May only be used to offset a deficit</u>			
Conversion of employee share options	\$ 1,460	\$ 1,460	\$ 1,460
<u>May not be used for any purpose</u>			
Conversion of bonds	15,762	15,802	15,802
Employee share options	25,903	15,098	12,656
Employee share options in subsidiaries	<u>2,828</u>	<u>1,628</u>	<u>-</u>
	<u>\$ 751,509</u>	<u>\$ 738,397</u>	<u>\$ 734,327</u>
			(Concluded)

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 authorizes 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. Where 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	-

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 Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ (378)	\$ 655
Recognized for the period		
Cumulative unrealized gain/(loss) on equity instruments transferred to retained earnings upon disposal	<u>2,372</u>	<u>-</u>
Balance at September 30	<u>\$ 1,994</u>	<u>\$ 655</u>

e. Treasury shares

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2018	1,251
Increase during the period	<u>2,749</u>
Number of shares at September 30, 2018	<u>4,000</u>
Number of shares at January 1, 2019	4,000
Increase during the period	<u>-</u>
Number of shares at September 30, 2019	<u>4,000</u>

On December 21, 2017, the Corporation's board of directors resolved to redeem 4,000 thousand shares at \$30 to \$50 per share from December 22, 2017 to February 21, 2018. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 4,000 thousand shares, with total cost of \$172,340 thousand.

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 Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 333,876	\$ 323,537
Profit (loss) for the period attributable to non-controlling interests	23,895	(3,777)
Exchange differences on translating the financial statements of foreign entities	<u>(12,270)</u>	<u>(12,181)</u>
Balance at September 30	<u>\$ 345,501</u>	<u>\$ 307,579</u>

27. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 1,276,416	\$ 1,289,202	\$ 4,158,485	\$ 3,937,040
Other revenue	<u>9,089</u>	<u>10,214</u>	<u>13,486</u>	<u>21,859</u>
	<u>\$ 1,285,505</u>	<u>\$ 1,299,416</u>	<u>\$ 4,171,971</u>	<u>\$ 3,958,899</u>

a. Contract balances

	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Notes receivable (Note 9)	<u>\$ 1,398</u>	<u>\$ 3,986</u>	<u>\$ 2,486</u>	<u>\$ 3,124</u>
Accounts receivable (Note 9)	<u>\$ 775,953</u>	<u>\$ 926,566</u>	<u>\$ 750,527</u>	<u>\$ 763,484</u>
Contract liabilities				
Sale of goods	<u>\$ 13,067</u>	<u>\$ 9,320</u>	<u>\$ 15,997</u>	<u>\$ 9,671</u>

b. Disaggregation of revenue

Refer to Note 40 for information about the disaggregation of revenue.

28. NET PROFIT

a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Property, plant and equipment	\$ 38,022	\$ 37,280	\$ 114,386	\$ 115,241
Right-of-use assets	8,033	-	22,040	-
Investment properties	1,220	-	2,278	-
Intangible assets	<u>22,022</u>	<u>20,908</u>	<u>70,700</u>	<u>70,084</u>
	<u>\$ 69,297</u>	<u>\$ 58,188</u>	<u>\$ 209,404</u>	<u>\$ 185,325</u>
An analysis of depreciation by function				
Operating costs	\$ 26,372	\$ 23,178	\$ 76,433	\$ 72,758
Operating expenses	19,683	14,102	59,993	42,483
Non-operating expenses	<u>1,220</u>	<u>-</u>	<u>2,278</u>	<u>-</u>
	<u>\$ 47,275</u>	<u>\$ 37,280</u>	<u>\$ 138,704</u>	<u>\$ 115,241</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ 7,354
Operating expenses	<u>22,022</u>	<u>20,908</u>	<u>70,700</u>	<u>62,730</u>
	<u>\$ 22,022</u>	<u>\$ 20,908</u>	<u>\$ 70,700</u>	<u>\$ 70,084</u>

b. Other operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain (loss) on disposal of property, plant and equipment	<u>\$ (398)</u>	<u>\$ (5,353)</u>	<u>\$ (599)</u>	<u>\$ 97,218</u>

c. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits (Note 25)				
Defined contribution plan	\$ 4,362	\$ 3,479	\$ 19,132	\$ 26,512
Defined benefit plans	<u>92</u>	<u>92</u>	<u>275</u>	<u>275</u>
	<u>4,454</u>	<u>3,571</u>	<u>19,407</u>	<u>26,787</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Employees' compensation	\$ 182,975	\$ 164,358	\$ 584,473	\$ 562,680
Labor and national health insurance expenses	13,802	12,699	44,010	43,085
Other employee benefits	<u>7,406</u>	<u>2,520</u>	<u>21,554</u>	<u>21,326</u>
	<u>204,183</u>	<u>179,577</u>	<u>650,037</u>	<u>627,091</u>
Total employee benefits expense	<u>\$ 208,637</u>	<u>\$ 183,148</u>	<u>\$ 669,444</u>	<u>\$ 653,878</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 80,331	\$ 78,013	\$ 264,186	\$ 286,233
Operating expenses	<u>128,306</u>	<u>105,135</u>	<u>405,258</u>	<u>367,645</u>
	<u>\$ 208,637</u>	<u>\$ 183,148</u>	<u>\$ 669,444</u>	<u>\$ 653,878</u>

(Concluded)

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. For the nine months ended September 30, 2018, the Corporation did not accrue employees' compensation and remuneration of directors because of net loss. For the nine months ended September 30, 2019, the employees' compensation and the remuneration of directors were as follows:

	Accrual Rate	Amount
Employees' compensation	1%	\$ 2,577
Remuneration of directors	-	-

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.

