

## **Dyaco International Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 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 September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 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

November 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)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash (Note 6)	\$ 1,259,177	11	\$ 826,213	11	\$ 690,787	10
Financial assets at fair value through profit or loss (Note 7)	5,172	-	-	-	-	-
Notes receivable (Notes 9 and 27)	2,741	-	1,501	-	1,398	-
Accounts receivable (Notes 9 and 27)	1,821,832	16	1,009,492	14	775,953	11
Other receivables (Notes 8 and 9)	78,886	1	44,531	1	31,847	1
Current tax assets (Note 29)	2,855	-	1,282	-	7,193	-
Inventories (Notes 10 and 37)	2,668,939	24	1,202,977	17	1,237,254	18
Prepayments (Note 11)	200,977	2	103,677	1	94,304	1
Other financial assets (Notes 12 and 37)	282,096	3	328,357	5	332,069	5
Other current assets	<u>27,742</u>	<u>-</u>	<u>32,119</u>	<u>-</u>	<u>27,384</u>	<u>-</u>
Total current assets	<u>6,350,417</u>	<u>57</u>	<u>3,550,149</u>	<u>49</u>	<u>3,198,189</u>	<u>46</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income (Note 8)	51,966	-	42,984	1	41,231	1
Investments accounted for using the equity method (Note 14)	5,123	-	-	-	-	-
Property, plant and equipment (Notes 15 and 37)	2,593,996	23	2,656,050	36	2,702,547	38
Right-of-use assets (Notes 16 and 37)	342,740	3	372,771	5	379,078	5
Investment properties (Note 17)	56,996	1	59,762	1	60,926	1
Goodwill (Notes 18 and 32)	391,540	3	182,483	3	193,647	3
Other intangible assets (Note 19)	968,936	9	233,838	3	255,282	4
Deferred income tax assets (Note 29)	288,391	3	181,176	2	170,809	2
Prepayments for plant and equipment	9,957	-	4,694	-	7,432	-
Refundable deposits	57,518	1	10,742	-	8,397	-
Prepayments for investments	25,919	-	-	-	-	-
Other non-current assets	<u>11,849</u>	<u>-</u>	<u>652</u>	<u>-</u>	<u>927</u>	<u>-</u>
Total non-current assets	<u>4,804,931</u>	<u>43</u>	<u>3,745,152</u>	<u>51</u>	<u>3,820,276</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 11,155,348</u>	<u>100</u>	<u>\$ 7,295,301</u>	<u>100</u>	<u>\$ 7,018,465</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 20 and 37)	\$ 1,023,557	9	\$ 1,513,300	21	\$ 1,424,000	20
Financial liabilities at fair value through profit or loss (Note 7)	5,543	-	3,043	-	6,174	-
Notes payable (Note 22)	621,916	6	308,558	4	275,554	4
Accounts payable (Note 22)	2,075,489	19	780,661	11	733,570	10
Other payables (Note 23)	813,467	7	324,232	4	254,195	4
Current income tax liabilities (Note 29)	271,532	2	56,348	1	41,659	1
Provisions (Note 24)	18,118	-	15,835	-	16,155	-
Lease liabilities (Note 16)	18,576	-	24,173	-	26,140	-
Contract liabilities (Note 27)	36,005	-	7,901	-	13,067	-
Current portion of bonds payable (Note 21)	-	-	592,874	8	590,932	8
Current portion of long-term borrowings (Notes 20 and 37)	158,027	1	112,124	2	112,549	2
Other current liabilities	<u>56,291</u>	<u>1</u>	<u>83,122</u>	<u>1</u>	<u>49,177</u>	<u>1</u>
Total current liabilities	<u>5,098,521</u>	<u>45</u>	<u>3,822,171</u>	<u>52</u>	<u>3,543,172</u>	<u>50</u>
<b>NON-CURRENT LIABILITIES</b>						
Bonds payable (Note 21)	584,043	5	-	-	-	-
Long-term borrowings (Notes 20 and 37)	829,850	8	785,594	11	815,042	12
Deferred tax liabilities (Note 29)	506,902	5	226,487	3	229,033	3
Lease liabilities (Note 16)	42,610	-	58,188	1	57,280	1
Long-term payable (Note 23)	105,829	1	136,310	2	180,615	3
Net defined benefit liabilities (Note 25)	19,673	-	19,563	-	20,630	-
Guarantee deposits received	<u>2,655</u>	<u>-</u>	<u>2,671</u>	<u>-</u>	<u>2,836</u>	<u>-</u>
Total non-current liabilities	<u>2,091,562</u>	<u>19</u>	<u>1,228,813</u>	<u>17</u>	<u>1,305,436</u>	<u>19</u>
Total liabilities	<u>7,190,083</u>	<u>64</u>	<u>5,050,984</u>	<u>69</u>	<u>4,848,608</u>	<u>69</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 26)</b>						
Share capital						
Ordinary shares	1,209,820	11	961,009	13	960,635	14
Advance share capital	<u>101,676</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>374</u>	<u>-</u>
Total share capital	<u>1,311,496</u>	<u>12</u>	<u>961,009</u>	<u>13</u>	<u>961,009</u>	<u>14</u>
Capital surplus	<u>1,811,140</u>	<u>16</u>	<u>758,304</u>	<u>10</u>	<u>751,509</u>	<u>11</u>
Retained earnings						
Legal reserve	152,827	2	133,886	2	133,886	2
Special reserve	105,812	1	79,123	1	79,123	1
Unappropriated earnings	<u>684,320</u>	<u>6</u>	<u>239,976</u>	<u>3</u>	<u>163,472</u>	<u>2</u>
Total retained earnings	<u>942,959</u>	<u>9</u>	<u>452,985</u>	<u>6</u>	<u>376,481</u>	<u>5</u>
Other equity	<u>(174,853)</u>	<u>(2)</u>	<u>(105,813)</u>	<u>(1)</u>	<u>(92,303)</u>	<u>(1)</u>
Treasury shares	<u>(272,651)</u>	<u>(2)</u>	<u>(172,340)</u>	<u>(2)</u>	<u>(172,340)</u>	<u>(3)</u>
Total equity attributable to owners of the Corporation	3,618,091	33	1,894,145	26	1,824,356	26
<b>NON-CONTROLLING INTERESTS (Notes 13 and 26)</b>	<u>347,174</u>	<u>3</u>	<u>350,172</u>	<u>5</u>	<u>345,501</u>	<u>5</u>
Total equity	<u>3,965,265</u>	<u>36</u>	<u>2,244,317</u>	<u>31</u>	<u>2,169,857</u>	<u>31</u>
<b>TOTAL</b>	<u>\$ 11,155,348</u>	<u>100</u>	<u>\$ 7,295,301</u>	<u>100</u>	<u>\$ 7,018,465</u>	<u>100</u>

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

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Note 27)	\$ 3,606,467	101	\$ 1,298,521	101	\$ 7,836,262	101	\$ 4,232,421	101
LESS: SALES RETURNS	7,035	-	4,057	-	19,575	-	15,463	-
SALES DISCOUNTS AND ALLOWANCES	<u>23,956</u>	<u>1</u>	<u>8,959</u>	<u>1</u>	<u>85,186</u>	<u>1</u>	<u>44,987</u>	<u>1</u>
NET OPERATING REVENUE	3,575,476	100	1,285,505	100	7,731,501	100	4,171,971	100
OPERATING COSTS (Notes 10 and 28)								
Cost of sales	<u>1,904,282</u>	<u>53</u>	<u>871,033</u>	<u>68</u>	<u>4,466,263</u>	<u>58</u>	<u>2,970,236</u>	<u>71</u>
GROSS PROFIT	<u>1,671,194</u>	<u>47</u>	<u>414,472</u>	<u>32</u>	<u>3,265,238</u>	<u>42</u>	<u>1,201,735</u>	<u>29</u>
OPERATING EXPENSES (Notes 28 and 36)								
Selling and marketing	729,445	21	147,243	11	1,673,264	21	511,229	12
General and administrative	213,956	6	144,365	11	516,203	7	447,473	11
Research and development	26,956	1	22,319	2	71,210	1	74,008	2
Expected credit loss	<u>6,375</u>	<u>-</u>	<u>2,698</u>	<u>-</u>	<u>16,383</u>	<u>-</u>	<u>6,917</u>	<u>-</u>
Total operating expenses	<u>976,732</u>	<u>28</u>	<u>316,625</u>	<u>24</u>	<u>2,277,060</u>	<u>29</u>	<u>1,039,627</u>	<u>25</u>
OTHER OPERATING INCOME AND EXPENSES (Note 28)	<u>(5,820)</u>	<u>-</u>	<u>(398)</u>	<u>-</u>	<u>(5,742)</u>	<u>-</u>	<u>(599)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>688,642</u>	<u>19</u>	<u>97,449</u>	<u>8</u>	<u>982,436</u>	<u>13</u>	<u>161,509</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	236	-	3,392	-	2,513	-	7,155	-
Rental income	3,824	-	3,233	-	11,835	-	11,435	-
Other income	7,080	-	4,150	-	27,774	-	14,519	-
Foreign exchange gain or loss, net (Note 28)	(69,675)	(2)	3,140	-	(90,325)	(1)	28,694	1
Other expenses	(802)	-	(1,297)	-	(1,329)	-	(2,864)	-
Gain or loss on valuation of financial instruments	706	-	(6,174)	-	(1,858)	-	(2,754)	-
Interest expense (Note 28)	<u>(12,974)</u>	<u>-</u>	<u>(13,654)</u>	<u>(1)</u>	<u>(43,801)</u>	<u>-</u>	<u>(43,822)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(71,605)</u>	<u>(2)</u>	<u>(7,210)</u>	<u>(1)</u>	<u>(95,191)</u>	<u>(1)</u>	<u>12,363</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	617,037	17	90,239	7	887,245	12	173,872	4
INCOME TAX BENEFIT (Note 29)	<u>195,365</u>	<u>5</u>	<u>22,087</u>	<u>2</u>	<u>274,004</u>	<u>4</u>	<u>37,067</u>	<u>1</u>
NET PROFIT	<u>421,672</u>	<u>12</u>	<u>68,152</u>	<u>5</u>	<u>613,241</u>	<u>8</u>	<u>136,805</u>	<u>3</u>

(Continued)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	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	\$ (9,742)	-	\$ (55,324)	(4)	\$ (70,984)	(1)	\$ (27,822)	-
Other comprehensive income (loss) for the period, net of income tax	(9,742)	-	(55,324)	(4)	(70,984)	(1)	(27,822)	-
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 411,930	12	\$ 12,828	1	\$ 542,257	7	\$ 108,983	3
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 424,523	12	\$ 67,398	5	\$ 614,295	8	\$ 112,910	3
Non-controlling interests	(2,851)	-	754	-	(1,054)	-	23,895	-
	\$ 421,672	12	\$ 68,152	5	\$ 613,241	8	\$ 136,805	3
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Corporation	\$ 406,229	12	\$ 27,599	2	\$ 545,255	7	\$ 97,358	3
Non-controlling interests	5,701	-	(14,771)	(1)	(2,998)	-	11,625	-
	\$ 411,930	12	\$ 12,828	1	\$ 542,257	7	\$ 108,983	3
EARNINGS PER SHARE (Note 30)								
Basic	\$ 3.74		\$ 0.73		\$ 5.62		\$ 1.23	
Diluted	\$ 3.63		\$ 0.64		\$ 5.56		\$ 1.10	

