Stock Code:4104

EXCELSIOR MEDICAL CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

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Table of contents

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Independent Auditors' Report

To the Board of Directors of Excelsior Medical Co., Ltd.:

Opinion

We have audited the financial statements of Excelsior Medical Co., Ltd.("the Company"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matter that should be disclosed in this report is as follows:

1. Impairment Assessment on Receivables

   Please refer to Note (4)(f) for accounting policies of account receivable allowance provision.

   Description of key audit matter:

   The management of the Company performed its assessment based on the default risk of accounts receivable and the rate of expected loss. Because the assessment of impairment loss of receivables involves critical accounting estimates, which are subject to the judgment of the management, the assessment of the impairment loss of receivables is deemed to be a key audit matter.

How the matter was addressed in our audit:

Our main audit procedures in response to the assessment of the impairment of receivables were assessing the reasonableness of the methodology and assumptions used by the management for the impairment assessment of receivables and whether the methodology was adopted consistently, testing the reasonableness of the information used by the management for assessing the impairment of receivables, reviewing the accuracy of the calculation of the allowance for receivables, and evaluating the adequacy of the Company's disclosure for impairment of receivables.

Other Matter

We did not audit the financial statements of certain subsidiaries, associates and joint ventures, which represented investment in other entities accounted for using the equity method of the Company. Those statements were audited by other auditors, whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the report of other auditors. The investments in such entities accounted for using the equity method were NT$101,609 thousand and NT$380,142 thousand, constituting 1% and 5% of the total assets at December 31, 2019 and 2018, respectively, and the related share of profit of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT$19,784 thousand and NT$26,130 thousand, constituting 3% and 5% of total profit before tax for the years then ended, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

KPMG

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tsao-Jen Wu and Wan-Wan Lin.

KPMG

Taipei, Taiwan (Republic of China)
March 12, 2020

Notes to Readers

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

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

EXCELSIOR MEDICAL CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	ASSETS	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note (6)(a))	$ 749,196	9	908,375	11
1110	Current financial assets at fair value through profit or loss (Note (6)(b))	-	-	15,147	-
1151	Notes receivable (Notes (6)(d))	69,446	1	80,070	1
1170	Accounts receivable (Notes (6)(d))	316,921	4	334,000	4
1180	Accounts receivable due from related parties (Notes (6)(d) and (7))	625,171	7	572,016	7
1200	Other receivables (Notes (6)(d) and (7))	5,492	-	3,660	-
130X	Inventories (Note (6)(e))	536,676	6	605,506	8
1470	Other current assets, others	16,701	-	17,360	-
		2,319,603	27	2,536,134	31
	Non-current assets:				
1517	Non-current financial assets at fair value through other comprehensive income (Note (6)(c))	305,256	4	345,814	4
1550	Investments accounted for using equity method (Note (6)(f))	5,541,076	66	4,916,518	60
1600	Property, plant and equipment (Notes (6)(i) and (8))	180,050	2	185,825	2
1755	Right-of-use assets (Note (6)(j))	12,886	-	-	-
1760	Investment property (Note (6)(k))	-	-	194,209	2
1780	Intangible assets (Note (6)(l))	697	-	1,325	-
1840	Deferred tax assets (Note (6)(s))	64,862	1	42,710	1
1975	Net defined benefit asset (Note (6)(r))	3,184	-	-	-
1980	Other non-current financial assets (Note (8))	8,758	-	10,862	-
1990	Other non-current assets, others	8,229	-	7,071	-
		6,124,998	73	5,704,334	69
	TOTAL ASSETS	$ 8,444,601	100	8,240,468	100

	LIABILITIES AND EQUITY	2019.12.31 Amount	%	2018.12.31 Amount	%
	Current liabilities:				
2100	Short-term borrowings (Note (6)(m))	$ 450,000	6	-	-
2150	Notes payable	4,784	-	604	-
2170	Accounts payable (Note (7))	714,330	9	733,662	9
2200	Other payables (Notes (7))	158,547	2	157,002	2
2230	Current tax liabilities	42,001	-	38,666	-
2280	Current lease liabilities (Note (6)(p))	3,769	-	-	-
2399	Other current liabilities, others (Notes (6)(o) and (7))	8,031	-	14,337	-
		1,381,462	17	944,271	11
	Non-Current liabilities:				
2570	Deferred tax liabilities (Note (6)(s))	107,412	1	86,874	1
2622	Long-term accounts payable to a related party (Notes (7))	-	-	393,109	5
2640	Net defined benefit liability (Note (6)(r))	-	-	1,017	-
2580	Non-current lease liabilities (Notes (6)(p))	9,192	-	-	-
2670	Other non-current liabilities, others (Notes (6)(o) and (7))	194	-	8,356	-
		116,798	1	489,356	6
	Total liabilities	1,498,260	18	1,433,627	17
	Equity (Note (6)(t)):				
3100	Share capital	1,281,490	15	1,281,490	16
3200	Capital surplus	2,816,807	34	2,812,704	34
3300	Retained earnings	2,904,393	34	2,739,276	33
3400	Other equity	(56,349)	(1)	(26,629)	-
	Total equity	6,946,341	82	6,806,841	83
	TOTAL LIABILITIES AND EQUITY	$ 8,444,601	100	8,240,468	100

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

		For the Years Ended December 31,			
		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (Notes (6)(w) and (7))**	$ 3,964,690	100	3,733,339	100
5000	**Operating costs (Note (6)(e))**	3,330,609	84	3,130,077	84
	Gross profit from operations	634,081	16	603,262	16
5910	Less: Unrealized profit from sales	91,697	2	125,043	3
5920	Add: Realized profit from sales	89,355	2	125,102	3
		631,739	16	603,321	16
	Operating expenses:				
6100	Selling expenses	208,502	5	192,106	5
6200	Administrative expenses	165,637	4	130,868	3
6450	Expected credit (gain) loss (Note (6)(d))	(5,703)	-	741	-
		368,436	9	323,715	8
	Net operating income	263,303	7	279,606	8
	Non-operating income and expenses:				
7010	Other income (Notes (6)(y) and (7))	7,851	-	6,433	-
7020	Other gains and losses (Notes (6)(y) and (7))	51,115	1	14,325	-
7050	Finance costs (Note (6)(y))	(5,461)	-	(5,511)	-
7060	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note (6)(f))	281,954	7	238,526	6
		335,459	8	253,773	6
7900	**Profit before tax**	598,762	15	533,379	14
7950	**Less: Tax expense (Note (6)(s))**	84,007	2	81,817	2
	Profit	514,755	13	451,562	12
	Other comprehensive income (loss):				
8310	**Items that will not be reclassified subsequently to profit and loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	3,456	-	(932)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	9,375	-	(6,738)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	39,007	1	(38,633)	(1)
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(2,836)	-	(12,839)	-
	Total items that will not be reclassified subsequently to profit and loss	54,674	1	(33,464)	(1)
8360	**Items that will be reclassified to profit or loss**				
8361	Exchange differences on translation	(56,139)	(1)	(6,585)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(1,456)	-	2,562	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(11,228)	-	(3,506)	-
	Total items that will be reclassified subsequently to profit and loss	(46,367)	(1)	(517)	-
	Other comprehensive income, net	8,307	-	(33,981)	(1)
8500	**Total comprehensive income for the year**	$ 523,062	13	417,581	11
	Earnings per share (Note (6)(v))				
9750	**Basic earnings per share (NT dollars)**	$	4.02		3.53
9850	**Diluted earnings per share (NT dollars)**	$	3.99		3.50

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Share capital			Retained earnings			Total other equity interest			
	Ordinary shares	Certificate of entitlement to new shares from convertible bond	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Others	Total equity
Balance at January 1, 2018	$ 1,277,655	619	2,804,995	641,978	115,078	1,860,321	(61,019)	97,579	(212,359)	6,524,847
Profit for the year	-	-	-	-	-	451,562	-	-	-	451,562
Other comprehensive income (loss) for the year	-	-	-	-	-	(6,117)	(517)	(27,347)	-	(33,981)
Total comprehensive income (loss) for the year	-	-	-	-	-	445,445	(517)	(27,347)	-	417,581
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	39,905	-	(39,905)	-	-	-	-
Special reserve appropriated	-	-	-	-	147,754	(147,754)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(357,917)	-	-	-	(357,917)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	(264)	-	-	(954)	-	-	-	(1,218)
Conversion of convertible bonds	-	3,216	8,079	-	-	-	-	-	-	11,295
Conversion of certificates of bonds-to-share	3,835	(3,835)	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	-	-	(106)	-	-	-	-	-	212,359	212,253
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	35,325	-	(35,325)	-	-
Balance at December 31, 2018	1,281,490	-	2,812,704	681,883	262,832	1,794,561	(61,536)	34,907	-	6,806,841
Effects of retrospective application	-	-	-	-	-	(1,632)	-	-	-	(1,632)
Equity at beginning of period after adjustments	1,281,490	-	2,812,704	681,883	262,832	1,792,929	(61,536)	34,907	-	6,805,209
Profit for the year	-	-	-	-	-	514,755	-	-	-	514,755
Other comprehensive income (loss) for the year	-	-	-	-	-	3,431	(46,367)	51,243	-	8,307
Total comprehensive income (loss) for the year	-	-	-	-	-	518,186	(46,367)	51,243	-	523,062
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	45,156	-	(45,156)	-	-	-	-
Special reserve reversed	-	-	-	-	(236,203)	236,203	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	(384,447)	-	-	-	(384,447)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	(176)	-	-	(1,586)	-	-	-	(1,762)
Changes in ownership interests in subsidiaries	-	-	957	-	-	-	-	-	-	957
Employee stock options	-	-	3,322	-	-	-	-	-	-	3,322
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	34,596	-	(34,596)	-	-
Balance at December 31, 2019	$ 1,281,490	-	2,816,807	727,039	26,629	2,150,725	(107,903)	51,554	-	6,946,341

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Profit before tax	$ 598,762	533,379
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	26,206	24,064
Amortization expense	1,813	1,685
Expected credit (gain) loss	(5,703)	741
Net gain on financial assets or liabilities at fair value through profit or loss	(53)	(307)
Interest expense	5,461	5,511
Interest income	(4,408)	(3,827)
Dividend income	(3,443)	(2,606)
Share-based payments	3,322	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(281,954)	(238,526)
Loss on disposal of property, plant and equipment	-	319
Gain on disposal of subsidiaries	-	(373)
Reversal of impairment gain on non-financial assets	(64)	-
Impairment loss on non-financial assets	-	838
Unrealized profit from sales	91,697	125,043
Realized profit from sales	(89,355)	(125,102)
Others	(50,903)	-
Total adjustments to reconcile profit	(307,384)	(212,540)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	10,624	18,111
Accounts receivable	22,782	(17,529)
Accounts receivable due from related parties	(53,155)	46,463
Other receivables	(2,021)	2,542
Inventories	56,450	(7,517)
Other current assets	(6,079)	(101)
Total changes in operating assets	28,601	41,969
Changes in operating liabilities:		
Financial liabilities held for trading	-	(1,441)
Notes payable	4,180	(1,438)
Accounts payable	(19,332)	(15,749)
Other payables	1,181	(3,409)
Other current liabilities	(1,909)	(2,634)
Net defined benefit liability	(745)	(884)
Deferred credits	(2,740)	(5,729)
Total changes in operating liabilities	(19,365)	(31,284)
Total changes in operating assets and liabilities	9,236	10,685
Total adjustments	(298,148)	(201,855)
Cash inflow generated from operations	300,614	331,524
Interest received	4,597	2,933
Income taxes paid	(68,221)	(54,528)
Net cash flows from operating activities	236,990	279,929

(ENGLISH TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN CHINESE)

EXCELSIOR MEDICAL CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the Years Ended December 31,	
	2019	2018
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,362)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	57,295	56,312
Proceeds from disposal of financial assets at fair value through profit or loss	15,200	30,263
Acquisition of investments accounted for using equity method	(626,469)	-
Proceeds from disposal of investments accounted for using equity method	-	106,599
Acquisition of property, plant and equipment	(1,415)	(6,389)
Proceeds from disposal of property, plant and equipment	-	22
Acquisition of intangible assets	(196)	(907)
Decrease (increase) in other financial assets	2,103	(1,750)
Increase in other non-current assets	(2,145)	(878)
Dividends received	107,252	80,043
Net cash flows (used in) from investing activities	(455,737)	263,315
Cash flows from financing activities:		
Increase in short-term borrowings	450,000	-
Decrease in guarantee deposits received	-	(500)
Increase in other payables to related parties	3,684	5,462
Cash dividends paid	(384,447)	(357,917)
Interest paid	(5,097)	(5,462)
Payment of lease liabilities	(4,572)	-
Net cash flows from (used in) financing activities	59,568	(358,417)
Net (decrease) increase in cash and cash equivalents	(159,179)	184,827
Cash and cash equivalents at beginning of period	908,375	723,548
Cash and cash equivalents at end of period	$ 749,196	908,375

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(1) Company History

Excelsior Medical Co., Ltd. (the Company) was incorporated on March 15, 1988 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 17F., No.880, Zhongzheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan, R.O.C.. The Company engaged primarily in the sale of medical supplies and equipment, medicines and home medical devices.

