Dyaco International Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Dyaco International Inc.

Opinion

We have audited the accompanying consolidated financial statements of Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

Loss on Inventory Obsolescence

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

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

Impairment of Goodwill

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

We assessed the of professional skills, competencies, and objectivity of independent appraisers hired by management, and also verified the qualifications of appointed appraisers. In addition, we confirmed that nothing would affect the objectivity or restriction of job duties by discussing the job scope and reviewing conditions of appointment with management.

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

1. We tested the data used to estimate recoverable amount of goodwill, such as historical operating revenue, revenue growth rate and gross margin, for assessing the reasonableness of assumptions.

2. We compared the budgetd amounts with actual operating results of the Group in 2019 when considering the assessment of reliability prediction for 2019 and future years in order to assess the accuracy of management’s historical predictions.

3. We checked if there were significant differences between the weighted average cost of capital calculated by using the same valuation method as the Group and the weighted average cost of capital adopted by the Group to confirm that management applied the appropriate discount rates for assessing goodwill impairment.

Other Matter

We have also audited the parent company only financial statements of Dyaco International Inc. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

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

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 27, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

   1) IFRS 16 "Leases"

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

      <u>Definition of a lease</u>

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

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

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

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

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

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

The Group as lessor

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

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

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

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

Basis of Consolidation

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

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

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

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

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

Business Combinations

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

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

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

Foreign Currencies

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

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

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

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

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

Inventories

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

Property, Plant and Equipment

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

Freehold land is not depreciated.

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

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

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

Investment Properties

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

Depreciation is recognized using the straight-line method.

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

Goodwill

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

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

b) Financial assets at amortized cost

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

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

3) Derecognition of financial assets

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

b. Financial liabilities

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

c. Derivative financial instruments

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

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

d. Convertible bonds

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

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

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

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

Provisions

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

Revenue Recognition

a. Revenue from the sale of goods

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

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

b. Revenue from the rendering of services

Revenue is recognized when services are rendered.

Leasing

2019

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Share-based Payment Arrangements

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

a. Write-down of inventories

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

b. Impairment of goodwill

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

6. CASH

	December 31	
	2019	**2018**
Cash on hand	$ 783	$ 886
Checking accounts and demand deposits	825,430	594,711
	$ 826,213	$ 595,597

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

(Continued)

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

(Concluded)

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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

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

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

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

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

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

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

a. Notes receivable

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

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

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

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

b. Accounts receivable

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

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

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

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

December 31, 2019

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

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-8.82%	0%-39.61%	0%-67.36%	0%-75.05%	0%-100%	0%-100%	0%-100%
Gross carrying amount	$ 787,975	$ 131,067	$ 14,241	$ 4,435	$ 2,807	$ 124,301	$ 1,064,826
Loss allowance (Lifetime ECLs)	(4,161)	(3,031)	(2,564)	(2,078)	(2,125)	(124,301)	(138,260)
Amortized cost	$ 783,814	$ 128,036	$ 11,677	$ 2,357	$ 682	$ -	$ 926,566

The Group's customer New Level UK Ltd. was in severe financial difficulty and went into bankruptcy on February 26, 2018. As of December 31, 2019, accounts receivable from New Level UK Ltd. amounted to $107,939 thousand (NT$79,163 thousand and US$960 thousand). Due to the uncertainty of the recoverability of accounts receivable according to legal proceedings, the Group recognized loss allowance of $107,939 thousand.

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

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

c. Other receivables

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

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

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

10. INVENTORIES

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

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

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

11. PREPAYMENTS

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

12. OTHER FINANCIAL ASSETS

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

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

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

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

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

(Continued)

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

(Concluded)

Remarks:

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

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

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

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

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2019	2018
Shelton Corporation (Jiaxing), Ltd.	China	40%	40%

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

Remark: Reclassification to investment properties.

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

Buildings	
Main buildings	15-50 years
Decoration	2-49 years
Machinery equipment	1-11 years
Transportation equipment	5-11 years
Office equipment	2-10 years
Leasehold improvements	2-5 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

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

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

b. Lease liabilities - 2019

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

Ranges of discount rates for lease liabilities were as follows:

	December 31, 2019
Buildings	1.56%-4.75%
Transportation equipment	1.65%-3.41%
Office equipment	4.07%

c. Material lease-in activities and terms

The Group leases certain buildings and office equipment for the use of plants, offices and retail stores with lease terms of 3 to 13 years. The Group does not have bargain purchase options to acquire the buildings at the end of the lease terms.

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

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

d. Other information

2019

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

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

2018

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

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

16. INVESTMENT PROPERTIES

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

(Continued)

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

(Concluded)

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

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

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

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

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

The Group reclassified property, plant and equipment which are leased out for rental revenue to investment property. The fair value of investment property located in Zhongshan District, Taipei City was $32,507 thousand. The determination of fair value was not performed by independent qualified professional valuers. The management of the Group used the market-based evidence of transaction price of property, plant and equipment in determining the fair value. Another investment property was reclassified from property, plant and equipment based on the purpose of use in the fourth quarter of 2018. Management was unable to reliably measure the fair value of the investment property located in Jiaxing City, Zhejiang Province, China, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Group determined that the fair value of the investment property is not reliably measurable.

17. GOODWILL

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

Assessment of Goodwill Impairment for 2019

The book value of investment in subsidiary on December 31, 2019 and 2018 included Yongan Sports Technology Co., Ltd. (the company had completed cancellation after a short-form merger with the Corporation on January 1, 2018), Dongguan Dayu Sports Equipment Co., Ltd. (the company had completed liquidation and cancellation in November 2019), Shelton Corporation (Jiaxing), Ltd., CARDIOfitness GmbH & Co. KG, and Dyaco Canada Inc.

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

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

a. Increased rate of main business revenue:

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

b. Expected gross profit margin:

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

c. Discount rates

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

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

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

The Corporation did not recognize goodwill impairment loss in 2018.

18. OTHER INTANGIBLE ASSETS

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

(Continued)

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

(Concluded)

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

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

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

19. PREPAYMENTS FOR LEASES

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

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

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

20. BORROWINGS

a. Short-term borrowings

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

b. Long-term borrowings

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

1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of December 31, 2019 and 2018, the borrowings were $30,600 thousand and $40,800 thousand, respectively, at the annual borrowing interest rate was 1.65%. In September 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to September 2024. As of December 31, 2019 the amount of borrowings was $247,100 thousand, at the annual borrowing interest rate was 1.65%.

2) Secured borrowings from Taishin Bank: In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2034. As of December 31, 2019 the amount of borrowings was $162,000 thousand, at annual interest rate of 1.45%. In June 2019, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to June 2024. As of December 31, 2019, the amount of borrowings was $40,500 thousand, at annual interest rate of 1.45%.