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 (Note 26)														
	Share Capital			Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total	Non-controlling Interests (Notes 13 and 27)	Total Equity
	Number of Shares (In Thousands)	Shares	Capital Collected in Advance		Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	92,950	\$ 929,502	\$ -	\$ 738,397	\$ 123,174	\$ 59,258	\$ 145,777	\$ 328,209	\$ (78,745)	\$ (378)	\$ (172,340)	\$ 1,744,645	\$ 333,876	\$ 2,078,521
Issuance of ordinary shares under employee share options (Note 31)	-	-	-	10,805	-	-	-	-	-	-	-	10,805	-	10,805
Changes in capital surplus from investments using the equity method (Note 31)	-	-	-	1,200	-	-	-	-	-	-	-	1,200	-	1,200
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	10,712	-	(10,712)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	19,865	(19,865)	-	-	-	-	-	-	-
Cash dividends to shareholder - NT\$0.35 per share	-	-	-	-	-	-	(31,133)	(31,133)	-	-	-	(31,133)	-	(31,133)
Share dividends to shareholder - NT\$0.35 per share	3,113	31,133	-	-	-	-	(31,133)	(31,133)	-	-	-	-	-	-
	3,113	31,133	-	-	10,712	19,865	(92,843)	(62,266)	-	-	-	(31,133)	-	(31,133)
Convertible bonds converted to ordinary shares (Note 21)	-	-	374	1,107	-	-	-	-	-	-	-	1,481	-	1,481
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	112,910	112,910	-	-	-	112,910	23,895	136,805
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	-	-	(15,552)	-	-	(15,552)	(12,270)	(27,822)
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	112,910	112,910	(15,552)	-	-	97,358	11,625	108,983
Disposal of investments in equity instruments designated as at fair value through other comprehensive income from subsidiaries (Note 8)	-	-	-	-	-	-	(2,372)	(2,372)	-	2,372	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	96,063	\$ 960,635	\$ 374	\$ 751,509	\$ 133,886	\$ 79,123	\$ 163,472	\$ 376,481	\$ (94,297)	\$ 1,994	\$ (172,340)	\$ 1,824,356	\$ 345,501	\$ 2,169,857
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 31)	50	500	2,500	55,890	-	-	-	-	-	-	-	58,890	-	58,890
Equity component of convertible bonds issued by the Company (Notes 21 and 26)	-	-	-	12,666	-	-	-	-	-	-	-	12,666	-	12,666
Changes in capital surplus from investments using the equity method (Note 31)	-	-	-	440	-	-	-	-	-	-	-	440	-	440
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 to ordinary shares (Note 21)	5,831	58,311	99,176	440,267	-	-	-	-	-	-	-	597,754	-	597,754
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	614,295	614,295	-	-	-	614,295	(1,054)	613,241
Other comprehensive income/(loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	-	-	(69,040)	-	-	(69,040)	(1,944)	(70,984)
Total comprehensive income/(loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	614,295	614,295	(69,040)	-	-	545,255	(2,998)	542,257
Issuance of ordinary shares for cash (Note 26)	19,000	190,000	-	548,745	-	-	-	-	-	-	-	738,745	-	738,745
Buy-back of ordinary shares (Note 26)	-	-	-	-	-	-	-	-	-	-	(155,550)	(155,550)	-	(155,550)
Treasury shares transfer to employees (Note 26)	-	-	-	(5,172)	-	-	-	-	-	-	55,239	50,067	-	50,067
BALANCE AT SEPTEMBER 30, 2020	120,981	\$ 1,209,820	\$ 101,676	\$ 1,811,140	\$ 152,827	\$ 105,812	\$ 684,320	\$ 942,959	\$ (178,746)	\$ 3,893	\$ (272,651)	\$ 3,618,091	\$ 347,174	\$ 3,965,265

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

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 887,245	\$ 173,872
Adjustments for:		
Depreciation expense	146,533	138,704
Amortization expense	91,894	70,700
Expected credit loss recognized	16,382	6,917
Loss/(Gain) on fair value changes of financial instrument at fair value through profit or loss	(1,185)	2,768
Interest expense	43,801	43,822
Interest income	(2,513)	(7,155)
Compensation costs of employee share options	47,265	12,005
Loss on disposal of property, plant and equipment	163	599
Loss on disposal of intangible assets	-	12
Loss on inventories valuation and obsolescence	8,471	14,871
Unrealized gain on foreign currency exchange	(2,245)	(43,099)
Loss on lease modification	42	-
Impairments loss on prepayment for goods	5,537	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	24,059
Notes receivable	(1,240)	2,588
Accounts receivable	(329,288)	151,870
Other receivables	(34,346)	(6,669)
Inventories	(1,172,463)	(8,898)
Prepayments	(98,644)	3,755
Other current assets	527	(7,145)
Contract liabilities	28,104	3,747
Notes payable	313,358	(190,307)
Accounts payable	1,179,353	(10,770)
Other payables	257,641	(36,754)
Provisions	2,926	2,158
Other current liabilities	(26,831)	17,112
Net defined benefit liabilities	110	385
Cash generated from operations	1,360,597	359,147
Interest received	2,504	3,165
Interest paid	(39,206)	(37,603)
Income tax paid	(105,569)	(21,329)
Net cash generated from operating activities	1,218,326	303,380

(Continued)



# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ (9,075)	\$ (35,168)
Disposal of financial assets at fair value through other comprehensive income	-	22,544
Acquisition of investments accounted for using the equity method	(5,123)	-
Prepayments for investments	(25,919)	-
Net cash outflow on acquisition of subsidiaries (Note 32)	(857,459)	-
Payments for property, plant and equipment (Note 33)	(52,203)	(49,448)
Proceeds from disposal of property, plant and equipment	1,061	686
Decrease (increase) in refundable deposits	(42,926)	1,642
Payments for intangible assets (Note 33)	(39,773)	(16,356)
Decrease (increase) in other financial assets	46,261	(79,783)
Decrease (increase) in other non-current assets	(5,648)	623
Net cash used in investing activities	(990,804)	(155,260)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(967,299)	(216,910)
Proceeds from issuance of convertible bonds	594,648	-
Repayments of bond payables	(100)	-
Proceeds from long-term borrowings	200,000	470,000
Repayments of long-term borrowings	(107,495)	(259,746)
Proceeds from (refund of) guarantee deposits received	31	(203)
Repayment of the principal portion of lease liabilities	(16,132)	(18,156)
Cash dividends	(124,321)	(31,133)
Proceeds from issuance of ordinary shares	738,745	-
Exercise of employee stock options	12,065	-
Payments for buy-back of ordinary shares	(155,550)	-
Proceeds from treasury shares transferred to employees	50,067	-
Net cash generated from (used in) financing activities	224,659	(56,148)
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	(19,217)	3,218
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	432,964	95,190
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	826,213	595,597
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	\$ 1,259,177	\$ 690,787

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

(Concluded)

# DYACO INTERNATIONAL INC. AND SUBSIDIARIES

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

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### 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 November 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Send Stage”	January 1, 2021
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, 2023

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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)
	(Concluded)

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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	\$ 1,166	\$ 783	\$ 1,239
Checking accounts and demand deposits	<u>1,258,011</u>	<u>825,430</u>	<u>689,548</u>
	<u>\$ 1,259,177</u>	<u>\$ 826,213</u>	<u>\$ 690,787</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Demand deposits	0.001%-0.35%	0.001%-0.5%	0.001%-0.38%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 2,725	\$ -	\$ -
Convertible bonds options (Note 21)	<u>2,447</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,172</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Cross-currency swap contracts	\$ 5,543	\$ 2,072	\$ 6,174
Foreign exchange forward contracts	<u>-</u>	<u>971</u>	<u>-</u>
	<u>\$ 5,543</u>	<u>\$ 3,043</u>	<u>\$ 6,174</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>September 30, 2020</u>			
Cross-currency swap contracts	NTD/USD	2020.10.29-2021.06.18	NTD179,712/USD6,000
Foreign exchange forward contracts	USD/NTD	2020.10.13-2020.12.04	USD3,000/NTD89,116
<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
<u>September 30, 2019</u>			
Cross-currency swap contracts	USD/RMB	2019.10.08-2020.02.05	USD6,400/RMB45,748

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Non-current</u>			
Foreign investments			
Gomore Inc.	\$ 31,860	\$ 31,860	\$ 31,060
Uniigym Global Holdings Limited	9,075	-	-
Bigger Fit Technology (Beijing) Co., Ltd.	6,016	6,067	6,256
Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	<u>5,015</u>	<u>5,057</u>	<u>3,915</u>
	<u>\$ 51,966</u>	<u>\$ 42,984</u>	<u>\$ 41,231</u>

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

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

The Group sold the shares of Beijing Zhongtai Tianhe Health Technology Co., Ltd. to others at the cost of original investment amount. As of September 30, 2020, proceeds from sale of financial assets at fair value through other comprehensive income of RMB4,500 thousand (around NT\$19,210 thousand) was not recovered and recognized as other receivables.

## 9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 2,741	\$ 1,501	\$ 1,398
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,741</u>	<u>\$ 1,501</u>	<u>\$ 1,398</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,971,110	\$ 1,144,531	\$ 920,390
Less: Allowance for impairment loss	<u>149,278</u>	<u>135,039</u>	<u>144,437</u>
	<u>\$ 1,821,832</u>	<u>\$ 1,009,492</u>	<u>\$ 775,953</u>

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Other receivables</u>			
Tax refund receivables	\$ 41,831	\$ 14,408	\$ 5,187
Others	<u>37,055</u>	<u>30,123</u>	<u>26,660</u>
	<u>\$ 78,886</u>	<u>\$ 44,531</u>	<u>\$ 31,847</u>
			(Concluded)

a. Notes receivable

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

September 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	\$ 1,594,672	\$ 187,107	\$ 31,451	\$ 6,828	\$ 20,571	\$ 130,481	\$ 1,971,110
Loss allowance (Lifetime ECLs)	<u>(2,115)</u>	<u>(2,295)</u>	<u>(894)</u>	<u>(2,191)</u>	<u>(11,302)</u>	<u>(130,481)</u>	<u>(149,278)</u>
Amortized cost	<u>\$ 1,592,557</u>	<u>\$ 184,812</u>	<u>\$ 30,557</u>	<u>\$ 4,637</u>	<u>\$ 9,269</u>	<u>\$ -</u>	<u>\$ 1,821,832</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)	<u>(1,514)</u>	<u>(2,006)</u>	<u>(246)</u>	<u>(1,094)</u>	<u>(3,046)</u>	<u>(127,133)</u>	<u>(135,039)</u>
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>

## September 30, 2019

	Not Past Due	Less than 60 Days	61 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days and Individually Recognized	Total
Expected credit loss rate	0%-8.82%	0%-39.61%	0%-67.36%	0%-75.05%	0%-100%	0%-100%	0%-100%
Gross carrying amount	\$ 625,130	\$ 90,735	\$ 64,759	\$ 3,487	\$ 10,374	\$ 125,905	\$ 920,390
Loss allowance (Lifetime ECLs)	<u>(2,990)</u>	<u>(6,354)</u>	<u>(3,781)</u>	<u>(1,090)</u>	<u>(4,317)</u>	<u>(125,905)</u>	<u>(144,437)</u>
Amortized cost	<u>\$ 622,140</u>	<u>\$ 84,381</u>	<u>\$ 60,978</u>	<u>\$ 2,397</u>	<u>\$ 6,057</u>	<u>\$ -</u>	<u>\$ 775,953</u>

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 September 30, 2020, accounts receivable from New Level UK Ltd. was \$107,095 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 \$107,095 thousand.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 135,039	\$ 138,260
Add: Acquisitions through business combinations	749	-
Add: Net remeasurement of loss allowance	16,383	6,917
Less: Amounts written off	(1,496)	(447)
Foreign exchange gains and losses	<u>(1,397)</u>	<u>(293)</u>
Ending balance	<u>\$ 149,278</u>	<u>\$ 144,437</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 September 30, 2020, the ratio of allowance for impairment loss of other receivables was 0%.