The appropriations of employees' compensation and remuneration of directors for 2018 that were resolved by the board of directors on March 28, 2019, are as shown below:

	Accrual Rate	Amount
Employees' compensation	1%	\$ 1,122
Remuneration of directors	-	-

There is no difference between the actual amounts of employee's compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018.

For the years ended December 31, 2017, the Corporation did not accrue employees' compensation and remuneration of directors because of net loss before income tax.

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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Foreign exchange gains	\$ 52,693	\$ 40,827	\$ 172,780	\$ 127,364
Foreign exchange losses	<u>(49,553)</u>	<u>(23,881)</u>	<u>(144,086)</u>	<u>(77,970)</u>
Net gains	<u>\$ 3,140</u>	<u>\$ 16,946</u>	<u>\$ 28,694</u>	<u>\$ 49,394</u>

f. Interest expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on bank loans	\$ 11,344	\$ 10,338	\$ 36,848	\$ 33,075
Interest on convertible bonds	1,941	1,915	5,804	5,728
Interest on lease liabilities	<u>369</u>	<u>-</u>	<u>1,170</u>	<u>-</u>
	<u>\$ 13,654</u>	<u>\$ 12,253</u>	<u>\$ 43,822</u>	<u>\$ 38,803</u>

29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 16,406	\$ 9,354	\$ 47,518	\$ 15,562
Adjustments for prior periods	4	11,811	3,174	9,621
Land value increment tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>504</u>
	<u>16,410</u>	<u>21,165</u>	<u>50,692</u>	<u>25,687</u>
Deferred tax				
In respect of the current period	5,677	(9,329)	(13,625)	(44,700)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>-</u>	<u>-</u>	<u>(481)</u>
	<u>5,677</u>	<u>(9,329)</u>	<u>(13,625)</u>	<u>(45,181)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 22,087</u>	<u>\$ 11,836</u>	<u>\$ 37,067</u>	<u>\$ (19,494)</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Deferred income tax				
Adjustments to deferred income tax attributable to the changes in tax rates and laws	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income is recognized in profit or loss. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

c. 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 three months ended September 30, 2018 and for the nine months ended September 30, 2018 are as follows:

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Basic earning per share	<u>\$ 0.53</u>	<u>\$ 0.08</u>	<u>\$ 0.52</u>	<u>\$ 0.08</u>
Diluted earning per share	<u>\$ 0.45</u>	<u>\$ -</u>	<u>\$ 0.44</u>	<u>\$ 0.08</u>

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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Profit for the period attributable to owners of the Corporation	<u>\$ 67,398</u>	<u>\$ 47,519</u>	<u>\$ 112,910</u>	<u>\$ 7,359</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Earnings used in the computation of basic earnings per share	\$ 67,398	\$ 47,519	\$ 112,910	\$ 7,359
Effect of potentially dilutive ordinary shares				
Interest on convertible bonds (after tax)	<u>1,553</u>	<u>1,533</u>	<u>4,643</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 68,951</u>	<u>\$ 49,052</u>	<u>\$ 117,553</u>	<u>\$ 7,359</u>

(Concluded)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	92,063	92,063	92,063	92,647
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees	64	-	64	-
Convertible bonds*	14,963	14,963	14,963	-
Employee share options*	<u>-</u>	<u>5,054</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>107,090</u>	<u>112,080</u>	<u>107,090</u>	<u>92,647</u>

* The convertible bonds for the nine months ended September 30, 2018 were not used in the computation of diluted earnings per share due to the antidilution. The employee share options for the three months ended September 30, 2019 and for the nine months ended September 30, 2019 and 2018 were not used in the computation of diluted earnings per share due to the antidilution.

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.

- The options are exercisable at fifty percent after the second anniversary from the grant date.
- The options are exercisable at seventy five percent after the third anniversary from the grant date.
- 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 Nine Months Ended September 30			
	2019		2018	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Employee Share Options				
Balance at January 1	4,000	\$ 42.95	4,000	\$ 42.95
Options granted	-		-	
Options exercised	-		-	
Balance at September 30	<u>4,000</u>		<u>4,000</u>	
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 10.42</u>		<u>\$ 10.42</u>	

Information on outstanding options as of September 30, 2019 and 2018 is as follows:

	September 30	
	2019	2018
Range of exercise price (\$)	\$ 41.60	\$ 42.95
Weighted-average remaining contractual life (in years)	4.25 years	5.25 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 \$12,005 thousand and \$12,210 thousand for the nine months ended September 30, 2019 and 2018, respectively.

