

Dyaco International Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Dyaco International Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Dyaco International Inc. (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 12, 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 (In Thousands of New Taiwan Dollars)

	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash (Note 6)	\$ 1,284,240	14	\$ 826,213	11	\$ 367,630	6
Financial assets at fair value through profit or loss (Note 7)	480	-	-	-	-	-
Notes receivable (Notes 9 and 26)	2,531	-	1,501	-	2,123	-
Accounts receivable (Notes 9 and 26)	1,296,258	14	1,009,492	14	939,454	14
Other receivables (Notes 8 and 9)	52,902	1	44,531	1	37,223	1
Current tax assets (Note 28)	1,267	-	1,282	-	23,370	-
Inventories (Notes 10 and 36)	1,627,699	17	1,202,977	17	1,041,589	16
Prepayments (Notes 11)	187,011	2	103,677	1	98,324	2
Other financial assets (Notes 12 and 36)	329,433	3	328,357	5	116,300	2
Other current assets	<u>34,602</u>	<u>-</u>	<u>32,119</u>	<u>-</u>	<u>25,500</u>	<u>-</u>
Total current assets	<u>4,816,423</u>	<u>51</u>	<u>3,550,149</u>	<u>49</u>	<u>2,651,513</u>	<u>41</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 8)	51,765	-	42,984	1	10,571	-
Property, plant and equipment (Notes 14 and 36)	2,604,726	27	2,656,050	36	2,787,458	43
Right-of-use assets (Notes 15 and 36)	344,855	4	372,771	5	382,659	6
Investment properties (Note 16)	57,155	1	59,762	1	34,664	-
Goodwill (Notes 17 and 31)	394,359	4	182,483	3	199,785	3
Other intangible assets (Note 18)	1,005,705	11	233,838	3	268,807	4
Deferred income tax assets (Note 28)	229,729	2	181,176	2	165,693	3
Prepayments for plant and equipment	4,833	-	4,694	-	12,129	-
Refundable deposits	10,303	-	10,742	-	8,864	-
Other non-current assets	<u>14,697</u>	<u>-</u>	<u>652</u>	<u>-</u>	<u>1,180</u>	<u>-</u>
Total non-current assets	<u>4,718,127</u>	<u>49</u>	<u>3,745,152</u>	<u>51</u>	<u>3,871,810</u>	<u>59</u>
TOTAL	<u>\$ 9,534,550</u>	<u>100</u>	<u>\$ 7,295,301</u>	<u>100</u>	<u>\$ 6,523,323</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 36)	\$ 1,507,085	16	\$ 1,513,300	21	\$ 1,448,209	22
Financial liabilities at fair value through profit or loss (Note 7)	3,041	-	3,043	-	-	-
Notes payable (Note 21)	363,870	4	308,558	4	242,768	4
Accounts payable (Note 21)	1,239,088	13	780,661	11	523,197	8
Other payables (Note 22)	919,570	10	324,232	4	289,171	5
Current income tax liabilities (Note 28)	110,082	1	56,348	1	17,603	-
Provisions (Note 23)	17,178	-	15,835	-	15,535	-
Lease liabilities (Note 15)	20,871	-	24,173	-	20,060	-
Contract liabilities (Note 26)	170,095	2	7,901	-	14,584	-
Current portion of bonds payable (Note 20)	372,925	4	592,874	8	590,472	9
Current portion of long-term borrowings (Notes 19 and 36)	151,584	1	112,124	2	61,272	1
Other current liabilities	<u>67,375</u>	<u>1</u>	<u>83,122</u>	<u>1</u>	<u>31,900</u>	<u>1</u>
Total current liabilities	<u>4,942,764</u>	<u>52</u>	<u>3,822,171</u>	<u>52</u>	<u>3,254,771</u>	<u>50</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 36)	874,068	9	785,594	11	622,488	10
Deferred tax liabilities (Note 28)	457,643	5	226,487	3	229,335	3
Lease liabilities (Note 15)	45,626	1	58,188	1	52,189	1
Long-term payable (Note 22)	130,050	1	136,310	2	190,054	3
Net defined benefit liabilities (Note 24)	19,671	-	19,563	-	20,461	-
Guarantee deposits received	<u>2,200</u>	<u>-</u>	<u>2,671</u>	<u>-</u>	<u>2,479</u>	<u>-</u>
Total non-current liabilities	<u>1,529,258</u>	<u>16</u>	<u>1,228,813</u>	<u>17</u>	<u>1,117,006</u>	<u>17</u>
Total liabilities	<u>6,472,022</u>	<u>68</u>	<u>5,050,984</u>	<u>69</u>	<u>4,371,777</u>	<u>67</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 25)						
Share capital						
Ordinary shares	1,151,009	12	961,009	13	929,502	14
Advance share capital	58,811	1	-	-	-	-
Distributable stock dividends	-	-	-	-	31,133	1
Total share capital	<u>1,209,820</u>	<u>13</u>	<u>961,009</u>	<u>13</u>	<u>960,635</u>	<u>15</u>
Capital surplus	<u>1,477,248</u>	<u>15</u>	<u>758,304</u>	<u>10</u>	<u>746,400</u>	<u>11</u>
Retained earnings						
Legal reserve	152,827	1	133,886	2	133,886	2
Special reserve	105,812	1	79,123	1	79,123	1
Unappropriated earnings	<u>259,797</u>	<u>3</u>	<u>239,976</u>	<u>3</u>	<u>96,074</u>	<u>2</u>
Total retained earnings	<u>518,436</u>	<u>5</u>	<u>452,985</u>	<u>6</u>	<u>309,083</u>	<u>5</u>
Other equity	<u>(156,559)</u>	<u>(2)</u>	<u>(105,813)</u>	<u>(1)</u>	<u>(52,504)</u>	<u>(1)</u>
Treasury shares	<u>(327,890)</u>	<u>(3)</u>	<u>(172,340)</u>	<u>(2)</u>	<u>(172,340)</u>	<u>(3)</u>
Total equity attributable to owners of the Corporation	2,721,055	28	1,894,145	26	1,791,274	27
NON-CONTROLLING INTERESTS (Notes 13 and 26)	<u>341,473</u>	<u>4</u>	<u>350,172</u>	<u>5</u>	<u>360,272</u>	<u>6</u>
Total equity	<u>3,062,528</u>	<u>32</u>	<u>2,244,317</u>	<u>31</u>	<u>2,151,546</u>	<u>33</u>
TOTAL	<u>\$ 9,534,550</u>	<u>100</u>	<u>\$ 7,295,301</u>	<u>100</u>	<u>\$ 6,523,323</u>	<u>100</u>

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Note 26)	\$ 2,546,288	101	\$ 1,123,047	102	\$ 4,229,795	102	\$ 2,933,900	102
LESS: SALES RETURNS	6,739	-	5,374	1	12,540	-	11,406	1
SALES DISCOUNTS AND ALLOWANCES	31,325	1	13,446	1	61,230	2	36,028	1
NET OPERATING REVENUE	2,508,224	100	1,104,227	100	4,156,025	100	2,886,466	100
OPERATING COSTS (Notes 10 and 27)								
Cost of sales	1,376,202	55	833,650	75	2,561,981	62	2,099,203	73
GROSS PROFIT	1,132,022	45	270,577	25	1,594,044	38	787,263	27
OPERATING EXPENSES (Notes 27 and 35)								
Selling and marketing	652,515	26	156,003	14	943,819	23	363,986	13
General and administrative	156,015	6	129,537	12	302,247	7	303,108	10
Research and development	23,241	1	25,347	2	44,254	1	51,689	2
Expected credit loss	5,339	-	5,227	1	10,008	-	4,219	-
Total operating expenses	837,110	33	316,114	29	1,300,328	31	723,002	25
OTHER OPERATING INCOME AND EXPENSES (Note 27)	35	-	(214)	-	78	-	(201)	-
PROFIT (LOSS) FROM OPERATIONS	294,947	12	(45,751)	(4)	293,794	7	64,060	2
NON-OPERATING INCOME AND EXPENSES								
Interest income	856	-	2,089	-	2,277	-	3,763	-
Rental income	4,235	-	4,531	-	8,011	-	8,202	-
Other income	17,361	1	4,886	1	20,694	1	10,369	1
Foreign exchange gain or loss, net (Note 27)	(34,724)	(1)	18,395	2	(20,650)	-	25,554	1
Other expenses	(413)	-	(959)	-	(527)	-	(1,567)	-
Gain or loss on valuation of financial instruments	(1,154)	-	1,565	-	(2,564)	-	3,420	-
Interest expense (Note 27)	(15,221)	(1)	(14,060)	(1)	(30,827)	(1)	(30,168)	(1)
Total non-operating income and expenses	(29,060)	(1)	16,447	2	(23,586)	-	19,573	1
PROFIT (LOSS) BEFORE INCOME TAX	265,887	11	(29,304)	(2)	270,208	7	83,633	3
INCOME TAX EXPENSE (BENEFIT) (Notes 28)	79,429	3	(14,449)	(1)	78,639	2	14,980	1
NET PROFIT (LOSS)	186,458	8	(14,855)	(1)	191,569	5	68,653	2

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DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	\$ (41,255)	(2)	\$ (5,007)	(1)	\$ (61,242)	(2)	\$ 27,502	1
Other comprehensive income (loss) for the period, net of income tax	(41,255)	(2)	(5,007)	(1)	(61,242)	(2)	27,502	1
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 145,203	6	\$ (19,862)	(2)	\$ 130,327	3	\$ 96,155	3
NET PROFIT (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 189,180	7	\$ (11,899)	(1)	\$ 189,772	5	\$ 45,512	1
Non-controlling interests	(2,722)	-	(2,956)	-	1,797	-	23,141	1
	\$ 186,458	7	\$ (14,855)	(1)	\$ 191,569	5	\$ 68,653	2
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 152,822	6	\$ (10,603)	(1)	\$ 139,026	3	\$ 69,759	2
Non-controlling interests	(7,619)	-	(9,259)	(1)	(8,699)	-	26,396	1
	\$ 145,203	6	\$ (19,862)	(2)	\$ 130,327	3	\$ 96,155	3
EARNINGS (LOSS) PER SHARE (Note 29)								
Basic	\$ 1.77		\$ (0.13)		\$ 1.78		\$ 0.49	
Diluted	\$ 1.65		\$ (0.13)		\$ 1.66		\$ 0.45	