## 10. INVENTORIES

	September 30, 2020	December 31, 2019	September 30, 2019
Raw materials	\$ 345,648	\$ 105,741	\$ 168,063
Work in progress	266,712	198,177	217,889
Finished goods	1,827,760	636,997	569,633
Merchandise	<u>228,819</u>	<u>262,062</u>	<u>281,669</u>
	<u>\$ 2,668,939</u>	<u>\$ 1,202,977</u>	<u>\$ 1,237,254</u>

The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2020 was \$1,904,282 thousand, including warranties of \$16,248 thousand; and the cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2020 was \$4,466,263 thousand, including warranties of \$48,718 thousand and inventory write-downs of \$8,471 thousand. The cost of inventories recognized as cost of goods sold for the three months ended September 30, 2019 was \$871,033 thousand, including warranties of \$14,860 thousand; and the cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2019 was \$2,970,236 thousand, including warranties of \$52,166 thousand and inventory write-downs of \$14,871 thousand.

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

## 11. PREPAYMENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Prepayments for goods	\$ 102,871	\$ 16,868	\$ 18,510
Prepaid expenses	39,807	38,702	34,163
Tax overpayment retained for offsetting future tax payable	43,442	24,022	25,036
Others	<u>14,857</u>	<u>24,085</u>	<u>16,595</u>
	<u>\$ 200,977</u>	<u>\$ 103,677</u>	<u>\$ 94,304</u>

## 12. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Restricted deposits	<u>\$ 282,096</u>	<u>\$ 328,357</u>	<u>\$ 332,069</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Restricted deposits	0.01%-0.53%	0.01%-1.94%	0.22%-2.55%

b. The other financial assets pledged as collateral are set out in Note 37.

### 13. SUBSIDIARIES

#### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2020	December 31, 2019	September 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	-
	Wing Long Co., Ltd.	Import, export and selling	100	100	100	1)
SOLE INC.	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	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)
	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	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 September 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 September 30, 2020, US\$3,000 thousand (NT\$87,300 thousand) was not paid and recognized as other payables. The information of business combinations please refer to Note 32.
- 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		
		September 30, 2020	December 31, 2019	September 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 September 30		For the Nine Months Ended September 30		September 30, 2020	December 31, 2019	September 30, 2019
	2020	2019	2020	2019			
Shelton Corporation (Jiaxing), Ltd.	\$ (2,851)	\$ 754	\$ (1,054)	\$ 23,895	\$ 347,174	\$ 350,172	\$ 345,501

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

	September 30, 2020	December 31, 2019	September 30, 2019
Current assets	\$ 1,793,616	\$ 1,031,195	\$ 888,619
Non-current assets	966,349	1,021,019	1,039,982
Current liabilities	(1,604,973)	(881,457)	(762,454)
Non-current liabilities	<u>(139,547)</u>	<u>(144,086)</u>	<u>(146,871)</u>
Equity	<u>\$ 1,015,445</u>	<u>\$ 1,026,671</u>	<u>\$ 1,019,276</u>
Equity attributable to:			
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 668,271	\$ 676,499	\$ 673,775
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>347,174</u>	<u>350,172</u>	<u>345,501</u>
	<u>\$ 1,015,445</u>	<u>\$ 1,026,671</u>	<u>\$ 1,019,276</u>
	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>
			<b>2019</b>
Revenue	<u>\$ 983,194</u>	<u>\$ 391,881</u>	<u>\$ 2,080,301</u>
Net profit (loss) from continuing operations (Remark)	\$ (7,129)	\$ 1,883	\$ (2,635)
Other comprehensive income (loss) for the period	<u>21,382</u>	<u>(38,811)</u>	<u>(4,861)</u>
Total comprehensive income (loss) for the period	<u>\$ 14,253</u>	<u>\$ (36,928)</u>	<u>\$ (7,496)</u>
Profit (loss) attributable to:			
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ (4,278)	\$ 1,129	\$ (1,581)
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>(2,851)</u>	<u>754</u>	<u>(1,054)</u>
	<u>\$ (7,129)</u>	<u>\$ 1,883</u>	<u>\$ (2,635)</u>
Total comprehensive income (loss) attributable to:			
Owners of Shelton Corporation (Jiaxing), Ltd.	\$ 8,552	\$ (22,157)	\$ (4,498)
Non-controlling interests of Shelton Corporation (Jiaxing), Ltd.	<u>5,701</u>	<u>(14,771)</u>	<u>(2,998)</u>
	<u>\$ 14,253</u>	<u>\$ (36,928)</u>	<u>\$ (7,496)</u>

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Net cash inflow/(outflow) from:		
Operating activities	\$ 29,364	\$ 155,985
Investing activities	(4,444)	(51,535)
Financing activities	<u>50,944</u>	<u>(52,676)</u>
Net cash inflow	<u>\$ 75,864</u>	<u>\$ 51,774</u>

Note: Net profit was \$7,345 thousand less amortization of \$9,980 thousand for the nine months ended September 30, 2020. Net profit was \$70,328 thousand less amortization of \$10,591 thousand for the nine months ended September 30, 2019.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Investments in associates	<u>\$ 5,123</u>	<u>\$ -</u>	<u>\$ -</u>
Associates that are not individually material			
Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	<u>\$ 5,123</u>	<u>\$ -</u>	<u>\$ -</u>

Aggregate information of associates that are not individually material

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
The Group's share of:				
Profit from continuing operations	\$ -	\$ -	\$ -	\$ -
Other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Group acquired the 40% equity of Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. for \$5,123 thousands in July, 2020. The Company provides technology development and consulting in the field of health technology.

The investments were accounted for using the equity method and the share of profit or loss and other comprehensive income or loss of those investments were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd. which have not been reviewed.

## 15. 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 32)	-	-	36,712	-	346	1,599	38,657
Additions	-	2,352	36,395	8,837	3,358	1,751	52,693
Disposals	-	-	(1,598)	(3,007)	(1,327)	(1,237)	(7,169)
Effects of foreign currency exchange differences	(429)	(19,832)	(4,316)	(170)	(1,642)	237	(26,152)
Balance at September 30, 2020	<u>993,043</u>	<u>1,894,106</u>	<u>757,647</u>	<u>49,428</u>	<u>72,774</u>	<u>23,874</u>	<u>3,790,872</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 32)	-	-	13,257	-	75	1,094	14,426
Depreciation expenses	-	50,764	57,072	3,004	5,714	2,750	119,304
Disposals	-	-	(1,395)	(2,791)	(994)	(765)	(5,945)
Effects of foreign currency exchange differences	-	(4,808)	(2,317)	(113)	(530)	66	(7,702)
Balance at September 30, 2020	-	<u>573,406</u>	<u>524,678</u>	<u>31,923</u>	<u>57,408</u>	<u>9,461</u>	<u>1,196,876</u>
Carrying amounts at September 30, 2020	<u>\$ 993,043</u>	<u>\$ 1,320,700</u>	<u>\$ 232,969</u>	<u>\$ 17,505</u>	<u>\$ 15,366</u>	<u>\$ 14,413</u>	<u>\$ 2,593,996</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	-	595	45,460	1,680	7,634	862	56,231
Reclassification (Note)	-	(53,881)	-	-	-	-	(53,881)
Disposals	-	-	(28,852)	(1,115)	(3,504)	(4,092)	(37,563)
Effects of foreign currency exchange differences	159	(15,861)	(6,990)	(285)	504	(719)	(23,192)
Balance at September 30, 2019	<u>993,988</u>	<u>1,929,148</u>	<u>687,311</u>	<u>44,645</u>	<u>72,492</u>	<u>22,431</u>	<u>3,750,015</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2019	-	472,621	425,655	29,137	48,777	7,864	984,054
Depreciation expenses	-	51,815	50,620	3,855	5,947	2,149	114,386
Reclassification (Note)	-	(1,801)	-	-	-	-	(1,801)
Disposals	-	-	(28,308)	(822)	(3,057)	(4,091)	(36,278)
Effects of foreign currency exchange differences	-	(8,523)	(4,015)	(197)	(9)	(149)	(12,893)
Balance at September 30, 2019	-	<u>514,112</u>	<u>443,952</u>	<u>31,973</u>	<u>51,658</u>	<u>5,773</u>	<u>1,047,468</u>
Carrying amounts at September 30, 2019	<u>\$ 993,988</u>	<u>\$ 1,415,036</u>	<u>\$ 243,359</u>	<u>\$ 12,672</u>	<u>\$ 20,834</u>	<u>\$ 16,658</u>	<u>\$ 2,702,547</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 37.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Land	\$ 282,639	\$ 291,149	\$ 296,256
Buildings	53,910	71,656	78,011
Office equipment	91	154	176
Transportation equipment	<u>6,100</u>	<u>9,812</u>	<u>4,635</u>
	<u>\$ 342,740</u>	<u>\$ 372,771</u>	<u>\$ 379,078</u>
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
			<u>2019</u>
Additions for right-of-use assets		\$ -	\$ 30,508
Depreciation charge for right-of-use assets			
Land	\$ 2,018	\$ 2,107	\$ 6,061
Buildings	4,681	5,045	15,044
Office equipment	18	19	55
Transportation equipment	<u>1,074</u>	<u>862</u>	<u>3,622</u>
	<u>\$ 7,791</u>	<u>\$ 8,033</u>	<u>\$ 24,782</u>
			<u>\$ 22,040</u>

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

### b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 18,576</u>	<u>\$ 24,173</u>	<u>\$ 26,140</u>
Non-current	<u>\$ 42,610</u>	<u>\$ 58,188</u>	<u>\$ 57,280</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	1.56%-4.75%	1.56%-4.75%	1.56%-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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases	<u>\$ 4,798</u>	<u>\$ 4,006</u>	<u>\$ 14,522</u>	<u>\$ 13,012</u>
Expenses relating to low-value asset leases	<u>\$ 75</u>	<u>\$ 60</u>	<u>\$ 206</u>	<u>\$ 180</u>
Total cash outflow for leases	<u>\$ (9,587)</u>	<u>\$ (15,026)</u>	<u>\$ (30,860)</u>	<u>\$ (31,348)</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:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Lease commitments	<u>\$ 49,857</u>	<u>\$ 64,659</u>	<u>\$ 73,090</u>

## 17. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ 26,935
Reclassification	53,881
Effects of foreign currency exchange differences	<u>(1,825)</u>
Balance at September 30, 2019	<u>78,991</u>
	(Continued)



**Completed  
Investment  
Properties**

Accumulated depreciation

Balance at January 1, 2019	\$ 14,441
Reclassification	1,801
Depreciation expenses	2,278
Effects of foreign currency exchange differences	(455)
Balance at September 30, 2019	<u>18,065</u>

Carrying amount at September 30, 2019 \$ 60,926

Cost

Balance at January 1, 2020	\$ 78,432
Effects of foreign currency exchange differences	(448)
Balance at September 30, 2020	<u>77,984</u>

Accumulated depreciation

Balance at January 1, 2020	18,670
Depreciation expenses	2,447
Effects of foreign currency exchange differences	(129)
Balance at September 30, 2020	<u>20,988</u>

Carrying amount at September 30, 2020 \$ 56,996  
(Concluded)

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

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Lease commitments of investment properties	<u>\$ 26,743</u>	<u>\$ 37,146</u>	<u>\$ 36,164</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 September 30, 2020, December 31, 2019 and September 30, 2019, the fair value of investment property located in Zhongshan District, Taipei City was \$27,912 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.