32. PARTIAL CASH TRANSACTIONS

For the nine months ended September 30, 2019 and 2018, the Corporation entered into the following partial cash:

a. From cash investing activities

	For the Nine Months Ended September 30	
	2019	2018
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 56,231	\$ 77,309
Changes in prepayments for purchases of plant and equipment	(2,074)	3,192
Changes in payables for purchase of equipment	<u>(4,709)</u>	<u>2,394</u>
Cash paid	<u>\$ 49,448</u>	<u>\$ 82,895</u>
Partial cash paid for treasury shares		
Purchase of treasury shares	\$ -	\$ 117,480
Changes in payables for purchases of treasury shares	<u>-</u>	<u>14,424</u>
Cash paid	<u>\$ -</u>	<u>\$ 131,904</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 57,355	\$ 286,996
Changes in payables for royalties	(16,653)	(247,884)
Changes in prepayments for purchases of plant and equipment	(24,346)	-
Changes in payments on behalf of others	<u>-</u>	<u>(17,543)</u>
Cash paid	<u>\$ 16,356</u>	<u>\$ 21,569</u>

b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Exchange Rate Impact	
Short-term borrowings	\$ 1,655,030	\$ (216,910)	\$ -	\$ (14,120)	\$ 1,424,000
Long-term borrowings and current portion of long-term borrowings	715,703	210,254	-	1,634	927,591
Guarantee deposits received	3,016	(203)	-	23	2,836
Lease liabilities (Note 3)	<u>68,970</u>	<u>(18,156)</u>	<u>30,508</u>	<u>2,098</u>	<u>83,420</u>
	<u>\$ 2,442,719</u>	<u>\$ (25,015)</u>	<u>\$ 30,508</u>	<u>\$ (10,365)</u>	<u>\$ 2,437,847</u>

For the nine months ended September 30, 2018

	Opening Balance	Cash Flows	Non-cash Changes Exchange Rate Impact	Closing Balance
Short-term borrowings	\$ 1,320,535	\$ 284,244	\$ 1,517	\$ 1,606,296
Long-term borrowings and current portion of long-term borrowings	691,976	(128,711)	(2,688)	560,577
Guarantee deposits received	<u>26</u>	<u>30</u>	<u>-</u>	<u>56</u>
	<u>\$ 2,012,537</u>	<u>\$ 155,563</u>	<u>\$ (1,171)</u>	<u>\$ 2,166,929</u>

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.

September 30, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	<u>\$ 590,932</u>	<u>\$ -</u>	<u>\$ 595,980</u>	<u>\$ -</u>	<u>\$ 595,980</u>

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	<u>\$ 586,609</u>	<u>\$ -</u>	<u>\$ 592,140</u>	<u>\$ -</u>	<u>\$ 592,140</u>

September 30, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 584,686	\$ -	\$ 590,820	\$ -	\$ 590,820

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

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 41,231	\$ 41,231
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	\$ -	\$ 6,174	\$ -	\$ 6,174

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

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets				
Swap contracts	\$ _____ -	\$ 24,849	\$ _____ -	\$ 24,849
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ _____ -	\$ _____ -	\$ 29,471	\$ 29,471
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Put options of convertible bonds	\$ _____ -	\$ 6,166	\$ _____ -	\$ 6,166

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

No gain or loss was recognized in profit or loss for the nine months ended September 30, 2019 and 2018 due to no significant changes in the fair values of the financial instruments included in the Level 3 categories.

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 using ending observable share price, risk-free interest rate and risk discount rate.

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

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ -	\$ 24,059	\$ 24,849
Financial assets at amortized cost (Note 1)	1,826,867	1,781,826	1,466,323
Financial assets at FVTOCI - equity instruments	41,231	28,697	29,471
<u>Financial liabilities</u>			
FVTPL			
Held for trading	6,174	3,406	6,166
Amortized cost (Note 2)	4,261,169	4,451,287	4,071,989

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 39.

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 Nine Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Profit or loss	\$ (55,252)	\$ (61,946)	\$ 15,133	\$ (6,933)

	EUR Impact		GBP Impact	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Profit or loss	\$ (3,965)	\$ (74)	\$ (6,031)	\$ (2,702)

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial assets	\$ 332,064	\$ 252,281	\$ 250,720
Financial liabilities	2,364,032	2,301,060	2,438,211
Cash flow interest rate risk			
Financial assets	433,209	418,594	307,294
Financial liabilities	911,966	889,682	561,232

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 nine months ended September 30, 2019 and 2018 would decrease/increase by \$898 thousand and \$476 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 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 45.80%, 48.21% and 51.31% of total accounts receivable as of September 30, 2019, December 31, 2018 and September 30, 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 September 30, 2019, December 31, 2018 and September 30, 2018, the Group had available unutilized short-term bank loan facilities of \$933,835 thousand, \$781,150 thousand and \$591,196 thousand, respectively.