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation (Notes 25)									Other Equity		Treasury Shares	Total	Non-controlling Interests (Notes 13 and 26)	Total Equity
	Share Capital				Retained Earnings					Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
	Number of Shares (In Thousands)	Shares Capital	Capital Collected in Advance	Distributable Stock Dividends	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings						
BALANCE AT JANUARY 1, 2019	92,950	\$ 929,502	\$ -	\$ -	\$ 738,397	\$ 123,174	\$ 59,258	\$ 145,777	\$ 328,209	\$ (78,745)	\$ (378)	\$ (172,340)	\$ 1,744,645	\$ 333,876	\$ 2,078,521
Issuance of ordinary shares under employee share options (Note 30)	-	-	-	-	7,203	-	-	-	-	-	-	-	7,203	-	7,203
Changes in capital surplus from investments using the equity method (Note 30)	-	-	-	-	800	-	-	-	-	-	-	-	800	-	800
Appropriation of prior year's earnings															
Legal reserve	-	-	-	-	-	10,712	-	(10,712)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	19,865	(19,865)	-	-	-	-	-	-	-
Cash dividends to shareholder - NT\$0.3 per share	-	-	-	-	-	-	-	(31,133)	(31,133)	-	-	-	(31,133)	-	(31,133)
Share dividends to shareholder - NT\$0.3 per share	-	-	-	31,133	-	-	-	(31,133)	(31,133)	-	-	-	-	-	-
	-	-	-	31,133	-	10,712	19,865	(92,843)	(62,266)	-	-	-	(31,133)	-	(31,133)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	-	-	45,512	45,512	-	-	-	45,512	23,141	68,653
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	-	-	24,247	-	-	24,247	3,255	27,502
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	-	45,512	45,512	24,247	-	-	69,759	26,396	96,155
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 JUNE 30, 2019	92,950	\$ 929,502	\$ -	\$ 31,133	\$ 746,400	\$ 133,886	\$ 79,123	\$ 96,074	\$ 309,083	\$ (54,498)	\$ 1,994	\$ (172,340)	\$ 1,791,274	\$ 360,272	\$ 2,151,546
BALANCE AT JANUARY 1, 2020	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
Issuance of ordinary shares under employee share options (Note 30)	-	-	500	-	4,345	-	-	-	-	-	-	-	4,845	-	4,845
Changes in capital surplus from investments using the equity method (Note 30)	-	-	-	-	311	-	-	-	-	-	-	-	311	-	311
Appropriation of prior year's earnings															
Legal reserve	-	-	-	-	-	18,941	-	(18,941)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	26,689	(26,689)	-	-	-	-	-	-	-
Cash dividends to shareholder - NT\$1.15 per share	-	-	-	-	-	-	-	(124,321)	(124,321)	-	-	-	(124,321)	-	(124,321)
	-	-	-	-	-	18,941	26,689	(169,951)	(124,321)	-	-	-	(124,321)	-	(124,321)
Convertible bonds converted (Note 20)	-	-	58,311	-	165,543	-	-	-	-	-	-	-	223,854	-	223,854
Net profit for the six months ended June 30, 2020	-	-	-	-	-	-	-	189,772	189,772	-	-	-	189,772	1,797	191,569
Other comprehensive income/(loss) for the six months ended June 30, 2020	-	-	-	-	-	-	-	-	-	(50,746)	-	-	(50,746)	(10,496)	(61,242)
Total comprehensive income/(loss) for the six months ended June 30, 2020	-	-	-	-	-	-	-	189,772	189,772	(50,746)	-	-	139,026	(8,699)	130,327
Issuance of ordinary shares for cash (Note 25)	19,000	190,000	-	-	548,745	-	-	-	-	-	-	-	738,745	-	738,745
Buy-back of ordinary shares (Note 25)	-	-	-	-	-	-	-	-	-	-	-	(155,550)	(155,550)	-	(155,550)
BALANCE AT JUNE 30, 2020	115,100	\$ 1,151,009	\$ 58,811	\$ -	\$ 1,477,248	\$ 152,827	\$ 105,812	\$ 259,797	\$ 518,436	\$ (160,452)	\$ 3,893	\$ (327,890)	\$ 2,721,055	\$ 341,473	\$ 3,062,528

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

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 270,208	\$ 83,633
Adjustments for:		
Depreciation expense	97,415	91,429
Amortization expense	58,898	48,678
Expected credit loss recognized	10,008	4,219
Interest expense	30,827	30,168
Interest income	(2,277)	(3,763)
Compensation costs of employee share options	3,116	8,003
(Gain)/loss on disposal of property, plant and equipment	(107)	201
Loss on lease modification	29	-
Loss on inventories valuation and obsolescence	9,333	24,230
Unrealized gain on foreign currency exchange	(62,075)	(42,672)
Net gain on fair value changes of financial instrument at fair value through profit or loss	(482)	(3,406)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	24,059
Notes receivable	(1,030)	1,863
Accounts receivable	233,209	(4,005)
Other receivables	(8,362)	(16,035)
Inventories	(89,424)	196,203
Prepayments	(79,141)	(265)
Other current assets	(6,333)	(5,171)
Contract liabilities	162,194	5,264
Notes payable	55,312	(223,093)
Accounts payable	318,147	(225,549)
Provisions	1,878	1,389
Other payables	167,212	(26,991)
Other current liabilities	(15,747)	(165)
Net defined benefit liabilities	108	216
Cash generated from (used in) operations	1,152,916	(31,560)
Interest received	2,268	3,763
Interest paid	(27,893)	(25,895)
Income tax paid	(60,663)	(34,057)
Net cash generated from (used in) operating activities	1,066,628	(87,749)

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DYACO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (9,075)	\$ (4,108)
Disposal of financial assets at fair value through other comprehensive income	-	22,707
Net cash outflow on acquisition of subsidiaries (Note 31)	(776,143)	-
Payments for property, plant and equipment (Note 32)	(19,930)	(42,560)
Proceeds from disposal of property, plant and equipment	661	536
Decrease in refundable deposits	4,289	1,085
Payments for intangible assets (Note 32)	(15,518)	(6,825)
Decrease (increase) in other financial assets	(1,076)	135,986
Decrease (increase) in other non-current assets	(8,496)	370
Net cash (used in) generated from investing activities	(825,288)	107,191
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(479,275)	(208,308)
Proceeds from long-term borrowings	200,000	-
Repayments of long-term borrowings	(69,626)	(34,160)
Refund of guarantee deposits received	(462)	(566)
Repayment of the principal portion of lease liabilities	(11,418)	(8,944)
Proceeds from issuance of ordinary shares	738,745	-
Exercise of employee stock options	2,040	-
Payments for buy-back of ordinary shares	(155,550)	-
Net cash generated from (used in) financing activities	224,454	(251,978)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(7,767)	4,569
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	458,027	(227,967)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	826,213	595,597
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 1,284,240</u>	<u>\$ 367,630</u>

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

(Concluded)

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on August 12, 2020.

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

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

The initial application of the amendments to IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable 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, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

d. Other significant accounting policies

Please see the summary of significant accounting policies in the consolidated financial statements for the year ended December 31, 2019 except for the information below.

1) 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 acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

2) 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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.

3) Retirement benefits

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

4) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The accounting judgments and key sources of estimation uncertainty of these consolidated financial statements are the same as the consolidated financial statements for the year ended December 31, 2019.

Impairment of Goodwill and Brand Value

Determining whether goodwill and the brand value 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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	\$ 1,188	\$ 783	\$ 982
Checking accounts and demand deposits	<u>1,283,052</u>	<u>825,430</u>	<u>366,648</u>
	<u>\$ 1,284,240</u>	<u>\$ 826,213</u>	<u>\$ 367,630</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Demand deposits	0.001%-0.35%	0.001%-0.5%	0.001%-0.48%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 480	\$ -	\$ -
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Cross-currency swap contracts	\$ 2,876	\$ 2,072	\$ -
Foreign exchange forward contracts	165	971	-
	\$ 3,041	\$ 3,043	\$ -

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2020</u>			
Cross-currency swap contracts	NTD/USD	2020.10.29-2021.06.18	NTD179,712/USD6,000
Foreign exchange forward contracts	USD/NTD	2020.07.06-2020.08.05	USD1,000/NTD30,138
Foreign exchange forward contracts	RMB/USD	2020.08.06	RMB2,085/USD300
<u>December 31, 2019</u>			
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/USD2,200

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Non-current</u>			
Foreign investments			
Gomore Inc.	\$ 31,860	\$ 31,860	\$ -
Uniigym Global Holdings Limited	9,075	-	-
Bigger Fit Technology (Beijing) Co., Ltd.	5,905	6,067	6,502
Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	4,925	5,057	4,069
	\$ 51,765	\$ 42,984	\$ 10,571

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 June 30, 2020, proceeds from sale of financial assets at fair value through other comprehensive income of RMB4,500 thousand (around NT\$18,859 thousand) was not recovered and recognized as other receivables.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 2,531	\$ 1,501	\$ 2,123
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,531</u>	<u>\$ 1,501</u>	<u>\$ 2,123</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,439,728	\$ 1,144,531	\$ 1,082,423
Less: Allowance for impairment loss	<u>143,470</u>	<u>135,039</u>	<u>142,969</u>
	<u>\$ 1,296,258</u>	<u>\$ 1,009,492</u>	<u>\$ 939,454</u>
<u>Other receivables</u>			
Tax refund receivables	\$ 28,677	\$ 14,408	\$ 11,508
Others	<u>24,225</u>	<u>30,123</u>	<u>25,715</u>
	<u>\$ 52,902</u>	<u>\$ 44,531</u>	<u>\$ 37,223</u>

a. Notes receivable

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

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

b. Accounts receivable

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

The Group measures the loss allowance for 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.

June 30, 2020

	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	\$ 1,024,812	\$ 243,673	\$ 16,494	\$ 19,331	\$ 5,634	\$ 129,784	\$ 1,439,728
Loss allowance (Lifetime ECLs)	(1,702)	(2,874)	(932)	(6,515)	(1,663)	(129,784)	(143,470)
Amortized cost	<u>\$ 1,023,110</u>	<u>\$ 240,799</u>	<u>\$ 15,562</u>	<u>\$ 12,816</u>	<u>\$ 3,971</u>	<u>\$ -</u>	<u>\$ 1,296,258</u>

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	<u>\$ 923,598</u>	<u>\$ 56,709</u>	<u>\$ 11,015</u>	<u>\$ 15,355</u>	<u>\$ 2,815</u>	<u>\$ -</u>	<u>\$ 1,009,492</u>

June 30, 2019

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-8.82%	0%-39.61%	0%-67.36%	0%-75.05%	0%-100%	0%-100%	0%-100%
Gross carrying amount	\$ 756,555	\$ 170,166	\$ 19,699	\$ 5,697	\$ 4,463	\$ 125,843	\$ 1,082,423
Loss allowance (Lifetime ECLs)	(3,504)	(9,054)	(1,542)	(820)	(2,206)	(125,843)	(142,969)
Amortized cost	<u>\$ 753,051</u>	<u>\$ 161,112</u>	<u>\$ 18,157</u>	<u>\$ 4,877</u>	<u>\$ 2,257</u>	<u>\$ -</u>	<u>\$ 939,454</u>

The Group's customer New Level UK Ltd. was in severe financial difficulty and, on February 26, 2018, went into administration procedures under the UK insolvency law. As of June 30, 2020, accounts receivable from New Level UK Ltd. was \$107,603 thousand (NT\$79,163 thousand and US\$960 thousand). Due to the uncertainty of recoverable accounts receivable according to legal proceedings, the Group recognized impairment loss of \$107,603 thousand.

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

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 135,039	\$ 138,260
Add: Acquisitions through business combinations	749	-
Add: Net remeasurement of loss allowance	10,008	4,219
Less: Amounts written off	(1,224)	(34)
Foreign exchange gains and losses	<u>(1,102)</u>	<u>524</u>
Ending balance	<u>\$ 143,470</u>	<u>\$ 142,969</u>

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 June 30, 2020, the ratio of allowance for impairment loss of other receivables was 0%.

10. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 251,163	\$ 105,741	\$ 117,882
Work in progress	151,602	198,177	140,924
Finished goods	846,050	636,997	628,074
Merchandise	<u>378,884</u>	<u>262,062</u>	<u>154,709</u>
	<u>\$ 1,627,699</u>	<u>\$ 1,202,977</u>	<u>\$ 1,041,589</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2020 was \$1,376,202 thousand, including warranties of \$15,276 thousand and inventory write-downs of \$3,723 thousand; and the cost of inventories recognized as cost of goods sold for the six months ended June 30, 2020 was \$2,561,981 thousand, including warranties of \$32,470 thousand and inventory write-downs of \$9,333 thousand. The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2019 was \$833,650 thousand, including warranties of \$16,839 thousand and inventory write-downs of \$555 thousand; and the cost of inventories recognized as cost of goods sold for the six months ended June 30, 2019 was \$2,099,203 thousand, including warranties of \$37,306 thousand and inventory write-downs of \$24,230 thousand.