## 18. GOODWILL

	For the Nine Months Ended September 30	
	2020	2019
<u>Cost</u>		
Balance at January 1	\$ 191,049	\$ 196,045
Acquisitions through business combinations-Fitness Equipment Services LLC. (Note 32)	220,303	-
Effect of foreign currency exchange differences	(11,103)	(2,398)
Balance at September 30	<u>400,249</u>	<u>193,647</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	8,566	-
Effect of foreign currency exchange differences	143	-
Balance at September 30	<u>8,709</u>	<u>-</u>
Carrying amounts at September 30	<u>\$ 391,540</u>	<u>\$ 193,647</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 32.

## 19. 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 32)	-	-	-	-	-	840,483	1,084	841,567
Additions	5,022	-	-	-	10,018	-	-	15,040
Disposals	(990)	-	-	(67,509)	-	-	-	(68,499)
Effects of foreign currency exchange differences	(150)	(1,086)	(4,078)	(730)	(3,785)	(28,593)	(36)	(38,458)
Balance at September 30, 2020	<u>85,143</u>	<u>82,579</u>	<u>69,747</u>	<u>7,685</u>	<u>298,233</u>	<u>811,890</u>	<u>1,048</u>	<u>1,356,325</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2020	54,903	52,798	73,825	75,924	115,387	-	-	372,837
Amortization expenses	8,559	5,766	-	-	53,026	24,362	181	91,894
Disposals	(990)	-	-	(67,509)	-	-	-	(68,499)
Effects of foreign currency exchange differences	(126)	(1,204)	(4,078)	(730)	(2,114)	(586)	(5)	(8,843)
Balance at September 30, 2020	<u>62,346</u>	<u>57,360</u>	<u>69,747</u>	<u>7,685</u>	<u>166,299</u>	<u>23,776</u>	<u>176</u>	<u>387,389</u>
Carrying amounts at September 30, 2020	<u>\$ 22,797</u>	<u>\$ 25,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,934</u>	<u>\$ 788,114</u>	<u>\$ 872</u>	<u>\$ 968,936</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 65,917	\$ 85,644	\$ 72,509	\$ 78,571	\$ 251,005	\$ -	\$ -	\$ 553,646
Additions	12,712	-	-	-	44,643	-	-	57,355
Disposals	(950)	-	-	-	-	-	-	(950)
Effects of foreign currency exchange differences	51	(512)	2,826	(1,934)	910	-	-	1,341
Balance at September 30, 2019	<u>77,730</u>	<u>85,132</u>	<u>75,335</u>	<u>76,637</u>	<u>296,558</u>	<u>-</u>	<u>-</u>	<u>611,392</u>
<u>Accumulated amortization</u>								
Balance at January 1, 2019	46,536	45,659	67,152	78,571	47,269	-	-	285,187
Amortization expenses	6,836	6,004	5,545	-	52,315	-	-	70,700
Disposals	(938)	-	-	-	-	-	-	(938)
Effect of foreign currency exchange differences	166	149	2,638	(1,934)	142	-	-	1,161
Balance at September 30, 2019	<u>52,600</u>	<u>51,812</u>	<u>75,335</u>	<u>76,637</u>	<u>99,726</u>	<u>-</u>	<u>-</u>	<u>356,110</u>
Carrying amounts at September 30, 2019	<u>\$ 25,130</u>	<u>\$ 33,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,282</u>

a. 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.

b. 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

## 20. BORROWINGS

a. Short-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured borrowings	\$ 263,100	\$ 568,100	\$ 491,100
Secured borrowings	<u>760,457</u>	<u>945,200</u>	<u>932,900</u>
	<u>\$ 1,023,557</u>	<u>\$ 1,513,300</u>	<u>\$ 1,424,000</u>
Range of interest rates			
Unsecured borrowings	1.15%-1.37%	1.18%-1.50%	1.35%-1.77%
Secured borrowings	1.01%-4.87%	1.34%-4.87%	1.34%-4.87%

b. Long-term borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Secured borrowings</u>			
Mega Bank	\$ 408,250	\$ 277,700	\$ 293,150
Taishin Bank	191,250	202,500	206,250
Taiwan Cooperative Bank	180,000	180,000	180,000
Bank SinoPac	139,489	155,753	161,943
Bank of Montreal	39,103	42,795	44,138
Chang Hua Bank	29,785	37,937	40,623
Kölner Bank	<u>-</u>	<u>1,033</u>	<u>1,487</u>
	987,877	897,718	927,591
Less: Current portion	<u>158,027</u>	<u>112,124</u>	<u>112,549</u>
	<u>\$ 829,850</u>	<u>\$ 785,594</u>	<u>\$ 815,042</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 September 30, 2020, December 31, 2019 and September 30, 2019, the borrowings were \$22,950 thousand, \$30,600 thousand, and \$33,150 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 September 30, 2020, December 31, 2019 and September 30, 2019 the amount of borrowings was \$208,400 thousand, \$247,100 thousand and \$260,000 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 September 30, 2020 the amount of borrowings was \$176,900 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 September 30, 2020, December 31, 2019 and September 30, 2019, the amount of borrowings was \$157,500 thousand, \$162,000 thousand and \$163,500 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 September 30, 2020, December 31, 2019 and September 30, 2019, the amount of borrowings was \$33,750 thousand, \$40,500 thousand and \$42,750 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 September 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 September 30, 2020, December 31, 2019 and September 30, 2019, the borrowings were \$36,154 thousand, \$43,077 thousand, and \$46,154 thousand, respectively, at annual interest rate of 1.71%. In 2015, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from December 2017 to November 2022. As of September 30, 2020, December 31, 2019 and September 30, 2019, the borrowings were \$93,205 thousand, \$100,081 thousand and \$102,372 thousand, respectively, at annual interest rate of 1.51%. In 2016, the Corporation signed a contract for borrowings, under which the principal and interest are repayable monthly from October 2016 to October 2023. As of September 30, 2020, December 31, 2019 and September 30, 2019, the borrowings were \$10,130 thousand, \$12,595 thousand, and \$13,417 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 September 30, 2020, December 31, 2019 and September 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 September 30, 2020, December 31, 2019 and September 30, 2019, the annual borrowing interest rate were 1.50%, 2.06%, and 2.06%, 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 December 31, 2019 and September 30, 2019, the annual borrowing interest rate was 2.50%.

## 21. BONDS PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2020
Secured domestic convertible bonds	\$ 584,043	\$ 592,874	\$ 590,932
Less: Current portion	<u>-</u>	<u>(592,874)</u>	<u>(590,932)</u>
	<u>\$ 584,043</u>	<u>\$ -</u>	<u>\$ -</u>

- a. 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\$598,400 thousand was reclassified to share capital at NT\$58,311 thousand and advance share capital at NT\$99,176 thousand. Capital surplus - options and bonds payable discounts on the conversion date decreased in the amounts of NT\$15,762 thousand and NT\$646 thousand, respectively. The capital surplus - options of NT\$456,029 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%	15,584
Convertible bonds converted to ordinary shares	<u>(1,481)</u>
Liability component at September 30, 2019	<u>\$ 590,932</u>

(Continued)

Liability component at January 1, 2020	\$ 592,874
Interest charged at an effective interest rate of 1.31%	4,980
Convertible bonds converted to ordinary shares	(597,754)
Repayment at September 20, 2020	<u>(100)</u>
Liability component at September 30, 2020	<u>\$ -</u> (Concluded)

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

- b. On August 24, 2020, the Corporation issued 0% three-year secured domestic convertible bonds at 100.5% of face value of \$600,000 thousand for the second time, with maturity date of August 24, 2023, totaling \$603,000 thousand. The convertible bonds are guaranteed by Bank SinoPac.

Each bond entitles the holder to convert it into ordinary shares of the Corporation at a conversion price of \$89.9. Conversion may occur at any time between November 25, 2020 and August 24, 2023.

According to restrictions for second-time issuance and conversion of secured convertible bond, the Corporation is entitled to redeem the bonds by cash at face value from November 25, 2020 to July 15, 2023, if the closing price of common shares is 30% higher than its conversion price within thirty business days in a row or the balance of outstanding bonds is 10% lower than the original face value.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$8,352 thousand)	\$ 594,648
Equity component (less transaction costs allocated to the equity component of \$178 thousand)	(12,666)
Financial assets at fair value through profit or loss - options	<u>1,487</u>
Liability component at the date of issue	583,469
Interest charged at an effective interest rate of 0.93%	<u>574</u>
Liability component at September 30, 2020	<u>\$ 584,043</u>

Financial assets at fair value through profit or loss - options are measured at FVTPL. Gain on changes in fair value of financial assets at fair value through profit or loss - options was \$960 thousand for the nine months ended September 30, 2020.

## 22. NOTES PAYABLE AND ACCOUNTS PAYABLE

- a. Notes payable

The Group issues notes payable for payment and business expenditure.

- b. Accounts payable

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

## 23. OTHER PAYABLE AND LONG-TERM PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Current</u>			
Payables for freight	\$ 285,956	\$ 15,775	16,058
Payables for royalties (Note 19)	89,309	78,717	69,438
Payables for investments (Note 13)	87,300	-	-
Payables for salaries and bonuses	61,052	69,177	50,965
Payables for advertisements	49,378	-	-
Payables for employee benefits	38,977	43,560	35,804
Payables for value added taxes	38,322	15,816	15,039
Payables for labor costs	23,413	13,844	10,309
Payables for insurance	10,618	9,087	12,007
Payables for employees' compensation	9,953	2,451	2,577
Payables for annual leave	9,045	13,008	8,896
Payables for commissions	7,569	4,994	5,124
Payables for purchase of equipment	5,559	4,641	5,031
Payables for remuneration of directors	-	1,225	-
Others	<u>97,016</u>	<u>51,937</u>	<u>22,947</u>
	<u>\$ 813,467</u>	<u>\$ 324,232</u>	<u>\$ 254,195</u>
<u>Non-current</u>			
Payables for royalties (Note 19)	<u>\$ 105,829</u>	<u>\$ 136,310</u>	<u>\$ 180,615</u>

## 24. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
Warranties	<u>\$ 18,118</u>	<u>\$ 15,835</u>	<u>\$ 16,155</u>
			<b>Warranties</b>
Balance at January 1, 2020			\$ 15,835
Amount used			(45,792)
Additional provisions recognized			48,718
Effect of foreign currency exchange differences			<u>(643)</u>
Balance at September 30, 2020			<u>\$ 18,118</u>
Balance at January 1, 2019			\$ 13,806
Amount used			(50,008)
Additional provisions recognized			52,166
Effect of foreign currency exchange differences			<u>191</u>
Balance at September 30, 2019			<u>\$ 16,155</u>

## 25. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

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

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

### b. Defined benefit plans

The Group calculated the pension obligations of the defined benefit plans for the nine months ended September 30, 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 September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Operating costs	\$ 27	\$ 27	\$ 79	\$ 79
Operating expenses	<u>65</u>	<u>65</u>	<u>196</u>	<u>196</u>
	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ 275</u>	<u>\$ 275</u>

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	September 30, 2020	December 31, 2019	September 30, 2019
Number of shares authorized (in thousands)	<u>200,000</u>	<u>150,000</u>	<u>150,000</u>
Share capital authorized	<u>\$ 2,000,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>120,981</u>	<u>96,100</u>	<u>96,063</u>
Ordinary shares issued	<u>\$ 1,209,820</u>	<u>\$ 961,009</u>	<u>\$ 960,635</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