As of September 30, 2019, the current liabilities exceeded current assets by \$344,983 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 \$933,835 thousand. The board of directors resolved to grant the Chairman full power to sign contracts extending facilities and sign renewal contracts. 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.

September 30, 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	-	\$ 244,453	\$ 726,017	\$ 98,002	\$ 13	\$ 108
Variable interest rate liabilities	1.51%-4.57%	9,089	18,183	111,887	432,600	340,207
Fixed interest rate liabilities	1.34%-4.87%	173,898	595,223	1,288,640	222,851	-
Lease liabilities	1.56%-4.75%	1,726	3,396	15,907	38,384	13,888
		<u>\$ 429,166</u>	<u>\$ 1,342,819</u>	<u>\$ 1,514,436</u>	<u>\$ 693,848</u>	<u>\$ 354,203</u>

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%	<u>162,656</u>	<u>666,957</u>	<u>1,260,105</u>	<u>239,393</u>	<u>-</u>
		<u>\$ 474,884</u>	<u>\$ 1,645,081</u>	<u>\$ 1,502,933</u>	<u>\$ 499,683</u>	<u>\$ 375,713</u>

September 30, 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	-	\$ 351,936	\$ 536,501	\$ 173,594	\$ 1,184	\$ 110
Variable interest rate liabilities	1.51%-2.06%	4,633	67,643	39,559	317,923	154,188
Fixed interest rate liabilities	1.11%-5.00%	<u>140,302</u>	<u>1,057,034</u>	<u>1,003,183</u>	<u>280,911</u>	<u>-</u>
		<u>\$ 496,871</u>	<u>\$ 1,661,178</u>	<u>\$ 1,216,336</u>	<u>\$ 600,018</u>	<u>\$ 154,298</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

September 30, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	<u>\$ 5,534</u>	<u>\$ 18,709</u>	<u>\$ 20,073</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	\$ 8,957	\$ 6,301	\$ (81)	\$ -	\$ -
Foreign exchange forward contracts	<u>(611)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,346</u>	<u>\$ 6,301</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	\$ <u>-</u>	\$ <u>10,605</u>	\$ <u>20,396</u>	\$ <u>-</u>	\$ <u>-</u>

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

<u>Related Party</u>	<u>Relationship with the Group</u>
Other related parties	
Taipei Dyaco Charitable Foundation	Same director with the parent

b. Operating expense-donation

<u>Related Party Category/Name</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Other related parties				
Taipei Dyaco Charitable Foundation	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,000</u>

c. The detail of the compensation of key management personnel for the nine months ended September 30, 2019 and 2018 were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 16,927	\$ 15,689	\$ 47,185	\$ 49,282
Post-employment benefits	<u>237</u>	<u>296</u>	<u>762</u>	<u>794</u>
	\$ <u>17,164</u>	\$ <u>15,985</u>	\$ <u>47,947</u>	\$ <u>50,076</u>

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	\$ 1,812,645	\$ 1,850,068	\$ 1,598,534
Right-of-use assets	296,256	-	-
Pledge deposits - current	332,069	252,286	250,725
Inventories	52,739	62,920	58,332
Prepayment of rent	<u>-</u>	<u>310,930</u>	<u>312,233</u>
	<u>\$ 2,493,709</u>	<u>\$ 2,476,204</u>	<u>\$ 2,219,824</u>

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On September 17, 2019, the Corporation's board of directors resolved cash capital increase case, which was approved the Financial Supervisory Commission on October 28, 2019 Rule No. 1080333602.

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
- 9) Trading in derivative instruments: Notes 7 and 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: Table 1
 - 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

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant assets and liabilities of the Group denominated in foreign currencies other than the functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,445	31.04 (USD:NTD)	\$ 1,100,211
USD	3,136	7.1356 (USD:RMB)	97,345
USD	78	1.3231 (USD:CAD)	2,436
RMB	23,835	4.35 (RMB:NTD)	103,684
RMB	243	0.1401 (RMB:USD)	1,056
EUR	2,268	33.95 (EUR:NTD)	77,011
EUR	2	1.0938 (EUR:USD)	64
EUR	69	0.8887 (EUR:GBP)	2,333
GBP	3,157	38.2 (GBP:NTD)	120,613
(Continued)			