The Company' s shares were traded on the Taipei Exchange (formerly the GreTai Securities Market) from June 8, 2001 to December 30, 2007 and have been traded on the Taiwan Stock Exchange since December 31, 2007.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were authorized for issue by the Board of Directors on March 12, 2020.

(3) New Standards, Amendments and Interpretations Adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized as an adjustment to the profit or loss in 2019 and years after, with no restatement of comparative information and adjustment to the retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(m).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of storage room and leases of parking space.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  — their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee' s incremental borrowing rate at the date of initial application – the Company applied this approach to its largest property leases; or

  — an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized each the additional amount of $17,497 thousand of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted the lease payments using its incremental borrowing rate at January 1, 2019, with the weighted average rate of 1.17%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	$ 6,705
Recognition exemption for:	
short-term leases	(518)
Extension and termination options reasonably certain to be exercised	11,371
	$ 17,558
Discounted using the incremental borrowing rate at January 1, 2019	$ 17,497
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 17,497

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39, and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Company assessed that the above IFRSs may not be relevant to the Company.

(4) Summary of Significant Accounting Policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated in Note (3), the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations).

(b) Basis of preparation

1. Basis of measurement

The financial statements have been prepared on historical cost basis except for the following material items in the balance sheet:

1) Financial assets at fair value through profit or loss are measured at fair value;

2) Financial assets at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liabilities (or assets) are measured at fair value of plan assets, net of aggregation of the present value of the defined benefit obligation, with a limit based on a defined benefit asset.

2. Functional and presentation currency

The functional currency of each Company operation is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign Currencies

1.Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

1) an investment in equity securities designated as at fair value through other comprehensive income;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent that the hedges are effective.

2.Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of Current and Non-Current Assets and Liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1.It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

2.It is held primarily for the purpose of trading;

3.It is expected to be realized within twelve months after the reporting period; or

4.The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1.It is expected to be settled in the normal operating cycle;

2.It is held primarily for the purpose of trading;

3.It is due to be settled within twelve months after the reporting period; or

4.The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

1.Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) - equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the "trade receivables" line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment, are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the "trade receivables" line item. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties..

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2.Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Company designates certain hedging instruments (which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk) as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in Associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate' s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) (as a reclassification adjustment) when the equity method is discontinued. If the Group' s ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

(i) Investment in subsidiaries

The subsidiaries in which the Company holds their controlling interest are accounted for using equity method in the parent-company-only financial statements. Under equity method, the net income, other comprehensive income and equity in the parent-company-only financial statement are the same as those attributable to the owners of parent in the consolidated financial statements.

The changes in the ownership of the subsidiaries are recognized as equity transaction.

(j) Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangements into two types — joint operations and joint ventures, which have the following characteristics: (a) the parties are bound by a contractual arrangement; and (b) the contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 " Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (ie activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

1.Joint ventures

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint ventures) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Company qualifies for exemption from that Standard.

When assessing the classification of a joint arrangement, the Company considers the structure and legal form of the arrangement, the terms in the contractual arrangement, and other facts and circumstances. When the facts and circumstances change, the Company reevaluates whether the classification of the joint arrangement has changed.

2.Joint operations

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company accounts for the assets, liabilities, revenues and expenses in relation to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses. When assessing whether a joint arrangement is a joint operation or a joint venture, the Company considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

(k) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, Plant, and Equipment

1.Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2.Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

3.Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	5 years~ 55 years
2) Medical equipment	1 years~ 8 years
3) Other equipment	3 years~ 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the customer has the right to direct the use of the asset throughout the period of use only if either:

- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or

— there is a change of its assessment on whether it will exercise an extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of storage room, machinery equipment and parking space that have a lease of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a leasor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Applicable before January 1, 2019

1.Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income.

2.Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible Assets

1.Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

2.Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3.Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Other intangible assets	2 years~ 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

1.Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company's obligation for the sales of goods components under the standard warranty terms is recognized as a provision for warranty.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Services

The Company provides maintenance and warranty services. Revenue from providing services is recognized in the accounting period in which the services are rendered. Under the IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(r) Employee Benefits

1.Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

2.Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

4.Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

5.Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Share-based Payment

The grant date fair value of equity-settled share based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

The Group set the grant date on which the board of directors authorized the subscription price and the number of new shares to qualified employees.

(t) Income Taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1.temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

2.temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3.taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1.the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

2.the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) Business Combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest' s proportionate share of the acquiree' s identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquire' s net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(v) Earnings per Share

The Group discloses the Company' s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds.

(w) Operating Segments

Please refer to the consolidated financial report of Excelsior Medical Co., Ltd. for the years ended December 31, 2019 and 2018 for the operating segments information.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(5) Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

The preparation of the financial statements in conformity with the Regulations and the IFRSs by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note (6)(d).

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

		2019.12.31	2018.12.31
Cash on hand, demand deposits and checking accounts	$	599,296	785,515
Time deposits		149,900	122,860
Cash and cash equivalents in statement of cash flows	$	749,196	908,375

The Company interest risk and sensibility analysis of the financial assets and liabilities was disclosed in Note (6)(aa).

(b) Financial assets and liabilities at fair value through profit or loss

		2019.12.31	2018.12.31
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Beneficiary certificates-open-end mutual funds	$	-	15,147

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(c) Financial assets at fair value through other comprehensive income

	2019.12.31	2018.12.31
Equity investments at fair value through other comprehensive income		
Domestic listed shares	$ 33,961	72,705
Foreign listed shares	122,693	138,135
Domestic unlisted common shares	148,602	134,974
Total	$ 305,256	345,814

1.Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long term for strategic purposes.

The Company has sold its common stocks designated at fair value through other comprehensive income because of operation strategies. The shares sold had a fair value of $57,550 thousand and $56,562 thousand for the year ended December 31, 2019 and 2018 and the Company realized a gain of $34,596 thousand and $35,325 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings from other equity.

2.For credit risk and market risk, please refer to Note (6)(aa).

3.As of December 31, 2019 and 2018, the aforesaid financial assets were not pledged as collateral.

(d) Notes receivable, accounts receivable and other receivables

	2019.12.31	2018.12.31
Notes receivable	$ 69,446	80,070
Accounts receivable	955,450	924,896
Trade receivables - fair value through other comprehensive income	5,884	6,065
Other receivables	5,492	3,660
Less: Loss allowance	(19,242)	(24,945)
Net	$ 1,017,030	989,746

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

	2019.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,031,482	1.40%	(14,466)
1 to 90 days past due	790	98.23%	(776)
91 to 180 days past due	281	100%	(281)
181 to 365 days past due	191	100%	(191)
More than 365 days past due	3,528	100%	(3,528)
	$ 1,036,272		(19,242)

	2018.12.31		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,008,959	0.91%	(19,231)
1 to 90 days past due	1,967	99.08%	(1,949)
91 to 180 days past due	214	100%	(214)
181 to 365 days past due	34	100%	(34)
More than 365 days past due	3,517	100%	(3,517)
	$ 1,014,691		(24,945)

The movement in the allowance for notes and trade receivable was as follows:

	For the Years Ended December 31,	
	2019	2018
Balance at January 1	$ 24,945	24,204
Impairment losses recognized	-	741
Amounts written off	(5,703)	-
Balance at December 31	$ 19,242	24,945

The details of accounts receivable sold were as follows:

(Unit: TWD in Thousands)

December 31, 2018						
Purchaser	Amount Derecognized	Amount Advanced Unpaid	Amount Advanced Paid	Amount Recognized in Other Receivables	Range of Interest Rate	Significant Transferring Terms
Financial Institution	$ 4,354	-	4,354	4,354	-%	None

The Company entered into a trade receivable factoring agreement with a financial institution. According to the agreement, losses from commercial disputes (such as sales returns and discounts) were borne by the Company, while losses from credit risk were borne by the financial institution.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as "other receivables" upon the derecognition of those trade receivables.

(e) Inventories

	2019.12.31	2018.12.31
Merchandise	$ 452,482	524,557
Inventory in-transit	84,194	80,949
Total	$ 536,676	605,506

The details of cost of goods sold were as follows :

	For the Years Ended December 31, 2019	2018
Cost of goods sold	$ 3,233,974	3,038,657
Losses on inventory valuation and obsolescence	1,169	9,006
Repair and maintenance costs	85,089	73,858
Others operating costs	10,377	8,556
Total	$ 3,330,609	3,130,077

(f) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	2019.12.31	2018.12.31
Subsidiaries	$ 4,997,154	4,318,493
Associates	543,922	469,761
Joint ventures	-	128,264
	$ 5,541,076	4,916,518

1.Subsidiary

Please refer to the consolidated financial statements for the year ended of December 31, 2019.

2.Associates

The Company's financial information for investments accounted for using equity method that are individually insignificant was as follows:

	2019.12.31	2018.12.31
Carrying amount of individually insignificant associates' equity	$ 543,922	469,761

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	For the Years Ended December 31,	
	2019	2018
Attributable to Company:		
Profit	$ 79,254	64,505
Other comprehensive income	35,198	3,813
Total comprehensive income	$ 114,452	68,318

3.Joint ventures

The Company's financial information for investments in individually insignificant joint venture accounted for using equity method at the reporting date was as follows. These financial information are included in the financial statements.

	2019.12.31	2018.12.31
Individually insignificant joint venture	$ -	128,264

	For the Years Ended December 31,	
	2019	2018
Attributable to Company:		
Profit	$ 623	9,790
Other comprehensive income	-	-
Total comprehensive income	$ 623	9,790

As of December 31, 2018, the Company and the other shareholder held 49% and 51%, respectively, of the joint venture Shinkong Excelsior Medical Asset Management Co., Ltd. ("Shinkong Excelsior Medical") that is not individually significant.

Under the shareholders' agreement, the Company and the other shareholder have the power to appoint two and three, respectively, of the five directors of Shinkong Excelsior Medical. Significant matters should be decided by more than two-thirds of directors present in the meeting, and the directors present in the meeting should be more than two-thirds of all directors. Therefore, the Company and the other shareholder of the joint venture have joint control over Shinkong Excelsior Medical.

In August 2019, the board of directors passed a resolution to change the name of Shinkong Excelsior Medical Asset Management Co., Ltd. to Excelsior Asset Management Co., Ltd., with the approval from the relevant authority. The Company acquired its entire shares and gained control over it on August 2, 2019. Please refer to Note (6)(g).

The Company did not provide any investments accounted for using the equity method as collateral.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(g) Business combination

1.Acquisitions of subsidiaries—Excelsior Asset Management Co., Ltd.

On August 2, 2019, the Company obtained control over Excelsior Asset Management Co., Ltd. (" Excelsior Asset") by acquiring 51% of its shares and voting interests. As a result, the Company's equity interest in Excelsior Asset Management increased from 49% to 100%.

Major class of consideration transferred and the recognized amounts of assets acquired, liabilities assumed and goodwill recognized at the acquisition date were as follows:

1) The following table summarizes the acquisition date fair value of major class of consideration transferred:

Cash	$	187,313

2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	$	2,820
Trade receivable and long-term receivables		398,045
Other current assets		10,494
Property, plant and equipment		106
Investment property		383,123
Other payables		(1,167)
Other current liabilities		(802)
Short-term and long-term borrowing		(422,352)
Other non-current liabilities		(2,833)
Total identifiable net assets acquired	$	367,434

3) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	$	187,313
Add: Non-controlling interest in the acquiree		78
Fair value of pre-existing interest in Excelsior Asset Management		180,043
Less: Fair value of identifiable net assets		(367,434)
Goodwill	$	-

The fair value of identifiable net assets the Company acquired on the acquisition date included a part of the net income from the non-controlling interests.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(h) Changes in ownership interests in subsidiaries

A part of ordinary shares issued for cash by the Company are available for subscription to employees of its subsidiaries. The changes in ownership interests in subsidiaries which were recognized as capital surplus amounted to $957 thousand for the year ended December 31, 2019. For relevant information on share based payment, please refer to note 6(u).