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Issuance of ordinary shares	\$ 1,265,388	\$ 704,409	\$ 704,409
Conversion of bonds	457,176	1,147	1,147
Treasury shares transaction	37,685	-	-
May only be used to offset a deficit			
Conversion of Employee share options	1,460	1,460	1,460
May not be used for any purpose			
Conversion of bonds	12,666	15,762	15,762
Employee share options	33,097	32,298	25,903
Employee share options in subsidiaries	<u>3,668</u>	<u>3,228</u>	<u>2,828</u>
	<u>\$ 1,811,140</u>	<u>\$ 758,304</u>	<u>\$ 751,509</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 nine months ended September 30 in 2020 and 2019 were as follows:

	Issuance of Ordinary Shares	Convertible Bond Premium	Treasury Shares Transaction	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	-	-	-	-	-	-
Convertible bond premium	-	456,029	-	-	(15,762)	-	-
Exercise of employee share options	12,234	-	-	-	-	(3,169)	-
Compensation costs of employee share options (Note)	-	-	-	-	-	46,825	440
Treasury shares transferred to employees	-	-	37,685	-	-	(42,857)	-
Issuance of convertible bonds	-	-	-	-	12,666	-	-
Balance at September 30, 2020	<u>\$ 1,265,388</u>	<u>\$ 457,176</u>	<u>\$ 37,685</u>	<u>\$ 1,460</u>	<u>\$ 12,666</u>	<u>\$ 33,097</u>	<u>\$ 3,668</u>
Balance at January 1, 2019	\$ 704,409	\$ -	\$ -	\$ 1,460	\$ 15,802	\$ 15,098	\$ 1,628
Compensation costs of employee share options	-	-	-	-	-	10,805	1,200
Convertible bond premium	-	1,147	-	-	(40)	-	-
Balance at September 30, 2019	<u>\$ 704,409</u>	<u>\$ 1,147</u>	<u>\$ -</u>	<u>\$ 1,460</u>	<u>\$ 15,762</u>	<u>\$ 25,903</u>	<u>\$ 2,828</u>

Note On June 29, 2020, the Corporation's board of directors resolved to transfer treasury shares to employees. Compensation costs and compensation costs of employee share options recognized by the Group were \$42,857 thousand and \$4,408 thousand in accordance with the actuarial report, respectively.

c. Retained earnings and dividend policy

The Corporation has resolved the amended Articles on May 30, 2020, 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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
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 September 30	<u>\$ 3,893</u>	<u>\$ 1,994</u>

e. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2019	4,000
Increase during the period	<u>-</u>
Number of shares at September 30, 2019	<u>4,000</u>
Number of shares at January 1, 2020	4,000
Increase during the period	4,565
Decrease during the period	<u>(1,443)</u>
Number of shares at September 30, 2020	<u>7,122</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.

On June 29, 2020, the Corporation's board of directors resolved to transfer 1,443 thousand shares of treasury shares to employees.

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 350,172	\$ 333,876
Profit for the period attributable to non-controlling interests	(1,054)	23,895
Exchange differences on translating the financial statements of foreign entities	<u>(1,944)</u>	<u>(12,270)</u>
Balance at September 30	<u>\$ 347,174</u>	<u>\$ 345,501</u>

**27. REVENUE**

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers				
Sporting goods	\$ 3,528,068	\$ 1,261,510	\$ 7,355,024	\$ 3,580,884
Furniture	40,749	13,040	358,732	572,302
Other revenue	<u>6,659</u>	<u>10,955</u>	<u>17,745</u>	<u>18,785</u>
	<u>\$ 3,575,476</u>	<u>\$ 1,285,505</u>	<u>\$ 7,731,501</u>	<u>\$ 4,171,971</u>

a. Contract balances

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Notes receivable (Note 9)	<u>\$ 2,741</u>	<u>\$ 1,501</u>	<u>\$ 1,398</u>	<u>\$ 3,986</u>
Accounts receivable (Note 9)	<u>\$ 1,821,832</u>	<u>\$ 1,009,492</u>	<u>\$ 775,953</u>	<u>\$ 926,566</u>
Contract liabilities				
Sale of goods	<u>\$ 36,005</u>	<u>\$ 7,901</u>	<u>\$ 13,067</u>	<u>\$ 9,320</u>

b. Disaggregation of revenue

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

## 28. NET PROFIT

### a. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property, plant and equipment	\$ 40,512	\$ 38,022	\$ 119,304	\$ 114,386
Right-of-use assets	7,791	8,033	24,782	22,040
Investment properties	815	1,220	2,447	2,278
Intangible assets	<u>32,996</u>	<u>22,022</u>	<u>91,894</u>	<u>70,700</u>
	<u>\$ 82,114</u>	<u>\$ 69,297</u>	<u>\$ 238,427</u>	<u>\$ 209,404</u>
An analysis of depreciation by function				
Operating costs	\$ 27,178	\$ 26,372	\$ 75,879	\$ 76,433
Operating expenses	21,125	19,683	68,207	59,993
Non-operating income and expenses	<u>815</u>	<u>1,220</u>	<u>2,447</u>	<u>2,278</u>
	<u>\$ 49,118</u>	<u>\$ 47,275</u>	<u>\$ 146,533</u>	<u>\$ 138,704</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>32,996</u>	<u>22,022</u>	<u>91,894</u>	<u>70,700</u>
	<u>\$ 32,996</u>	<u>\$ 22,022</u>	<u>\$ 91,894</u>	<u>\$ 70,700</u>

### b. Other operating income and expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Impairment loss recognized on prepayments for goods	\$ (5,537)	\$ -	\$ (5,537)	\$ -
Loss on disposal of property, plant and equipment	(270)	(398)	(163)	(599)
Loss on lease modification	<u>(13)</u>	<u>-</u>	<u>(42)</u>	<u>-</u>
	<u>\$ (5,820)</u>	<u>\$ (398)</u>	<u>\$ (5,742)</u>	<u>\$ (599)</u>

c. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Post-employment benefits (Note 25)				
Defined contribution plan	\$ 7,598	\$ 4,362	\$ 23,830	\$ 19,132
Defined benefit plans	<u>92</u>	<u>92</u>	<u>275</u>	<u>275</u>
	<u>7,690</u>	<u>4,454</u>	<u>24,105</u>	<u>19,407</u>
Employees' compensation	300,991	182,975	694,132	584,473
Labor and national health insurance expenses	17,030	13,802	50,014	44,010
Other employee benefits	<u>10,345</u>	<u>7,406</u>	<u>26,376</u>	<u>21,554</u>
	<u>328,366</u>	<u>204,183</u>	<u>770,522</u>	<u>650,037</u>
Total employee benefits expense	<u>\$ 336,056</u>	<u>\$ 208,637</u>	<u>\$ 794,627</u>	<u>\$ 669,444</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 124,970	\$ 80,331	\$ 295,204	\$ 264,186
Operating expenses	<u>211,086</u>	<u>128,306</u>	<u>499,423</u>	<u>405,258</u>
	<u>\$ 336,056</u>	<u>\$ 208,637</u>	<u>\$ 794,627</u>	<u>\$ 669,444</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 nine months ended September 30, 2020 and 2019, the employees' compensation and the remuneration of directors were as follows:

	<b>For the Nine Months Ended September 30</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
Employees' compensation	1%	\$ 7,502	1%	\$ 2,577
Remuneration of directors	-	-	-	-

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

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

	<b>Accrual Rate</b>	<b>Amount</b>
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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Foreign exchange gains	\$ 21,651	\$ 52,693	\$ 74,517	\$ 172,780
Foreign exchange losses	<u>(91,326)</u>	<u>(49,553)</u>	<u>(164,842)</u>	<u>(144,086)</u>
Net gains (losses)	<u>\$ (69,675)</u>	<u>\$ 3,140</u>	<u>\$ (90,325)</u>	<u>\$ 28,694</u>

f. Interest expenses

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 10,663	\$ 11,344	\$ 36,864	\$ 36,848
Interest on convertible bonds	1,649	1,941	5,554	5,804
Interest on lease liabilities	<u>662</u>	<u>369</u>	<u>1,383</u>	<u>1,170</u>
	<u>\$ 12,974</u>	<u>\$ 13,654</u>	<u>\$ 43,801</u>	<u>\$ 43,822</u>

## 29. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current tax				
In respect of the current period	\$ 203,057	\$ 16,406	\$ 319,400	\$ 47,518
Adjustments for prior periods	<u>280</u>	<u>4</u>	<u>(8,035)</u>	<u>3,174</u>
	<u>203,337</u>	<u>16,410</u>	<u>311,365</u>	<u>50,692</u>
Deferred tax	<u>(7,972)</u>	<u>5,677</u>	<u>(37,361)</u>	<u>(13,625)</u>
Income tax expense recognized in profit or loss	<u>\$ 195,365</u>	<u>\$ 22,087</u>	<u>\$ 274,004</u>	<u>\$ 37,067</u>

b. Income tax assessments

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

### 30. EARNINGS PER SHARE

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

Net profit for the period is as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit for the period attributable to owners of the Corporation	<u>\$ 424,523</u>	<u>\$ 67,398</u>	<u>\$ 614,295</u>	<u>\$ 112,910</u>
Earnings used in the computation of basic earnings per share	\$ 424,523	\$ 67,398	\$ 614,295	\$ 112,910
Effect of potentially dilutive ordinary shares				
Interest on convertible bonds (after tax)	<u>544</u>	<u>1,553</u>	<u>3,675</u>	<u>4,643</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 425,067</u>	<u>\$ 68,951</u>	<u>\$ 617,970</u>	<u>\$ 117,553</u>

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

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	113,593	92,063	109,341	92,063
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees	63	64	87	64
Convertible bonds	2,760	14,963	927	14,963
Employee share options	<u>772</u>	<u>-</u>	<u>772</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>117,188</u>	<u>107,090</u>	<u>111,127</u>	<u>107,090</u>

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



### 31. SHARE-BASED PAYMENT ARRANGEMENTS

#### a. Employee share options

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

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

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

Information on employee share options is as follows:

	For the Nine Months Ended September 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	\$ 40.45	4,000	\$ 42.95
Options granted	-		-	
Options exercised	<u>(300)</u>		<u>-</u>	
Balance at September 30	<u>3,700</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 \$40.45 on the day of exercise.

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

	September 30	
	2020	2019
Range of exercise price (\$)	\$40.0	\$41.6
Weighted-average remaining contractual life (in years)	3.25 years	4.25 years

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

	<b>December 2017</b>
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 - ordinary shares premium \$9,065 thousand.

Compensation costs recognized by the Group were \$4,408 thousand and \$12,005 thousand for the nine months ended September 30, 2020 and 2019, respectively.

b. Treasury shares transfer to employees

Qualified employees of the Group were granted 1,443,000 treasury shares options on July 3, 2020. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Corporation.

Information on treasury shares options is as follows:

	<b>For the Nine Months Ended September 30, 2020</b>	
<b>Employee Share Options</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1		\$ -
Options granted	1,443	34.80
Options exercised	<u>(1,443)</u>	34.80
Balance at September 30	<u>          -</u>	
Options exercisable, end of period	<u>          -</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 29.70</u>	

The base date of employee share options was July 3, 2020. Employees exercised the treasury shares options from July 3 to July 17, 2020, and the weighted average share price of the treasury shares options exercised is \$34.80 on the day of exercise.

Options granted in July 2020 were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	<b>July 2020</b>
Grant-date share price	\$64.50
Exercise price	\$34.80
Expected volatility	41.81%
Expected life (in days)	15 days
Risk-free interest rate	0.29%

Expected volatility was based on the Corporation's historical share price volatility for the past six months.

Compensation costs recognized by the Group were \$42,857 thousand for the nine months ended September 30, 2020.