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
HKD	\$ 351,341	3.958 (HKD:NTD)	\$ 1,390,607
USD	17,738	7.8423 (USD:HKD)	550,576
RMB	216,707	1.099 (RMB:HKD)	942,675
CAD	8,049	0.7558 (CAD:USD)	188,840
EUR	2,580	33.95 (EUR:NTD)	87,597
JPY	9,107	0.2878 (JPY:NTD)	2,621
<u>Financial liabilities</u>			
Monetary items			
USD	891	31.04 (USD:NTD)	27,650
USD	30	0.9143 (USD:EUR)	934
USD	1,208	1.3231 (USD:CAD)	37,491
USD	586	107.8527 (USD:JPY)	18,186
USD	344	7.1356 (USD:RMB)	10,679
EUR	3	33.95 (EUR:NTD)	107
RMB	74,789	4.35 (RMB:NTD)	325,332
RMB	18,867	0.1401 (RMB:USD)	82,069
Non-monetary items			
GBP	1,123	38.2 (GBP:NTD)	42,901
			(Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
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			
HKD	334,004	3.9210 (HKD:NTD)	1,309,629
USD	15,543	7.8335 (USD:HKD)	477,416
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
JPY	27,207	0.2782 (JPY:NTD)	7,569
			(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
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	38.88 (GBP:NTD)	14,996
			(Concluded)

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,480	30.5250 (USD:NTD)	\$ 1,083,034
USD	11,329	6.8812 (USD:RMB)	345,847
USD	13	1.3012 (USD:CAD)	404
RMB	31,431	4.4360 (RMB:NTD)	139,426
RMB	18	0.1453 (RMB:USD)	82
EUR	42	35.4800 (EUR:NTD)	1,473
GBP	1,362	39.6900 (GBP:NTD)	54,045
Non-monetary items			
HKD	325,960	3.9010 (HKD:NTD)	1,271,571
USD	16,340	7.8429 (USD:HKD)	498,782
RMB	203,383	1.1371 (RMB:HKD)	902,208
CAD	8,222	0.7686 (CAD:USD)	192,891
EUR	4,912	35.4800 (EUR:NTD)	174,262
JPY	25,001	0.2692 (JPY:NTD)	6,730

Financial liabilities

Monetary items			
USD	272	30.5250 (USD:NTD)	8,301
USD	513	0.8603 (USD:EUR)	15,652
USD	1,022	1.3012 (USD:CAD)	31,207
USD	564	113.3915 (USD:JPY)	17,224
USD	3,865	6.8812 (USD:RMB)	117,988
RMB	180	4.4360 (RMB:NTD)	799
RMB	9	0.1453 (RMB:USD)	42
Non-monetary items			
GBP	359	39.6900 (GBP:NTD)	14,238

For the three months ended September 30, 2019 and 2018, for the nine months ended September 30, 2019 and 2018, (realized and unrealized) net foreign exchange gains (losses) were \$3,140 thousand, \$16,946 thousand, \$28,694 thousand and \$49,394 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.

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 were 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 nine months ended <u>September 30, 2019</u>					
Revenues from external customers	\$ 1,474,817	\$ 2,411,781	\$ 285,373	\$ -	\$ 4,171,971
Intersegment revenues	<u>1,782,480</u>	<u>-</u>	<u>-</u>	<u>(1,782,480)</u>	<u>-</u>
Consolidated revenues	<u>\$ 3,257,297</u>	<u>\$ 2,411,781</u>	<u>\$ 285,373</u>	<u>\$ (1,782,480)</u>	<u>\$ 4,171,971</u>
Segment income (loss)	<u>\$ 254,446</u>	<u>\$ 66,320</u>	<u>\$ (126,689)</u>	<u>\$ (20,205)</u>	<u>\$ 173,872</u>
For the nine months ended <u>September 30, 2018</u>					
Revenues from external customers	\$ 1,506,864	\$ 2,199,387	\$ 252,648	\$ -	\$ 3,958,899
Intersegment revenues	<u>1,703,559</u>	<u>-</u>	<u>-</u>	<u>(1,703,559)</u>	<u>-</u>
Consolidated revenues	<u>\$ 3,210,423</u>	<u>\$ 2,199,387</u>	<u>\$ 252,648</u>	<u>\$ (1,703,559)</u>	<u>\$ 3,958,899</u>
Segment income (loss)	<u>\$ 53,732</u>	<u>\$ 21,412</u>	<u>\$ (91,056)</u>	<u>\$ -</u>	<u>\$ (15,912)</u>

b. Segment assets and liabilities

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Segment assets</u>			
Asia	\$ 4,861,933	\$ 4,943,364	\$ 4,425,975
Americas	1,798,937	1,739,815	1,759,581
Europe	<u>357,595</u>	<u>342,129</u>	<u>322,748</u>
Total segment assets	<u>\$ 7,018,465</u>	<u>\$ 7,025,308</u>	<u>\$ 6,508,304</u>

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Segment liabilities</u>			
Asia	\$ 3,307,363	\$ 3,506,680	\$ 3,160,991
Americas	1,248,362	1,262,398	1,260,799
Europe	<u>292,883</u>	<u>177,709</u>	<u>137,289</u>
Total segment liabilities	<u>\$ 4,848,608</u>	<u>\$ 4,946,787</u>	<u>\$ 4,559,079</u> (Concluded)