(i) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Buildings	Medical equipment	Miscellaneous equipment	Total
Cost or deemed cost:					
Balance as of January 1, 2019	$ 75,758	98,943	75,944	28,865	279,510
Additions	-	-	361	1,054	1,415
Disposal and obsolescence	-	-	(5,354)	(6,851)	(12,205)
Transfer from inventories	-	-	12,722	-	12,722
Transfer to inventories	-	-	(12,210)	-	(12,210)
Balance as of December 31, 2019	$ 75,758	98,943	71,463	23,068	269,232
Balance as of January 1, 2018	$ 75,758	98,867	72,855	25,878	273,358
Additions	-	82	1,647	4,660	6,389
Disposal and obsolescence	-	(224)	(6,553)	(2,760)	(9,537)
Transfer from inventories	-	-	26,810	1,209	28,019
Transfer from prepayments	-	218	-	-	218
Transfer to inventories	-	-	(18,876)	(61)	(18,937)
Reclassification	-	-	61	(61)	-
Balance as of December 31, 2018	$ 75,758	98,943	75,944	28,865	279,510
Depreciation and impairment losses:					
Balance as of January 1, 2019	$ 4,000	39,025	32,712	17,948	93,685
Depreciation for the period	-	2,627	14,716	2,291	19,634
Impairment loss recognized (reversed)	-	-	(64)	-	(64)
Disposal and obsolescence	-	-	(5,354)	(6,851)	(12,205)
Transfer to inventories	-	-	(11,868)	-	(11,868)
Balance as of December 31, 2019	$ 4,000	41,652	30,142	13,388	89,182
Balance as of January 1, 2018	$ 4,000	36,167	41,584	18,070	99,821
Depreciation for the period	-	2,933	15,647	2,579	21,159
Impairment loss recognized (reversed)	-	-	838	-	838
Disposal and obsolescence	-	(75)	(6,484)	(2,637)	(9,196)
Transfer to inventories	-	-	(18,876)	(61)	(18,937)
Reclassification	-	-	3	(3)	-
Balance as of December 31, 2018	$ 4,000	39,025	32,712	17,948	93,685
Carrying amount:					
Balance as of December 31, 2019	$ 71,758	57,291	41,321	9,680	180,050
Balance as of December 31, 2018	$ 71,758	59,918	43,232	10,917	185,825
Balance as of January 1, 2018	$ 71,758	62,700	31,271	7,808	173,537

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

As of December 31, 2019 and 2018, the property, plant and equipment of the Company had been pledged as collateral for long-term borrowings. Please refer to note(8).

(j) Right-of-use assets

The Company leases many assets including buildings and other equipment. Information about leases for which the Company as a lessee is presented below:

		Buildings	Other equipment	Total
Cost:				
Balance as of January 1, 2019	$	16,057	1,440	17,497
Additions		36	-	36
Balance as of December 31, 2019	$	16,093	1,440	17,533
Accumulated depreciation and impairment losses:				
Balance as of January 1, 2019	$	-	-	-
Depreciation for the year		3,495	1,152	4,647
Balance as of December 31, 2019	$	3,495	1,152	4,647
Carrying amount:				
Balance as of December 31, 2019	$	12,598	288	12,886

The Company modified parts of the lease contract, resulting in an increase in right of use assets of $36 thousand to be recognized for the years ended December 31, 2019.

For the year ended December 31, 2018, the Company leased storage room and parking space under operating lease, please refer to Note (6)(q).

(k) Investment property

		Buildings
Cost or deemed cost:		
Balance as of January 1, 2019	$	220,645
Reclassification		(220,645)
Balance as of December 31, 2019	$	-
Balance as of January 1, 2018	$	220,645
Reclassification		-
Balance as of December 31, 2018	$	220,645
Depreciation and impairment losses:		
Balance as of January 1, 2019	$	26,436
Depreciation for the year		1,925
Disposal		(28,361)
Balance as of December 31, 2019	$	-

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

		Buildings
Balance as of January 1, 2018	$	23,531
Depreciation for the year		2,905
Balance as of December 31, 2018	$	26,436
Carrying amount:		
Balance as of December 31, 2019	$	-
Balance as of December 31, 2018	$	194,209
Balance as of January 1, 2018	$	197,114

In November 2015, the Company entered into a repurchase agreement with Excelsior Asset Management Co., Ltd. ("Excelsior Asset") regarding the real estate in Taichung.

Due to the characteristics of the repurchase agreement, the real estate transaction was considered as financing, in which the proceeds from the transaction were accounted for as debt by the Company. The liabilities were recognized without any profit or loss.

In August 2019, the Company signed an agreement of repurchase abandonment with Excelsior Asset. The obligation of related liabilities from the transaction were eliminated and the investment property was derecognized.

The fair value of the investment properties as of December 31, 2018, please refer to Note (6)(k) of the financial statements for the year ended of December 31, 2018.

As of December 31, 2018, the aforesaid investment properties were not pledged as collateral.

(l) Intangible assets

The costs, amortization, and impairment of the Company for the years ended December 31, 2019 and 2018, were as follows:

		Software	Other intangible assets	Total
Cost:				
Balance as of January 1, 2019	$	2,008	19,442	21,450
Acquisition		196	-	196
Balance as of December 31, 2019	$	2,204	19,442	21,646
Balance as of January 1, 2018	$	1,101	19,442	20,543
Acquisition		907	-	907
Balance as of December 31, 2018	$	2,008	19,442	21,450
Amortization and impairment loss:				
Balance as of January 1, 2019	$	849	19,276	20,125
Amortization		688	136	824
Balance as of December 31, 2019	$	1,537	19,412	20,949

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	Software	Other intangible assets	Total
Balance as of January 1, 2018	$ 327	19,067	19,394
Amortization	522	209	731
Balance as of December 31, 2018	$ 849	19,276	20,125
Carrying amount:			
Balance as of December 31, 2019	$ 667	30	697
Balance as of December 31, 2018	$ 1,159	166	1,325
Balance as of January 1, 2018	$ 774	375	1,149

1.Amortization

The amortization of intangible assets is included in the following statement of comprehensive income items:

	For the Years Ended December 31, 2019	2018
Operating costs	$ 136	209
Operating expenses	688	522
Total	$ 824	731

(m) Short-term borrowings

	2019.12.31	2018.12.31
Unsecured bank loans	$ 450,000	-
Unused short term credit lines	$ 450,000	-
Range of interest rates	0.96%~0.98%	-

The Company's interest risk and sensitivity analysis of financial assets and liabilities were disclosed in Note (6)(aa).

(n) Bonds payable

1.On September 7, 2015, the Company issued the fifth domestic secured convertible bonds of $300,000 thousand at face value, with a face interest rate of 0% and a maturity date of September 7, 2018. The bonds are guaranteed by KGI Bank. The bonds may be converted into ordinary shares of the Company at any time during the period from the day one month after issuance to the day of maturity. The initial conversion price was NT$39.3 per share, which is subject to adjustment according to an agreed upon formula (the conversion price was adjusted to NT$33.57 per share from July 26, 2018). During the period from the day one month after issuance to the day forty days before maturity, the Company may redeem all of the bonds at face value, provided that the average closing price exceeds the then conversion price by 30% or more for 30 consecutive trade days or the total amount of the outstanding bonds is less than 10% of the total amount of the bonds initially issued. Other than in the cases of conversion or redemption mentioned above, the Company shall redeem the bonds by cash on their maturity. As of August 21, 2018, the bondholders who held convertible bonds of $300,000 thousand at face value had exercised the rights to convert the bonds.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

The Company' s fifth domestic secured convertible bonds contained 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 1.63% per annum on initial recognition.

Proceeds from issue (less transaction costs $4,250 thousand)	$	295,750
Equity component (less transaction costs allocated to the equity component of $155 thousand and related tax effect of $26 thousand)		(10,792)
Deferred tax assets		723
Liability component at the date of issue (less transaction costs allocated to the liability component of $4,095 thousand and related tax effect of $697 thousand)		285,681
Interest charged at an effective interest rate of 1.63%		2,870
Convertible bonds converted into ordinary shares		(277,278)
Liability component at December 31, 2017		11,273
Interest charged at an effective interest rate of 1.63%		49
Convertible bonds converted into ordinary shares		(11,322)
Liability component at August 21, 2018	$	-

(o) Provisions

	2019.12.31	2018.12.31
Warranties	$ 3,348	2,202

		Warranties
Balance at January 1, 2019	$	2,202
Additions		4,188
Provisions reversed or used		(3,042)
Balance at December 31, 2019	$	3,348
Balance at January 1, 2018	$	3,185
Additions		2,160
Provisions reversed or used		(3,143)
Balance at December 31, 2018	$	2,202

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(p) Lease liabilities

The carrying amount of lease liabilities were as follows:

	2019.12.31
Current	$ 3,769
Non-current	$ 9,192

For the maturities analysis, please refer to Note (6)(aa).

There were no significant issuances, repurchases and repayments of lease liabilities in 2019.

The Company modified parts of the contract, resulting in an increase in lease liabilities of $36 thousand for the years ended December 31, 2019.

The amounts recognized in profit or loss were as follows:

	For the Years Ended December 31, 2019
Interest on lease liabilities	$ 181
Income from sub-leasing right-of-use assets	$ 311
Expenses relating to short-term leases	$ 1,086

The amounts recognized in the statement of cash flows for the Company were as follows:

	For the Years Ended December 31, 2019
Total cash outflow for leases	$ 5,839

1. Building leases

As of December 31, 2019, the Company leases buildings for its office space. The leases of office space typically run for a period of 2 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Company sub-leases some of its right-of-use assets under operating leases; please refer to Note (6)(q).

2. Other leases

The Company leases machinery and other equipment, with lease terms of 3 years. In some cases, the Company has options to extend the lease at the end of the contract term.

The Company also leases storage room and parking space with contract terms of 1 to 3 years. These leases are short-term leases. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(q) Operating leases

1.Leases as lessee

Operating leases relate to leases and subleases of real estate and leases of automobiles with lease terms between 1 to 10 years. The Company does not have bargain purchase options to acquire the leased housing and automobiles at the expiration of the lease periods.

Non-cancellable operating lease rentals payable were as follows:

	2018.12.31
Within 1 year	$ 4,558
1 to 5 years	2,147
	$ 6,705

The total of future minimum sublease payments expected to be received under non-cancellable subleases at December 31, 2018 was $1,944 thousand.

2.Leases as lessor

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	2019.12.31
Within 1 year	$ 5,866
1 to 5 years	69
	$ 5,935

Operating leases relate to leasing and subleasing of real estate and leasing of equipment with lease terms between 1 to 5 years. The lessees do not have bargain purchase options to acquire the real estate and equipment at the expiration of the lease periods.

The future minimum lease payments under non-cancellable leases are as follows:

	2018.12.31
Within 1 year	$ 5,828
1 to 5 years	805
	$ 6,633

In addition to the minimum lease payments receivable, the above property sublease contracts also include contingent rental clauses that the lessees shall pay contingent rentals based on a specific percentage of monthly operating revenue.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(r) Employee benefits

1.Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	2019.12.31	2018.12.31
Present value of defined benefit obligations	$ 77,275	77,693
Fair value of plan assets	(80,459)	(76,676)
Net defined benefit liabilities	$ (3,184)	1,017

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $80,459 thousand as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	For the Years Ended December 31,	
	2019	2018
Defined benefit obligation at January 1	$ 77,693	72,895
Current service costs and interest	1,341	1,390
Remeasurement on the net defined benefit obligation		
—Actuarial gains and losses arising from experience adjustments	(3,640)	2,281
—Actuarial gains and losses arising from changes in demographic assumptions	461	188
—Actuarial gains and losses arising from changes in financial assumptions	2,307	939
Benefit paid	(887)	-
Defined benefit obligation at December 31	$ 77,275	77,693

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	For the Years Ended December 31,	
	2019	2018
Fair value of plan assets at January 1	$ 76,676	63,533
Interest income	871	803
Remeasurement on the net defined benefit obligation		
—Return on plan assets (excluding current interest)	2,584	2,113
Contribution paid by the employer	1,215	1,471
Benefits paid	(887)	-
Other adjustments	-	8,756
Fair value of plan assets at December 31	$ 80,459	76,676

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	For the Years Ended December 31,	
	2019	2018
Current service costs	$ 467	479
Net interest of net liabilities for defined benefit obligations	3	108
	$ 470	587
Operating costs and expenses	$ 470	587

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	2019.12.31	2018.12.31
Discount rate	0.800%	1.125%
Future salary increases rate	3.000%	3.000%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $1,215 thousand.