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

4) Secured borrowings from Bank SinoPac: In 2009, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from September 2009 to September 2024. As of December 31, 2019 and 2018, the borrowings were $43,077 thousand and $53,077 thousand, respectively, at annual interest rate of 1.71%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of December 31, 2019 and 2018, the borrowings were $100,081 thousand and $109,248 thousand, respectively, at annual interest rate of 1.51%. In 2016, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of December 31, 2019 and 2018, the borrowings were $12,595 thousand and $16,155 thousand, respectively, at annual interest rate of 1.60%.

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

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

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

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

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

21. BONDS PAYABLE

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

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

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

According to restrictions for first-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from December 21, 2017 to August 11 2020, if the closing price of common shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The record date that the holder is entitled to sell back the convertible bond in advance is September 20, 2019. The holder is required to inform the stock agency of the Corporation regarding the sale by giving 30-day prior written notice. The Corporation will redeem the convertible bonds based on the face value and accrued interests. The redemption amount of the bonds which have been held for full two years is 101.0025% of face value.

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

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

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

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

22. NOTES PAYABLE AND ACCOUNTS PAYABLE

a. Notes payable

The Group issues notes payable for payment and business expenditure.

b. Accounts payable

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

23. OTHER PAYABLE AND LONG-TERM PAYABLE

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

24. PROVISIONS

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

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

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. However, the pension funded by the Corporation in accordance with the Labor Standards Law was sufficient. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 29,207	$ 29,124
Fair value of plan assets	(9,644)	(8,879)
Deficit	19,563	20,245
Net defined benefit liabilities	$ 19,563	$ 20,245

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

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

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

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 59	$ 50
Selling and marketing expenses	16	14
General and administrative expenses	68	59
Research and development expenses	59	49
	$ 202	$ 172

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	2.00%	2.00%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (767)	$ (822)
0.25% decrease	$ 798	$ 857
Expected rate(s) of salary increase		
0.25% increase	$ 786	$ 847
0.25% decrease	$ (759)	$ (816)

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

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 367	$ 367
Average duration of the defined benefit obligation	10 years	11 years

26. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	150,000	100,000
Share capital authorized	$ 1,500,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	96,100	92,950
Ordinary shares issued	$ 961,009	$ 929,502

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

The unappropriated earning of $31,133 thousand to increase issued share dividends was approved in the shareholder's meeting on May 30, 2019, ex-dividend date on August 6, 2019, and had completed the relevant change registration.

The Corporation's board of directors resolved to increase cash capital on September 17, 2019 through issuance of 19,000,000 shares, which was approved by the Financial Supervisory Commission on October 28, 2019 in accordance with Rule No. 1080333602. The issued price is $39 and paid-up capital is $741,000 thousand. As of December 31, 2019, the Group had received $32,616 thousand (balance of other current liability) and the remaining on January 13, 2020.

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 704,409	$ 704,409
Conversion of bonds	1,147	-
May only be used to offset a deficit		
Conversion of employee share options	1,460	1,460
May not be used for any purpose		
Conversion of bonds	15,762	15,802
Employee share options	32,298	15,098
Employee share options in subsidiaries	3,228	1,628
	$ 758,304	$ 738,397

The capital surplus generated from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).

c. Retained earnings and dividend policy

The Corporation has resolved the amended Articles on May 30, 2019, which authorize special resolution the board of directors to distribute the dividends and bonuses, or all or part of the legal reserve and capital surplus in cash and reported to the shareholders' meeting.

Under the dividends policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings from previous years shall be used by the Corporation's board of directors as the basis for proposing a distribution plan of new issued shares which should be resolved in the shareholders' meeting for the distribution.

The Corporation considered overall business environment, industrial growth, undistributed retained earnings, capital surplus, financial structure, and operating condition for the distribution of earnings in order to maintain stable development and secure equity of investors. The appropriations of earnings should be higher than ten percent of undistributed retained earnings. If the undistributed retained earnings are less than one percent of the paid-in capital, then the earnings shall be transferred to retained earnings and not distributed to shareholders. The Corporation is entitled to distribute bonuses in shares or in cash; cash bonus should not be less than ten percent of total bonuses. If cash bonus will be less than $1 per share, then the Corporation shall distribute all bonuses in shares.

The distribution of earnings recognized in the current year should be resolved in the shareholders' meeting in the following year.

According to Article 237 of the Company Act, the Corporation, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. When the amount of such legal reserve has equaled the total paid-in capital, the allocation to legal reserve will be stopped. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2018 and 2017 that were approved in the shareholders' meeting on May 30, 2019 and May 30, 2018, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 10,712	$ -		
Special reserve	19,865	22,091		
Cash dividends	31,133	44,475	$ 0.35	$ 0.5
Share dividends	31,133	-	0.35	-

The appropriation of earnings for 2019 had been proposed by the Corporation's board of directors on March 27, 2020. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 18,941	
Special reserve	26,689	
Cash dividends	124,321	$1.15

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on May 28, 2020.

d. Other equity items

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

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

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (378)	$ 655
Recognized for the year		
Unrealized gain (loss) on equity instruments	1,899	(1,033)
Cumulative unrealized gain (loss) on equity instruments transferred to retained earnings upon disposal	2,372	-
Balance at December 31	$ 3,893	$ (378)

e. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2019	4,000
Increase during the year	-
Number of shares at December 31, 2019	4,000
Number of shares at January 1, 2018	1,251
Increase during the year	2,749
Number of shares at December 31, 2018	4,000

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

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

f. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 333,876	$ 323,537
Profit for the period attributable to non-controlling interests	31,094	20,333
Exchange differences on translating the financial statements of foreign entities	(14,798)	(9,994)
Balance at December 31	$ 350,172	$ 333,876

27. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	$ 5,834,894	$ 5,531,372
Other revenue	15,634	25,778
	$ 5,850,528	$ 5,557,150

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable (Note 9)	$ 1,501	$ 3,986	$ 3,124
Accounts receivable (Note 9)	$ 1,009,492	$ 926,566	$ 788,687
Contract liabilities			
Sale of goods	$ 7,901	$ 9,320	$ 9,671

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

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

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	$ 9,320	$ 9,671

b. Disaggregation of revenue

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

c. Partially completed contracts

	For the Year Ended December 31	
	2019	2018
Sale of goods		
From January 2019 to June 2019	$ -	$ 8,625
From July 2019 to December 2019	-	695
From January 2020 to June 2020	5,101	-
From July 2020 to December 2020	2,800	-
	$ 7,901	$ 9,320

28. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 154,526	$ 158,653
Intangible assets	92,592	82,389
Right-of-use assets	30,672	-
Investment properties	3,048	1,236
	$ 280,838	$ 242,278
An analysis of depreciation by function		
Operating costs	$ 115,648	$ 95,588
Operating expenses	69,550	63,065
Other operating income and expenses	3,048	1,236
	$ 188,246	$ 159,889
An analysis of amortization by function		
Operating costs	$ -	$ 7,228
Operating expenses	92,592	75,161
	$ 92,592	$ 82,389

b. Other operating income and expenses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ (2,505)	$ 97,446
Impairment losses on goodwill	(8,826)	-
	$ (11,331)	$ 97,446

c. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 25)		
Defined contribution plan	$ 29,141	$ 30,010
Defined benefit plans	202	172
	29,343	30,182
Employees' compensation	879,681	848,657
Labor and national health insurance expenses	58,438	67,387
Other employee benefits	25,435	19,899
	963,554	935,943
Total employee benefits expense	$ 992,897	$ 966,125
An analysis of employee benefits expense by function		
Operating costs	$ 365,359	$ 404,666
Operating expenses	627,538	561,459
	$ 992,897	$ 966,125

d. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the year ended December 31, 2019 and 2018 which had been approved by the Corporation's board of directors on March 27, 2020 and March 28, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.0%	1.0%
Remuneration of directors	0.5%	-

Amount

	For the Year Ended December 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 2,451	$ 1,122
Remuneration of directors	1,225	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 181,981	$ 116,944
Foreign exchange losses	(204,893)	(55,212)
Net gains (losses)	$ (22,912)	$ 61,732

29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 87,869	$ 36,058
Income tax on unappropriated earnings	-	28
Adjustments for prior periods	2,245	10,765
Land value increment tax	-	504
	90,114	47,355
Deferred tax		
In respect of the current year	-	(479)
Adjustments to deferred tax attributable to changes in tax rates and laws	(31,565)	(27,671)
	(31,565)	(28,150)
Income tax expense recognized in profit or loss	$ 58,549	$ 19,205

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 278,644	$ 146,661
Income tax expense calculated at the statutory rate (20%)	$ 55,729	$ 29,332
Non-taxable income	(6,426)	(27,527)
Deferred tax effect of earnings of subsidiaries	4,590	(5,547)
Income tax on unappropriated earnings	-	28
Unrealized loss carryforwards	490	4,199
Unrealized deductible temporary differences	(4,231)	773
Effect of different tax rate of group entities operating in other jurisdictions	6,007	6,297
Land value increment tax	-	504
Adjustments for prior years' tax	2,245	10,765
Adjustments for deferred tax between the Group's transaction	145	860
Effect of tax rate changes	-	(479)
Income tax expense recognized in profit or loss	$ 58,549	$ 19,205

The Income Tax Act in the Republic of China ("ROC") was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 189
In respect of the current year		
Remeasurement on defined benefit plan	(103)	(268)
Total income tax recognized in other comprehensive income	$ (103)	$ (79)

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 1,282	$ 30,748
Current tax liabilities		
Income tax payable	$ 56,348	$ 26,210

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Deferred revenue	$ 25,613	$ (7,442)	$ -	$ 18,171
Investment loss recognized under the equity method	51,751	34,460	-	86,211
Write-down of inventories	29,398	1,204	-	30,602
Employee benefits	7,713	(287)	-	7,426
Allowance for impairment loss	18,110	772	-	18,882
Provisions	3,542	559	-	4,101
Defined benefit obligations	4,086	(39)	(103)	3,944
Payables for annual leave	2,903	(294)	-	2,609

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Unrealized foreign exchange loss, net	$ 1,410	$ 5,918	$ -	$ 7,328
Property, plant and equipment	-	834	-	834
	144,526	35,685	(103)	180,108
Tax losses	126	942	-	1,068
	$ 144,652	$ 36,627	$ (103)	$ 181,176
Deferred tax liabilities				
Temporary differences				
Property, plant and equipment	$ 152,524	$ (10,340)	$ -	$ 142,184
Investment gain recognized under the equity method	50,568	22,469	-	73,037
Intangible assets	12,050	(4,116)	-	7,934
Timing difference in Sales	4,831	(1,815)	-	3,016
Unrealized foreign exchange gain, net	1,873	(1,697)	-	176
Unrealized financial instrument gain, net	4,296	(4,156)	-	140
	$ 226,142	$ 345	$ -	$ 226,487

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Deferred revenue	$ 30,064	$ (4,451)	$ -	$ 25,613
Investment loss recognized under the equity method	21,652	30,099	-	51,751
Write-down of inventories	23,131	6,267	-	29,398
Employee benefits	10,765	(3,052)	-	7,713
Allowance for impairment loss	15,245	2,865	-	18,110
Provisions	9,009	(5,467)	-	3,542
Defined benefit obligations	3,717	448	(79)	4,086
Unrealized financial instrument loss, net	2,558	(2,558)	-	-
Payables for annual leave	2,209	694	-	2,903

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Unrealized foreign exchange loss, net	$ 2,053	$ (643)	$ -	$ 1,410
Others	360	(360)	-	-
	120,763	23,842	(79)	144,526
Tax losses	5,488	(5,362)	-	126
	$ 126,251	$ 18,480	$ (79)	$ 144,652
Deferred tax liabilities				
Temporary differences				
Property, plant and equipment	$ 160,518	$ (7,994)	$ -	$ 152,524
Investment gain recognized under the equity method	46,707	3,861	-	50,568
Intangible assets	20,043	(7,993)	-	12,050
Timing difference in Sales	9,946	(5,115)	-	4,831
Unrealized foreign exchange gain, net	2,125	(252)	-	1,873
Unrealized financial instrument gain, net	-	4,296	-	4,296
	$ 239,339	$ (13,197)	$ -	$ 226,142

(Concluded)

e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expiry in 2023	$ -	$ 2,798
No estimated useful life	-	27,776
	$ -	$ 30,574

f. Income tax assessments

The income tax returns through 2017 have been assessed by the tax authorities.

30. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 6, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.20	$ 1.16
Diluted earnings per share	$ 1.09	$ 1.06

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

Net profit for the period is as follows:

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Corporation	$ 189,001	$ 107,123
Earnings used in the computation of basic earnings per share	$ 189,001	$ 107,123
Effect of potentially dilutive ordinary shares		
Interest on convertible bonds (after tax)	6,197	6,120
Earnings used in the computation of diluted earnings per share	$ 195,198	$ 113,243

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	92,069	89,133
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	65	33
Convertible bonds	14,963	14,963
Employee share options*	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	107,097	104,129

* The employee share options for the years ended December 31, 2019 and 2018 were not used in the computation of diluted earnings per share due to anti-dilutive effect.

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

31. SHARE-BASED PAYMENT ARRANGEMENTS

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

a. The options are exercisable at fifty percent after the second anniversary from the grant date.
b. The options are exercisable at seventy five percent after the third anniversary from the grant date.
c. The options are fully exercisable after the fourth anniversary from the grant date.