TABLE 1

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 13,305 (JPY 46,229 thousand)	\$ 3,853 (JPY 13,388 thousand)	\$ 3,853 (JPY 13,388 thousand)	-	Business transaction	\$ 69,624	-	\$ -	-	\$ -	\$ 69,624 (Note 2)	\$ 729,742 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	23,357 (EUR 688 thousand)	21,504 (EUR 633 thousand)	21,504 (EUR 633 thousand)	-	Business transaction	94,168	-	-	-	-	94,168 (Note 2)	729,742 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	20,370 (EUR 600 thousand)	- (Note 7)	-	-	Short-term financing	-	Operating turnover	-	-	-	729,742 (Note 1)	729,742 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	94,813 (GBP 2,482 thousand)	94,813 (GBP 2,482 thousand)	94,813 (GBP 2,482 thousand)	-	Business transaction	126,753	-	-	-	-	126,753 (Note 2)	729,742 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	27,564 (US\$ 888 thousand)	23,738 (US\$ 765 thousand)	23,738 (US\$ 765 thousand)	-	Business transaction	29,840	-	-	-	-	29,840 (Note 2)	729,742 (Note 4)	
1	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	9,167 (EUR 270 thousand)	9,167 (EUR 270 thousand)	9,167 (EUR 270 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	95,823 (Note 3)	95,823 (Note 3)	

Note 1: The maximum financing of a parent to a subsidiary in which the parent entity directly and indirectly holds over 90% voting shares is limited to 40% of the net value of the parent entity; the maximum financing to other individual corporations is limited to 20 % of the net value of the parent entity.

Note 2: The amount of financing provided to companies with which the parent entity has business transactions is limited to the transaction amount.

Note 3: The maximum financing to companies in which the parent entity directly and indirectly holds 100% voting shares is limited to net value of the lender, the maximum financing allowed to other corporations is limited to 40% of the net value of the lender.

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

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

Note 6: Eliminated from the consolidated financial statements.

Note 7: The ending balance is due as of September 30, 2019.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 912,178	\$ 90,016 (US\$ 2,900 thousand)	\$ -	\$ -	\$ -	-	\$ 912,178	Y	-	-	
		Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	182,436	62,080 (US\$ 2,000 thousand)	31,040 (US\$ 1,000 thousand)	-	-	1.70	912,178	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	912,178	1,146 (GBP 30 thousand)	1,146 (GBP 30 thousand)	441 (GBP 12 thousand)	-	0.06	912,178	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” If mean the endorsement/guarantee is given by a parent entity on behalf of subsidiaries, or given by subsidiaries on behalf of a parent entity or on behalf of corporations in mainland China.

TABLE 3

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Thousands of Shares)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	September 30, 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)	-	\$ 31,060 (RMB 1,000 thousand)	15	\$ 31,060 (RMB 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)	-	6,256 (RMB 1,438 thousand)	5	6,256 (RMB 1,438 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	3,915 (RMB 900 thousand)	9	3,915 (RMB 900 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 evaluation method.

Note 2: For the information on investments in subsidiaries, refer to Tables 6 and 7.

TABLE 4

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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. Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	Sales	\$ 1,432,950	59	Flexible	Based on mutual agreement	Flexible	\$ 829,142	72	
		Indirectly held subsidiary	Purchase	686,637	42	Flexible	Based on mutual agreement	Flexible	325,521	40	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	128,523	5	Flexible	Based on mutual agreement	Flexible	99,484	9	
	Dayaco Canada Inc.	Indirectly held subsidiary	Sales	125,265	5	Flexible	Based on mutual agreement	Flexible	34,251	3	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	136,064	100	Flexible	Based on mutual agreement	Flexible	82,249	84	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	1,432,950	100	Flexible	Based on mutual agreement	Flexible	829,142	88	
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	686,637	48	Flexible	Based on mutual agreement	Flexible	325,589	64	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	128,523	100	Flexible	Based on mutual agreement	Flexible	99,484	79	
Dayaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	125,265	55	Flexible	Based on mutual agreement	Flexible	34,251	62	
Shelton Corporation (Jiaxing), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	136,064	9	Flexible	Based on mutual agreement	Flexible	82,249	16	

Note 1: The rate is calculated in accordance with individual financial statements.

Note 2: Eliminated from the consolidated financial statements.

TABLE 5

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 NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 829,142	3.48	\$ -		\$ 304,947	\$ -
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	324,650	4.33	-		58,409	-

Note: Eliminated from the consolidated financial statements.