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

11. PREPAYMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Prepayments for goods	\$ 83,081	\$ 16,868	\$ 25,806
Prepaid expenses	47,901	38,702	52,371
Tax overpayment retained for offsetting future tax payable	27,878	24,022	11,387
Others	<u>28,151</u>	<u>24,085</u>	<u>8,760</u>
	<u>\$ 187,011</u>	<u>\$ 103,677</u>	<u>\$ 98,324</u>

12. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Restricted deposits	<u>\$ 329,433</u>	<u>\$ 328,357</u>	<u>\$ 116,300</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Restricted deposits	0.01%-0.53%	0.01%-1.94%	0.16%-2.55%

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

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			June 30, 2020	December 31, 2019	June 30, 2019	
Dyaco International Inc.	Dyaco International Holding Limited	Investment	100	100	100	-
	Dyaco Europe GmbH	Import, export and selling	100	100	100	-
	Daan Health Management Consulting Co., Ltd.	Rental of medical equipment	100	100	100	-
	Dyaco Japan Co., Ltd.	Import, export and selling	100	100	100	-
SOLE INC.	Wing Long Co., Ltd.	Import, export and selling	100	100	100	1)
	Dyaco UK Ltd.	Import, export and selling	100	100	100	-
	SOLE INC.	Investment	100	-	-	2)
	Fitness Equipment Services LLC.	Import, export and selling	100	-	-	2)
Dyaco Europe GmbH	CARDIOfitness GmbH & Co. KG	Import, export and selling	100	100	100	-
	Cardiofitness Verwaltungs GmbH	Investment	100	100	100	-
Dyaco International Holding Limited	Fuel-Spirit International Inc.	Import, export and selling	100	100	100	-
	Dyaco (Shanghai) Trading Co., Ltd.	Import, export and selling	100	100	100	-
	Dongguan Dayu Sports Equipment Co., Ltd.	Manufacturing and selling	-	-	100	3)
Dyaco (Shanghai) Trading Co., Ltd.	Shelton Corporation (Jiaxing), Ltd.	Manufacturing and selling	60	60	60	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	100	100	100	-
Fuel-Spirit International Inc.	Spirit Manufacturing Inc.	Import, export and selling	100	100	100	-
	Dyaco Canada Inc.	Import, export and selling	100	100	100	-
Spirit Manufacturing Inc.	Spirit Direct, LLC.	Import, export and selling	100	100	100	-
	Dyaco Commercial & Medical North America, LLC.	Import, export and selling	100	100	100	-

Remarks:

- 1) The Group acquired interests in subsidiary Wing Long Co., Ltd. for NT\$3,000 thousand in March 2020.
- 2) On January 2020, the Group made the announcement to establish the subsidiary SOLE INC. by the board of directors resolution, and purchased the 100% equity of Fitness Equipment Services, LLC by the subsidiary. As of June 30, 2020, the board of directors resolved acquired interests in subsidiary SOLE INC. for US\$31,800 thousand (NT\$957,970 thousand) by the president. In addition, on February 1, 2020, SOLE INC. purchased 100% equity of Fitness Equipment Services, LLC. by US\$28,000 thousand plus the net asset value on the closing date US\$3,477 thousand (NT\$948,251 thousand). As of June 30, 2020, US\$6,000 thousand (NT\$168,616 thousand) was not paid and recognized as other payables. The information of business combinations please refer to Note 31.
- 3) Dongguan Dayu Sports Equipment Co., Ltd. completed liquidation and cancellation in November 2019.

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		December 31,		
		June 30, 2020	2019	June 30, 2019
Shelton Corporation (Jiaxing), Ltd.	China	40%	40%	40%

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

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests				Accumulated Non-controlling Interests		
	For the Three Months Ended		For the Six Months Ended				
	June 30		June 30		June 30,	December 31,	June 30,
	2020	2019	2020	2019	2020	2019	2019
Shelton Corporation (Jiaxing), Ltd.	\$ (2,722)	\$ (2,956)	\$ 1,797	\$ 23,141	\$ 341,473	\$ 350,172	\$ 360,272

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 1,303,997	\$ 1,031,195	\$ 810,991
Non-current assets	961,614	1,021,019	1,099,656
Current liabilities	(1,124,038)	(881,457)	(700,324)
Non-current liabilities	(137,670)	(144,086)	(153,369)
Equity	<u>\$ 1,003,903</u>	<u>\$ 1,026,671</u>	<u>\$ 1,056,954</u>

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Equity attributable to:			
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 662,430	\$ 676,499	\$ 696,682
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>341,473</u>	<u>350,172</u>	<u>360,272</u>
	<u>\$ 1,003,903</u>	<u>\$ 1,026,671</u>	<u>\$ 1,056,954</u> (Concluded)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue	<u>\$ 674,946</u>	<u>\$ 315,615</u>	<u>\$ 1,097,107</u>	<u>\$ 1,042,426</u>
Net profit (loss) from continuing operations (Remark)	\$ (6,803)	\$ (7,389)	\$ 4,494	\$ 57,854
Other comprehensive income (loss) for the period	<u>(947)</u>	<u>(15,759)</u>	<u>(26,243)</u>	<u>8,136</u>
Total comprehensive income (loss) for the period	<u>\$ (7,750)</u>	<u>\$ (23,148)</u>	<u>\$ (21,749)</u>	<u>\$ 65,990</u>
Profit (loss) attributable to:				
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ (4,081)	\$ (4,433)	\$ 2,697	\$ 34,713
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>(2,722)</u>	<u>(2,956)</u>	<u>1,797</u>	<u>23,141</u>
	<u>\$ (6,803)</u>	<u>\$ (7,389)</u>	<u>\$ 4,494</u>	<u>\$ 57,854</u>
Total comprehensive income (loss) attributable to:				
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ (4,650)	\$ (13,889)	\$ (13,050)	\$ 39,594
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>(3,100)</u>	<u>(9,259)</u>	<u>(8,699)</u>	<u>26,396</u>
	<u>\$ (7,750)</u>	<u>\$ (23,148)</u>	<u>\$ (21,749)</u>	<u>\$ 65,990</u>

	For the Six Months Ended June 30	
	2020	2019
Net cash inflow/(outflow) from:		
Operating activities	\$ (34,570)	\$ 54,789
Investing activities	(747)	(46,487)
Financing activities	<u>50,541</u>	<u>(18,730)</u>
Net cash inflow	<u>\$ 15,224</u>	<u>\$ (10,428)</u>

Note: Net profit was \$11,150 thousand less amortization of \$6,656 thousand for the six months ended June 30, 2020. Net profit was \$64,977 thousand less amortization of \$7,123 thousand for the six months ended June 30, 2019.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 993,472	\$ 1,911,586	\$ 690,454	\$ 43,768	\$ 72,039	\$ 21,524	\$ 3,732,843
Acquisitions through business combinations (Note 31)	-	-	36,712	-	346	1,599	38,657
Additions	-	1,387	22,642	353	2,182	901	27,465
Disposals	-	-	(886)	(731)	(810)	(957)	(3,384)
Effects of foreign currency exchange differences	(171)	(29,401)	(7,609)	(311)	(1,921)	(194)	(39,607)
Balance at June 30, 2020	<u>993,301</u>	<u>1,883,572</u>	<u>741,313</u>	<u>43,079</u>	<u>71,836</u>	<u>22,873</u>	<u>3,755,974</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	-	527,450	458,061	31,823	53,143	6,316	1,076,793
Acquisitions through business combinations (Note 31)	-	-	13,257	-	75	1,094	14,426
Depreciation expenses	-	33,878	37,263	1,953	3,890	1,808	78,792
Disposals	-	-	(839)	(661)	(752)	(578)	(2,830)
Effects of foreign currency exchange differences	-	(10,180)	(4,703)	(191)	(803)	(56)	(15,933)
Balance at June 30, 2020	<u>-</u>	<u>551,148</u>	<u>503,039</u>	<u>32,924</u>	<u>55,553</u>	<u>8,584</u>	<u>1,151,248</u>
Carrying amounts at June 30, 2020	<u>\$ 993,301</u>	<u>\$ 1,332,424</u>	<u>\$ 238,274</u>	<u>\$ 10,155</u>	<u>\$ 16,283</u>	<u>\$ 14,289</u>	<u>\$ 2,604,726</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 993,829	\$ 1,998,295	\$ 677,693	\$ 44,365	\$ 67,858	\$ 26,380	\$ 3,808,420
Additions	-	445	38,966	1,593	6,883	691	48,578
Reclassification (Note)	-	(24,886)	-	-	-	-	(24,886)
Disposals	-	-	(26,525)	(1,115)	(2,578)	(4,092)	(34,310)
Effects of foreign currency exchange differences	169	16,974	2,971	158	1,206	114	21,592
Balance at June 30, 2019	<u>993,998</u>	<u>1,990,828</u>	<u>693,105</u>	<u>45,001</u>	<u>73,369</u>	<u>23,093</u>	<u>3,819,394</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	-	472,621	425,655	29,137	48,777	7,864	984,054
Depreciation expenses	-	35,181	33,232	2,688	3,832	1,431	76,364
Reclassification (Note)	-	(1,801)	-	-	-	-	(1,801)
Disposals	-	-	(26,250)	(822)	(2,409)	(4,092)	(33,573)
Effects of foreign currency exchange differences	-	4,077	1,964	79	742	30	6,892
Balance at June 30, 2019	<u>-</u>	<u>510,078</u>	<u>434,601</u>	<u>31,082</u>	<u>50,942</u>	<u>5,233</u>	<u>1,031,936</u>
Carrying amounts at June 30, 2019	<u>\$ 993,998</u>	<u>\$ 1,480,750</u>	<u>\$ 258,504</u>	<u>\$ 13,919</u>	<u>\$ 22,427</u>	<u>\$ 17,860</u>	<u>\$ 2,787,458</u>

Note: Reclassified as 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	3-11 years
Office equipment	1-10 years
Leasehold improvements	1-10 years

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Land	\$ 279,463	\$ 291,149	\$ 310,047
Buildings	58,168	71,656	66,743
Office equipment	109	154	198
Transportation equipment	<u>7,115</u>	<u>9,812</u>	<u>5,671</u>
	<u>\$ 344,855</u>	<u>\$ 372,771</u>	<u>\$ 382,659</u>
	For the Three Months Ended June 30	For the Six Months Ended June 30	
	2020	2019	2020
			2019
Additions for right-of-use assets		\$ -	\$ 11,781
Depreciation charge for right-of-use assets			
Land	\$ 1,998	\$ 2,160	\$ 4,043
Buildings	4,922	3,968	10,363
Office equipment	18	20	37
Transportation equipment	<u>1,213</u>	<u>878</u>	<u>2,548</u>
	<u>\$ 8,151</u>	<u>\$ 7,026</u>	<u>\$ 16,991</u>
			<u>\$ 14,007</u>

Right-of-use assets used by the Group and pledged as collateral for bank borrowings are set out in Note 36.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 20,871</u>	<u>\$ 24,173</u>	<u>\$ 20,060</u>
Non-current	<u>\$ 45,626</u>	<u>\$ 58,188</u>	<u>\$ 52,189</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	1.56%-4.75%	1.56%-4.75%	2.06%-4.75%
Office equipment	4.07%	4.07%	4.07%
Transportation equipment	1.66%-3.41%	1.65%-3.41%	2.5%-3.41%

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 lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	<u>\$ 4,690</u>	<u>\$ 3,742</u>	<u>\$ 9,724</u>	<u>\$ 9,006</u>
Expenses relating to low-value asset leases	<u>\$ 65</u>	<u>\$ 60</u>	<u>\$ 131</u>	<u>\$ 120</u>
Total cash outflow for leases	<u>\$ (9,833)</u>	<u>\$ (7,193)</u>	<u>\$ (21,273)</u>	<u>\$ (16,322)</u>

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

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Lease commitments	<u>\$ 53,651</u>	<u>\$ 64,659</u>	<u>\$ 85,449</u>

16. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 26,935
Reclassification	24,886
Effects of foreign currency exchange differences	<u>296</u>
Balance at June 30, 2019	<u>52,117</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2019	14,441
Reclassification	1,801
Depreciation expenses	1,058
Effects of foreign currency exchange differences	<u>153</u>
Balance at June 30, 2019	<u>17,453</u>
Carrying amount at June 30, 2019	<u>\$ 34,664</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 78,432
Effects of foreign currency exchange differences	<u>(1,418)</u>
Balance at June 30, 2020	<u>77,014</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	18,670
Depreciation expenses	1,632
Effects of foreign currency exchange differences	<u>(443)</u>
Balance at June 30, 2020	<u>19,859</u>
Carrying amount at June 30, 2020	<u>\$ 57,155</u>

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

Lease commitments with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Lease commitments of investment properties	<u>\$ 29,044</u>	<u>\$ 37,146</u>	<u>\$ 35,531</u>

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

During 2019, the Group reclassified property, plant and equipment which are leased out for rental revenue to investment property. As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair value of investment property located in Zhongshan District, Taipei City was \$26,566 thousand, \$32,507 thousand and \$30,451 thousand, respectively. 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

	For the Six Months Ended June 30	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 191,049	\$ 196,045
Acquisitions through business combinations-Fitness Equipment Services LLC. (Note 31)	220,303	-
Effect of foreign currency exchange differences	<u>(8,509)</u>	<u>3,740</u>
Balance at June 30	<u>402,843</u>	<u>199,785</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	8,566	-
Effect of foreign currency exchange differences	<u>(82)</u>	<u>-</u>
Balance at June 30	<u>8,484</u>	<u>-</u>
Carrying amounts at June 30	<u>\$ 394,359</u>	<u>\$ 199,785</u>

On February 2020, the Group acquired 100% equity of Fitness Equipment Services, LLC. The amount of goodwill NT\$220,303 thousand was recognized as provisional at the end of the reporting period, because the measurement of identifiable assets and liabilities assumed by the business combination has not been completed.