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

Information on employee share options is as follows:

	For the Year Ended December 31			
	2019		2018	
Employee Share Options	**Number of Options (In Thousands of Units)**	**Weighted-average Exercise Price ($)**	**Number of Options (In Thousands of Units)**	**Weighted-average Exercise Price ($)**
Balance at January 1	4,000	$ 42.95	4,000	$ 42.95
Options granted	-		-	
Options exercised	-		-	
Balance at December 31	4,000		4,000	
Options exercisable, end of period	-		-	
Weighted-average fair value of options granted ($)	$ 10.42		$ 10.42	

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

	December 31	
	2019	2018
Range of exercise price ($)	$ 41.60	$ 42.95
Weighted-average remaining contractual life (in years)	4 years	5 years

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

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

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

Compensation costs recognized by the Group were $18,800 thousand and $16,280 thousand for the years ended December 31, 2019 and 2018, respectively.

32. PARTIAL CASH TRANSACTIONS

For the years ended December 31, 2019 and 2018, the Corporation entered into the following partial cash transactions:

a. From cash investing activities

	For the Year Ended December 31	
	2019	2018
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	$ 69,823	$ 384,540
Changes in prepayments for purchases of plant and equipment	(4,643)	11,071
Changes in payables for purchase of equipment	(4,319)	2,072
Cash paid	$ 60,861	$ 397,683
Partial cash paid for treasury shares		
Purchase of treasury shares	$ -	$ 117,480
Changes in payables for purchases of treasury shares	-	14,424
Cash paid	$ -	$ 131,904
Partial cash paid for other intangible assets		
Purchase of other intangible assets	$ 61,427	$ 261,344
Changes in payables for royalties	18,373	(233,400)
Changes in prepayments for purchases of plant and equipment	(24,405)	20,920
Cash paid	$ 55,395	$ 48,864

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	Non-cash Changes	Interests	Exchange Rate Impact	Closing Balance
Short-term borrowings	$ 1,655,030	$ (133,393)	$ -	$ -	$ (8,337)	$ 1,513,300
Bonds payable	586,609	-	-	6,265	-	592,874
Long-term borrowings	715,703	181,275	-	-	740	897,718
Guarantee deposits received	3,016	(376)	-	-	31	2,671
Lease liabilities (Note 3)	68,970	(21,310)	36,410	1,573	(3,282)	82,361
	$ 3,029,328	$ 26,196	$ 36,410	$ 7,838	$ (10,848)	$ 3,088,924

For the year ended December 31, 2018

	Opening Balance	Cash Flows	Non-cash Changes: Exchange Rate Impact	Closing Balance
Short-term borrowings	$ 1,320,535	$ 340,958	$ (6,463)	$ 1,655,030
Long-term borrowing	691,976	22,325	1,402	715,703
Guarantee deposits received	26	2,946	44	3,016
	$ 2,012,537	$ 366,229	$ (5,017)	$ 2,373,749

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Group believes the carrying amounts of the financial assets and financial liabilities not carried at fair value except for bonds payable are approximately equal to their fair values.

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities at amortized cost					
Convertible bonds	$ 592,874	$ -	$ 597,180	$ -	$ 597,180

December 31, 2018

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

The fair values of the financial liabilities included in the Level 2 categories above have been determined in accordance with a binomial-tree model for convertible bond pricing.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	$ -	$ -	$ 42,984	$ 42,984
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	$ -	$ 2,072	$ -	$ 2,072
Foreign exchange forward contracts	-	971	-	971
	$ -	$ 3,043	$ -	$ 3,043

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets				
Swap contracts	$ -	$ 24,012	$ -	$ 24,012
Foreign exchange forward contracts	-	47	-	47
	$ -	$ 24,059	$ -	$ 24,059
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	$ -	$ -	$ 28,697	$ 28,697
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Put options of convertible bonds	$ -	$ 3,406	$ -	$ 3,406

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

	Financial Assets at FVTOCI
Financial assets	
Balance at January 1, 2019	$ 28,697
Purchases	35,085
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	1,899
settlements	(22,265)
Effects of foreign currency exchange differences	(432)
Balance at December 31, 2019	$ 42,984

For the year ended December 31, 2018

	Financial Assets at FVTOCI
Financial assets	
Balance at January 1, 2018	$ 5,220
Purchases	25,080
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	(1,033)
Effects of foreign currency exchange differences	(570)
Balance at December 31, 2018	$ 28,697

3) Valuation techniques and assumptions applied for fair value measurement

Financial Instrument	Valuation Technique and Inputs
Foreign unlisted shares	The fair values of non-publicly traded equity investments are mainly determined by using the income approach and asset approach. The income approach utilizes discounted cash flows to determine the present value of the expected future economic benefits that will be derived from the investment. The asset approach measures the total value of individual assets and individual liabilities included in the valuation objectives.
Derivative financial instruments - swap contracts and foreign exchange forward contracts	Swap contracts and foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
Derivative financial instruments - put options	Binomial-tree model for convertible bond pricing: The fair values are determined by using ending observable share prices, risk-free interest rate and risk discount rates.

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

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ -	$ 24,059
Financial assets at amortized cost (Note 1)	2,195,687	1,781,826
Financial assets at FVTOCI - equity instruments	42,984	28,697
Financial liabilities		
FVTPL		
Held for trading	3,043	3,406
Amortized cost (Note 2)	4,399,328	4,451,287

Note 1: The balances included financial assets measured at amortized cost, which comprised cash, notes receivable, accounts receivable, partial other receivables, and other financial assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprised short-term borrowings, notes payable, accounts payable, bonds payable, long-term borrowings (including current portion), other non-current liabilities, and partial other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, accounts payable, and borrowings. The Group's corporate treasury function coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 38.

Sensitivity analysis

The Group is mainly exposed to the U.S. dollars, Renminbi, Euros and British Pound.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. A positive (negative) number below indicates an increase (decrease) in pre-tax profit associated with the functional currency strengthening (weakening) 5% against the relevant currency.

	USD Impact		**RMB Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 77,066	$ (55,267)	$ 7,047	$ (9,407)

	EUR Impact		**GBP Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Profit or loss	$ 4,969	$ 152	$ 7,017	$ (4,050)

b) Interest rate risk

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 328,353	$ 252,281
Financial liabilities	2,027,393	2,301,060
Cash flow interest rate risk		
Financial assets	716,565	418,594
Financial liabilities	1,273,890	889,682

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease/increase by $1,393 thousand and $1,178 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopts a policy of doing business with a counterparty with good reputation.

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 48.06% and 48.21% of total accounts receivable as of December 31, 2019 and 2018, respectively.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities of $1,213,525 thousand and $1,023,941 thousand, respectively.