The weighted average lifetime of the defined benefits plans is 13 years.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences on defined benefit obligations	
	Increased 0.25%	**Decreased 0.25%**
December 31, 2019		
Discount rate	$ (1,803)	1,868
Future salary increasing rate	1,785	(1,733)
December 31, 2018		
Discount rate	$ (1,906)	1,978
Future salary increasing rate	1,895	(1,836)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

2.Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $6,867 thousand and $6,388 thousand for the years ended December 31, 2019 and 2018, respectively.

(s) Income taxes

1.Income tax expense

The components of income tax in the years 2019 and 2018 were as follows:

	For the Years Ended December 31,	
	2019	**2018**
Current tax expense		
Current period	$ 72,173	59,783
Adjustment for prior periods	(616)	(782)
	71,557	59,001

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Deferred tax expense		
Origination and reversal of temporary differences	12,450	16,817
Adjustment in tax rate	-	5,999
	12,450	22,816
Income tax expense from continuing operations	$ 84,007	81,817

The amount of income tax recognized in other comprehensive income for 2019 and 2018 were as follows:

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	$ (691)	450
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	3,088	9,577
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income	439	2,812
	$ 2,836	12,839
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	$ 11,228	3,506

Reconciliation of income tax and profit before tax for 2019 and 2018 was as follows:

	For the Years Ended December 31, 2019	For the Years Ended December 31, 2018
Profit before imcome tax	$ 598,762	533,379
Income tax using the Company's statutory tax rate	$ 119,752	106,676
Adjustment in tax rate	-	5,999
Permanent differences	(40,048)	(29,739)
Tax-exempt income	(517)	(337)
Unrecognized deductible temporary differences	(10,000)	-
Undistributed earnings additional tax	15,436	-
Adjustments for prior periods	(616)	(782)
Income tax expense	$ 84,007	81,817

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

2.Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2019.12.31	2018.12.31
Tax effect of deductible temporary differences	$ -	10,000

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

	Deferred sales returns and allowance	Unrealized losses on inventories	Unrealized gains on investment	Others	Total
Deferred tax assets:					
Balance at January 1, 2019	$ 1,612	4,450	-	36,648	42,710
Recognized in profit or loss	(262)	5,233	-	6,205	11,176
Recognized in other comprehensive income	-	-	-	10,976	10,976
Balance at December 31, 2019	$ 1,350	9,683	-	53,829	64,862
Balance at January 1, 2018	$ 1,495	1,670	-	27,502	30,667
Recognized in profit or loss	117	2,780	-	2,378	5,275
Recognized in other comprehensive income	-	-	-	6,768	6,768
Balance at December 31, 2018	$ 1,612	4,450	-	36,648	42,710
Deferred tax liabilities:					
Balance at January 1, 2019	$ -	-	82,724	4,150	86,874
Recognized in profit and loss	-	-	23,701	(75)	23,626
Recognized in other comprehensive income	-	-	-	(3,088)	(3,088)
Balance at December 31, 2019	$ -	-	106,425	987	107,412
Balance at January 1, 2018	$ -	-	55,040	13,320	68,360
Recognized in profit or loss	-	-	27,684	407	28,091
Recognized in other comprehensive income	-	-	-	(9,577)	(9,577)
Balance at December 31, 2018	$ -	-	82,724	4,150	86,874

3.Assessment of tax

The Company' s income tax returns for the year through 2017 were assessed by the Tax Administration.

(t) Capital and other equity

1.Share capital

	2019.12.31	2018.12.31
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	$ 2,000,000	2,000,000
Number of shares issued and fully paid (in thousands)	128,149	128,149
Shares issued	$ 1,281,490	1,281,490

A total of 10,000 thousand shares of the Company' s authorized shares are reserved for the issuance of employee share options, convertible bonds with warrants and preferred shares with warrants.

As of December 31, 2018, the bondholders of the fifth domestic convertible bonds had exercised the rights to conversion into certificates of bond-to-stock conversion. The subscription date was November 5, 2018.

2.Capital surplus

	2019.12.31	2018.12.31
Additional paid-in capital arising from ordinary share	$ 1,364,262	1,364,262
Additional paid-in capital arising from bond conversion	1,072,079	1,072,079
Difference between consideration and carrying amount of subsidiaries acquired or disposed	98,181	98,181
Changes in ownership interest in subsidiaries	234,979	234,022
Changes in equity of associates accounted for using equity method	124	300
Employee share option	3,322	-
Others	43,860	43,860
	$ 2,816,807	2,812,704

3.Retained earnings

The Company's article of incorporation stipulates that Company's profit after tax should first be used to offset the prior years' deficits, including unappropriated retained earnings. Of the remaining balance, 10% is to be appropriated as legal reserve, then the special surplus reserve shall be distributed or reversed according to the Laws acts and regulations approved by the Competent authority. The remainder, together with any undistributed retained earnings, including amount of adjusted retained earnings, shall be distributed by the Board of Directors and submitted to the stockholders' meeting for approval. The distribution of dividends, bonus, legal reserve and capital surplus, distributed by way of cash, shall be decided during the board meeting, approved by more than half of the directors, with two thirds of directors in attendance; thereafter, to be submitted in the shareholders' meeting of the Company.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

The Company's Articles also stipulate a dividend policy which is as follows: According to the present and future development plans, the investment environment, capital requirements, domestic and overseas competition, and the benefit of shareholders, the Company should distribute dividends and bonuses to shareholders at no less than 20% of the remaining profit (which is the current net profit less losses of previous years, less the adjustment to retained earnings, and less the appropriation of earnings to the legal reserve). Dividends could be distributed in cash or shares, where cash dividends should not be less than 20% of the total dividends distributed.

According to the amendment of the R.O.C. Company Act in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

During the shareholder's meeting on June 18, 2019 and June 21, 2018, the shareholders approved to distribute the 2018 and 2017 earnings, respectively, as follows:

	For the Years Ended December 31,			
	2018		2017	
	Dividend per share ($)	Amount	Dividend per share ($)	Amount
Dividends distributed to common shareholders				
Cash	$ 3.00	384,447	2.80	357,917

4.Other equity interest after tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity interest-other	Total
Balance at January 1, 2019	$ (61,536)	34,907	-	(26,629)
Exchange differences on translation of foreign financial statement	(44,911)	-	-	(44,911)
Exchange differences on associates accounted for using equity method	(1,456)	-	-	(1,456)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	12,463	-	12,463
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	38,780	-	38,780
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(34,596)	-	(34,596)
Balance at December 31, 2019	$ (107,903)	51,554	-	(56,349)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity interest-other	Total
Balance at January 1, 2018	$ (61,019)	97,579	(212,359)	(175,799)
Exchange differences on translation of foreign financial statement	(3,079)	-	-	(3,079)
Exchange differences on associates accounted for using equity method	2,562	-	-	2,562
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	2,839	-	2,839
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income, associates accounted for using equity method	-	(30,186)	-	(30,186)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(35,325)	-	(35,325)
Other	-	-	212,359	212,359
Balance at December 31, 2018	$ (61,536)	34,907	-	(26,629)

(u) Share-based payment

The Company decided to issue ordinary shares for cash, with a par value of $10 per share, which had been approved during the Board meeting on November 7, 2019. A part of the shares were reserved and restricted for full time employees who met the Company' s requirements to subscribe. The restricted stock has been registered with, and approved by, the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C., with the capital increase date set on January 15, 2020.

As of December 31, 2019, the Company had share-based payment arrangements as follows:

	Equity-settled Cash capital increase reserved for employee subscription
Grant date	2019.12.18
Number of shares granted	1,950,000 shares
Contract term	-
Recipients	Employees of the Company and a part of subsidiaries
Vesting conditions	-

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

1.Determining the fair value of equity instruments granted

The Company used Black-Scholes Model in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	2019
	Cash capital increase reserved for employee subscription
Fair value at grant date	$ 8.72
Share price at grant date	53.70
Exercise price	45.00
Expected volatility (%)	9.83 %
Expected life (years)	0.04
Expected dividend	- %
Risk-free interest rate (%)	0.60 %

Expected volatility is based on the weighted average of historical volatility. The Group determined that there were no expected dividends. The risk free rate is determined based on the rate of 1-3 month time deposits of Bank of Taiwan on the date of measurement. Service and non-market performance conditions attached to the transactions are not considered in determining the fair value.

2.Expense recognized in profit or loss

The Company incurred expenses of share-based arrangements in 2019 as follows:

	2019
Expenses resulting from cash-settled share-based payment to employees	$ 3,322

(v) Earnings per share

For the years ended December 31, 2019 and 2018, the basic and diluted earnings per share were calculated as follows:

1.Basic earnings per share

	For the Years Ended December 31,	
	2019	**2018**
Profit attributable to ordinary shareholders of the Company	$ 514,755	451,562
Weighted average number of ordinary shares (basic)	128,149	128,064

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

2.Diluted earnings per share

	For the Years Ended December 31,	
	2019	2018
Profit attributable to the Company	$ 514,755	451,562
Effect of potentially dilutive ordinary shares -convertible bonds	-	49
Profit attributable to ordinary shareholders of the Company	$ 514,755	451,611
Weighted average number of ordinary shares (basic)	128,149	128,064
Convertible bonds	-	85
Effect of employee stock compensation	729	725
Weighted average number of ordinary shares (diluted)	128,878	128,874

(w) Revenue from contracts with customers

1.Disaggregation of revenue

	For the Years Ended December 31,	
	2019	2018
Primary geographical markets		
Taiwan	$ 3,964,690	3,733,339
Major products:		
Product revenue		
Medical equipment and Supplies	$ 3,498,818	3,342,572
Medicines	87,266	80,559
Household appliances	106,011	37,155
Other	62,281	86,108
Repair and maintenance revenue	173,680	152,402
Other operating revenue	36,634	34,543
	$ 3,964,690	3,733,339

(x) Employee compensation and directors' remuneration

In accordance with the Articles of Incorporation, the Company should contribute no less than 1% of the profit as employee compensation and no higher than 5% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits. The amount of compensation for employees may be paid by shares or cash, and the recipients may include the employees of the Company's affiliated companies. The amount of remuneration to directors may only be paid in cash. Both the employee compensation and directors' remuneration should be approved by the Board of Directors and reported during the shareholders' meeting.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

For the years ended December 31, 2019 and 2018, the Company estimated its employee compensation amounting to $32,365 thousand and $28,831 thousand, and directors' remuneration amounting to $16,183 thousand and $14,416 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the compensation to employees and remuneration to directors of each period, multiplied by the percentage specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website.

The aforesaid amounts of 2018 are identical to those stated in the financial statements for the year ended December 31, 2018. The employee compensation and the directors' remuneration for 2019 is still to be determined by the Board meeting and the shareholders' meeting. The difference between the actual amounts and the estimation of employee remuneration in 2019 will be treated as changes in accounting estimates and adjusted in profit or loss in the following year.