The information of business combinations please refer to Note 31.

18. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Brand Value	Website	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 81,261	\$ 83,665	\$ 73,825	\$ 75,924	\$ 292,000	\$ -	\$ -	\$ 606,675
Acquisitions through business combinations (Note 31)	-	-	-	-	-	840,483	1,084	841,567
Additions	3,972	-	-	-	-	-	-	3,972
Disposals	(991)	-	-	(67,541)	-	-	-	(68,532)
Effects of foreign currency exchange differences	<u>(525)</u>	<u>(2,075)</u>	<u>(4,206)</u>	<u>(698)</u>	<u>(1,506)</u>	<u>(13,806)</u>	<u>(17)</u>	<u>(22,833)</u>
Balance at June 30, 2020	<u>83,717</u>	<u>81,590</u>	<u>69,619</u>	<u>7,685</u>	<u>290,494</u>	<u>826,677</u>	<u>1,067</u>	<u>1,360,849</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2020	54,903	52,798	73,825	75,924	115,387	-	-	372,837
Amortization expenses	5,512	3,800	-	-	34,247	15,226	113	58,898
Disposals	(991)	-	-	(67,541)	-	-	-	(68,532)
Effects of foreign currency exchange differences	<u>(407)</u>	<u>(1,751)</u>	<u>(4,206)</u>	<u>(698)</u>	<u>(808)</u>	<u>(188)</u>	<u>(1)</u>	<u>(8,059)</u>
Balance at December 31, 2020	<u>59,017</u>	<u>54,847</u>	<u>69,619</u>	<u>7,685</u>	<u>148,826</u>	<u>15,038</u>	<u>112</u>	<u>355,144</u>
Carrying amounts at June 30, 2020	<u>\$ 24,700</u>	<u>\$ 26,743</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,668</u>	<u>\$ 811,639</u>	<u>\$ 955</u>	<u>\$ 1,005,705</u>

(Continued)

	Computer Software	Patents	Customer Relationship	Existing Technologies	Royalty	Brand Value	Website	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 65,917	\$ 85,644	\$ 72,509	\$ 78,571	\$ 251,005	\$ -	\$ -	\$ 553,646
Additions	2,957	-	-	-	44,541	-	-	47,498
Disposals	(274)	-	-	-	-	-	-	(274)
Effects of foreign currency exchange differences	680	1,704	3,693	776	1,098	-	-	7,951
Balance at June 30, 2019	<u>69,280</u>	<u>87,348</u>	<u>76,202</u>	<u>79,347</u>	<u>296,644</u>	<u>-</u>	<u>-</u>	<u>608,821</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2019	46,536	45,659	67,152	78,571	47,269	-	-	285,187
Amortization expenses	4,318	4,012	5,514	-	34,834	-	-	48,678
Disposals	(274)	-	-	-	-	-	-	(274)
Effect of foreign currency exchange differences	669	1,231	3,536	776	211	-	-	6,423
Balance at June 30, 2019	<u>51,249</u>	<u>50,902</u>	<u>76,202</u>	<u>79,347</u>	<u>82,314</u>	<u>-</u>	<u>-</u>	<u>340,014</u>
Carrying amounts at June 30, 2019	<u>\$ 18,031</u>	<u>\$ 36,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,807</u>

(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. 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	1-13 years
Patents	5-15 years
Customer relationship	7 years
Existing technologies	3-5 years
Royalty	2-6 years
Website	4 years
Brand value	23 years

19. BORROWINGS

- Short-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured borrowings	\$ 448,100	\$ 568,100	\$ 391,295
Secured borrowings	<u>1,058,985</u>	<u>945,200</u>	<u>1,056,914</u>
	<u>\$ 1,507,085</u>	<u>\$ 1,513,300</u>	<u>\$ 1,448,209</u>
Range of interest rates			
Unsecured borrowings	0.68%-1.37%	1.18%-1.50%	1.35%-4.98%
Secured borrowings	1.01%-4.87%	1.34%-4.87%	1.34%-4.87%

b. Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Secured borrowings</u>			
Mega Bank	\$ 433,600	\$ 277,700	\$ 35,700
Taishin Bank	195,000	202,500	210,000
Taiwan Cooperative Bank	180,000	180,000	180,000
Bank SinoPac	144,910	155,753	167,638
Bank of Montreal	39,477	42,795	45,115
Chang Hua Bank	32,517	37,937	43,297
Kölner Bank	<u>148</u>	<u>1,033</u>	<u>2,010</u>
	1,025,652	897,718	683,760
Less: Current portion	<u>151,584</u>	<u>112,124</u>	<u>61,272</u>
	<u>\$ 874,068</u>	<u>\$ 785,594</u>	<u>\$ 622,488</u>

- 1) Secured borrowings from Mega Bank: In 2007, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2007 to December 2022. As of June 30, 2020, December 31, 2019 and June 30, 2019, the borrowings were \$25,500 thousand, \$30,600 thousand, and \$35,700 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 June 30, 2020, and December 31, 2019 the amount of borrowings was \$221,300 thousand and \$247,100 thousand, respectively, at the annual borrowing interest rate was 1.65%. In February 2020, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly to February 2025. As of June 30, 2020 the amount of borrowings was \$186,800 thousand, at the annual borrowing interest rate was 1.7%.
- 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 June 30, 2020, December 31, 2019 and June 30, 2019, the amount of borrowings was \$159,000 thousand, \$162,000 thousand and \$165,000 thousand, respectively, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the amount of borrowings was \$36,000 thousand, \$40,500 thousand and \$45,000 thousand, respectively, 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 June 30, 2020, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the borrowings were \$38,462 thousand, \$43,077 thousand, and \$48,462 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 June 30, 2020, December 31, 2019 and June 30, 2019, the borrowings were \$95,496 thousand, \$100,081 thousand and \$104,664 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 June 30, 2020, December 31, 2019 and June 30, 2019, the borrowings were \$10,952 thousand, \$12,595 thousand, and \$14,512 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 June 30, 2020, December 31, 2019 and June 30, 2019, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the annual borrowing interest rate were 1.54%, 2.06%, and 1.79%, respectively.
- 7) Secured borrowings from Kölner Bank: CARDIO fitness 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 June 30, 2020, December 31, 2019 and June 30, 2019, the annual borrowing interest rate was 2.50%.

20. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2020
Secured domestic convertible bonds	\$ 372,925	\$ 592,874	\$ 590,472
Less: Current portion	<u>(372,925)</u>	<u>(592,874)</u>	<u>(590,472)</u>
	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

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

During 2019, the amount of convertible bonds of NT\$1,500 thousand was reclassified to 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.

During 2020, the amount of convertible bonds of NT\$224,500 thousand was reclassified to advance share capital at NT\$58,311 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$5,912 thousand and NT\$646 thousand, respectively. The capital surplus - options of NT\$171,455 thousand was recognized on the conversion date.

Proceeds from issuance (less transaction costs of \$8,943 thousand)	\$ 594,057
Equity component (less transaction costs allocated to the equity component of \$238 thousand)	(15,802)
Financial liabilities held for trading - selling options	<u>(1,426)</u>
Liability component at the date of issue	576,829
Interest charged at an effective interest rate of 1.31%	<u>13,643</u>
Liability component at June 30, 2019	<u>\$ 590,472</u>
Liability component at January 1, 2020	\$ 592,874
Interest charged at an effective interest rate of 1.31%	3,905
Convertible bonds converted into ordinary shares	<u>(223,854)</u>
Liability component at June 30, 2020	<u>\$ 372,925</u>

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

21. 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.

22. OTHER PAYABLE AND LONG-TERM PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Payables for freight	\$ 272,752	\$ 15,775	\$ 11,489
Payables for investments (Note 13)	168,616	-	-
Payables for dividends	124,321	-	31,133
Payables for royalties (Note 18)	73,654	78,717	64,580
Payables for salaries and bonuses	53,424	69,177	52,127
Payables for advertisements	40,192	-	-
Payables for employee benefits	35,031	43,560	43,274
Payables for value added taxes	25,989	15,816	21,429
Payables for purchases of equipment	12,121	4,641	3,974
			(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Payables for labor costs	\$ 11,350	\$ 13,844	\$ 10,969
Payables for insurance	9,309	9,087	10,500
Payables for annual leave	7,289	13,008	7,431
Payables for commissions	5,713	4,994	5,233
Payables for employees' compensation	4,698	2,451	1,723
Payables for remuneration of directors	-	1,225	-
Others	<u>75,111</u>	<u>51,937</u>	<u>25,309</u>
	<u>\$ 919,570</u>	<u>\$ 324,232</u>	<u>\$ 289,171</u>
<u>Non-current</u>			
Payables for royalties (Note 18)	<u>\$ 130,050</u>	<u>\$ 136,310</u>	<u>\$ 190,054</u> (Concluded)

23. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Warranties	<u>\$ 17,178</u>	<u>\$ 15,835</u>	<u>\$ 15,535</u>
			Warranties
Balance at January 1, 2020			\$ 15,835
Amount used			(30,592)
Additional provisions recognized			32,470
Effect of foreign currency exchange differences			<u>(535)</u>
Balance at June 30, 2020			<u>\$ 17,178</u>
Balance at January 1, 2019			\$ 13,806
Amount used			(35,917)
Additional provisions recognized			37,306
Effect of foreign currency exchange differences			<u>340</u>
Balance at June 30, 2019			<u>\$ 15,535</u>

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

b. Defined benefit plans

The Group calculated the pension obligations of the defined benefit plans for the six months ended June 30, 2020 and 2019 by using the pension rate based on actuarial valuations as of December 31, 2019 and 2018, respectively. An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating costs	\$ 26	\$ 26	\$ 52	\$ 52
Operating expenses	<u>65</u>	<u>65</u>	<u>131</u>	<u>131</u>
	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ 183</u>	<u>\$ 183</u>

25. EQUITY

a. Share capital

Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<u>200,000</u>	<u>150,000</u>	<u>100,000</u>
Share capital authorized	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>115,100</u>	<u>96,100</u>	<u>92,950</u>
Ordinary shares issued	<u>\$ 1,151,009</u>	<u>\$ 961,009</u>	<u>\$ 929,502</u>