As of December 31, 2019, the current liabilities exceeded current assets by $272,022 thousand, which resulted in the liquidity ratio less than 1. The Group has maintained sound bank credit standing and assets have been pledged as collateral for bank loans. There were no reduction in bank loan facilities during the terms and no frequent change of the leading banks. The Group has available unutilized short-term bank loan facilities of $1,213,525 thousand. The board of directors resolved to grant the Chairman full power to sign contracts extending facilities and sign renewal contracts.

The Group issued domestic convertible bonds at the first time, which are fully secured by Bank SinoPac. The Group had acquired Bank SinoPac's notification of terms and conditions and deadline for signing contract that the original amount guaranteed would be converted to provide the financing amount as the source of sinking fund for the Group when the convertible bonds expired.

Additionally, the Group improved the financial structure in order to repay the bank loan. The board of directors approved the capital increase by cash through issuing 19,000,000 shares of common stock, for the relevant descriptions, refer to Note 26. Therefore, the Group does not have liquidity risk by defaulting on contractual obligations.

The following table details the Group's contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019

	Weighted Average Effective Interest Rate	**On Demand or Less than 1 Month**	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-interest bearing		$ 224,366	$ 847,146	$ 108,790	$ -	$ 107
Variable interest rate liabilities	1.45%-1.79%	369,105	18,239	142,909	443,037	333,254
Fixed interest rate liabilities	1.31%-4.872%	420,302	249,891	1,090,317	183,883	-
Lease liabilities	1.31%-4.872%	1,964	3,853	16,516	37,943	11,513
		$ 1,015,737	$ 1,119,129	$ 1,358,532	$ 664,863	$ 344,874

December 31, 2018

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing	-	$ 297,591	$ 838,834	$ 119,860	$ 1,114	$ 111
Variable interest rate liabilities	1.51%-2.06%	14,637	139,290	122,968	259,176	375,602
Fixed interest rate liabilities	1.11%-5.00%	162,656	666,957	1,260,105	239,393	-
		$ 474,884	$ 1,645,081	$ 1,502,933	$ 499,683	$ 375,713

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Net settled					
Swap contracts	$ -	$ -	$ 3,686	$ -	$ -
Foreign exchange forward contracts	356	136	-	-	-
	$ 356	$ 136	$ 3,686	$ -	$ -

December 31, 2018

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

35. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, transactions between the Group and other related parties are as follows:

a. Related parties and relationships

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

b. Operating expense-donation

	For the Year Ended December 31	
Related Party Category/Name	**2019**	**2018**
Other related parties		
Taipei Dyaco Charitable Foundation	$ -	$ 1,000

c. The details of the compensation of key management personnel for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 67,168	$ 64,013
Post-employment benefits	991	1,052
	$ 68,159	$ 65,065

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

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2019	**2018**
Property, plant and equipment	$ 1,797,781	$ 1,850,068
Right-of-use assets	291,149	-
Prepayment of rent	-	310,930
Pledge deposits - current	328,357	252,286
Inventories	56,217	62,920
	$ 2,473,504	$ 2,476,204

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except for those separately disclosed in other notes, the Group had the following significant events after the reporting period:

a. On January 2, 2020, the board of directors approved the resolution to purchase 100% equity of Fitness Equipment Services, LLC (Sole Fitness).Total monetary amount of the transaction was US$28,000,000 and plus the net asset value on the closing date.

b. On February 21, 2020, the Corporation made an announcement of share repurchases which was resolved by the board of directors. There were 3,000,000 shares to be repurchased at NT$30-NT$50 per share from February 24, 2020 to April 23, 2020, and at the price below the lower price limit. As of March 20, 2020, the shares had been repurchased by the Corporation.

c. On March 20, 2020, the Group made an announcement of share repurchases which was resolved by the board of directors. There were 4,500,000 shares to be repurchased at NT$24-NT$45 per share from March 20, 2020 to May 19, 2020, and at the price below the lower price limit.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 55,215	29.98	(USD:NTD)	$ 1,655,340
USD	7,086	6.964	(USD:RMB)	212,452
USD	560	1.304	(USD:CAD)	16,787
RMB	32,852	4.305	(RMB:NTD)	141,428
RMB	15	0.1436	(RMB:USD)	65
EUR	2,885	33.59	(EUR:NTD)	96,916
EUR	2	1.1204	(EUR:USD)	82
EUR	99	0.8534	(EUR:GBP)	3,322
GBP	3,566	39.36	(GBP:NTD)	140,349
Non-monetary items				
USD	18,666	7.789	(USD:HKD)	559,595
JPY	1,060	0.276	(JPY:NTD)	292
HKD	354,670	3.849	(HKD:NTD)	1,365,125
RMB	196,349	1.1185	(RMB:HKD)	845,281
CAD	8,216	0.7668	(CAD:USD)	188,869
EUR	1,686	33.59	(EUR:NTD)	56,640

(Continued)

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial liabilities				
Monetary items				
USD	$ 105,491	29.98	(USD:NTD)	$ 3,162,629
USD	2,157	1.304	(USD:CAD)	64,673
USD	870	108.6232	(USD:JPY)	26,092
USD	30	0.8925	(USD:EUR)	901
USD	724	6.964	(USD:RMB)	21,704
RMB	127	4.305	(RMB:NTD)	545
EUR	28	0.1436	(EUR:USD)	941
Non-monetary items				
GBP	1,025	39.36	(GBP:NTD)	40,360

(Concluded)

December 31, 2018

	Foreign Currencies	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 35,856	30.7150	(USD:NTD)	$ 1,101,310
USD	19,713	6.8683	(USD:RMB)	605,518
USD	842	1.3603	(USD:CAD)	25,854
EUR	318	35.2000	(EUR:NTD)	11,209
RMB	42,141	4.4720	(RMB:NTD)	188,454
RMB	19	0.1456	(RMB:USD)	83
GBP	2,083	38.8800	(GBP:NTD)	81,003
Non-monetary items				
USD	15,543	7.8335	(USD:HKD)	477,416
JPY	27,207	0.2782	(JPY:NTD)	7,569
HKD	334,004	3.9210	(HKD:NTD)	1,309,629
RMB	212,322	1.1405	(RMB:HKD)	949,506
CAD	8,212	0.7351	(CAD:USD)	185,430
EUR	4,384	35.2000	(EUR:NTD)	154,318
Financial liabilities				
Monetary items				
USD	10,687	30.7150	(USD:NTD)	328,257
USD	2,568	1.3603	(USD:CAD)	78,869
USD	326	110.4620	(USD:JPY)	10,007
USD	513	0.8726	(USD:EUR)	15,749
USD	5,331	6.8683	(USD:RMB)	163,738
EUR	361	35.2000	(EUR:NTD)	12,713
RMB	88	4.4720	(RMB:NTD)	393
EUR	28	0.1456	(EUR:USD)	986
EUR	16	0.9053	(EUR:GBP)	558
Non-monetary items				
GBP	385	38.8800	(GBP:NTD)	14,966