(y) Non-operating income and expenses

1.Other income

The details of other income were as follows:

	For the Years Ended December 31,	
	2019	2018
Interest income		
Interest income from bank deposits	$ 4,408	3,827
Dividend income	3,443	2,606
Total	$ 7,851	6,433

2.Financial costs

The details of financial costs were as follows:

	For the Years Ended December 31,	
	2019	2018
Interest expenses		
Bank borrowings	$ 1,596	-
Interest on convertible bonds	-	49
Others	3,865	5,462
	$ 5,461	5,511

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

3.Other gains and losses

The details of other gains and losses were as follows:

	For the Years Ended December 31,	
	2019	2018
Gains (losses) on disposal of property, plant, and equipment	$ 51,156	(319)
Gains on disposals of investments	-	373
Foreign exchange (losses) gains	(3,660)	8,473
Net gains or losses on financial assets (liabilities) measured at fair value through profit or loss	53	307
Impairment gains (losses) recognized on non-financial assets	64	(838)
Others	3,502	6,329
Total	$ 51,115	14,325

(z) Reclassification adjustments of components of other comprehensive income

The details of reclassification of other comprehensive income were as follows:

	For the Years Ended December 31,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Net changes in fair value	$ (25,221)	(42,063)
Net changes of fair value reclassified to retained earnings	34,596	35,325
Net gains or losses recognized in other comprehensive income	$ 9,375	(6,738)

(aa) Financial instruments

1. Credit risks

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risks of receivables, the Company periodically evaluates the customers' financial positions and the possibility of collecting trade receivables. And, the impairment losses are always within the management's expectation. As of December 31, 2019 and 2018, 59.46% and 55.40%, respectively, of notes receivable and accounts receivable were two major customers. Thus, credit risk is significantly centralized.

2.Liquidity risks

The following are the contractual maturities of financial liabilities of the Company, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount	Contractual cash flow	On Demand or Less than 1 month	1-3 months	3-6 months	6-12 months	1-2 years	More than 2 years
December 31, 2019								
Non-derivative financial liabilities								
Short-term borrowings	$ 450,000	450,000	450,000	-	-	-	-	-
Payables	877,661	877,661	530,948	231,800	103,787	11,126	-	-
Lease liabilities	12,961	12,961	385	771	869	1,744	2,417	6,775
	$ 1,340,622	1,340,622	981,333	232,571	104,656	12,870	2,417	6,775
December 31, 2018								
Non-derivative financial liabilities								
Payables	$ 1,284,377	1,298,134	493,484	283,753	113,841	190	-	406,866
	$ 1,284,377	1,298,134	493,484	283,753	113,841	190	-	406,866

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3.Market risks

1) Currency risks

The Company's significant exposure to foreign currency risk of financial assets and liabilities were as follows:

Functional currency	Exchange rate	Currency	2019.12.31 Foreign currency (in thousands)	2019.12.31 Carrying amount (TWD)
Financial assets				
Monetary items				
TWD	29.980	USD	$ 6,000	179,867
TWD	0.276	JPY	799,552	220,676
TWD	33.590	EUR	378	12,705
Non-Monetary items				
TWD	0.276	JPY	144,547	39,895
TWD	0.026	KRW	3,160,210	82,798
TWD	29.980	USD	108,795	3,261,674

			2019.12.31	
Functional currency	**Exchange rate**	**Currency**	**Foreign currency (in thousands)**	**Carrying amount (TWD)**
Financial liabilities				
Monetary items				
TWD	0.276	JPY	431,775	119,170
TWD	29.980	USD	347	10,406
TWD	33.590	EUR	74	2,484

			2018.12.31	
Functional currency	**Exchange rate**	**Currency**	**Foreign currency (in thousands)**	**Carrying amount (TWD)**
Financial assets				
Monetary items				
TWD	30.715	USD	$ 5,837	179,274
TWD	0.278	JPY	600,867	167,161
TWD	35.200	EUR	1,196	42,103
Non-Monetary items				
TWD	0.278	JPY	104,026	28,940
TWD	0.028	KRW	3,927,873	109,195
TWD	30.715	USD	51,748	1,589,461
TWD	4.472	CNY	362,559	1,621,363
Financial liabilities				
Monetary items				
TWD	0.278	JPY	480,543	133,687
TWD	30.715	USD	36	1,095
TWD	35.200	EUR	654	23,011

Since the Company has many kinds of currency, the information on foreign exchange gains or losses on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gains or losses amounted to losses of $3,660 thousand and gains of $8,473 thousand, respectively.

2) Sensitivity analysis

The Company' s foreign exchange exposure to foreign currency risk arises from foreign currency exchange fluctuations on cash and cash equivalents, accounts receivables and accounts payables.

Assuming other variables remain the same, a 1% depreciation or appreciation of the TWD against foreign currency for the years ended December 31, 2019 and 2018 would have increased or decreased the net profit after tax by $2,255 thousand and $1,846 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Interest rate risk

The Company' s financial assets and financial liabilities with interest rate exposure risk were noted in the liquidity risk section.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

However, the Company does not own any floating rate bank deposit or borrowing for the years ended December 31, 2019 and 2018; hence, there were no impact related to such risk.

4) Other price risks

Assuming that the analysis is performed on the same basis for both periods, if equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $3,053 thousand and $3,610 thousand, respectively, as a result of the changes in fair values of financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income.

4.Fair value information

The Company uses the observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determination of the fair value are as follows:

·Level 1: quoted prices (unadjusted) in active markets of identical assets or liabilities.

·Level 2: inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

· Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

1) The categories and fair values of financial instruments

Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and lease liabilities, disclosure of fair value information is not required:

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	2019.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Domestic listed shares	$ 33,961	33,961	-	-	33,961
Foreign listed shares	122,693	39,895	-	82,798	122,693
Domestic unlisted shares	148,602	-	-	148,602	148,602
Sub-total	305,256	73,856	-	231,400	305,256
Financial assets at amortized cost					
Cash and cash equivalents	749,196	-	-	-	-
Receivables	1,017,030	-	-	-	-
Other financial assets	8,758	-	-	-	-
Sub-total	1,774,984	-	-	-	-
Total	$ 2,080,240	73,856	-	231,400	305,256
Financial liabilities at amortized cost					
Short-term borrowings	$ 450,000	-	-	-	-
Payables	877,661	-	-	-	-
Lease liabilities	12,961	-	-	-	-
Total	$ 1,340,622	-	-	-	-

	2018.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates, open-end mutual funds	$ 15,147	15,147	-	-	15,147
Financial assets at fair value through other comprehensive income					
Domestic listed shares	72,705	72,705	-	-	72,705
Foreign listed shares	138,135	138,135	-	-	138,135
Domestic unlisted shares	134,974	-	-	134,974	134,974
Sub-total	345,814	210,840	-	134,974	345,814

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

	2018.12.31				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	908,375	-	-	-	-
Receivables	989,746	-	-	-	-
Other financial assets	10,862	-	-	-	-
Sub-total	1,908,983	-	-	-	-
Total	$ 2,269,944	225,987	-	134,974	360,961
Financial liabilities at amortized cost					
Payables	$ 1,284,377	-	-	-	-
Guarantee deposit received	166	-	-	-	-
Total	$ 1,284,543	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

The Company' s valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

A. Financial assets measured at amortized cost

If the quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

B. Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimated fair values.

3) Valuation techniques for financial instruments measured at fair value

The Company considers the financial status, operating analysis, most recent transaction price, non-active market quoted price of related equity instrument, and active-market quoted price of similar instrument, and other information, in determining the input value of its investee companies. Periodically updates of information and input value for the valuation model and any necessary adjustments of fair value are required to ensure that the results of estimation are reasonable.

A. Non-derivative financial instruments

If quoted prices in active markets are available, the prices are established as fair values, such as public quoted company stock and beneficiary certificates, open-end mutual fund.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

For the Company's financial instruments that have no active markets, the measurement of fair values is listed as follows:

Equity instrument that has no quoted price: The method of comparable Listed Company approach is used to estimate the fair value. The main assumption for the method is to determine the fair value by using the transaction price paid for an identical or a similar instrument of an investee.

B.Derivative financial instruments

Derivative financial instruments are measured by using the common valuation models such as discounted cash flow model and Black-Scholes model.

4) Changes in Level 3 fair values

	Fair value through other comprehensive income
	unquoted equity instruments
Balance as of January 1, 2019	$ 134,974
Total gains and losses recognized	
In other comprehensive income	(19,696)
Reclassification	116,122
Balance as of December 31, 2019	$ 231,400
Balance as of January 1, 2018	$ 142,768
Total gains and losses recognized	
In other comprehensive income	(7,794)
Balance as of December 31, 2018	$ 134,974

For the years ended December 31, 2019 and 2018, total gains and losses included in "other gains and losses", and "unrealized gains and losses from financial assets at fair value through other comprehensive income" were as follows:

	For the Years Ended December 31,	
	2019	2018
Total gains and losses recognized		
In other comprehensive income, and presented in "unrealized gains and losses from financial assets at fair value through other comprehensive income"	(19,696)	(7,794)

5) Quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure "fair value through other comprehensive income – equity investments without active market".

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

Quantified information of significant unobservable inputs was as follows:

Item	Valuation techniques	Significant non-observable inputs	The relationship between significant Non-observable inputs and fair value
Financial assets at fair value through other comprehensive income —equity instruments investments without an active market	Comparable Listed Companies Method	· EV/EBITA Value Multiple (14.95 on December 31, 2019) · P/B Value Multiple (1.11~2.33 and 1.11~1.96 on December 31, 2019 and 2018) · P/E Value Multiple (28.36 on December 31, 2019) · Discount due to Lack of Market liquidity (6.45%~30.00% and 13.07%~30.00% on December 31, 2019 and 2018)	· The estimated fair value would increase (decrease) if the price of earnings ratio multiple is higher (lower) and the marketability discount is lower (higher)

6) Sensitivity analysis for fair values of financial instruments using Level 3 Inputs

The Company's fair value measurement on financial instruments is reasonable. However, the measurement would differ if different valuation models or valuation parameters are used. For financial instruments using Level 3 inputs, if the valuation parameters are changed, the impact on net income or loss and other comprehensive income or loss will be as follows:

			Impact on Fair Value Change on Other Comprehensive income or loss	
	Input	Variation	Favorable Change	Unfavorable Change
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Equity instruments without an active market	Value Multiple	5%	$ 10,638	(10,638)
Equity instruments without an active market	Discount due to Lack of Market liquidity	5%	9,215	(9,215)
			$ 19,853	(19,853)

			Impact on Fair Value Change on Other Comprehensive income or loss	
	Input	Variation	Favorable Change	Unfavorable Change
December 31, 2018				
Financial assets at fair value through other comprehensive income				
Equity instruments without an active market	Value Multiple	5%	$ 6,307	(6,307)
Equity instruments without an active market	Discount due to Lack of Market liquidity	5%	8,056	(8,056)
			$ 14,363	(14,363)

(ab) Financial risk management

1.Overview

The Company has exposures to the following risks from its financial instruments:

1) credit risk

2) liquidity risk

3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

2.Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The general manager, which reports to the Board of Directors, is responsible for the development of the Company-wide risk management policy and related systems and reports regularly to the Board of Directors.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and changes in operation of the Company. The Company, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board of Directors is assisted in its oversight role by internal audit. The internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

3.Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and

2) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Please refer to Note (13)(a) for the information of guarantees and endorsements as of December 31, 2019.

4.Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5.Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors and shareholder's meeting with the supervision of the internal audit department. Information concerning all market risks of the Company was as follows:

1) Currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

2) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The Company pays attention to changes in market interest rates in order to make plans to manage interest rate risk.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

3) Other price risk

The Company was exposed to price risk through its investments in listed securities. The Company has appointed a special team to monitor and evaluate the price risk.