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

The 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 base date of capital increase was January 13, 2020. The issued price is \$39 and paid-up capital is \$741,000 thousand.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Issuance of ordinary shares	\$ 1,255,142	\$ 704,409	\$ 704,409
Conversion of bonds	172,602	1,147	-
<u>May only be used to offset a deficit</u>			
Conversion of Employee share options	1,460	1,460	1,460
<u>May not be used for any purpose</u>			
Conversion of bonds	9,850	15,762	15,802
Employee share options	34,655	32,298	22,301
Employee share options in subsidiaries	<u>3,539</u>	<u>3,228</u>	<u>2,428</u>
	<u>\$ 1,477,248</u>	<u>\$ 758,304</u>	<u>\$ 746,400</u>

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

The balance adjustment in capital surplus for the six months ended June 30 in 2020 and 2019 were as follows:

	Issuance of Ordinary Shares	Convertible Bond Premium	Conversion of Employee Share options	Conversion of Bond-options	Employee Share Options	Employee Share Options in Subsidiaries
Balance at January 1, 2020	\$ 704,409	\$ 1,147	\$ 1,460	\$ 15,762	\$ 32,298	\$ 3,228
Increase cash capital	548,745	-	-	-	-	-
Conversion of bonds	-	171,455	-	(5,912)	-	-
Exercise of employee share options	1,988	-	-	-	(448)	-
Compensation costs of employee share options	-	-	-	-	2,805	311
Balance at June 30, 2020	<u>\$ 1,255,142</u>	<u>\$ 172,602</u>	<u>\$ 1,460</u>	<u>\$ 9,850</u>	<u>\$ 34,655</u>	<u>\$ 3,539</u>
Balance at January 1, 2019	\$ 704,409	\$ -	\$ 1,460	\$ 15,802	\$ 15,098	\$ 1,628
Compensation costs of employee share options	-	-	-	-	7,203	800
Balance at June 30, 2019	<u>\$ 704,409</u>	<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ 15,802</u>	<u>\$ 22,301</u>	<u>\$ 2,428</u>

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 2019 and 2018 that were approved by the shareholders' meeting on May 28, 2020 and May 30, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2019	2018	2019	2018
Legal reserve	\$ 18,941	\$ 10,712		
Special reserve	26,689	19,865		
Cash dividends	124,321	31,133	\$ 1.15	\$ 0.35
Share dividends	-	31,133	-	0.35

d. Other equity items

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

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

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

	For the Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 3,893	\$ (378)
Recognized for the period		
Cumulative unrealized gain/(loss) on equity instruments transferred to retained earnings upon disposal	<u>-</u>	<u>2,372</u>
Balance at June 30	<u>\$ 3,893</u>	<u>\$ 1,994</u>

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 period	<u>-</u>
Number of shares at June 30, 2019	<u>4,000</u>
Number of shares at January 1, 2020	4,000
Increase during the period	<u>4,565</u>
Number of shares at June 30, 2020	<u>8,565</u>

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

On February 21, 2020, the Corporation's board of directors resolved to redeem 3,000 thousand shares at \$30 to \$50 per share from February 24, 2020 to April 23, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has redeemed 3,000 thousand shares, with total cost of \$104,927 thousand.

On March 20, 2020, the Corporation's board of directors resolved to redeem 4,500 thousand shares at \$25 to \$45 per share from March 23, 2020 to May 19, 2020. Even if the share price of the Corporation is below the lower limit mentioned above, the Corporation is entitled to redeem shares. The Corporation has accumulatively redeemed 1,565 thousand shares, with total cost of \$50,623 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 Six Months Ended June 30	
	2020	2019
Balance at January 1	\$ 350,172	\$ 333,876
Profit for the period attributable to non-controlling interests	1,797	23,141
Exchange differences on translating the financial statements of foreign entities	<u>(10,496)</u>	<u>3,255</u>
Balance at June 30	<u>\$ 341,473</u>	<u>\$ 360,272</u>

26. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue from contracts with customers				
Revenue from the sale of goods	\$ 2,506,742	\$ 1,101,828	\$ 4,152,810	\$ 2,882,069
Other revenue	<u>1,482</u>	<u>2,399</u>	<u>3,215</u>	<u>4,397</u>
	<u>\$ 2,508,224</u>	<u>\$ 1,104,227</u>	<u>\$ 4,156,025</u>	<u>\$ 2,886,466</u>

a. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Notes receivable (Note 9)	<u>\$ 2,531</u>	<u>\$ 1,501</u>	<u>\$ 2,123</u>	<u>\$ 3,986</u>
Accounts receivable (Note 9)	<u>\$ 1,296,258</u>	<u>\$ 1,009,492</u>	<u>\$ 939,454</u>	<u>\$ 926,566</u>
Contract liabilities				
Sale of goods	<u>\$ 170,095</u>	<u>\$ 7,901</u>	<u>\$ 14,584</u>	<u>\$ 9,320</u>

b. Disaggregation of revenue

Refer to Note 41 for information about the disaggregation of revenue.

27. NET PROFIT

a. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 39,957	\$ 38,564	\$ 78,792	\$ 76,364
Right-of-use assets	8,151	7,026	16,991	14,007
Investment properties	809	529	1,632	1,058
Intangible assets	<u>34,074</u>	<u>23,859</u>	<u>58,898</u>	<u>48,678</u>
	<u>\$ 82,991</u>	<u>\$ 69,978</u>	<u>\$ 156,313</u>	<u>\$ 140,107</u>
An analysis of depreciation by function				
Operating costs	\$ 25,672	\$ 25,394	\$ 48,701	\$ 50,061
Operating expenses	22,436	20,196	47,082	40,310
Non-operating income and expenses	<u>809</u>	<u>529</u>	<u>1,632</u>	<u>1,058</u>
	<u>\$ 48,917</u>	<u>\$ 46,119</u>	<u>\$ 97,415</u>	<u>\$ 91,429</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>34,074</u>	<u>23,859</u>	<u>58,898</u>	<u>48,678</u>
	<u>\$ 34,074</u>	<u>\$ 23,859</u>	<u>\$ 58,898</u>	<u>\$ 48,678</u>

b. Other operating income and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain (loss) on disposal of property, plant and equipment	\$ 64	\$ (214)	\$ 107	\$ (201)
Loss on lease modification	<u>(29)</u>	<u>-</u>	<u>(29)</u>	<u>-</u>
	<u>\$ 35</u>	<u>\$ (214)</u>	<u>\$ 78</u>	<u>\$ (201)</u>

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Post-employment benefits (Note 24)				
Defined contribution plan	\$ 6,832	\$ 3,276	\$ 16,232	\$ 14,770
Defined benefit plans	<u>91</u>	<u>91</u>	<u>183</u>	<u>183</u>
	<u>6,923</u>	<u>3,367</u>	<u>16,415</u>	<u>14,953</u>
Employees' compensation	214,026	180,106	393,141	401,498
Labor and national health insurance expenses	16,830	11,765	32,984	30,208
Other employee benefits	<u>8,950</u>	<u>6,756</u>	<u>16,031</u>	<u>14,148</u>
	<u>239,806</u>	<u>198,627</u>	<u>442,156</u>	<u>445,854</u>
Total employee benefits expense	<u>\$ 246,729</u>	<u>\$ 201,994</u>	<u>\$ 458,571</u>	<u>\$ 460,807</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 92,574	\$ 76,263	\$ 170,234	\$ 183,855
Operating expenses	<u>154,155</u>	<u>125,731</u>	<u>288,337</u>	<u>276,952</u>
	<u>\$ 246,729</u>	<u>\$ 201,994</u>	<u>\$ 458,571</u>	<u>\$ 460,807</u>

d. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the six months ended June 30, 2020 and 2019, the employees' compensation and the remuneration of directors were as follows:

	For the Six Months Ended June 30			
	2020		2019	
	Accrual Rate	Amount	Accrual Rate	Amount
Employees' compensation	1%	\$ 4,698	1%	\$ 1,723
Remuneration of directors	-	-	-	-

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

The appropriations of employees' compensation and remuneration of directors for 2019 that were resolved by the board of directors on March 27, 2020, are as shown below:

	Accrual Rate	Amount
Employees' compensation	1.0%	\$ 2,451
Remuneration of directors	0.5%	1,225

There is 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 years ended December 31, 2019 and 2018.

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

e. Gains or losses on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Foreign exchange gains	\$ 27,074	\$ 30,448	\$ 52,866	\$ 120,087
Foreign exchange losses	<u>(61,798)</u>	<u>(12,053)</u>	<u>(73,516)</u>	<u>(94,533)</u>
Net gains (losses)	<u>\$ (34,724)</u>	<u>\$ 18,395</u>	<u>\$ (20,650)</u>	<u>\$ 25,554</u>

f. Interest expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest on bank loans	\$ 12,930	\$ 11,726	\$ 26,201	\$ 25,504
Interest on convertible bonds	1,956	1,935	3,905	3,863
Interest on lease liabilities	<u>335</u>	<u>399</u>	<u>721</u>	<u>801</u>
	<u>\$ 15,221</u>	<u>\$ 14,060</u>	<u>\$ 30,827</u>	<u>\$ 30,168</u>

28. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 105,398	\$ (3,012)	\$ 116,343	\$ 31,112
Adjustments for prior periods	<u>(6,477)</u>	<u>3,170</u>	<u>(8,315)</u>	<u>3,170</u>
	<u>98,921</u>	<u>158</u>	<u>108,028</u>	<u>34,282</u>
Deferred tax	<u>(19,492)</u>	<u>(14,607)</u>	<u>(29,389)</u>	<u>(19,302)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 79,429</u>	<u>\$ (14,449)</u>	<u>\$ 78,639</u>	<u>\$ 14,980</u>

b. Income tax assessments

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

29. EARNINGS (LOSS) PER SHARE

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Profit (loss) for the period attributable to owners of the Corporation	<u>\$ 189,180</u>	<u>\$ (11,899)</u>	<u>\$ 189,772</u>	<u>\$ 45,512</u>
Earnings (loss) used in the computation of basic earnings (loss) per share	\$ 189,180	\$ (11,899)	\$ 189,772	\$ 45,512
Effect of potentially dilutive ordinary shares				
Interest on convertible bonds (after tax)	<u>1,568</u>	<u>-</u>	<u>3,131</u>	<u>3,090</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 190,748</u>	<u>\$ (11,899)</u>	<u>\$ 192,903</u>	<u>\$ 48,602</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	106,552	92,063	106,605	92,063
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees*	75	-	75	37
Convertible bonds*	9,289	-	9,289	14,963
Employee share options*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>115,916</u>	<u>92,063</u>	<u>115,969</u>	<u>107,063</u>

* The employee share options for the three months ended June 30, 2020 and for the six months ended June 30, 2020 were not used in the computation of diluted earnings per share due to the antidilution. The employees' compensation or bonuses issued to employees, convertible bonds and employee share options for the three months ended June 30, 2019 were not used in the computation of diluted earnings per share due to the antidilution. Employee share options for the six months ended June 30, 2019 were not used in the computation of diluted earnings per share due to the antidilution.

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

30. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

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

Information on employee share options is as follows:

	For the Six Months Ended June 30			
	2020		2019	
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	\$ 40.00	4,000	\$ 42.95
Options granted	-		-	
Options exercised	(50)		-	
Balance at June 30	<u>3,950</u>		<u>4,000</u>	
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 10.42</u>		<u>\$ 10.42</u>	

In 2020 year, the weighted average share price of the employee stock options exercised is \$40.8 on the day of exercise.

Information on outstanding options as of June 30, 2020 and 2019 is as follows:

	June 30	
	2020	2019
Range of exercise price (\$)	\$40.00	\$42.95
Weighted-average remaining contractual life (in years)	3.5 years	4.5 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.

The above-mentioned employee stock option certificate is converted by the holder, and the capital reserve is recognized - employee stock option \$1,540 thousand.

Compensation costs recognized by the Group were \$3,116 thousand and \$8,003 thousand for the six months ended June 30, 2020 and 2019, respectively.

31. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Fitness Equipment Services LLC.	Sporting goods retail	February 1, 2020	100	<u>\$ 948,251</u>

Fitness Equipment Services LLC. were acquired in order to stabilize the North American market of the Group.

b. Assets acquired and liabilities assumed at the date of acquisition

	Fitness Equipment Services LLC.
Current assets	
Cash	\$ 3,492
Accounts receivables	542,218
Inventories	286,131
Other current assets	4,193
Non-current assets	
Property, plant and equipment	24,231
Intangible assets (Note 18)	841,567
Other non-current assets	5,549
	(Continued)

**Fitness
Equipment
Services LLC.**

Current liabilities	
Short-term borrowings	\$ (480,242)
Accounts payable	(147,072)
Other payables	(133,743)
Non-current liabilities	
Deferred tax liabilities	<u>(218,376)</u>
	<u>\$ 727,948</u>
	(Concluded)

The initial accounting for the acquisition of Fitness Equipment Services LLC. was only provisionally determined at the end of the reporting period, and will make retrospective adjustments or recognize additional assets or liabilities during the measurement period to reflect the new information obtained regarding the facts and circumstances that existed on the acquisition date.

c. Goodwill recognized on acquisitions

**Fitness
Equipment
Services LLC**

Consideration transferred	\$ 948,251
Less: Fair value of identifiable net assets acquired	<u>(727,948)</u>
Goodwill recognized on acquisitions	<u>\$ 220,303</u>

The difference between the investment cost and the equity of the Group 's acquisition of Fitness Equipment Services LLC. was only provisionally determined at the end of the reporting period, because the measurement of the identifiable assets and liabilities assumed by the business combination has not been completed. Make retrospective adjustments during the subsequent measurement period or recognize additional goodwill arising from the acquisition to reflect the new information obtained regarding the facts and circumstances that existed on the acquisition date.

d. Net cash outflow on the acquisition of subsidiaries

**Fitness
Equipment
Services LLC**

Consideration paid in cash	\$ 948,251
Less: Payables for investments (Note 22)	(168,616)
Less: Cash balances acquired	<u>(3,492)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 776,143</u>

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, are as follows:

	Fitness Equipment Services LLC
Revenue	<u>\$ 1,681,870</u>
Profit	<u>\$ 90,133</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$2,018,244 thousand, and the profit would have been \$108,160 thousand for the six months June 30, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

32. PARTIAL CASH TRANSACTIONS

For the six months ended June 30, 2020 and 2019, the Corporation entered into the following partial cash investing activities:

a. From cash investing activities

	For the Six Months Ended June 30	
	2020	2019
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 27,465	\$ 48,578
Changes in prepayments for purchases of plant and equipment	(55)	(2,366)
Changes in payables for purchase of equipment	<u>(7,480)</u>	<u>(3,652)</u>
Cash paid	<u>\$ 19,930</u>	<u>\$ 42,560</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 3,972	\$ 47,498
Changes in payables for royalties	11,323	(21,234)
Changes in prepayments for purchases of plant and equipment	<u>223</u>	<u>(19,439)</u>
Cash paid	<u>\$ 15,518</u>	<u>\$ 6,825</u>

b. The cash dividends approved in the shareholders' meetings was not yet distributed as of June 30, 2020 and 2019 (refer to Notes 22 and 25, respectively).

c. Changes in liabilities arising from financing activities

For the six months ended June 30, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Exchange Rate Impact	Closing Balance
			Decrease During the Period	Equity Component	Other Gain and Loss	Interests		
Short-term borrowings	\$ 1,513,300	\$ 967	\$ -	\$ -	\$ -	\$ -	\$ (7,182)	\$ 1,507,085
Bonds payable	592,874	-	-	(223,854)	-	3,905	-	372,925
Long-term borrowings	897,718	130,374	-	-	-	-	(2,440)	1,025,652
Guarantee deposits received	2,671	(462)	-	-	-	-	(9)	2,200
Lease liabilities	82,361	(11,418)	(2,185)	-	29	721	(3,011)	66,497
	<u>\$ 3,088,924</u>	<u>\$ 119,461</u>	<u>\$ (2,185)</u>	<u>\$ (223,854)</u>	<u>\$ 29</u>	<u>\$ 4,626</u>	<u>\$ (12,642)</u>	<u>\$ 2,974,359</u>

For the six months ended June 30, 2019

			Non-cash Changes			
	Opening Balance	Cash Flows	Increase During the Period	Interests	Exchange Rate Impact	Closing Balance
Short-term borrowings	\$ 1,655,030	\$ (208,308)	\$ -	\$ -	\$ 1,487	\$ 1,448,209
Bonds payable	586,609	-	-	3,863	-	590,472
Long-term borrowings	715,703	(34,160)	-	-	2,217	683,760
Guarantee deposits received	3,016	(566)	-	-	29	2,479
Lease liabilities	<u>68,970</u>	<u>(7,196)</u>	<u>11,781</u>	<u>801</u>	<u>(2,107)</u>	<u>72,249</u>
	<u>\$ 3,029,328</u>	<u>\$ (250,230)</u>	<u>\$ 11,781</u>	<u>\$ 4,664</u>	<u>\$ 1,626</u>	<u>\$ 2,797,169</u>

33. CAPITAL MANAGEMENT

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

34. FINANCIAL INSTRUMENTS

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

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

June 30, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 372,925	\$ -	\$ 373,589	\$ -	\$ 373,589

December 31, 2019

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

June 30, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 590,472	\$ -	\$ 594,780	\$ -	\$ 594,780

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

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 480</u>	<u>\$ -</u>	<u>\$ 480</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,765</u>	<u>\$ 51,765</u>
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	<u>\$ -</u>	<u>\$ 2,876</u>	<u>\$ -</u>	<u>\$ 2,876</u>
Foreign exchange forward contracts	<u>-</u>	<u>165</u>	<u>-</u>	<u>165</u>
	<u>\$ -</u>	<u>\$ 3,041</u>	<u>\$ -</u>	<u>\$ 3,041</u>

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

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	\$ -	\$ -	\$ 10,571	\$ 10,571

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

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

No gain or loss was recognized in profit or loss for the six months ended June 30, 2020 and 2019 due to no significant changes in the fair values of the financial instruments included in the Level 3 categories.

3) Valuation techniques and assumptions applied for fair value measurement

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

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

c. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 480	\$ -	\$ -
Financial assets at amortized cost (Note 1)	2,936,687	2,195,687	1,451,222
Financial assets at FVTOCI - equity instruments	51,765	42,984	10,571
<u>Financial liabilities</u>			
FVTPL			
Held for trading	3,041	3,043	-
Amortized cost (Note 2)	5,298,179	4,399,328	3,800,014

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 39.

Sensitivity analysis

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

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

	USD Impact		RMB Impact	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Profit or loss	\$ (100,583)	\$ (48,682)	\$ 23,717	\$ 3,184

	EUR Impact		GBP Impact	
	For the Six Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Profit or loss	\$ (5,260)	\$ (2,613)	\$ (7,616)	\$ (5,539)

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:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
Financial assets	\$ 329,428	\$ 328,353	\$ 116,295
Financial liabilities	1,780,165	2,027,393	2,305,200
Cash flow interest rate risk			
Financial assets	829,936	716,565	314,528
Financial liabilities	1,395,698	1,273,890	744,124

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 six months ended June 30, 2020 and 2019 would decrease/increase by \$707 thousand and \$537 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its demand deposit and variable-rate bank borrowings.

2) Credit risk

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

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

The credit risk of the Group arises mainly from the top five customers. The accounts receivable from the above customers accounted for 54.17%, 48.06% and 54.55% of total accounts receivable as of June 30, 2020, December 31, 2019 and June 30, 2019, 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 June 30, 2020, December 31, 2019 and June 30, 2019, the Group had available unutilized short-term bank loan facilities of \$1,013,940 thousand, \$1,213,525 thousand and \$760,966 thousand, respectively.

As of June 30, 2020, the current liabilities exceeded current assets by \$126,341 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 \$1,618,440 thousand. On March 27, 2020, 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. 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.

June 30, 2020

	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		\$ 512,908	\$ 1,265,956	\$ 409,845	\$ -	\$ 104
Variable interest rate liabilities	0.6826%-4.785%	12,418	224,874	323,454	542,846	331,645
Fixed interest rate liabilities	1.01%-4.87%	87,779	577,422	900,796	173,844	-
Lease liabilities	1.38%-4.75%	<u>2,400</u>	<u>4,030</u>	<u>15,893</u>	<u>39,022</u>	<u>9,196</u>
		<u>\$ 615,505</u>	<u>\$ 2,072,282</u>	<u>\$ 1,649,988</u>	<u>\$ 755,712</u>	<u>\$ 340,945</u>

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	1.56%-4.872%	<u>1,964</u>	<u>3,853</u>	<u>16,516</u>	<u>37,943</u>	<u>11,513</u>
		<u>\$ 1,015,737</u>	<u>\$ 1,119,129</u>	<u>\$ 1,358,532</u>	<u>\$ 664,863</u>	<u>\$ 344,874</u>

June 30, 2019

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing		\$ 188,229	\$ 537,852	\$ 96,745	\$ -	\$ 113
Variable interest rate liabilities	1.51%-4.57%	4,792	67,090	93,691	250,320	349,560
Fixed interest rate liabilities	1.31%-4.98%	309	929,544	1,629,841	135,138	-
Lease liabilities	2.06%-4.75%	<u>1,773</u>	<u>3,487</u>	<u>16,635</u>	<u>41,908</u>	<u>14,473</u>
		<u>\$ 195,103</u>	<u>\$ 1,537,973</u>	<u>\$ 1,836,912</u>	<u>\$ 427,366</u>	<u>\$ 364,146</u>

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

June 30, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Net settled</u>					
Swap contracts	\$ -	\$ -	\$ (1,932)	\$ -	\$ -
Foreign exchange forward contracts	<u>(262)</u>	<u>(637)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (262)</u>	<u>\$ (637)</u>	<u>\$ (1,932)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

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

4) Financing facilities

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:			
Amount used	\$ 448,100	\$ 568,100	\$ 391,295
Amount unused	<u>963,940</u>	<u>1,123,525</u>	<u>567,866</u>
	<u>\$ 1,412,040</u>	<u>\$ 1,691,625</u>	<u>\$ 959,161</u>
Secured bank overdraft facilities:			
Amount used	\$ 2,084,637	\$ 1,842,918	\$ 1,740,674
Amount unused	<u>654,500</u>	<u>90,000</u>	<u>193,100</u>
	<u>\$ 2,739,137</u>	<u>\$ 1,932,918</u>	<u>\$ 1,933,774</u>

35. RELATED PARTY TRANSACTIONS

a. Related parties and relationships

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

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.