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange (losses) gains were $22,912 thousand and $61,732 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: Table 1

2) Endorsements/guarantees provided: Table 2

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): Table 3

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5

9) Trading in derivative instruments: Notes 7 and 34

10) Information on investees (excluding investees in mainland China): Table 6

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 8

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 8

c) The amount of property transactions and the amount of the resultant gains or losses: None

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None

c. Intercompany relationships and significant intercompany transactions: Table 9

40. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments are Asia, Americas and Europe, which mainly manufacture and sell treadmills, elliptical machines, and outdoor furniture.

a. Segment revenues and results

	Asia	Americas	Europe	Eliminations	Total
For the year ended December 31, 2019					
Revenues from external customers	$ 1,988,785	$ 3,480,200	$ 381,543	$ -	$ 5,850,528
Intersegment revenues	2,649,146	-	-	(2,649,146)	-
Consolidated revenues	$ 4,637,931	$ 3,480,200	$ 381,543	$ (2,649,146)	$ 5,850,528
Segment income (loss)	$ 388,993	$ 89,675	$ (164,917)	$ (35,137)	$ 278,614
For the year ended December 31, 2018					
Revenues from external customers	$ 2,124,694	$ 3,065,860	$ 366,596	$ -	$ 5,557,150
Intersegment revenues	2,253,263	-	-	(2,253,263)	-
Consolidated revenues	$ 4,377,957	$ 3,065,860	$ 366,596	$ (2,253,263)	$ 5,557,150
Segment income (loss)	$ 257,090	$ 6,166	$ (127,341)	$ 10,746	$ 146,661

b. Segment assets and liabilities

	December 31	
	2019	2018
Segment assets		
Asia	$ 5,227,445	$ 4,943,364
Americas	1,692,024	1,739,815
Europe	375,832	342,129
Total segment assets	$ 7,295,301	$ 7,025,308

(Continued)

	December 31	
	2019	2018
Segment liabilities		
Asia	$ 3,579,668	$ 3,506,680
Americas	1,132,429	1,262,398
Europe	338,887	177,709
Total segment liabilities	$ 5,050,984	$ 4,946,787

(Concluded)

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2019	2018
Treadmill	$ 2,530,716	$ 2,236,658
Elliptical trainer	1,091,179	1,150,197
Furniture	742,865	879,877
Vehicles	780,277	612,008
Others	705,491	678,410
	$ 5,850,528	$ 5,557,150

d. Geographical information

The Group operates in four principal geographical areas - Taiwan, mainland China, Europe and America.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers	
	For the Year Ended December 31	
	2019	2018
America	$ 4,055,986	$ 3,799,384
Europe	860,519	798,535
Mainland China	343,057	411,183
Taiwan	176,289	98,044
Others	414,677	450,004
	$ 5,850,528	$ 5,557,150

	Non-current Assets	
	December 31	
	2019	2018
America	$ 496,167	$ 534,022
Mainland China	1,030,364	1,087,488
Taiwan	1,860,374	1,928,341
Europe	132,763	94,659
	$ 3,519,668	$ 3,644,510

Non-current assets exclude financial instruments and deferred tax assets.

e. Information about major customers

Single customers contributing 10% or more to the Group's revenue:

	For the Year Ended December 31	
	2019	2018
Customer A from Americas	$ 1,376,969	$ 1,128,554

TABLE 1

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
0	Dyaco International Inc.	Dyaco Japan Co., Ltd.	Other receivables from related parties	Yes	$ 12,850 (JPY 46,559 thousand)	$ 12,450 (JPY 45,108 thousand)	$ 12,450 (JPY 45,108 thousand)	-	Business transaction	$ 80,037	-	$ -	-	$ -	$ 80,037 (Note 2)	$ 757,658 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	34,532 (EUR 1,028 thousand)	34,532 (EUR 1,028 thousand)	34,532 (EUR 1,028 thousand)	-	Business transaction	104,581	-	-	-	-	104,581 (Note 2)	757,658 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	20,154 (EUR 600 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	378,829 (Note 1)	757,658 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	113,005 (GBP 2,871 thousand)	113,005 (GBP 2,871 thousand)	113,005 (GBP 2,871 thousand)	-	Business transaction	150,295	-	-	-	-	150,295 (Note 2)	757,658 (Note 4)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	26,617 (US$ 888 thousand)	- (Note 7)	-	-	Business transaction	29,840	-	-	-	-	29,840 (Note 2)	757,658 (Note 4)	
1	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	9,069 (EUR 270 thousand)	9,069 (EUR 270 thousand)	9,069 (EUR 270 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	65,853 (Note 3)	26,341 (Note 3)	

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

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

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

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

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

Note 6: The ending balance was due as of December 31, 2019.

Note 7: The ending balance had been repaid as of December 31, 2019.

Note 8: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 4)	Note
		Name	Relationship											
0	Dyaco International Inc.	Fuel-Spirit International Inc.	Indirectly held subsidiary	$ 947,073	$ 86,942 (US$ 2,900 thousand)	$ -	$ -	$ -	-	$ 947,073	Y	-	-	
		Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	189,415	59,960 (US$ 2,000 thousand)	29,980 (US$ 1,000 thousand)	-	-	1.58	189,415	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	947,073	1,181 (GBP 30 thousand)	1,181 (GBP 30 thousand)	455 (GBP 12 thousand)	-	0.06	947,073	Y	-	-	

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

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

Note 3: Shelton Corporation (Jiaxing), Ltd. has obtained short-term financing from financial institution, and Dyaco International Inc. provided endorsement/guarantee.

Note 4: "Y" means the endorsement/guarantee is given by a parent entity on behalf of subsidiaries, or given by subsidiaries on behalf of a parent entity or on behalf of corporations in mainland China.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Thousands of Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Dyaco International Inc.	Gomore Inc.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	$ 31,860 (US$ 1,000 thousand)	10	$ 31,860 (US$ 1,000 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	6,066 (RMB 1,409 thousand)	5	6,066 (RMB 1,409 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	5,058 (RMB 1,175 thousand)	9	5,058 (RMB 1,175 thousand)	Note 1

Note 1: The fair value of unlisted shares classified as financial assets at FVTOCI without quoted price of the shares was calculated by fair value method.