TABLE 6

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2019			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 5)
				September 30, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount (Notes 1 and 5)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	\$ 1,247,518	\$ 1,247,518	321,655,868	100	\$ 1,390,607	\$ 82,760	\$ 83,801 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	366,891	358,161	-	100	87,597	(67,610)	(67,610)
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	10,905	316	316
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	2,621	(5,393)	(5,393)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	15,000	5,000	1,500,000	100	12,296	(2,202)	(2,202)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	70,648	51,160	-	100	(42,901)	(57,351)	(57,351)
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	72,599 (EUR 2,138 thousand)	(52,750) (EUR -1,511 thousand)	(56,366) (EUR -1,615 thousand) (Note 3)
	Cardiofitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	1,005 (EUR 30 thousand)	6 (EUR 0.2)	6 (EUR 0.2)
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	550,576 (HK\$ 139,105 thousand)	61,395 (HK\$ 15,496 thousand)	61,395 (HK\$ 15,496 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	300,622 (US\$ 9,685 thousand)	18,979 (US\$ 611 thousand)	18,979 (US\$ 611 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	188,840 (US\$ 6,084 thousand)	233 (US\$ 8 thousand)	(4,084) (US\$ -132 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	(24,858) (US\$ -801 thousand)	(12,385) (US\$ -399 thousand)	(12,385) (US\$ -399 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	(25,417) (US\$ -819 thousand)	(43,947) (US\$ -1,415 thousand)	(43,947) (US\$ -1,415 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 \$82,760 thousand and realized profits of \$1,041 thousand from upstream intercompany transactions.

Note 3: Including share of loss of \$52,750 thousand minus amortization of investment premium of \$3,616 thousand.

Note 4: Including share of profit of \$233 thousand minus amortization of investment premium of \$4,317 thousand.

Note 5: Eliminated from the consolidated financial statements.

TABLE 7

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 7)	Carrying Amount as of September 30, 2019 (Notes 2 and 7)	Accumulated Repatriation of Investment Income as of September 30, 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)	\$ (15,321) (HK\$ -3,867 thousand)	100	\$ (15,321) (HK\$ -3,867 thousand)	\$ (15,321) (HK\$ -3,867 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)	-	-	119,912 (US\$ 4,000 thousand)	(2,715) (HK\$ -685 thousand)	100	160 (HK\$ 40 thousand) (Note 3)	104,339 (HK\$ 26,362 thousand)	-
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	659,471 (US\$ 18,800 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US\$ 21,830 thousand)	-	-	659,471 (US\$ 21,830 thousand)	70,328 (HK\$ 17,751 thousand)	60	34,478 (HK\$ 8,702 thousand) (Note 4)	673,776 (HK\$ 170,231 thousand)	-
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(3,071) (RMB -679 thousand)	100	(3,071) (RMB -679 thousand)	5,802 (RMB 1,361 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
\$ 868,163 (US\$ 28,830 thousand)	\$ 868,163 (US\$ 28,830 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 reviewed.
- Note 3: Including share of loss of \$2,715 thousand minus amortization of investment premium of \$21 thousand, unrealized profits of \$1,280 thousand from side stream intercompany transactions, and unrealized profits on disposal of property, plant, and equipment of \$4,176 thousand from side stream intercompany transactions.
- Note 4: Including 60% share of profit of \$42,197 thousand minus amortization of investment premium of \$6,355 thousand and unrealized profits of \$1,364 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 the obtained supporting document for operation headquarters of the company issued by Industrial Development Bureau, MOEA.
- Note 7: Eliminated from the consolidated financial statements.

TABLE 8

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 NINE MONTHS ENDED SEPTEMBER 30, 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 2)	% (Note 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance (Note 2)	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	Sales Purchase	\$ 128,523 686,637	5 42	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 99,484 324,650	9 40	\$ 14,975 3,765	

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 NINE MONTHS ENDED SEPTEMBER 30, 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	Accounts receivable from related parties	\$ 45	-	-
					Other receivables from related parties	23,738	-	-
					Investments accounted for using the equity method	1,876	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	17,039	-	-
					Other payables from related parties	16	-	-
					Sales	14,917	-	-
			Dyaco Japan Co., Ltd.	a	Other operating revenue	473	-	-
					Accounts receivable from related parties	14,333	-	-
					Other receivables from related parties	3,853	-	-
					Investments accounted for using the equity method	2,623	-	-
					Sales	128,237	-	3
					Other operation revenue	286	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Accounts receivable from related parties	99,484	-	1
					Investments accounted for using the equity method	14,975	-	-
					Sales	1,417,779	-	34
					Other operating revenue	15,171	-	-
			Spirit Manufacturing Inc.	a	Accounts receivable from related parties	829,142	-	12
					Investments accounted for using the equity method	40,978	-	1
					Sales	125,133	-	3
					Other operating revenue	132	-	-
			Dyaco Canada Inc.	a	Accounts receivable from related parties	34,251	-	-
					Investments accounted for using the equity method	13,664	-	-
					Sales	45,834	-	1
					Other operating revenue	103	-	-
			Dongguan Dayu Sports Equipment Co., Ltd.	a	Accounts receivable from related parties	35,468	-	1
					Other receivables from related parties	21,670	-	-
					Investments accounted for using the equity method	8,301	-	-
					Rental revenue	18	-	-
			Dyaco Europe GmbH	a	Cost of goods sold	686,637	-	16
					Accounts payable to related parties	325,521	-	5
					Collection	68	-	-
					Inventories	393	-	-
			Daan Health Management Consulting Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	a	Sales	41,259	-	1
					Other operating revenue	531	-	-
					Accounts receivable from related parties	27,508	-	-
					Other receivables from related parties	94,813	-	1
					Investments accounted for using the equity method	12,247	-	-