## 32. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
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

	<b>Fitness Equipment Services LLC.</b>
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 19)	841,567
Other non-current assets	5,549
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>

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

	<b>Fitness Equipment Services LLC</b>
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

	<b>Fitness Equipment Services LLC</b>
Consideration paid in cash	\$ 948,251
Less: Payables for investments (Note 23)	(87,300)
Less: Cash balances acquired	<u>(3,492)</u>
Net cash outflow on the acquisition of subsidiaries	<u>\$ 857,459</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:

	<b>Fitness Equipment Services LLC</b>
Revenue	<u>\$ 3,623,652</u>
Profit	<u>\$ 321,479</u>

Had these business combinations been in effect at the beginning of the financial year, the Group's revenue would have been \$4,076,608 thousand, and the profit would have been \$361,663 thousand for the nine months September 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.

### 33. PARTIAL CASH TRANSACTIONS

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

a. From cash investing activities

	<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Partial cash paid for property, plant and equipment		
Purchase of property, plant and equipment	\$ 52,693	\$ 56,231
Changes in prepayments for purchases of plant and equipment	428	(2,074)
Changes in payables for purchase of equipment	<u>(918)</u>	<u>(4,709)</u>
Cash paid	<u>\$ 52,203</u>	<u>\$ 49,448</u>
Partial cash paid for other intangible assets		
Purchase of other intangible assets	\$ 15,040	\$ 57,355
Changes in payables for royalties	19,889	(16,653)
Changes in prepayments for purchases of plant and equipment	<u>4,844</u>	<u>(24,346)</u>
Cash paid	<u>\$ 39,773</u>	<u>\$ 16,356</u>

b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 2020

	Opening Balance	Cash Flows	Non-cash Changes						Closing Balance
			Decrease During the Period	Assets Component	Equity Component	Other Gain and Loss	Interests	Exchange Rate Impact	
Short-term borrowings	\$ 1,513,300	\$ (487,057)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,686)	\$ 1,023,557
Bonds payable	592,874	594,548	-	1,487	(610,420)	-	5,554	-	584,043
Long-term borrowings	897,718	92,505	-	-	-	-	-	(2,346)	987,877
Guarantee deposits received	2,671	31	-	-	-	-	-	(47)	2,655
Lease liabilities	<u>82,361</u>	<u>(16,132)</u>	<u>(3,058)</u>	<u>-</u>	<u>-</u>	<u>42</u>	<u>1,383</u>	<u>(3,410)</u>	<u>61,186</u>
	<u>\$ 3,088,924</u>	<u>\$ 183,895</u>	<u>\$ (3,058)</u>	<u>\$ 1,487</u>	<u>\$ (610,420)</u>	<u>\$ 42</u>	<u>\$ 6,937</u>	<u>\$ (8,489)</u>	<u>\$ 2,659,318</u>

For the nine months ended September 30, 2019

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

### 34. CAPITAL MANAGEMENT

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

### 35. FINANCIAL INSTRUMENTS

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

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

September 30, 2020

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Convertible bonds	\$ 584,043	\$ -	\$ 589,320	\$ -	\$ 589,320

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

September 30, 2019

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

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

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

1) Fair value hierarchy

September 30, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial liabilities held for trading				
Foreign exchange forward contracts	\$ -	\$ 2,725	\$ -	\$ 2,725
Convertible bonds option	-	2,447	-	2,447
	<u>\$ -</u>	<u>\$ 5,172</u>	<u>\$ -</u>	<u>\$ 5,172</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,966</u>	<u>\$ 51,966</u>
Financial liabilities at FVTPL				
Derivative financial liabilities held for trading				
Swap contracts	<u>\$ -</u>	<u>\$ 5,543</u>	<u>\$ -</u>	<u>\$ 5,543</u>

December 31, 2019

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

September 30, 2019

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

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

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

No gain or loss was recognized in profit or loss for the nine months ended September 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

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
<b><u>Financial assets</u></b>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 5,172	\$ -	\$ -
Financial assets at amortized cost (Note 1)	3,402,901	2,195,687	1,826,867
Financial assets at FVTOCI - equity instruments	51,966	42,984	41,231
<b><u>Financial liabilities</u></b>			
FVTPL			
Held for trading	5,543	3,043	6,174
Amortized cost (Note 2)	5,460,174	4,399,328	4,261,169

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, 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.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (153,550)	\$ (55,252)	\$ 50,090	\$ 15,133
	<b>EUR Impact</b>		<b>GBP Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Profit or loss	\$ (6,466)	\$ (3,965)	\$ (9,254)	\$ (6,031)

b) Interest rate risk

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

	September 30, 2020	December 31, 2019	September 30, 2019
Fair value interest rate risk			
Financial assets	\$ 282,092	\$ 328,353	\$ 332,064
Financial liabilities	1,109,916	2,027,393	2,364,032
Cash flow interest rate risk			
Financial assets	779,243	716,565	433,209
Financial liabilities	1,157,847	1,273,890	911,966

Sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2020 and 2019 would decrease/increase by \$710 thousand and \$898 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 64.91%, 48.06% and 45.8% of total accounts receivable as of September 30, 2020, December 31, 2019 and September 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 September 30, 2020, December 31, 2019 and September 30, 2019, the Group had available unutilized short-term bank loan facilities of \$2,710,790 thousand, \$1,213,525 thousand and \$933,835 thousand, respectively.

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

September 30, 2020

	<b>Weighted Average Effective Interest Rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing		\$ 829,845	\$ 2,013,364	\$ 410,164	\$ 117	\$ 106
Variable interest rate liabilities	1.15%-4.785%	12,423	155,603	198,757	512,420	316,087
Fixed interest rate liabilities	1.01%-4.87%	140,273	646,396	120,136	149,589	-
Lease liabilities	1.56%-4.75%	<u>1,757</u>	<u>3,511</u>	<u>14,593</u>	<u>37,411</u>	<u>8,306</u>
		<u>\$ 984,298</u>	<u>\$ 2,818,874</u>	<u>\$ 743,650</u>	<u>\$ 699,537</u>	<u>\$ 324,499</u>

December 31, 2019

	<b>Weighted Average Effective Interest Rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
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%-4.75%	<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>

September 30, 2019

	<b>Weighted Average Effective Interest Rate</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing		\$ 244,453	\$ 726,017	\$ 98,002	\$ 13	\$ 108
Variable interest rate liabilities	1.51%-4.57%	9,089	18,183	111,887	432,600	340,207
Fixed interest rate liabilities	1.34%-4.87%	173,898	595,223	1,288,640	222,851	-
Lease liabilities	1.56%-4.75%	<u>1,726</u>	<u>3,396</u>	<u>15,907</u>	<u>38,384</u>	<u>13,888</u>
		<u>\$ 429,166</u>	<u>\$ 1,342,819</u>	<u>\$ 1,514,436</u>	<u>\$ 693,848</u>	<u>\$ 354,203</u>

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

September 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Swap contracts	\$ (327)	\$ (800)	\$ 317	\$ -	\$ -
Foreign exchange forward contracts	<u>171</u>	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (156)</u>	<u>\$ (636)</u>	<u>\$ 317</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<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>

September 30, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Swap contracts	<u>\$ 5,543</u>	<u>\$ 18,709</u>	<u>\$ 20,073</u>	<u>\$ -</u>	<u>\$ -</u>

4) Financing facilities

	September 30, 2020	December 31, 2019	September 30, 2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand			
Amount used	\$ 263,100	\$ 568,100	\$ 491,100
Amount unused	<u>1,260,150</u>	<u>1,123,525</u>	<u>585,600</u>
	<u>\$ 1,523,250</u>	<u>\$ 1,691,625</u>	<u>\$ 1,076,700</u>
Secured bank overdraft facilities			
Amount used	\$ 1,748,334	\$ 1,842,918	\$ 1,860,491
Amount unused	<u>1,450,640</u>	<u>90,000</u>	<u>348,235</u>
	<u>\$ 3,198,974</u>	<u>\$ 1,932,918</u>	<u>\$ 2,208,726</u>

### 36. 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 nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 17,312	\$ 16,927	\$ 60,613	\$ 47,185
Post-employment benefits	<u>286</u>	<u>237</u>	<u>780</u>	<u>762</u>
	<u>\$ 17,598</u>	<u>\$ 17,164</u>	<u>\$ 61,393</u>	<u>\$ 47,947</u>

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

### 37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	\$ 1,760,262	\$ 1,797,781	\$ 1,812,645
Right-of-use assets	282,639	291,149	296,256
Pledge deposits - current	282,096	328,357	332,069
Inventories	<u>60,360</u>	<u>56,217</u>	<u>52,739</u>
	<u>\$ 2,385,357</u>	<u>\$ 2,473,504</u>	<u>\$ 2,493,709</u>

### 38. 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.

### 39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 104,562	29.1 (USD:NTD)	\$ 3,042,755
USD	6,436	6.8166 (USD:RMB)	187,285
USD	741	1.3398 (USD:CAD)	21,562
RMB	37,232	4.269 (RMB:NTD)	158,944
RMB	15	0.1467 (RMB:USD)	64
EUR	3,805	34.15 (EUR:NTD)	129,955
EUR	1	1.1735 (EUR:USD)	39
GBP	4,961	37.3 (GBP:NTD)	185,038
GBP	4	1.0922 (GBP:EUR)	161
Non-monetary items			
USD	63,285	7.7517 (USD:HKD)	1,841,584
HKD	320,372	3.754 (HKD:NTD)	1,202,677
RMB	196,709	1.1372 (RMB:HKD)	839,750
CAD	9,565	0.7464 (CAD:USD)	207,747
EUR	1,592	34.15 (EUR:NTD)	54,368
(Continued)			

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,285	29.1 (USD:NTD)	\$ 37,387
USD	1,892	1.3398 (USD:CAD)	55,044
USD	1,293	105.5878 (USD:JPY)	37,632
USD	1,737	6.8166 (USD:RMB)	50,547
RMB	261,370	4.269 (RMB:NTD)	1,115,787
RMB	10,548	0.1467 (RMB:USD)	45,030
EUR	18	1.1735 (EUR:USD)	615
EUR	2	0.9155 (EUR:GBP)	66
GBP	3	1.0922 (GBP:EUR)	112
Non-monetary items			
GBP	2,133	37.3 (GBP:NTD)	79,578
JPY	17,309	0.2756 (JPY:NTD)	4,770
			(Concluded)

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

September 30, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 35,445	31.04 (USD:NTD)	\$ 1,100,211
USD	3,136	7.1356 (USD:RMB)	97,345
USD	78	1.3231 (USD:CAD)	2,436
RMB	23,835	4.35 (RMB:NTD)	103,684
RMB	243	0.1401 (RMB:USD)	1,056
EUR	2,268	33.95 (EUR:NTD)	77,011
EUR	2	1.0938 (EUR:USD)	64
EUR	69	0.8887 (EUR:GBP)	2,333
GBP	3,157	38.2 (GBP:NTD)	120,613
Non-monetary items			
HKD	351,341	3.958 (HKD:NTD)	1,390,607
USD	17,738	7.8423 (USD:HKD)	550,576
RMB	216,707	1.099 (RMB:HKD)	942,675
CAD	8,049	0.7558 (CAD:USD)	188,840
EUR	2,580	33.95 (EUR:NTD)	87,597
JPY	9,107	0.2878 (JPY:NTD)	2,621
<u>Financial liabilities</u>			
Monetary items			
USD	891	31.04 (USD:NTD)	27,650
USD	30	0.9143 (USD:EUR)	934
USD	1,208	1.3231 (USD:CAD)	37,491
USD	586	107.8527 (USD:JPY)	18,186
USD	344	7.1356 (USD:RMB)	10,679
RMB	74,789	4.35 (RMB:NTD)	325,332
RMB	18,867	0.1401 (RMB:USD)	82,069
EUR	3	33.95 (EUR:NTD)	107
Non-monetary items			
GBP	1,123	38.2 (GBP:NTD)	42,901