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Transaction with Terms Different from Others		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount (Note 2)	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance (Note 2)	% to Total (Note 1)	
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Sales	$ 2,143,587	60	Flexible	Based on mutual agreement	Flexible	$ 798,518	69	
	Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	Purchase	996,543	43	Flexible	Based on mutual agreement	Flexible	452,956	47	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	200,489	6	Flexible	Based on mutual agreement	Flexible	116,024	10	
	Dayaco Canada Inc.	Indirectly held subsidiary	Sales	179,145	5	Flexible	Based on mutual agreement	Flexible	44,677	4	
Fuel Spirit International Inc.	Shelton Corporation (Jiaxing), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	180,104	100	Flexible	Based on mutual agreement	Flexible	58,205	78	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	2,143,587	100	Flexible	Based on mutual agreement	Flexible	798,518	89	
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	996,543	50	Flexible	Based on mutual agreement	Flexible	452,956	62	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	200,489	75	Flexible	Based on mutual agreement	Flexible	116,024	81	
Dayaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	179,145	62	Flexible	Based on mutual agreement	Flexible	44,677	70	
Shelton Corporation (Jiaxing), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	180,104	22	Flexible	Based on mutual agreement	Flexible	58,205	3	

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

Note 2: Eliminated from the consolidated financial statements.

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 YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Receivables From Related Party		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Financial Statement Accounts	Ending Balance (Note)		Amount	Actions Taken		
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	$ 798,518	2.38	$ -	-	$ 326,075	$ -
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	116,024	1.48	-	-	-	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	452,956	2.30	-	-	269,685	-

Note: Eliminated from the consolidated financial statements.

TABLE 6

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Note 1)
				December 31, 2019	December 31, 2018	Number of Shares (In Thousands)	%	Carrying Amount (Note 1)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	$ 1,128,018	$ 1,247,518	290,634,268	100	$ 1,365,125	$ 111,336	$ 111,810 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	349,431	-	100	56,640	(96,879)	(96,879)
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	10,888	298	298
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	292	(7,382)	(7,382)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	15,000	5,000	1,500,000	100	10,730	(3,768)	(3,768)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	51,160	-	100	(40,360)	(63,961)	(63,961)
Dyaco Europe GmbH.	CARDIOfitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	55,739 (EUR 1,659 thousand)	(67,695) (EUR -1,960 thousand)	(72,477) (EUR -2,094 thousand) (Note 3)
	Cardiofitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	962 (EUR 29 thousand)	(28) (EUR -1)	(28) (EUR -1)
Dyaco International Holding Limited	Fuel Spirit International Inc.	Mauritius	Import, export and selling	379,727 (US$ 12,400 thousand)	379,727 (US$ 12,400 thousand)	12,400,000	100	559,595 (HK$ 145,387 thousand)	86,569 (HK$ 21,944 thousand)	86,569 (HK$ 21,944 thousand)
Fuel Spirit International Inc.	Spirit Manufacturing Inc.	America	Import, export and selling	265,734 (US$ 8,890 thousand)	265,734 (US$ 8,890 thousand)	1,667.50	100	279,551 (US$ 9,325 thousand)	7,345 (US$ 238 thousand)	7,345 (US$ 238 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US$ 9,058 thousand)	271,752 (US$ 9,058 thousand)	1,000	100	188,869 (US$ 6,300 thousand)	4,164 (US$ 135 thousand)	(210) (US$ -7 thousand) (Note 4)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US$ 2,000 thousand)	62,118 (US$ 2,000 thousand)	-	100	(30,852) (US$ -1,029 thousand)	(19,384) (US$ -627 thousand)	(19,384) (US$ -627 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US$ 200 thousand)	6,092 (US$ 200 thousand)	-	100	(26,560) (US$ -886 thousand)	(54,475) (US$ -1,762 thousand)	(54,475) (US$ -1,762 thousand)

Note 1: The investees' financial statements used as basis for calculating investment gains (losses) recognized had all been reviewed.

Note 2: Including share of profit of $111,336 thousand and realized profits of $474 thousand from upstream intercompany transactions.

Note 3: Including share of loss of $67,695 thousand minus amortization of investment premium of $4,782 thousand.

Note 4: Including share of profit of $4,164 thousand minus amortization of investment premium of $4,374 thousand.

Note 5: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
						Outward	Inward						
Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	$ 88,780 (US$ 3,000 thousand)	Through an investment company registered in a third region (Note 1)	$ 88,780 (US$ 3,000 thousand)	$ -	$ -	$ 88,780 (US$ 3,000 thousand)	$ (10,103) (HK$ -2,561 thousand)	100	$ (10,103) (HK$ -2,561 thousand)	$ 168,782 (HK$ 43,580 thousand)	$ -
	Dongguan Dayu Sports Equipment Co., Ltd.	Manufacturing and selling	21,137 (HK$ 5,500 thousand)	Through an investment company registered in a third region (Note 1)	119,912 (US$ 4,000 thousand)	-	58,388	-	(3,334) (HK$ -845 thousand)	100	2,142 (HK$ 543 thousand) (Note 3)	-	-
	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	659,471 (US$ 21,830 thousand)	Through an investment company registered in a third region (Note 1)	659,471 (US$ 21,830 thousand)	-	-	659,471 (US$ 21,830 thousand)	91,708 (HK$ 23,247 thousand)	60	45,400 (HK$ 11,508 thousand) (Note 4)	676,499 (HK$ 175,759 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	(3,392) (RMB -759 thousand)	100	(3,392) (RMB -759 thousand)	5,402 (RMB 1,282 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
$ 748,251 (US$ 24,830 thousand)	$ 748,251 (US$ 24,830 thousand)	$ -

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

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

Note 3: Including share of loss of $3,334 thousand minus amortization of investment premium of $24 thousand and unrealized profits on disposal of property, plant, and equipment of $5,500 thousand from side stream intercompany transactions.

Note 4: Including 60% share of profit of $55,025 thousand minus amortization of investment premium of $8,383 thousand and unrealized profits of $1,242 thousand from side stream intercompany transactions.

Note 5: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

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

Note 7: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Investor Company	Investee Company	Transaction Type	Purchase/Sale		Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Amount	% (Note 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd.	Sales	$ 200,489	6	Flexible	Based on mutual agreement	$ 116,024	10	$ 12,508	
		Shelton Corporation (Jiaxing), Ltd.	Purchase	966,543	43	Flexible	Based on mutual agreement	452,956	47	45,576	

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

Note 2: Eliminated from the consolidated financial statements.