(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)	
			Wing Long Co., Ltd.	a	Accounts receivable from related parties Sales Other expenses	\$ 3,014 364 662	- - -	- - -
	1	Spirit Direct, LLC.	Dyaco International Inc. Spirit Manufacturing Inc.	b c	Accounts payable to related parties Inventories Accounts payable to related parties Other payables to related parties	23,783 1,876 72 13,037	- - - -	- - - -
	2	Fuel-Spirit International Inc.	Dyaco International Inc. Spirit Manufacturing Inc. Dyaco Canada Inc. Dongguan Dayu Sports Equipment Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	b c c c c	Accounts payable to related parties Other receivables from related parties Accounts receivable from related parties Other operating revenue Other operating revenue Accounts receivable from related parties Other revenue Cost of goods sold Accounts payable to related parties	17,039 16 65,184 46,581 6,123 2,340 79 136,064 82,249	- - - - - - - - -	- - 1 1 - - - 3 1
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold Other expenses Accounts payable to related parties Other payables to related parties Inventories	15,283 107 18,079 107 2,623	- - - - -	- - - - -
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc. Dongguan Dayu Sports Equipment Co., Ltd. Shelton Corporation (Jiaxing), Ltd. Dyaco Health Technology (Beijing) Co., Ltd.	b c c c	Cost of goods sold Accounts payable to related parties Inventories Inventories Cost of goods sold Accounts payable to related parties Inventories Accounts receivable from related parties Other receivables from related parties	128,523 99,484 14,975 978 32,753 16,273 970 2,640 2	- - - - - - - - -	3 1 - - - 1 - - -
	5	Spirit Manufacturing Inc.	Dyaco International Inc. Spirit Direct, LLC. Dyaco Canada Inc. Dyaco Commercial & Medical North America, LLC. Fuel-Spirit International Inc.	b c c c c	Cost of goods sold Accounts payable to related parties Inventories Accounts receivable from related parties Other receivables from related parties Sales Accounts receivable from related parties Accounts receivable from related parties Other receivables from related parties Sales Other revenue Accounts payable to related parties Other expenses	1,432,950 829,142 40,978 72 13,037 10,139 899 7,193 7,402 932 313 65,184 46,581	- - - - - - - - - - - - -	34 12 1 - - - - - - - - 1 1

(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)	
	6	Dyaco Canada Inc.	Dyaco International Inc. Fuel-Spirit International Inc. Spirit Manufacturing Inc.	b c c	Cost of goods sold Accounts payable to related parties Inventories Other expenses Other payables to related parties Cost of goods sold Accounts payable to related parties	\$ 125,265 34,251 13,664 6,123 2,340 10,139 899	- - - - - - -	3 - - - - - -
	7	Dongguan Dayu Sports Equipment Co., Ltd.	Dyaco International Inc. Fuel-Spirit International Inc. Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	b c c c	Cost of goods sold Other expenses Cost of goods sold Property, plant and equipment Other operating income	301 79 978 19,982 32,406	- - - - -	- - - - 1
	8	Dyaco Europe GmbH	Dyaco International Inc. CARDIOfitness GmbH & Co. KG Dyaco UK Ltd.	b c c	Cost of goods sold Accounts payable to related parties Inventories Sales Other receivables from related parties Accounts receivable from related parties Accounts payable to related parties Accounts payable to related parties	45,937 57,138 8,301 18,187 9,167 23,590 54 1,366	- - - - - - - -	1 1 - - - - - -
	9	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	18	-	-
	10	CARDIOfitness GmbH & Co. KG	Dyaco Europe GmbH	c	Cost of goods sold Other payables to related parties Accounts payable to related parties Accounts receivable from related parties	18,187 9,167 23,590 54	- - - -	- - - -
	11	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc. Fuel-Spirit International Inc. Dyaco (Shanghai) Trading Co., Ltd. Dongguan Dayu Sports Equipment Co., Ltd.	b c c c	Sales Accounts receivable from related parties Cost of goods sold Sales Accounts receivable from related parties Sales Accounts receivable from related parties Cost of goods sold Property, plant and equipment	686,637 325,589 393 136,064 82,249 32,753 16,273 970 52,388	- - - - - - - - -	16 5 - 3 1 1 - - 1
	12	Dyaco UK Ltd.	Dyaco International Inc. Dyaco Europe GmbH	b c	Cost of goods sold Accounts payable to related parties Inventories Accounts receivable from related parties	41,790 122,321 12,247 1,366	- - - -	1 2 - -

(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)	
	13	Dyaco Commercial & Medical North America, LLC.	Spirit Manufacturing Inc.	c	Accounts payable to related parties Other payables to related parties Other expenses	\$ 7,193 7,402 1,245	- - -	- - -
	14	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Accounts payable to related parties Other payables to related parties	2,523 119	- -	- -
	15	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties Cost of goods sold Sales	3,014 364 662	- - -	- - -

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)