For the three months ended September 30, 2020 and 2019, for the nine months ended September 30, 2020 and 2019, (realized and unrealized) net foreign exchange gains (losses) were \$69,675 thousand, \$3,140 thousand, \$90,325 thousand and \$28,694 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 35
- b. Information on investees (excluding investees in mainland China): Table 7
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 9
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 9
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: 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 nine months ended <u>September 30, 2020</u>					
Revenues from external customers	\$ 1,231,795	\$ 6,104,757	\$ 394,949	\$ -	\$ 7,731,501
Intersegment revenues	<u>4,279,187</u>	<u>2,866,643</u>	<u>-</u>	<u>(7,145,830)</u>	<u>-</u>
Consolidated revenues	<u>\$ 5,510,982</u>	<u>\$ 8,971,400</u>	<u>\$ 394,949</u>	<u>\$ (7,145,830)</u>	<u>\$ 7,731,501</u>
Segment income (loss)	<u>\$ 151,609</u>	<u>\$ 578,092</u>	<u>\$ (49,174)</u>	<u>\$ 206,718</u>	<u>\$ 887,245</u>
For the nine months ended <u>September 30, 2019</u>					
Revenues from external customers	\$ 1,474,817	\$ 2,411,781	\$ 285,373	\$ -	\$ 4,171,971
Intersegment revenues	<u>1,782,480</u>	<u>-</u>	<u>-</u>	<u>(1,782,480)</u>	<u>-</u>
Consolidated revenues	<u>\$ 3,257,297</u>	<u>\$ 2,411,781</u>	<u>\$ 285,373</u>	<u>\$ (1,782,480)</u>	<u>\$ 4,171,971</u>
Segment income (loss)	<u>\$ 254,446</u>	<u>\$ 66,320</u>	<u>\$ (126,689)</u>	<u>\$ (20,205)</u>	<u>\$ 173,872</u>

### b. Segment assets and liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Segment assets</u>			
Asia	\$ 4,526,977	\$ 5,227,445	\$ 4,861,933
Americas	6,246,586	1,692,024	1,798,937
Europe	<u>381,785</u>	<u>375,832</u>	<u>357,595</u>
Total segment assets	<u>\$ 11,155,348</u>	<u>\$ 7,295,301</u>	<u>\$ 7,018,465</u>
<u>Segment liabilities</u>			
Asia	\$ 1,619,422	\$ 3,579,668	\$ 3,307,363
Americas	5,181,513	1,132,429	1,248,362
Europe	<u>389,148</u>	<u>338,887</u>	<u>292,883</u>
Total segment liabilities	<u>\$ 7,190,083</u>	<u>\$ 5,050,984</u>	<u>\$ 4,848,608</u>

TABLE 1

## DYACO INTERNATIONAL INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 27,728 (JPY 100,611 thousand)	\$ 27,728 (JPY 100,611 thousand)	\$ 27,728 (JPY 100,611 thousand)	-	Business transaction	\$ 75,355	-	\$ -	-	\$ -	\$ 75,355 (Note 2)	\$ 1,447,236 (Note 4)	
		Dyaco Europe GmbH	Other receivables from related parties	Yes	59,057 (EUR 1,729 thousand)	59,057 (EUR 1,729 thousand)	59,057 (EUR 1,729 thousand)	-	Business transaction	82,459	-	-	-	-	82,459 (Note 2)	1,447,236 (Note 4)	
		Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	13,891 (EUR 407 thousand)	10,847 (EUR 318 thousand)	10,847 (EUR 318 thousand)	-	Business transaction	48,618	-	-	-	-	48,618 (Note 2)	1,447,236 (Note 4)	
		Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	17,075 (EUR 500 thousand)	17,075 (EUR 500 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	1,447,236 (Note 1)	1,447,236 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	18,650 (GBP 500 thousand)	18,650 (GBP 500 thousand)	-	-	Short-term financing	-	Operating turnover	-	-	-	1,447,236 (Note 1)	1,447,236 (Note 4)	
		Dyaco UK Ltd.	Other receivables from related parties	Yes	137,673 (GBP 3,691 thousand)	117,408 (GBP 3,148 thousand)	117,408 (GBP 3,148 thousand)	-	Business transaction	218,353	-	-	-	-	218,353 (Note 2)	1,447,236 (Note 4)	
1	Dyaco Europe GmbH	Cardio Fitness GmbH & Co. KG	Other receivables from related parties	Yes	9,221 (EUR 270 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	61,716 (Note 3)	61,716 (Note 3)	
2	SOLE INC.	Fitness Equipment Services, LLC	Other receivables from related parties	Yes	87,300 (US\$ 3,000 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	402,419 (Note 3)	402,419 (Note 3)	
3	Spirit Manufacturing Inc.	Fitness Equipment Services, LLC	Other receivables from related parties	Yes	261,900 (US\$ 9,000 thousand)	- (Note 6)	-	-	Short-term financing	-	Operating turnover	-	-	-	423,781 (Note 3)	423,781 (Note 3)	
		Spirit Direct, LLC.	Other receivables from related parties	Yes	2,910 (US\$ 100 thousand)	2,910 (US\$ 100 thousand)	2,910 (US\$ 100 thousand)	-	Short-term financing	-	Operating turnover	-	-	-	423,781 (Note 3)	423,781 (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 September 30, 2020.

Note 7: Eliminated from the consolidated financial statements.

TABLE 2

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 1,809,046	\$ 26,190 (US\$ 900 thousand)	\$ 26,190 (US\$ 900 thousand)	\$ -	\$ -	0.72	\$ 1,809,046	Y	-	-	
		Shelton Corporation (Jiaxing), Ltd.	Indirectly held subsidiary	361,809	58,200 (US\$ 2,000 thousand)	58,200 (US\$ 2,000 thousand)	29,100 (US\$ 1,000 thousand)	-	1.61	361,809	Y	-	Y	
		Dyaco UK Ltd.	Directly held subsidiary	1,809,046	1,119 (GBP 30 thousand)	1,119 (GBP 30 thousand)	431 (GBP 12 thousand)	-	0.03	1,809,046	Y	-	-	
		Wing Long Co., Ltd.	Directly held subsidiary	1,809,046	10,000	10,000	-	-	0.28	1,809,046	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 NINE MONTHS ENDED SEPTEMBER 30, 2020  
(In Thousands of New Taiwan Dollars, Thousands of Shares)**

Holding Company Name	Type and Name of Marketable Securities	Relationship	Line Item	September 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)	-	6,016 (RMB 1,409 thousand)	5.0	6,016 (RMB 1,409 thousand)	Note 1
	Beijing Huoli Zhenghe Intelligent Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	-	5,015 (RMB 1,175 thousand)	9.0	5,015 (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 and associates 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 NINE MONTHS ENDED SEPTEMBER 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 NINE MONTHS ENDED SEPTEMBER 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	\$ 3,850,904	78	Flexible	Based on mutual agreement	Flexible	\$ 2,531,460	85	
	Shelton Corporation (Jiaying), Ltd.	Indirectly held subsidiary	Purchase	1,502,481	44	Flexible	Based on mutual agreement	Flexible	1,114,916	45	
	Dyaco Canada Inc.	Indirectly held subsidiary	Sales	178,143	4	Flexible	Based on mutual agreement	Flexible	50,628	2	
	Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Sales	162,340	3	Flexible	Based on mutual agreement	Flexible	143,063	5	
Spirit Manufacturing Inc.	Fitness Equipment Services, LLC	Ultimate parent is Dyaco International Inc.	Sales	2,866,643	61	Flexible	Based on mutual agreement	Flexible	1,687,223	76	
Shelton Corporation (Jiaying), Ltd.	Fuel Spirit International Inc.	Ultimate parent is Dyaco International Inc.	Sales	155,497	7	Flexible	Based on mutual agreement	Flexible	45,101	3	
Spirit Manufacturing Inc.	Dyaco International Inc.	Ultimate parent	Purchase	3,850,904	100	Flexible	Based on mutual agreement	Flexible	2,531,460	94	
Shelton Corporation (Jiaying), Ltd.	Dyaco International Inc.	Ultimate parent	Sales	1,502,481	72	Flexible	Based on mutual agreement	Flexible	1,114,916	86	
Dyaco Canada Inc.	Dyaco International Inc.	Ultimate parent	Purchase	178,143	100	Flexible	Based on mutual agreement	Flexible	50,628	79	
Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	Ultimate parent	Purchase	162,340	100	Flexible	Based on mutual agreement	Flexible	143,063	68	
Fuel Spirit International Inc.	Shelton Corporation (Jiaying), Ltd.	Ultimate parent is Dyaco International Inc.	Purchase	155,497	100	Flexible	Based on mutual agreement	Flexible	45,101	97	
Fitness Equipment Services, LLC	Spirit Manufacturing Inc.	Ultimate parent is Dyaco International Inc.	Purchase	2,866,643	100	Flexible	Based on mutual agreement	Flexible	1,687,223	100	

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 NINE MONTHS ENDED SEPTEMBER 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. Dyaco (Shanghai) Trading Co., Ltd.	Indirectly held subsidiary	Accounts receivable	\$ 2,531,460	4.63%	\$ -	-	\$ 525,764	\$ -
		Indirectly held subsidiary	Accounts receivable	143,063	2.51%	-	-	16,682	-
Spirit Manufacturing Inc.	Fitness Equipment Services, LLC	Ultimate parent is Dyaco International Inc.	Accounts receivable	1,687,223	5.41%	-	-	542,649	-
Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	Ultimate parent	Accounts receivable	1,114,916	3.83%	-	-	264,073	-
Dyaco International Inc.	Dyaco UK Ltd.	Directly held subsidiary	Other receivables	117,408	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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2020			Net Profit (Loss) of the Investee	Share of Profit (Loss) (Notes 1 and 6)
				September 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	290,634,628	100	\$ 1,202,677	\$ 192,998	\$ 191,073 (Note 2)
	Dyaco Europe GmbH.	Germany	Import, export and selling	358,161	358,161	-	100	54,368	(5,138)	(5,138)
	Daan Health Management Consulting Co., Ltd.	Taiwan	Rental of medical equipment	10,010	10,010	1,000,000	100	9,760	(1,128)	(1,128)
	Dyaco Japan Co., Ltd.	Japan	Import, export and selling	28,404	28,404	1,020	100	(4,770)	(5,205)	(5,205)
	Wing Long Co., Ltd.	Taiwan	Import, export and selling	18,000	15,000	1,800,000	100	12,210	(1,520)	(1,520)
	Dyaco UK Ltd.	United Kingdom	Import, export and selling	80,574	80,574	-	100	(79,578)	(42,376)	(42,376)
	SOLE INC.	America	Investment	957,970	-	-	100	1,139,984	238,055	219,892 (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	59,959 (EUR 1,756 thousand)	6,703 (EUR 200 thousand)	3,230 (EUR 96 thousand) (Note 4)
	Cardiofitness Verwaltungs GmbH	Germany	Investment	977 (EUR 29 thousand)	977 (EUR 29 thousand)	-	100	990 (EUR 29 thousand)	13 (EUR 1)	13 (EUR 1)
SOLE INC.	Fitness Equipment Services, LLC	America	Import, export and selling	63,262 (US\$ 2,100 thousand)	-	-	100	414,941 (US\$ 14,259 thousand)	321,479 (US\$ 10,782 thousand)	321,479 (US\$ 10,782 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	722,162 (HK\$ 192,371 thousand)	187,709 (HK\$ 48,845 thousand)	187,709 (HK\$ 48,845 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	353,781 (US\$ 12,157 thousand)	155,751 (US\$ 5,224 thousand)	155,751 (US\$ 5,224 thousand)
	Dyaco Canada Inc.	Canada	Import, export and selling	271,752 (US\$ 9,058 thousand)	271,752 (US\$ 9,058 thousand)	1,000	100	207,749 (US\$ 7,139 thousand)	29,972 (US\$ 1,005 thousand)	29,773 (US\$ 999 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	(35,159) (US\$ -1,268 thousand)	(5,341) (US\$ -179 thousand)	(5,341) (US\$ -179 thousand)
	Dyaco Commercial & Medical North America, LLC.	America	Import, export and selling	6,092 (US\$ 200 thousand)	6,092 (US\$ 200 thousand)	-	100	(24,666) (US\$ -788 thousand)	(23,949) (US\$ -803 thousand)	(23,949) (US\$ -803 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 \$192,998 thousand and realized profits of \$1,925 thousand from upstream intercompany transactions.