- b. The details of the compensation of key management personnel for the six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 26,554	\$ 13,268	\$ 43,301	\$ 30,258
Post-employment benefits	<u>289</u>	<u>260</u>	<u>494</u>	<u>525</u>
	<u>\$ 26,843</u>	<u>\$ 13,528</u>	<u>\$ 43,795</u>	<u>\$ 30,783</u>

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

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	\$ 1,768,158	\$ 1,797,781	\$ 1,831,807
Right-of-use assets	279,463	291,149	310,047
Pledge deposits - current	329,433	328,357	116,300
Inventories	<u>41,522</u>	<u>56,217</u>	<u>49,122</u>
	<u>\$ 2,418,576</u>	<u>\$ 2,473,504</u>	<u>\$ 2,307,276</u>

37. OTHER ITEMS

The is no significant impact on the consolidated company as of the approval date after assessing the economic impact caused by the COVID-19. Up to the date of approval of the issuance of the consolidated financial statements the Corporation will continue evaluating the pandemic and its impact.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- On August 12, 2020, the board of directors approved the resolution to purchase 100% equity of President Plastic Products Mfg. Co., Ltd. to acquired land in Dajia District, Taichung City, and planned to build the factory.
- On June 29, 2020, the board of directors approved the resolution to issued the three-year secured domestic convertible bonds for \$603,000 thousand to repay the bank loans. It was approved by the Financial Supervisory Commission on August 6, 2020.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

June 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 60,760	29.63 (USD:NTD)	\$ 1,800,318
USD	11,038	7.0699 (USD:RMB)	327,069
USD	298	1.3667 (USD:CAD)	8,837
RMB	45,969	4.191 (RMB:NTD)	192,655
RMB	15	0.1414 (RMB:USD)	63
EUR	3,202	33.27 (EUR:NTD)	106,531
EUR	1	1.1228 (EUR:USD)	38
EUR	1	0.9133 (EUR:GBP)	41
GBP	4,181	36.43 (GBP:NTD)	152,325
Non-monetary items			
USD	54,376	7.7505 (USD:HKD)	1,611,184
HKD	337,160	3.823 (HKD:NTD)	1,288,963
RMB	198,733	1.0963 (RMB:HKD)	832,891
CAD	8,918	0.7317 (CAD:USD)	193,334
EUR	1,557	33.27 (EUR:NTD)	51,794
<u>Financial liabilities</u>			
Monetary items			
USD	881	29.63 (USD:NTD)	26,102
USD	873	1.3667 (USD:CAD)	25,872
USD	1,244	107.7063 (USD:JPY)	36,864
USD	1,206	7.0699 (USD:RMB)	35,729
RMB	141,422	4.191 (RMB:NTD)	592,701
RMB	17,743	0.1414 (RMB:USD)	74,361
EUR	24	33.27 (EUR:NTD)	806
EUR	18	1.1228 (EUR:USD)	599
Non-monetary items			
GBP	1,695	36.43 (GBP:NTD)	61,746
JPY	8,943	0.2751 (JPY:NTD)	2,460

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
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

Financial liabilities

Monetary items			
USD	468	29.98 (USD:NTD)	14,023
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	105,154	4.305 (RMB:NTD)	452,487
EUR	28	0.1436 (EUR:USD)	941
Non-monetary items			
GBP	1,025	39.36 (GBP:NTD)	40,360

June 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,884	31.06 (USD:NTD)	\$ 803,968
USD	10,326	6.8702 (USD:RMB)	320,738
USD	134	1.3089 (USD:CAD)	4,150
RMB	40,542	4.521 (RMB:NTD)	183,289
RMB	1,710	0.1456 (RMB:USD)	7,732
EUR	1,461	35.38 (EUR:NTD)	51,707
EUR	1	1.1391 (EUR:USD)	25
EUR	23	0.8982 (EUR:GBP)	828
GBP	2,812	39.39 (GBP:NTD)	110,784
(Continued)			

	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
HKD	\$ 351,538	3.977 (HKD:NTD)	\$ 1,398,066
USD	16,460	7.8099 (USD:HKD)	511,236
RMB	217,296	1.1368 (RMB:HKD)	982,396
CAD	8,231	0.764 (CAD:USD)	195,318
EUR	3,030	35.38 (EUR:NTD)	107,215
JPY	17,134	0.2886 (JPY:NTD)	4,945
<u>Financial liabilities</u>			
Monetary items			
USD	800	31.06 (USD:NTD)	24,852
USD	30	0.8779 (USD:EUR)	934
USD	489	1.3089 (USD:CAD)	15,175
USD	608	107.623 (USD:JPY)	18,884
USD	3,071	6.8702 (USD:RMB)	95,371
RMB	46,466	4.521 (RMB:NTD)	210,074
RMB	9,871	0.1456 (RMB:USD)	44,625
EUR	4	35.38 (EUR:NTD)	131
EUR	5	0.8982 (EUR:GBP)	167
Non-monetary items			
GBP	777	39.39 (GBP:NTD)	30,608
			(Concluded)

For the three months ended June 30, 2020 and 2019, for the six months ended June 30, 2020 and 2019, (realized and unrealized) net foreign exchange gains (losses) were \$34,724 thousand, \$18,395 thousand, \$20,650 thousand and \$25,554 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

40. 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 or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4
- 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 5

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6
 - 9) Trading in derivative instruments: Notes 7 and 34
- b. Information on investees (excluding investees in mainland China): Table 7
 - c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
 - d. Intercompany relationships and significant intercompany transactions: Table 10
 - e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 11

41. SEGMENT INFORMATION

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

a. Segment revenues and results

	Asia	Americas	Europe	Eliminations	Total
For the Six months ended <u>June 30, 2020</u>					
Revenues from external customers	\$ 823,507	\$ 3,076,002	\$ 256,516	\$ -	\$ 4,156,025
Intersegment revenues	<u>1,844,867</u>	<u>1,211,780</u>	<u>-</u>	<u>(3,056,647)</u>	<u>-</u>
Consolidated revenues	<u>\$ 2,668,374</u>	<u>\$ 4,287,782</u>	<u>\$ 256,516</u>	<u>\$ (3,056,647)</u>	<u>\$ 4,156,025</u>
Segment income (loss)	<u>\$ 3,740</u>	<u>\$ 186,153</u>	<u>\$ (35,427)</u>	<u>\$ 115,742</u>	<u>\$ 270,208</u>
For the Six months ended <u>June 30, 2019</u>					
Revenues from external customers	\$ 1,171,819	\$ 1,495,310	\$ 219,337	\$ -	\$ 2,886,466
Intersegment revenues	<u>1,046,877</u>	<u>-</u>	<u>-</u>	<u>(1,046,877)</u>	<u>-</u>
Consolidated revenues	<u>\$ 2,218,696</u>	<u>\$ 1,495,310</u>	<u>\$ 219,337</u>	<u>\$ (1,046,877)</u>	<u>\$ 2,886,466</u>
Segment income (loss)	<u>\$ 179,917</u>	<u>\$ 19,468</u>	<u>\$ (89,582)</u>	<u>\$ (26,170)</u>	<u>\$ 83,633</u>

b. Segment assets and liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Segment assets</u>			
Asia	\$ 5,661,273	\$ 5,227,445	\$ 4,748,660
Americas	3,532,083	1,692,024	1,425,603
Europe	<u>341,194</u>	<u>375,832</u>	<u>349,060</u>
Total segment assets	<u>\$ 9,534,550</u>	<u>\$ 7,295,301</u>	<u>\$ 6,523,323</u>
<u>Segment liabilities</u>			
Asia	\$ 3,396,636	\$ 3,579,668	\$ 3,204,748
Americas	2,739,327	1,132,429	914,367
Europe	<u>336,059</u>	<u>338,887</u>	<u>252,662</u>
Total segment liabilities	<u>\$ 6,472,022</u>	<u>\$ 5,050,984</u>	<u>\$ 4,371,777</u>

TABLE 1

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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	\$ 20,099 (JPY 73,060 thousand)	\$ 20,099 (JPY 73,060 thousand)	\$ 20,099 (JPY 73,060 thousand)	-	Business transaction	\$ 96,457	-	\$ -	-	\$ -	\$ 96,457 (Note 2)	\$ 1,088,422 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	56,023 (EUR 1,684 thousand)	56,023 (EUR 1,684 thousand)	56,023 (EUR 1,684 thousand)	-	Business transaction	113,363	-	-	-	-	113,363 (Note 2)	1,088,422 (Note 4)	
		Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	13,533 (EUR 407 thousand)	13,533 (EUR 407 thousand)	13,533 (EUR 407 thousand)	-	Business transaction	29,576	-	-	-	-	29,576 (Note 2)	1,088,422 (Note 4)	
		Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	16,635 (EUR 500 thousand)	16,635 (EUR 500 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	1,088,422 (Note 1)	1,088,422 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	18,215 (GBP 500 thousand)	18,215 (GBP 500 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	1,088,422 (Note 1)	1,088,422 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	135,453 (GBP 3,718 thousand)	135,453 (GBP 3,718 thousand)	135,453 (GBP 3,718 thousand)	-	Business transaction	175,538	-	-	-	-	175,538 (Note 2)	1,088,422 (Note 4)	
1	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	8,893 (EUR 270 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	58,662 (Note 3)	58,662 (Note 3)	
2	SOLE INC.	Fitness Equipment Services, LLC	Other receivables from related parties	Yes	88,890 (US\$ 3,000 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	200,443 (Note 3)	200,443 (Note 3)	
3	Spirit Manufacturing Inc.	Fitness Equipment Services, LLC	Other receivables from related parties	Yes	226,670 (US\$ 9,000 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	330,514 (Note 3)	330,514 (Note 3)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	2,963 (US\$ 100 thousand)	2,963 (US\$ 100 thousand)	2,963 (US\$ 100 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	330,514 (Note 3)	330,514 (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 had been repaid as of June 30, 2020.

Note 7: Eliminated from the consolidated financial statements.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth in Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)	Note
		Name	Relationship											
0	Dyaco International Inc.	Fuel-Spirit International Inc.	Indirectly held subsidiary	\$ 1,360,528	\$ 26,667 (US\$ 900 thousand)	\$ 26,667 (US\$ 900 thousand)	\$ -	\$ -	0.98	\$ 1,360,528	Y	-	-	
		Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	272,106	29,630 (US\$ 1,000 thousand)	29,630 (US\$ 1,000 thousand)	29,630 (US\$ 1,000 thousand)	-	1.09	272,106	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	1,360,528	1,093 (GBP 30 thousand)	1,093 (GBP 30 thousand)	421 (GBP 12 thousand)	-	0.04	1,360,528	Y	-	-	
		Wing Long Co., Ltd.	Directly held subsidiary	1,360,528	10,000	10,000	-	-	0.37	1,360,528	Y	-	-	

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

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

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

TABLE 3

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES)
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Thousands of Shares)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	June 30, 2020				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)	10.0	\$ 31,860 (US\$ 1,000 thousand)	Note 1
	Uniigym Global Holdings Limited.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	9,075 (US\$ 300 thousand)	2.5	9,075 (US\$ 300 thousand)	Note 1
Dyaco (Shanghai) Trading Co., Ltd.	Bigger Fit Technology (Beijing) Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	5,905 (RMB 1,409 thousand)	5.0	5,905 (RMB 1,409 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	4,925 (RMB 1,175 thousand)	9.0	4,925 (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 7 and 8.

TABLE 4

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Dyaco International Inc.	Fitness Equipment Services LLC.	Investments accounted for using equity method	Fitness Equipment Services LLC.	None	-	\$ -	-	\$ 948,251 (Notes 1 and 2)	-	\$ -	\$ -	\$ -	-	\$ 948,251 (Notes 1 and 2)

Note 1: Means the initial capitalization amount.

Note 2: Eliminated from the consolidated financial statements.

TABLE 5

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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	\$ 1,628,334	75	Flexible	Based on mutual agreement	Flexible	\$ 1,173,556	79	
	Shelton Corporation (Jiaying), Ltd.	Indirectly held subsidiary	Purchase	641,881	42	Flexible	Based on mutual agreement	Flexible	591,966	42	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	102,579	5	Flexible	Based on mutual agreement	Flexible	157,331	11	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	1,628,334	100	Flexible	Based on mutual agreement	Flexible	1,173,556	89	
Shelton Corporation (Jiaying), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	641,881	59	Flexible	Based on mutual agreement	Flexible	591,966	58	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	102,579	100	Flexible	Based on mutual agreement	Flexible	157,331	92	

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

Note 2: Eliminated from the consolidated financial statements.

TABLE 6

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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		Amount	Actions Taken		
Dyaco International Inc.	Spirit Manufacturing Inc.	Indirectly held subsidiary	Accounts receivable	\$ 1,173,556	3.30%	\$ -	-	\$ 409,807	\$ -
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	157,331	1.50%	-	-	32,888	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	591,966	2.46%	-	-	77,356	-
Dyaco International Inc.	Dyaco UK Ltd.	Directly held subsidiary	Other receivables	135,453	Note 1	-	-	-	-

Note 1: Other receivables refer to financing provided.

Note 2: Eliminated from the consolidated financial statements.