(ac) Capital Management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

(ad) Investing and financing activities not affecting current cash flow

The Company's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2019, were as follows:

1.For acquisition of right-of-use assets through leasing, please refer to Note (6)(j).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes Acquisition	December 31, 2019
Short-term borrowings	$ -	450,000	-	450,000
Lease liabilities	17,497	(4,572)	36	12,961
Total liabilities from financing activities	$ 17,497	445,428	36	462,961

(7) Related Party Transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

Name of related party	Relationship with the Company
Excelsior Investment Co., Ltd.	Entities with significant influence over the Company
Excelsior Group Holdings Co., Ltd.	〃

Name of related party	Relationship with the Company
Dynamic Medical Technologies Inc.	Subsidiary
Dynamic Medical Technologies (Hong Kong) Ltd.	〃
Guangzhou Dynamic Inc.	〃
Excelsior Beauty Limited of Hong Kong	〃
Beijing Dynamic Inc.	〃
Arich Enterprise Co., Ltd.	〃
Bestsmile Co., Ltd.	〃
Excelsior Beauty Co., Ltd.	〃
Excelsior Healthcare Co., Ltd.	〃
Excelsior Investment (Malaysia) Co., Ltd.	〃
Excelsior Medical Co., Limited (Hong Kong)	〃
SinoExcelsior Investment Inc.	〃
EG Healthcare Inc.	〃
Excelsior Asset Management Co., Ltd. (Excelsior Asset)	Joint venture before August 2, 2019
CYJ International Taiwan Inc.	Associate before October 1, 2019
Jiate Excesior Co., Ltd. (Jiate)	Associate
Bestchain Healthtaiwan Co., Ltd. (Bestchain)	〃
Visionfront Corporation	〃
Sunrise Health Care Company	〃
Excelsior Renal Service Co., Limited (ERS)	〃
Asia Best Healthcare Co., Limited (ABH)	〃
Medifly Co., Ltd.	〃
Asia Best Life Care Technology Co., Ltd.	〃
Asia Best Biomedical Co., Ltd.	〃
Arich Best Chain Co., Ltd.	〃
Triple AI Technology Co., Ltd.	Other related parties
Excelsior Health Foundation	〃
Join Fun Co., Ltd.	〃

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

(b) Significant transactions with related parties

1.Operating revenue

1) Sales revenue

The amounts of significant sales by the Company to related parties were as follows:

	For the Years Ended December 31,	
	2019	2018
Subsidiaries	$ 27,749	41,225
Associates－Bestchain	1,592,769	1,439,737
Associates－ERS	726,854	687,146
Associates－Others	22,003	18,982
Other related parties	39	-
	$ 2,369,414	2,187,090

The aforementioned transactions, except the sales to Bestchain and ERS that were priced on a cost-plus basis, were conducted on normal commercial terms.

2) Repair and maintenance revenue

The amounts of significant repair and maintenance revenue by the Company to related parties were as follows:

	For the Years Ended December 31,	
	2019	2018
Subsidiaries	$ 242	278
Associates－ERS	70,754	67,590
Associates－Others	5,345	832
	$ 76,341	68,700

3) Other operating revenue-rental revenue

The amounts of significant other operating revenue-rental revenue by the Company to related parties were as follows:

	For the Years Ended December 31,	
	2019	2018
Entities with significant influence over the Company	$ 72	72
Subsidiaries	5,094	1,919
Associates－ERS	2,290	2,261
Associates－Others	2,013	2,002
Joint venture－Excelsior Asset	-	5,517
Other related parties	47	47
	$ 9,516	11,818

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

4) Other operating revenue-service revenue

The amounts of significant other operating revenue-service revenue by the Company to related parties were as follows:

	For the Years Ended December 31, 2019	2018
Subsidiaries	$ 4,873	2,849
Associates—Bestchain	2,199	2,079
Associates—ERS	9,512	5,798
Associates—Others	2,249	1,154
Joint venture—Excelsior Asset	-	3,000
	$ 18,833	14,880

2.Purchases from related parties

The amounts of significant purchases by the Company from related parties were as follows:

	For the Years Ended December 31, 2019	2018
Associates	$ 6,473	7,179

There is no significant difference in terms and conditions of the purchases from associates between those provided to the third parties.

3.Receivables from related parties

Receivables from related parties were as follows:

Accounted for as	Category of related party	2019.12.31	2018.12.31
Accounts receivable	Subsidiaries	$ 14,257	19,150
Accounts receivable	Associates—Bestchain	455,067	405,710
Accounts receivable	Associates—ERS	146,371	140,444
Accounts receivable	Associates—Others	9,476	6,449
Accounts receivable	Joint venture—Excelsior Asset	-	263
Other receivables	Subsidiaries	130	88
Other receivables	Associates—ERS	267	255
Other receivables	Associates—Others	199	165
Other receivables	Joint venture—Excelsior Asset	-	35
		$ 625,767	572,559

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

4.Payables to related parties

Payables to related parties were as follows:

Accounted for as	Category of related party	2019.12.31	2018.12.31
Accounts payable	Associates	$ 1,931	2,852
Other payables	Associates	4,454	8,759
Other payables	Subsidiaries	3	12,814
Long-term payables	Joint venture—Excelsior Asset	-	393,109
		$ 6,388	417,534

5.Property transactions

In November 2015, the Company entered into a purchase agreement with Excelsior Asset Management Co., Ltd. regarding the real estate in Xizhi. The transaction of disposal has been completed, resulting in an unrealized profit of $51,898 thousand in January 2016. On August 2, 2019, the Company acquired the remaining 49% shares of Excelsior Asset, wherein it had been reclassified from unrealized to realized profit.

6.Guarantee

As of December 31, 2019 and 2018, the Company provided its subsidiaries guarantees for loans, with the credit limits of $79,215 thousand and $50,715 thousand, wherein the amounts utilized were $12,998 thousand and $10,000 thousand, respectively.

As of December 31, 2019 and 2018, the Company also provided its associates guarantees for loans, with the credit limits of $761,200 thousand and $760,000 thousand, wherein the amounts utilized were $100,000 thousand and $165,000 thousand, respectively.

As of December 31, 2019 and 2018, the Company provided its subsidiaries guarantees for investment project, with the credit limits of $87,420 thousand and $202,194 thousand, respectively, which were not yet utilized.

7.Others

	For the Years Ended December 31,	
	2019	2018
Associates and Other related parties		
Fright and warehousing expenses	$ (40,410)	(39,962)

The aforementioned rentals collected or paid quarterly or monthly were based on prevailing market rates.

As of December 31, 2019 and 2018, the Company had received long-term collections in advance (included in other non-current liabilities) from the joint venture for $0 thousand and $8,162 thousand, respectively. The Company had also received collections in advance from the joint venture for $0 thousand and $5,311 thousand, respectively. In addition, the Company had received collections in advance from associates for $0 thousand and $1,344 thousand as of December 31, 2019 and 2018, respectively.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized for receivables from related parties.

The outstanding payables to related parties are unsecured.

(d) Key management personnel compensation

Key management personnel compensation comprised:

	For the Years Ended December 31,	
	2019	2018
Short-term employee benefits	$ 41,645	30,712
Post-employment benefit	432	304
	$ 42,077	31,016

(8) Pledged Assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	2019.12.31	2018.12.31
Time deposits	Bank guarantee	$ 507	503
Property, plant and equipment	Bank loans	101,486	102,579
		$ 101,993	103,082

(9) Significant Commitments and Contingencies

(a) Unrecognized contractual commitments

1. As of December 31, 2019 and 2018, the unused letters of credit were $36,859 thousand and $40,964 thousand, respectively.

2. In January 2007, the Company sold 51% equity interest in Jiate Excelsior to a Hong Kong-based company and entered into a joint venture agreement with the Hong Kong-based company. Pursuant to the agreement, the parties had established a joint venture, Excelsior Renal Service, in Hong Kong, of which 49% is held by Excelsior Healthcare, a subsidiary of the Company, and 51% by the Hong Kong-based company. Excelsior Renal Service had established a branch in Taiwan to engage in the sale and lease of medical supplies and equipment. Pursuant to the agreement, the Hong Kong-based company shall also have a right to purchase all of the Company's equity interest in Jiate Excelsior and all of Excelsior Healthcare's equity interest in Excelsior Renal Service from the fifth anniversary of the date of the agreement at a price to be negotiated by the parties.

3. In January 2007, the Company entered into a supply agreement with the Hong Kong-based company mentioned in 2. above. Pursuant to the agreement, the Company shall purchase certain products from the Hong Kong-based company in agreed quantities at agreed prices annually. If the Company fails to purchase the agreed quantities in a year, the Company shall make an additional payment at specified percentages of the values of the under-purchased products.

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

4. In September 2010, the Company entered into a license agreement with 3-D Matrix, Ltd. ("3DM") for ten years. The agreement may be automatically extended for two years unless otherwise notified by either party at least six months prior to the expiration date of the agreement and may be extended in the same manner thereafter. Pursuant to the agreement, 3DM shall grant the Company an exclusive right to develop, sell and manufacture the products mentioned in the agreement in Taiwan, and the Company shall pay a royalty at an agreed amount and shall pay agreed amounts for purchases of inventories within agreed periods after the approvals relating to the products are obtained from the health authorities.

(10) Losses Due to Major Disasters : None.

(11) Subsequent Events

A resolution was passed during the Board of Director's meeting held on November 7, 2019 for issuance of 13,000 thousand new shares for cash with par value of 10 per share, amounting to $130,000 thousand. The capital increase date is set to be January 15, 2020. The related registration procedures were completed, and all issued shares were paid up upon issuance.

(12) Others

(a) The employee benefits, depreciation, depletion and amortization expenses categorized by function were as follows:

By function / By item	For the Years Ended December 31, 2019			For the Years Ended December 31, 2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefits						
Salary	39,820	168,914	208,734	38,821	142,960	181,781
Labor and health insurance	3,611	10,688	14,299	3,439	9,705	13,144
Pension	2,092	5,245	7,337	2,053	4,922	6,975
Remuneration of directors	-	24,538	24,538	-	19,737	19,737
Others	1,554	5,666	7,220	1,513	5,310	6,823
Depreciation	6,085	20,121	26,206	7,694	16,370	24,064
Amortization	236	1,577	1,813	276	1,409	1,685

For the years ended December 31, 2019 and 2018, the numbers of employees and their benefit expenses were as follows:

	2019	2018
Numbers of employees	205	194
Numbers of directors who were non-employees	8	7
The average employee benefits	$ 1,206	1,116
The average salaries and wages	$ 1,060	972
Average adjustment rate of employee salaries	9.05 %	

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31, 2019:

1. Fund financing to other parties: None.
2. Guarantees and endorsements for other parties:

(Expressed in thousands of New Taiwan dollars)

No.	Endorsement/guarantee provider	Counter-party		Limitation on endorsement /guarantee amount provided to each guaranteed party	Maximum balance for the year	Ending balance	Amount actually drawn	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements	Maximum endorsement guarantee amount allowance (Note 9)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiaries in Mainland China
		Name	Nature of relationship (Note 2)										
0	The Company	Excelsior Investment (Malaysia) Co.,Ltd. (Note 4)	2	1,389,268	207,113	87,420	-	-	1.26 %	6,946,341	Y		
0	〃	EG Healthcare, Inc. (Note 4)	2	1,389,268	61,545	59,215	2,998	-	0.85 %	6,946,341	Y		
0	〃	Bestsmile Co., Ltd. (Note 4)	2	1,389,268	20,000	20,000	10,000	-	0.29 %	6,946,341	Y		
0	〃	Excelsior Renal Service Co., Limited (Note 3)	1	726,854	-	-	-	-	- %	6,946,341			
0	〃	Bestchain Healthtaiwan Co., Ltd. (Note 3)	1	1,592,769	861,200	761,200	100,000	-	10.96 %	6,946,341			
1	Dynamic Medical Technologies Inc.	Dynamic Medical Technologies (Hong Kong) Ltd. (Note 6)	2	256,342	122,354	59,970	-	-	4.68 %	640,855	Y		
2	Excelsior Beauty Co., Ltd.	Dynamic Medical Technologies Inc. (Note 7)	3	71,487	530	-	-	-	- %	178,719		Y	
3	Arich Enterprise Co., Ltd.	Taiwan Shionogi Inc. (Note 5)	1	128,975	-	-	-	-	- %	631,348			
4	Excelsior Medical Co., Limited (Hong Kong)	SinoExcelsior Investment Inc. (Note 8)	2	1,252,559	-	-	-	-	- %	1,252,559	Y		Y

Note 1: the description of number column:
1. 0 is issuer.
2. Investees are listed by name and numbered starting with 1.

Note 2: Relationship with the Company
1. The companies with which it has business relations.
2. Subsidiaries in which the Company directly or indirectly holds more than 50% of its total outstanding common shares.
3. The parent company which directly or indirectly holds more than 50% of its voting rights.
4. Subsidiaries in which the Company directly or indirectly holds more than 90% of its voting rights.
5. Companies in the same type of business and providing mutual endorsements/ guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
6. Shareholders making endorsements and/or guarantees for their mutually invested company in proportion to their shareholding percentage.
7. Companies in the same type of business providing guarantees of pre-sale contracts according to the regulation.

Note 3: For guarantee and endorsement to those companies with business contact, the maximum amount cannot exceed the trading amount between two parties for the current year.