Note 3: Including share of profit of \$238,055 thousand minus amortization of investment premium of \$18,163 thousand.

Note 4: Including share of profit of \$6,703 thousand minus amortization of investment premium of \$3,473 thousand.

Note 5: Including share of profit of \$29,972 thousand minus amortization of investment premium of \$199 thousand.

Note 6: Eliminated from the consolidated financial statements.

TABLE 8

DYACO INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020 (Note 2)	Accumulated Repatriation of Investment Income as of September 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)	\$ 4,099 (HK\$ 1,067 thousand)	100	\$ 4,099 (HK\$ 1,067 thousand)	\$ 171,479 (HK\$ 45,679 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)	7,345 (HK\$ 1,911 thousand)	60	(4,377) (HK\$ -1,139 thousand)	668,271 (HK\$ 178,016 thousand)	-
	Dyaco Health Technology (Beijing) Co., Ltd.	Healthcare management consulting	16,029 (RMB 3,500 thousand)	Others (Note 4)	-	-	-	Others (Note 4)	(588) (RMB -138 thousand)	100	(588) (RMB -138 thousand)	4,767 (RMB 1,117 thousand)	-
Dyaco (Shanghai) Trading Co., Ltd.	Kerr (Shanghai) Rehabilitation Technology Development Co., Ltd.	Healthcare management consulting	12,807 (RMB 3,000 thousand)	Others (Note 5)	-	-	-	Others (Note 5)	-	40	-	5,123 (RMB 1,200 thousand)	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 6)
\$ 748,251 (US\$ 24,830 thousand)	\$ 748,251 (US\$ 24,830 thousand)	\$ -

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

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

Note 3: Including 60% share of profit of \$4,407 thousand minus amortization of investment premium of \$5,988 thousand and unrealized profits of \$2,796 thousand from side stream intercompany transactions.

Note 4: Reinvested RMB3,500 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

Note 5: Reinvested RMB1,200 thousand own fund of Dyaco (Shanghai) Trading Co., Ltd.

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

Note 7: 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 NINE MONTHS ENDED SEPTEMBER 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	\$ 162,340 1,502,481	3 44	Flexible Flexible	Based on mutual agreement Based on mutual agreement	\$ 143,063 1,114,916	5 45	\$ 13,919 6,501	

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 2,738	-	-
					Other operating revenue	229	-	-
					Accounts receivable from related parties	3,121	-	-
			Fuel-Spirit International Inc.	a	Other receivables from related parties	2,334	-	-
					Other payables from related parties	15	-	-
					Other operating revenue	16,137	-	-
			Dyaco Japan Co., Ltd.	a	Sales	17,755	-	-
					Other operating revenue	300	-	-
					Accounts receivable from related parties	9,897	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	a	Other receivables from related parties	27,728	-	-
					Investments accounted for using the equity method	2,671	-	-
					Sales	162,117	-	2
			Spirit Manufacturing Inc.	a	Other operating revenue	223	-	-
					Accounts receivable from related parties	143,063	-	1
					Investments accounted for using the equity method	13,919	-	-
			Dyaco Canada Inc.	a	Sales	3,756,773	-	49
					Other operating revenue	94,131	-	1
					Accounts receivable from related parties	2,531,460	-	23
			Dyaco Europe GmbH	a	Investments accounted for using the equity method	70,777	-	1
					Sales	178,131	-	2
					Other operating revenue	12	-	-
			Daan Health Management Consulting Co., Ltd. Shelton Corporation (Jiaxing), Ltd.	a	Accounts receivable from related parties	50,628	-	-
					Investments accounted for using the equity method	10,645	-	-
					Sales	23,533	-	-
			Dyaco UK Ltd.	a	Other operating revenue	2	-	-
					Accounts receivable from related parties	23,261	-	-
					Other receivables from related parties	54,442	-	-
			Dyaco UK Ltd.	a	Investments accounted for using the equity method	7,388	-	-
					Other expenses	3,418	-	-
					Rental revenue	18	-	-
			Dyaco UK Ltd.	a	Cost of goods sold	1,502,476	-	19
					Accounts payable to related parties	1,114,916	-	10
					Accounts receivable from related parties	154	-	-
			Dyaco UK Ltd.	a	Other expenses	224	-	-
					Inventories	312	-	-
					Sales	68,059	-	1
			Dyaco UK Ltd.	a	Accounts receivable from related parties	67,419	-	1
					Other receivables from related parties	117,408	-	1
					Investments accounted for using the equity method	10,580	-	-

(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	\$ 3,783	-	-
					Accounts payable to related parties	1,100	-	-
					Sales	703	-	-
					Other expenses	486	-	-
			Cardio Fitness GmbH & Co. KG	a	Accounts receivable from related parties	26,269	-	-
					Other receivables from related parties	10,847	-	-
					Sales	24,803	-	-
			Sole Inc.	a	Other payables from related parties	102,049	-	1
	1	Spirit Direct, LLC.	Dyaco International Inc.	b	Accounts payable to related parties	3,121	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	2,967	-	-
					Other payables from related parties	37,539	-	-
	2	Fuel-Spirit International Inc.	Dyaco International Inc.	b	Accounts payable to related parties	2,334	-	-
					Accounts receivable from related parties	15	-	-
					Other operating costs	16,137	-	-
			Spirit Manufacturing Inc.	c	Accounts receivable from related parties	72,750	-	1
					Other operating revenue	71,561	-	1
			Dyaco Canada Inc.	c	Other operating revenue	9,161	-	-
					Accounts receivable from related parties	4,087	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	155,497	-	2
					Accounts payable to related parties	45,101	-	-
	3	Dyaco Japan Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	18,055	-	-
					Accounts payable to related parties	37,379	-	-
					Other payables to related parties	246	-	-
					Inventories	2,671	-	-
	4	Dyaco (Shanghai) Trading Co., Ltd.	Dyaco International Inc.	b	Cost of goods sold	162,340	-	2
					Accounts payable to related parties	143,063	-	1
					Inventories	13,919	-	-
			Shelton Corporation (Jiaxing), Ltd.	c	Cost of goods sold	62,483	-	1
					Accounts payable to related parties	19,049	-	-
					Inventories	2,420	-	-
			Dyaco Health Technology (Beijing) Co., Ltd.	c	Accounts receivable from related parties	115	-	-
					Other receivables from related parties	88	-	-
	5	Spirit Manufacturing Inc.	Dyaco International Inc.	b	Cost of goods sold	3,850,904	-	50
					Accounts payable to related parties	2,531,460	-	23
					Inventories	70,777	-	1
			Spirit Direct, LLC.	c	Other receivables from related parties	37,539	-	-
			Dyaco Canada Inc.	c	Sales	3,176	-	-
					Accounts receivable from related parties	329	-	-
			Fuel-Spirit International Inc.	c	Accounts payable to related parties	72,750	-	1
					Other expenses	71,561	-	1
			Fitness Equipment Services LLC.	c	Sales	2,866,643	-	37
					Other receivables from related parties	12,776	-	-
					Accounts receivable from related parties	1,674,447	-	15

(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	\$ 178,143	-	2
					Accounts payable to related parties	50,628	-	-
			Fuel-Spirit International Inc.	c	Inventories	10,645	-	-
					Other expenses	9,161	-	-
					Other payables to related parties	4,087	-	-
			Spirit Manufacturing Inc.	c	Cost of goods sold	3,176	-	-
					Accounts payable to related parties	329	-	-
	7	Dyaco Europe GmbH	Dyaco International Inc.	b	Cost of goods sold	23,535	-	-
					Accounts payable to related parties	77,703	-	1
					Inventories	7,388	-	-
			Cardio Fitness GmbH & Co. KG	c	Other revenue	3,418	-	-
					Sales	7,099	-	-
					Cost of goods sold	230	-	-
					Other operating revenue	875	-	-
					Other expenses	733	-	-
					Accounts receivable from related parties	24,605	-	-
					Accounts payable to related parties	51	-	-
			Dyaco UK Ltd.	c	Sales	1,069	-	-
					Cost of goods sold	2,699	-	-
	8	Daan Health Management Consulting Co., Ltd.	Dyaco International Inc.	b	Rental expenses	18	-	-
	9	Cardio Fitness GmbH & Co. KG	Dyaco Europe GmbH	c	Cost of goods sold	7,144	-	-
					Sales	230	-	-
					Other operating revenue	393	-	-
					Other expenses	830	-	-
					Other revenue	340	-	-
					Accounts payable to related parties	24,605	-	-
					Accounts receivable from related parties	51	-	-
			Dyaco International Inc.	b	Accounts payable to related parties	37,116	-	-
					Cost of goods sold	24,803	-	-
	10	Shelton Corporation (Jiaxing), Ltd.	Dyaco International Inc.	b	Sales	1,502,700	-	19
					Accounts receivable from related parties	1,114,916	-	10
					Accounts payable to related parties	154	-	-
					Cost of goods sold	312	-	-
			Fuel-Spirit International Inc.	c	Sales	155,497	-	2
					Accounts receivable from related parties	45,101	-	-
			Dyaco (Shanghai) Trading Co., Ltd.	c	Sales	62,483	-	1
					Accounts receivable from related parties	19,049	-	-
					Cost of goods sold	2,420	-	-
	11	Dyaco UK Ltd.	Dyaco International Inc.	b	Cost of goods sold	68,059	-	1
					Accounts payable to related parties	184,827	-	2
					Inventories	10,580	-	-
			Dyaco Europe GmbH	c	Sales	2,699	-	-
					Cost of goods sold	1,069	-	-

(Continued)

Year	No. (Note 1)	Company	Investee Company	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 4)
					Financial Statement Accounts	Amount (Note 5)	Payment Terms (Note 3)	
	12	Dyaco Health Technology (Beijing) Co., Ltd.	Dyaco (Shanghai) Trading Co., Ltd.	c	Other payables to related parties	\$ 203	-	-
	13	Wing Long Co., Ltd.	Dyaco International Inc.	b	Accounts payable to related parties Accounts receivable from related parties Cost of goods sold Sales	3,783 1,100 703 486	- - - -	- - - -
	14	Fitness Equipment Services LLC.	Spirit Manufacturing Inc.	c	Cost of goods sold Accounts payable to related parties	2,866,643 1,687,223	- -	37 15
	15	Sole Inc.	Dyaco International Inc.	c	Other receivables from related parties	102,049	-	1

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  
SEPTEMBER 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Lin, Ing-Gin	10,063,283	7.67
Guang-Ying Limited	9,796,727	7.46
Fubon Life Insurance Co., Ltd.	9,675,000	7.37
Dyaco International Inc.	8,188,882	6.24
Chuan-Feng Investment Corporation	7,122,000	5.43
Ho, I-Hsing Investment Corporation	6,865,725	5.23

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.