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
2019	0	Dyaco International Inc.	Spirit Direct, LLC.	a	Investments accounted for using the equity method	$ 643	-	-
					Other operating revenue	44	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	16,995	-	-
					Other payables from related parties	16	-	-
			Dyaco Japan Co., Ltd.	a	Sales	23,383	-	-
					Other operating revenue	602	-	-
					Accounts receivable from related parties	13,642	-	-
					Other receivables from related parties	12,450	-	-
					Investments accounted for using the equity method	2,783	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Sales	200,152	-	3
					Other operation revenue	338	-	-
					Accounts receivable from related parties	116,024	-	2
					Investments accounted for using the equity method	12,508	-	-
			Spirit Manufacturing Inc.	a	Sales	2,121,906	-	36
					Other operating revenue	21,681	-	-
					Other operating income	60,621		1
					Accounts receivable from related parties	798,518	-	11
					Investments accounted for using the equity method	28,986	-	-
			Dyaco Canada Inc.	a	Sales	178,978	-	3
					Other operating revenue	167	-	-
					Accounts receivable from related parties	44,677	-	1
					Investments accounted for using the equity method	10,638	-	-
			Dyaco Europe GmbH	a	Sales	57,375	-	1
					Other operating revenue	103	-	-
					Accounts receivable from related parties	32,200	-	-
					Other receivables from related parties	34,532	-	-
					Investments accounted for using the equity method	9,265	-	-
			Daan Health Management Consulting Co., Ltd.	a	Rental revenue	24	-	-
			Wing Long Co., Ltd.	a	Accounts receivable from related parties	2,957	-	-
					Accounts payable from related parties	618	-	-
					Sales	720	-	-
					Other expenses	606	-	-
			Dyaco UK Ltd.	a	Sales	64,777	-	1
					Other operating revenue	555	-	-
					Accounts receivable from related parties	29,100	-	-
					Other receivables from related parties	113,003	-	2
					Investments accounted for using the equity method	11,936	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
			Shelton Corporation (Jiaxing), Ltd.	a	Cost of goods sold	$ 996,543	-	17
					Accounts payable to related parties	452,957	-	6
					Accounts receivable from related parties	141	-	-
					Inventories	449	-	-
			CARDIOfitness GmbH & Co.KG	a	Sales	23,455	-	-
					Accounts receivable from related parties	23,485	-	-
			Dyaco Commercial & Medical North America, LLC.	a	Accounts receivable from related parties	827	-	-
	1	Spirit Direct, LLC.	Dyaco International Inc.	b	Inventories	643	-	-
					Cost of goods sold	44	-	-
			Spirit Manufacturing Inc.	c	Accounts payable to related parties	70	-	-
					Other payables to related parties	35,676	-	-
	2	Fuel-Spirit International Inc.	Dyaco International Inc.	b	Accounts payable to related parties	16,979	-	-
			Dyaco Canada Inc.	c	Other operating revenue	8,636	-	-
					Accounts receivable from related parties	2,465	-	-
			Spirit Manufacturing Inc.	c	Other operating revenue	77,280	-	1
					Accounts receivable from related parties	92,938	-	1
			Shelton Corporation (Jiaxing), Ltd.	c	Accounts payable to related parties	58,205	-	1
					Cost of goods sold	180,104	-	3
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	23,824	-	-
					Other expenses	161	-	-
					Accounts payable to related parties	25,839	-	-
					Other payables to related parties	253	-	-
					Inventories	2,783	-	-
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	200,490	-	3
					Accounts payable to related parties	116,024	-	2
					Inventories	12,508	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	52,332	-	-
					Accounts payable to related parties	21,105	-	1
					Inventories	762	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	2,613	-	-
					Other receivables from related parties	2	-	-
	5	Spirit Manufacturing Inc.	Dyaco International Inc.	b	Cost of goods sold	2,143,587	-	37
					Other expenses	60,621	-	1
					Accounts payable to related parties	798,518	-	11
					Inventories	28,986	-	-
			Fuel-Spirit International Inc.	c	Other expenses	77,280	-	1
					Accounts payable to related parties	92,938	-	1
			Dyaco Canada Inc.	c	Sales	11,816	-	-
					Accounts receivable from related parties	391	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
			Spirit Direct, LLC.	c	Accounts receivable from related parties	$ 70	-	-
					Other receivables from related parties	35,676	-	-
			Dyaco Commercial & Medical North America, LLC.	c	Accounts receivable from related parties	6,141	-	-
					Other receivables from related parties	7,051	-	-
					Sales	1,014	-	-
					Other revenue	312	-	-
	6	Dyaco Canada Inc.	Dyaco International Inc.	b	Cost of goods sold	179,145	-	3
					Accounts payable to related parties	44,677	-	1
					Inventories	10,638	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	11,816	-	-
					Accounts payable to related parties	391	-	-
			Fuel-Spirit International Inc.	c	Other expenses	8,636	-	-
					Other payables to related parties	2,465	-	-
	7	Dyaco Europe GmbH	Dyaco International Inc.	b	Cost of goods sold	57,478	-	1
					Accounts payable to related parties	66,732	-	1
					Inventories	9,265	-	-
			CARDIOfitness GmbH & Co. KG	c	Sales	20,671	-	-
					Other receivables from related parties	9,084	-	-
					Accounts receivable from related parties	26,382	-	-
					Accounts payable to related parties	107	-	-
			Dyaco UK Ltd.	c	Accounts payable to related parties	2,112	-	-
					Other revenue	1,839	-	-
	8	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	24	-	-
	9	CARDIOfitness GmbH & Co. KG	Dyaco International Inc.	b	Cost of goods sold	23,455	-	-
					Accounts payable to related parties	23,485	-	-
			Dyaco Europe GmbH	c	Cost of goods sold	20,671	-	-
					Other accounts payable to related parties	9,084	-	-
					Accounts payable to related parties	26,382	-	-
					Accounts receivable from related parties	107	-	-
	10	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties	2,957	-	-
					Accounts receivable from related parties	618		
					Cost of goods sold	720	-	-
					Sales	606	-	-
	11	Dyaco UK Ltd.	Dyaco International Inc.	b	Cost of goods sold	57,651	-	1
					Other expenses	7,681	-	-
					Accounts payable to related parties	142,103	-	2
					Inventories	11,936	-	-
			Dyaco Europe GmbH	c	Cost of goods sold	2,112	-	-
					Other expenses	1,839	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	12	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	b	Sales	$ 996,543	-	17
					Accounts receivable from related parties	452,957	-	6
					Accounts payable to related parties	141	-	-
					Cost of goods sold	449	-	-
			Fuel-Spirit International Inc.	c	Sales	180,104	-	3
					Accounts receivable from related parties	58,205	-	1
			Dyaco (Shanghai) Trading Co., Ltd.	c	Sales	52,332	-	1
					Accounts receivable from related parties	21,105	-	-
					Cost of goods sold	762	-	-
	13	Dyaco Commercial & Medical North America, LLC.	Dyaco International Inc.	b	Accounts payable to related parties	827	-	-
			Spirit Manufacturing Inc.	c	Accounts payable to related parties	6,141	-	-
					Other payables to related parties	7,051	-	-
					Other expenses	1,326	-	-
	14	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Accounts payable to related parties	2,497	-	-
					Other payables to related parties	118	-	-

Note 1: Companies are numbered as follows:

a. The parent is numbered as “0.”
b. Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

a. From the parent to the subsidiary.
b. From the subsidiary to the parent.
c. From the subsidiary to the subsidiary.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)