Note 4: The total amount of guarantee and endorsement cannot exceed 20% of the Company's net asset value from the most recent audited or reviewed report.

Note 5: For guarantee and endorsement from Arich to the Company with business contact, the maximum amount cannot exceed the trading amount between two parties for the most recent 24 months.

Note 6: The total amount of guarantee and endorsement cannot exceed 20% of Dynamic's net asset value from the most recent audited or reviewed report.

Note 7: The total amount of guarantee and endorsement cannot exceed 20% of Excelsior Beauty Co., Ltd.'s net asset value from the most recent audited or reviewed report.

Note 8: The total amount of guarantee and endorsement cannot exceed 50% of Hong Kong Excelsior's of net asset value from the most recent audited or reviewed report.

Note 9: The total amount of guarantee and endorsement cannot exceed the Company's net asset value from the most recent audited or reviewed report, Dynamic, Excelsior Beauty, Hong Kong Excelsior and Arich cannot exceed 50% of their net asset value from the most recent audited or reviewed report.

3. Information regarding securities held at balance sheet date (excluding investment in subsidiaries, associates and joint ventures):

(Expressed in thousands of New Taiwan dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Notes
				Number of shares	Book value	Percentage of shares	Market value	
	Stock							
The Company	SciVision Biotech Inc.	-	Fair value through other comprehensive income	473,000	33,961	0.81 %	33,961	
〃	3-D Matrix, Ltd.	-	〃	302,400	39,895	1.01 %	39,895	
〃		-	〃	55,500	82,798	0.52 %	82,798	
〃	Gie Cheng Co., Ltd.	-	〃	3,795,000	30,056	17.25 %	30,056	
〃	Missioncare Co., Ltd.	-	〃	1,580,526	19,172	1.09 %	19,172	
〃	Missioncare Asset Management Co., Ltd.	-	〃	669,473	6,969	1.05 %	6,969	
〃	Rui Guang Healthcare Co., Ltd.	-	〃	2,423,951	27,197	7.26 %	27,197	
〃	Arcos Bio-Tech Corporation	-	〃	51,014	549	3.03 %	549	
〃	Sunder Biomedical Tech. Co., Ltd.	-	〃	2,279,578	56,534	3.80 %	56,534	
〃	Linkon International Golf & Country Club	-	〃	1	8,125	0.10 %	8,125	
	Stock							
Excelsior Healthcare Co., Limited	Chai Tai Bo Ai Investment Limited	-	Fair value through other comprehensive income	10,000	30,922	8.00 %	30,922	
EG Healthcare, Inc.	The Orchard Golf & Country Club	-	〃	1	402	- %	402	
Dynamic Medical Technologies Inc.	SciVision Biotech Inc.	Other related parties	〃	1,132,895	81,342	1.95 %	81,342	
〃	Caregen Co., Ltd.	-	〃	34,500	51,468	0.32 %	51,468	
	Stock Warrant							
Dynamic Medical Technologies (Hong Kong) Ltd.	Viveve Medical Inc.	-	Financial assets at fair value through profit or loss	250	-	- %	-	
	Stock							
Excelsior Beauty Co., Ltd.	Join Fun Co., Ltd.	-	Fair value through other comprehensive income	263,340	4,487	19.00 %	4,487	
	Stock							
Arich Enterprise Co., Ltd.	National Pharmaceutical Logistics Corp., Ltd.		〃	-	216,208	17.65 %	216,208	Note

Note : Act as limited company, no outstanding share.

4. Accumulated buying/selling of the same marketable securities for which the amount reaches \$300 million or 20% or more of paid-in capital: None.

5. Acquisition of real estate for which the amount reaches \$300 million or 20% or more of paid-in capital : None.

6. Disposition of real estate for which the amount reaches \$300 million or 20% or more of paid-in capital: None.

7. Buying/selling products with the amount reaches $100 million or 20% or more of paid-in capital:

(Expressed in thousands of New Taiwan dollars)

			Transaction details				Transactions with terms different from others		Account/note receivable (payable)		
Name of company	Name of Counter-party	Relationship	Purchase/ Sale	Amount	Percentage of total purchases/ sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts/ notes receivable (payable)	Notes
The Company	Excelsior Renal Service Co., Limited	Associates	Sales	(726,854)	(19.36)%	Net 30-60 days	-		146,371	14.20 %	Note 1
〃	Bestchain Healthtaiwan Co., Ltd.	〃	〃	(1,592,769)	(42.42)%	Net 30-90 days	-		455,067	44.15 %	Note 1

Note 1: The unit price of cost of goods sold for the Company is based on cost-plus pricing approach by product that is lower than average; because, the expense of goods sold for related parties is lower than average price as well.

8. Accounts receivable from related parties for which the amount reaches $100 million or 20% or more of paid-in capital:

(Expressed in thousands of New Taiwan dollars)

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivables from related party	Allowances for bad debts
					Amount	Action taken		
The Company	Excelsior Renal Service Co., Limited	Associates	146,371	5.07	-	-	71,770	-
〃	Bestchain Healthtaiwan Co., Ltd.	〃	455,067	3.70	-	-	148,861	-

9. Derivative transactions:

Please refer to Note (6)(b) and (6)(aa) for related information.

(b) Information on investees:

For the year ended December 31, 2019, the following is the information of investees (excluding investees in Mainland china):

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Jiate Excesior Co., Ltd.	New Taipei City	Sale, maintenance and lease of medical equipment, and medical management consultancy service	5,279	5,279	1,607,200	49.00 %	20,685	1,296	635	Associates
〃	Bestchain Healthtaiwan Co., Ltd.	New Taipei City	Sale of medical equipment and medicines, interagation of warehousing and information	277,647	277,647	35,708,258	44.68 %	397,779	135,536	60,503	Associates (Note 1)
〃	Arich Enterprise Co., Ltd.	New Taipei City	Sale of medicines, and logistics service	197,604	197,604	17,612,921	39.51 %	496,938	60,628	23,966	Subsidiary (Notes 2)

EXCELSIOR MEDICAL CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income (loss) of the investee	Investment income (losses)	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value			
The Company	Dynamic Medical Technologies Inc.	New Taipei City	Sale, maintenance and lease of laser medical equipment for beauty treatment, and sale of consumables of beauty treatment and cosmetic products	180,300	180,300	11,550,425	38.50 %	506,633	112,521	43,323	Subsidiary
〃	Excelsior Healthcare Co., Limited	British Virgin Islands	Investment business	1,244,687	1,244,687	39,411,623	100.00 %	1,626,378	96,144	96,144	Subsidiary
〃	Bestsmile Co., Ltd.	New Taipei City	Sale of medical equipment, and medical management consultancy service	32,093	32,093	1,150,874	98.02 %	6,574	(669)	(656)	Subsidiary
〃	Visionfront Corporation	New Taipei City	Sale of medical equipment, and medical management consultancy service	44,069	44,069	2,434,870	44.47 %	23,849	(3,752)	(1,668)	Associates
〃	Sunrise Health Care Company	New Taipei City	Sale of medical equipment, and medical management consultancy service	18,806	18,806	2,085,547	23.97 %	27,703	2,788	758	Associates
〃	Excelsior Medical Co., Limited (Hong Kong)	Hong Kong	Investment business	1,588,746	1,588,746	53,154,741	64.36 %	1,612,294	34,741	22,359	Subsidiary
〃	Excelsior Beauty Co., Ltd.	New Taipei City	Sale of aesthetic medical and cosmetic health-care products	91,984	91,984	11,534,804	41.02 %	146,508	33,331	13,779	Sub-subsidiary
〃	Excelsior Asset Management Co., Ltd.	New Taipei City	Sales of medical equipment, precision instrument and real estate	780,525	154,056	80,000,000	100.00 %	601,829	4,433	3,785	Subsidiary
〃	Medifly Co., Ltd.	Taichung	Sale of medical equipment and medicines	31,899	31,899	3,228,550	28.66 %	73,906	66,388	19,026	Associates
Excelsior Healthcare Co., Limited	EG Healthcare, Inc.	Philippines	Sale and lease of medical equipment, and medical management consultancy service	19,256	19,256	5,293,453	99.99 %	55,501	(5,380)	-	Sub-subsidiary
〃	Excelsior Renal Service Co., Limited	Hong Kong	Sale, maintenance and lease of medical equipment, and medical management consultancy service	312,505	312,505	73,375,728	49.00 %	398,867	155,593	-	Associates
〃	Excelsior Medical Co., Limited (Hong Kong)	Hong Kong	Investment business	862,529	862,529	29,439,829	35.64 %	892,824	34,741	-	Subsidiary
〃	Excelsior Investment (Malaysia) Co., Ltd	British Virgin Islands	Investment business	139,467	15,438	4,486,148	100.00 %	130,143	3,209	-	Sub-subsidiary
Dynamic Medical Technologies Inc.	Dynamic Medical Technologies (Hong Kong) Ltd.	Hong Kong	Sale and maintenance of medical equipment	382,278	382,278	98,777,228	100.00 %	257,040	(18,651)	-	Subsidiary
〃	Excelsior Beauty Co., Ltd.	New Taipei City	Sale of aesthetic medical and cosmetic health-care products	138,745	138,745	15,154,496	53.89 %	187,259	33,331	-	Subsidiary (Note 1)
〃	Medytox Taiwan Inc.	New Taipei City	Sale of cosmetic health-care products	18,000	18,000	1,800,000	40.00 %	1,757	(4,401)	-	Associates

Name of the investor	Name of investee	Location	Major operations	Initial investment amount		Ending balance			Net income	Investment	Notes
				Ending balance	Beginning balance	Shares	Ratio of shares	Book value	(loss) of the investee	income (losses)	
Dynamic Medical Technologies (Hong Kong) Ltd.	Excelsior Beauty Limited of Hong Kong	Hong Kong	Sale of professional weight-loss and cosmetic health-care products	25,198	25,198	6,500,000	100.00 %	1,651	(90)	-	Sub-subsidiary
〃	CYJ INTERNATIONAL COMPANY LIMITED	Hong Kong	Sale and treatment of hair regrowth and conditioning	66,547	66,547	2,150,000	50.00 %	11,854	(17,972)	-	Associates
Excelsior Beauty Co., Ltd.	CYJ International Taiwan Inc.	New Taipei City	Sale and treatment of hair protecting and conditioning	97,920	-	9,792,000	80.00 %	90,631	(27,193)	-	Sub-subsidiary
Excelsior Medical Co., Limited (Hong Kong)	Asia Best Healthcare Co., Ltd.	Cayman Islands	Long-term care business	1,395,079	1,395,079	338,800	49.38 %	1,414,743	91,020	-	Associates
Excelsior Investment (Malaysia) Co., Ltd	RENAL LABORATORIES SDN. BHD.	Malaysia	Manufacture of medical equipment	128,572	-	16,773,586	70.00 %	173,155	19,651	-	Sub-subsidiary
〃	MEDI-CHEM SYSTEMS SDN. BHD.	Malaysia	Sale of medical equipment	7,397	-	350,000	70.00 %	41,989	7,948	-	Sub-subsidiary
MEDI-CHEM SYSTEMS SDN. BHD.	RENAL MANAGEMENT SDN. BHD.	Malaysia	Lease business	1,315	-	200,000	100.00 %	9,214	311	-	Sub-subsidiary

Note 1: Including the adjustment made from the unrealized gain/loss with subsidiaries and associates.
Note 2: Including the amortization listed by the book value of net identified assets.
Note 3: According to the regulations, the Company are required to disclose the share of income/loss of investees.