TABLE 7

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 6)
				June 30, 2020	December 31, 2019	Number of Shares (In Thousands)	%	Carrying Amount (Notes 1 and 6)		
Dyaco International Inc.	Dyaco International Holding Limited	Hong Kong	Investment	\$ 1,128,018	\$ 1,128,018	290,634,268	100	\$ 1,288,963	\$ 81,003	\$ 83,511 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	358,161	-	100	51,794	(6,523)	(6,523)
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	10,021	(867)	(867)
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	(2,460)	(2,904)	(2,904)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	18,000	15,000	1,800,000	100	11,287	(2,443)	(2,443)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	80,574	-	100	(61,746)	(27,813)	(27,813)
	SOLE INC.	America	Investment	957,970	-	-	100	996,941	66,744	55,392 (Note 3)
Dyaco Europe GmbH.	CARDIO fitness GmbH & Co KG	Germany	Import, export and selling	216,813 (EUR 6,296 thousand)	216,813 (EUR 6,296 thousand)	-	100	53,777 (EUR 1,616 thousand)	862 (EUR 26 thousand)	(1,421) (EUR -43 thousand) (Note 4)
	Cardiofitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	973 (EUR 29 thousand)	20 (EUR 1)	20 (EUR 1)
SOLE INC.	Fitness Equipment Services, LLC	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	-	-	100	192,054 (US\$ 6,482 thousand)	90,133 (US\$ 3,004 thousand)	90,133 (US\$ 3,004 thousand)
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	614,243 (HK\$ 160,671 thousand)	70,356 (HK\$ 18,203 thousand)	70,356 (HK\$ 18,203 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	291,818 (US\$ 9,848 thousand)	54,593 (US\$ 1,820 thousand)	54,593 (US\$ 1,820 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	199,334 (US\$ 6,525 thousand)	15,607 (US\$ 520 thousand)	15,473 (US\$ 516 thousand) (Note 5)
Spirit Manufacturing Inc.	Spirit Direct, LLC	America	Import, export and selling	62,118 (US\$ 2,000 thousand)	62,118 (US\$ 2,000 thousand)	-	100	(34,303) (US\$ -1,217 thousand)	(3,859) (US\$ -129 thousand)	(3,859) (US\$ -129 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	(25,048) (US\$ -785 thousand)	(22,978) (US\$ -765 thousand)	(22,978) (US\$ -765 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 \$81,003 thousand and realized profits of \$2,508 thousand from upstream intercompany transactions.

Note 3: Including share of profit of \$66,744 thousand minus amortization of investment premium of \$11,352 thousand.

Note 4: Including share of profit of \$862 thousand minus amortization of investment premium of \$2,283 thousand.

Note 5: Including share of profit of \$15,607 thousand minus amortization of investment premium of \$134 thousand.

Note 6: Eliminated from the consolidated financial statements.

TABLE 8

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of June 30, 2020
						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)	\$ 6,251 (HK\$ 1,617 thousand)	100	\$ 6,251 (HK\$ 1,617 thousand)	\$ 170,461 (HK\$ 44,588 thousand)	\$ -
	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)	11,150 (HK\$ 2,885 thousand)	60	259 (HK\$ 66 thousand) (Note 3)	662,430 (HK\$ 173,275 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(467) (RMB -109 thousand)	100	(467) (RMB -109 thousand)	4,895 (RMB 1,145 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 5)
\$ 748,251 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

- Note 1: The investment company required in third region is Dyaco International Holding Limited.
- Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.
- Note 3: Including 60% share of profit of \$6,690 thousand minus amortization of investment premium of \$3,993 thousand and unrealized profits of \$2,438 thousand from side stream intercompany transactions.
- Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.
- Note 5: 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 6: Eliminated from the consolidated financial statements.

TABLE 9

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)**

No.	Investor Company	Investee Company	Transaction Type	Purchase/Sale		Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
				Amount (Note 2)	% (Note 1)	Payment Terms	Comparison with Normal Transactions	Ending Balance (Note 2)	% (Note 1)		
0	Dyaco International Inc.	Dyaco (Shanghai) Trading Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	Sales Purchase	\$ 102,579 641,881	5 42	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 157,331 591,966	11 42	\$ 13,665 2,068	

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

Note 2: Eliminated from the consolidated financial statements.

TABLE 10

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(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)	
2020	0	Dyaco International Inc.	Spirit Direct, LLC.	a	Sales	\$ 1,785	-	-
					Other operating revenue	229	-	-
					Accounts receivable from related parties	2,011	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	2,715	-	-
					Other payables from related parties	15	-	-
			Dyaco Japan Co., Ltd.	a	Sales	16,321	-	-
					Other operating revenue	277	-	-
					Accounts receivable from related parties	16,751	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Other receivables from related parties	20,099	-	-
					Investments accounted for using the equity method	2,644	-	-
					Sales	102,357	-	2
			Spirit Manufacturing Inc.	a	Other operating revenue	223	-	-
					Accounts receivable from related parties	157,295	-	2
					Investments accounted for using the equity method	13,665	-	-
			Dyaco Canada Inc.	a	Sales	1,610,651	-	39
					Other operating revenue	17,683	-	-
					Accounts receivable from related parties	1,173,556	-	12
			Dyaco Europe GmbH	a	Investments accounted for using the equity method	39,054	-	-
					Sales	89,120	-	2
					Accounts receivable from related parties	22,923	-	-
			Daan Health Management Consulting Co., Ltd.	a	Investments accounted for using the equity method	9,875	-	-
					Sales	8,780	-	-
					Other operating revenue	2	-	-
			Shelton Corporation (Jiaxing), Ltd.	a	Accounts receivable from related parties	9,724	-	-
					Other receivables from related parties	56,023	-	1
					Investments accounted for using the equity method	6,886	-	-
			Dyaco UK Ltd.	a	Other expenses	3,371	-	-
					Rental revenue	12	-	-
			Dyaco UK Ltd.	a	Cost of goods sold	641,876	-	15
					Accounts payable to related parties	194,663	-	2
					Accounts receivable from related parties	397,604	-	4
			Dyaco UK Ltd.	a	Other expenses	182	-	-
					Inventories	266	-	-
					Sales	25,244	-	1
			Dyaco UK Ltd.	a	Accounts receivable from related parties	13,637	-	-
					Other receivables from related parties	135,453	-	1
					Investments accounted for using the equity method	8,353	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
			Wing Long Co., Ltd.	a	Accounts receivable from related parties	\$ 3,552	-	-
					Accounts payable to related parties	772	-	-
					Sales	530	-	-
					Other expenses	194	-	-
			Cardio Fitness GmbH&Co.KG	a	Accounts receivable from related parties	11,653	-	-
					Other receivables from related parties	13,533	-	-
					Sales	5,828	-	-
			Sole Inc.	a	Other payables from related parties	181,350	-	2
	1	Spirit Direct, LLC.	Dyaco International Inc.	b	Accounts payable to related parties	2,011	-	-
					Inventories	2,014	-	-
			Spirit Manufacturing Inc.	c	Other payables from related parties	38,223	-	-
	2	Fuel-Spirit International Inc.	Dyaco International Inc.	b	Accounts payable to related parties	2,715	-	-
					Accounts receivable from related parties	15	-	-
			Spirit Manufacturing Inc.	c	Accounts receivable from related parties	121,483	-	1
					Other operating revenue	30,001	-	1
			Dyaco Canada Inc.	c	Other operating revenue	5,004	-	-
					Accounts receivable from related parties	2,744	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	91,293	-	2
					Accounts payable to related parties	74,440	-	1
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	16,598	-	-
					Accounts payable to related parties	36,600	-	-
					Other payables from related parties	250	-	-
					Inventories	2,644	-	-
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	102,580	-	2
					Accounts payable to related parties	157,295	-	2
					Inventories	13,665	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	45,686	-	1
					Accounts payable to related parties	44,907	-	-
					Inventories	2,145	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	112	-	-
					Other receivables from related parties	2	-	-
	5	Spirit Manufacturing Inc.	Dyaco International Inc.	b	Cost of goods sold	1,628,334	-	39
					Accounts payable to related parties	1,173,556	-	12
					Inventories	39,054	-	-
			Spirit Direct, LLC.	c	Other receivables from related parties	38,223	-	-
			Dyaco Canada Inc.	c	Sales	2,840	-	-
					Accounts receivable from related parties	204	-	-
			Fuel-Spirit International Inc.	c	Accounts payable to related parties	121,483	-	1
					Other expenses	30,001	-	1
			Fitness Equipment Services LLC.	c	Sales	1,211,780	-	29
					Other receivables from related parties	5,703	-	-
					Accounts receivable from related parties	580,896	-	6

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	6	Dyaco Canada Inc.	Dyaco International Inc.	b	Cost of goods sold	\$ 89,120	-	2
					Accounts payable to related parties	22,923	-	-
			Fuel-Spirit International Inc.	c	Inventories	9,875	-	-
					Other expenses	5,004	-	-
					Other payables from related parties	2,744	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	2,840	-	-
					Accounts payable to related parties	204	-	-
	7	Dyaco Europe GmbH	Dyaco International Inc.	b	Cost of goods sold	8,782	-	-
					Accounts payable to related parties	65,747	-	1
					Inventories	6,886	-	-
			Cardio Fitness GmbH&Co.KG	c	Other revenue	3,371	-	-
					Sales	4,730	-	-
					Cost of goods sold	30	-	-
					Other operating revenue	686	-	-
					Other expenses	595	-	-
					Accounts receivable from related parties	26,665	-	-
					Accounts payable to related parties	51	-	-
			Dyaco UK Ltd.	c	Accounts receivable from related parties	293	-	-
					Sales	732	-	-
					Cost of goods sold	2,636	-	-
	8	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	12	-	-
	9	Cardio Fitness GmbH&Co.KG	Dyaco Europe GmbH	c	Cost of goods sold	4,730	-	-
					Sales	32	-	-
					Other operating revenue	258	-	-
					Other expenses	686	-	-
					Other revenue	335	-	-
					Accounts payable to related parties	26,665	-	-
					Accounts receivable from related parties	51	-	-
			Dyaco International Inc.	b	Accounts payable to related parties	25,186	-	-
					Cost of goods sold	5,828	-	-
	10	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	b	Sales	642,058	-	15
					Accounts receivable from related parties	194,663	-	2
					Accounts payable to related parties	397,604	-	4
					Cost of goods sold	266	-	-
			Fuel-Spirit International Inc.	c	Sales	91,293	-	2
					Accounts receivable from related parties	74,440	-	1
			Dyaco (Shanghai) Trading Co., Ltd.	c	Sales	45,686	-	1
					Accounts receivable from related parties	44,907	-	-
					Cost of goods sold	2,145	-	-

(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)	
	11	Dyaco UK Ltd.	Dyaco International Inc.	b	Cost of goods sold	\$ 25,244	-	1
					Accounts payable to related parties	149,090	-	2
			Dyaco Europe GmbH	c	Inventories	8,353	-	-
					Accounts payable to related parties	293	-	-
					Sales	2,636	-	-
					Cost of goods sold	732	-	-
	12	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Other payables from related parties	114	-	-
	13	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties	3,552	-	-
					Accounts receivable from related parties	772	-	-
					Cost of goods sold	530	-	-
					Sales	194	-	-
	14	Fitness Equipment Services LLC.	Spirit Manufacturing Inc.	c	Cost of goods sold	1,211,780	-	29
					Accounts payable to related parties	586,599	-	6
	15	Sole Inc.	Dyaco International Inc.	c	Other receivables from related parties	181,350	-	2

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)

TABLE 11**DYACO INTERNATIONAL INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lin, Ing-Gin	10,063,283	8.31
Guang-Ying Limited	9,796,727	8.09
Dyaco International Inc.	8,565,000	7.07
Chuan-Feng Investment Corporation	8,208,882	6.78
Ho, I-Hsing Investment Corporation	6,865,725	5.67
Yong-Heng Investment Corporation	6,318,057	5.22
Chih-Ling Investment Corporation	6,318,057	5.22

Note: The table discloses stockholding information of stockholders whose percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.