(c) Information on investment in Mainland China:

1. Information on investment in Mainland China:

(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of the investee	Main Businesses and products	Total amount of pain-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses	Carrying Amount	Accumulated Inward Remittance of Earnings
					Out-flow	Inflow						
Excelsior Healthcare (Shanghai) Corporation (Note 5)	Sale and lease of medical equipment, and medical management consultancy service	-	(2)	30,240	-	-	30,240	-	- %	-	-	-
Pacific Beijing Bo-Ai Medical Management Consulting Co., Ltd.	Investment business and medical management consultancy service	84,187	(2)	80,327	-	-	80,327	(75,099)	7.80 %	-	30,922	-
SinoExcelsior Investment Inc. (Note 6)	Investment business, sale and lease of medical equipment, and medical management consultancy service	291,579	(2)	947,845	-	-	947,845	(4,869)	100.00 %	(4,869)	124,320	-
Beijing Sinoexcelsior Investment Management Co., Ltd. (Note 8)	Investment business, sale and lease of medical equipment, and medical management consultancy service	-	(2)	-	-	-	-	(11,965)	- %	(11,965)	-	-

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE SPECIFIED)

Name of the Investee	Main Businesses and products	Total amount of pain-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (loss) of the investee	Direct /indirect shareholding (%) by the Company	Current investment gains and losses	Carrying Amount	Accumulated Inward Remittance of Earnings
					Out-flow	Inflow						
Shanghai Wanli Medical Cosmetology Clinic Co., Ltd. (Note 8)	Sale of professional weight-loss and cosmetic health-care products	-	(2)	-	-	-	-	(12,637)	- %	(12,637)	-	-
Guangzhou Dynamic Inc.	Sale and maintenance of medical equipment	119,598	(2)	119,598	-	-	119,598	(14,135)	100.00 %	(14,135)	11,158	-
Beijing Dynamic Inc. (Note 7)	Sale and maintenance of medical equipment	-	(2)	34,424	-	-	34,424	-	- %	-	-	-
National Pharmaceutical Logistics Corp., Ltd.	Medical logistics	370,493	(3)	66,603	-	-	66,603	159,369	17.65 %	-	216,208	37,614

2. Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2019 (Note 3、4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3、4)	Upper Limit on Investment(Note 9)
1,087,625	1,289,640	4,167,805

Note 1: Investments in Mainland China are differentiated by the following four methods:
(1) Direct investment in Mainland China with remittance through a third region
(2) Incorporation of an investee company in a third region and indirect re-investment in Mainland China through the new entity.
(3) Indirect investment in Mainland China through an existing investee company in a third region.
(4) Other methods (i.e. entrusted Investment)

Note 2: Recognition of investment gain or loss during current period is pursuant to the following:
(1) If the corporation is in the set-up phase, notes are required.
(2) Recognition basis of investment gains or losses is determined by the following three types, and related notes are required.
1) Financial statements of the investee company were audited and certified by an international firm in cooperation with an R.O.C. accounting firm.
2) Financial statements of the investee company were audited and certified by the external accountant of the parent company.
3) Others.

Note 3: Initial investment amounting to $29,213 thousand, has included in accumulated and authorized investment amount; however, the disposal was completed in December 2015. As of December 31, 2019, the original investment amount of $29,213 thousand from Taiwan has not been repatriated yet.

Note 4: The current accumulated and authorized investment amount are not included the subsidiaries, Dynamic and Arich, investment in Mainland China.

Note 5: The liquidation procedure of Excelsior Healthcare (Shanghai) Corporation was completed in March 2016, and the investment had remitted to Excelsior Healthcare Co., Limited in the third place. As of December 31, 2019, the accumulated amount of investment from Taiwan has not been repatriated yet.

Note 6: The current investment outflow is not included the direct investment amount of $207,380 thousand through the third region.

Note 7: The liquidation procedure of Beijing Dynamic Inc. was completed in November 2018, and the investment had remitted to Dynamic Medical Technologies (Hong Kong) Ltd. in the third place. As of December 31, 2019, the accumulated amount of investment from Taiwan has not been repatriated yet.

Note 8: Beijing Sinoexcelsior Investment Management Co., Ltd. and Shanghai Wanli Medical Cosmetology Clinic Co., Ltd. were disposed in October 2019, and the investment had remitted to SinoExcelsior Investment Inc.

Note 9: The upper limit on investment of Excelsior Medical Co., Ltd. is the 60% of net value.

Note 10: All amounts listed are disclosed in NTD.

3. Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information of significant transactions".

(14) Segment Information

Please refer the consolidated financial statements for the year ended December 31, 2019.

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description			Amount
Cash	Petty cash			$ 70
Cash in bank	Checking accounts			1,534
	Demand deposits			333,675
	Foreign deposits			
		USD	999 thousand	29,949
		JPY	799,552 thousand	220,676
		EUR	378 thousand	12,705
		KRW	26,092 thousand	683
		CNY	0.84 thousand	4
				264,017
	Time deposits			
		USD	5,000 thousand	149,900
	Subtotal			413,917
Total				$ 749,196

STATEMENT OF NOTES RECEIVABLE

Client Name	Description	Amount	Note
Youlin Industrial Ltd.		$ 6,476	
Grant River Co., Ltd.		5,480	
Other		57,490	The year-end balance of each client does not exceed 5% of the account balance.
Total		$ 69,446	

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Related Parties:			
Bestchain Healthtaiwan Co., Ltd.	Payment for goods	$ 455,067	
Excelsior Renal Service Co., Limited	〃	146,371	
Other	〃	23,733	The year-end balance of each client does not exceed 5% of the account balance.
Subtotal		625,171	
Non-related Parties:			
Ikko Corporation	〃	18,757	
Hi-Clearance Inc.	〃	19,639	
Other	〃	297,767	The year-end balance of each client does not exceed 5% of the account balance.
Subtotal		336,163	
Total		961,334	
Less: Allowance for Impairment		(19,242)	
Net Amount		$ 942,092	

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF OTHER RECEIVABLES

DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Related Parties:			
Excelsior Renal Service Co., Limited	Advances paid for related parties	$ 267	
Asia Best Healthcare Co., Limited	〃	180	
Other		149	
	Subtotal	596	
Non-related Parties:			
	Interest receivable	720	
	Other	4,176	
	Subtotal	4,896	
Total		$ 5,492	

STATEMENT OF INVENTORIES

Item	Amount		Note
	Cost	Net realized value	
Merchandise	$ 452,482	496,412	
Inventory in-transit	84,194	104,248	
Total	$ 536,676	600,660	

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OF LOSS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Beginning balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value		
Beneficiary certificates										
TCB Taiwan Money Market Fund	1,492,983	$ 15,147	-	-	1,492,983	15,147	-	-	None	

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF CHANES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Ending balance			
Name of financial instrument	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value	Collateral	Note
3-D Matrix, Ltd.	302,400	$ 28,940	-	10,955	-	-	302,400	39,895	None	
SciVision Biotech Inc.	1,110,000	72,705	153,381	7,362	790,381	46,106	473,000	33,961	〃	
Caregen Co., Ltd.	55,500	109,195	-	-	-	26,397	55,500	82,798	〃	
Subtotal		210,840	153,381	18,317		72,503		156,654		
Unlisted Stock										
Gie Cheng Co., Ltd.	3,795,000	32,485	-	-	-	2,429	3,795,000	30,056	〃	
Missioncare Co., Ltd.	1,580,526	17,702	-	1,470	-	-	1,580,526	19,172	〃	
Missioncare Asset Management Co., Ltd.	669,473	6,614	-	355	-	-	669,473	6,969	〃	
Rui Guang Healthcare Co., Ltd.	2,423,951	24,870	-	2,327	-	-	2,423,951	27,197	〃	
Arcos Bio Tech Corporation	51,014	474	-	75	-	-	51,014	549	〃	
Sunder Biomedical Tech. Co., Ltd.	2,279,578	44,429	-	12,105	-	-	2,279,578	56,534	〃	
Linkon International Golf & Country Club	1	8,400	-	-	-	275	1	8,125	〃	
Subtotal		134,974		16,332		2,704		148,602		
Total		$ 345,814		34,649		75,207		305,256		

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF CHANGES INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Beginning balance		Addition		Decrease		Ending balance			Market value or net assets value			
Name of investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount	Collateral	Note
Listed companies													
Dynamic Medical Technologies Inc.	11,550,425	$ 502,601	-	44,070	-	40,038	11,550,425	38.50 %	506,633	50.00	493,477	None	
Arich Enterprise Co., Ltd.	17,612,921	475,726	-	39,505	-	18,293	17,612,921	39.51 %	496,938	20.05	498,936	"	
Unlisted companies													
Jiate Excesior Co., Ltd.	1,607,200	32,264	-	635	-	12,214	1,607,200	49.00 %	20,685	-	20,725	"	
Bestchain Healthtaiwan Co., Ltd.	33,593,171	324,270	2,115,087	95,681	-	22,172	35,708,258	44.68 %	397,779	-	424,169	"	
Excelsior Healthcare Co., Limited	39,411,623	1,567,600	-	96,144	-	37,366	39,411,623	100.00 %	1,626,378	-	1,649,475	"	
Bestsmile Co., Ltd.	1,150,874	7,204	-	26	-	656	1,150,874	98.02 %	6,574	-	6,574	"	
Visionfront Corporation	2,434,870	25,518	-	-	-	1,669	2,434,870	44.47 %	23,849	-	23,849	"	
Sunrise Health Care Company	2,085,547	28,509	-	780	-	1,586	2,085,547	23.97 %	27,703	-	27,702	"	
Excelsior Medical Co., Limited (Hong Kong)	53,154,741	1,621,363	-	22,387	-	31,456	53,154,741	64.36 %	1,612,294	-	1,612,294	"	
Excelsior Beauty Co., Ltd.	11,534,804	143,999	-	14,044	-	11,535	11,534,804	41.02 %	146,508	-	146,620	"	
Excelsior Asset Management Co., Ltd.	16,800,336	128,264	63,199,664	810,296	-	336,731	80,000,000	100.00 %	601,829	-	809,751	"	
Medifly Co., Ltd.	3,228,550	59,200	-	19,026	-	4,320	3,228,550	28.66 %	73,906	-	74,094	"	
Total		$ 4,916,518		1,142,594		518,036			5,541,076		5,787,666		

Note: Net assets value of unlisted companies was according to the report issued by the investee or the audit report of the investee.

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Note
Related Parties:			
Medifly Co., Ltd.		$ 1,321	
Bestchain Healthtaiwan Co., Ltd.		610	
Subtotal		1,931	
Non-related Parties:			
Medtronic (Taiwan) Ltd.		232,835	
Asahi Kasei Kuraray Medical Co., Ltd.		110,369	
Chi Sheng Pharma & Biotech Co., Ltd.		64,331	
Kyowa Kirin Taiwan Co., Ltd.		61,104	
Sunder Biomedical Tech. Co., Ltd.		47,137	
Other		196,623	The year-end balance of each client does not exceed 5% of the account balance.
Subtotal		712,399	
Total		$ 714,330	

STATEMENT OF OTHER PAYABLES

Item	Description	Amount
Other payables	Employee wages and bonuses payable	$ 59,967
	Salaries and bonuses payable	32,886
	Remuneration payable of directors	16,183
	Compensated absence payable	9,591
	Professional fees payable	3,815
	Insurance payable	3,285
	Other	32,820
Total		$ **158,547**

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Sales revenue			
Surgical supplies	1,871,341 pieces	$ 1,440,607	
Artificial kidneys, blood tubing sets, lumbar puncture needles	10,366,404 pieces /pairs	1,055,715	
Erythropoietin, liquid medicines, powder medicines	4,373,304 doses/buckets/ packs	761,614	
Medical supplies	3,652,143 packs/pieces	113,952	
Medical equipment	1,597 sets	77,075	
Medicines	1,668,102 pills	87,266	
Blood bags	269,742 bags	49,855	
Household appliances	38,622 sets	106,011	
Other		62,281	
Subtotal		3,754,376	
Repair and maintenance revenue		173,680	
Other operating revenue		36,634	
Net		$ 3,964,690	

EXCELSIOR MEDICAL CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

Item		Amount
Cost of Goods Sold		
Inventory, January 1	$	652,901
Add: Purchase		3,184,640
Less: transfer to property, plant and equipment		(12,722)
Other		(5,604)
Inventory, December 31		(585,241)
Cost of Goods Sold		3,233,974
Repair and maintenance costs		85,089
Rental costs		6,044
Other operating costs		4,333
Losses on inventory valuation and obsolescence		1,169
Operating costs	$	**3,330,609**

EXCELSIOR MEDICAL CO., LTD.

STATEMENT OF SELLING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salary and wages expense		$ 75,523	
Freight		41,015	
Depreciation expense		12,275	
Entertainment expense		11,045	
Other		68,644	The year-end balance of each account does not exceed 5% of the account balance.
		$ 208,502	

STATEMENT OF ADMINISTRATIVE EXPENSES

Item	Description	Amount	Note
Salary and wages expense		$ 118,019	
Other		47,618	The year-end balance of each account does not exceed 5% of the account balance.
		$ 165,637	